EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON PERFORMANCE OF MANUFACTURING FIRMS IN KENYA

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Effect of Corporate Social Responsibility on Performance of Manufacturing Firms 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

To my friends and relatives for the great inspiration, patience and support extended to me, and to all my instructors, comrades and experts, whose advice and encouragement remain the source of my inspiration.

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ANOVA	Analysis Of Variance
COYA	Company of the Year Award
CO_2	Carbon Dioxide
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
CV	Control Variable
DV	Dependent Variable
EMS	Environment Management System (ISO 14001)
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft fur Internationale Zusammenarbeit
GOK	Government of Kenya
GRI	Global Reporting Initiative
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	Information Communication Technology
ILO	International Labour Organization
ISO	International Organization for Standardization
IV	Independent Variable
KAM	Kenya Association of Manufacturers
KEPSA	Kenya Private Sector Alliance
KIM	Kenya Institute of Management
KIPPRA	Kenya Institute for Public Policy Research and Analysis
M/SDGs	Millennium/Sustainable Development Goals
MLRM	Multi Linear Regression Model
NACOSTI	National Commission for Science, Technology and Innovation
NEMA	National Environment Management Authority
NGO	Non-Governmental Organization

NSE	Nairobi Securities Exchange
OECD	Organization of Economic Cooperation and Development
OPI	Organizational Performance Index
PMCC	Pearson's Product Moment Correlation Coefficient
QMS	Quality Management System (ISO 9001)
RBT	Resource Based Theory
ROA/E/S	Return On Assets/Equity/Sales
SIT	Social Identity Theory
SPSS	Statistical Package for Social Sciences
TBL	Triple Bottom Line
UN	United Nations
UNCSD	United Nations Conference on Sustainable Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
VIF	Variance Inflation Factor

DEFINITION OF TERMS

Competitive Advantage	It is the sustained attraction, accumulation and retention of resources that are unique, rare, valuable, difficult to substitute and hard to imitate which lead to superior firm performance relative to competitors based on the business's cost structure and the ability to differentiate the firm from competitors (Freeman, Harrison, Wicks, Parmar & Colle, 2010; Pearce & Robinson, 2011; Sweeney, 2009).
Competitiveness	It is the ability to proactively anticipate the operating environment and perform better than comparable firms in sales, market share and profitability (Atikiya, 2015; Pearce & Robinson, 2011).
Corporate Social Responsibility (CSR)	CSR refers to philanthropy through actions beyond the requirements of law and business, aimed at achieving strategic business goals through promotion of social and environmental welfare in business operations and in interaction with stakeholders on a voluntary basis (Bremner, 2016; Newman, Rand, Tarp & Trifkovic, 2016; Sweeney, 2009; Tilakasiri, 2012).
Firm Performance	Firm performance refers to tangible results that reflect the company's economic, social and environmental relation with stakeholders (Chen, 2015; Tilakasiri, 2012).
Manufacturing	It is the exploitation of natural resources through mass industrial value creation for production of goods by processing and value addition of raw materials into final products by use of large scale industrial production (Atikiya, 2015; Chen, 2015; KAM, 2015).

ABSTRACT

Due to intense competition for industrial products, markets are faced with social contestability based on environmental and health related externalities attributed to products and processes, and economic contestation from competitors. Manufacturing sector is characterized by various concerns which affect various stakeholders, who have become adept in holding companies to account for the consequences of their activities. Corporate Social Responsibility (CSR) has evolved from a theoretical concept to a managerial tool used to build a company's reputation and enhance its competitive advantage hence currently an integral part of business strategy. The purpose of this study was to determine the effect of CSR on performance of manufacturing firms in Kenya. Manufacturing is a key driver of global trade and highly espoused in Kenya's development plan. The specific objectives and hypotheses sought to examine and test the effect of firms' sensitivity to multiple stakeholders comprising employees, customers, community and government on financial and non-financial firm performance. The control variable in this study is company size. The study was anchored on stakeholder, resource based, social contract, social identity and slack resources theories. Descriptive survey research design was used to explain existing CSR phenomenon in relation to firm performance. The study population consisted of 853 manufacturing firms registered with Kenya Association of Manufacturers (KAM), from which 427 firms were selected in Nairobi and Athi River regions to constitute the sampling frame and 202 firms to constitute the sample by purposive sampling. Primary data was obtained by use of a self-administered questionnaire and secondary data obtained from organizations' annual reports, journals, books, researches, theses, dissertations, articles and company websites to validate the primary data. Pilot test constituted of 20 respondents, where the research instrument was tested for validity and reliability. Regression analysis was used to test the relationship between CSR and firm performance by use of SPSS, where data was presented in descriptive and inferential statistics. The findings of the study revealed that customer, community and government relations have positive and significant effect on performance of manufacturing firms in Kenya. However, employee relations showed a positive but insignificant effect on performance of manufacturing firms in Kenya. It was further established that firm size had positive but insignificant controlling effect on the relationship between CSR and firm performance. The study recommends the enhancement of employee relations through health and safety, training and development, and staff welfare to maximize employee productivity. It recommends the promotion of customer satisfaction through product information, quality assurance and customer feedback to enhance customer loyalty and firm's reputation to survive in the highly competitive market place. It recommends firms to engage in community relations through health and education, CSR projects and charity, and welfare initiatives to promote harmony with the society. It also recommends that firms maintain friendly business-government relations through self-regulation on ethical practices in addition to enforced government regulation. It recommends that manufacturing firms do invest in CSR activities as a strategy to actively engage with key stakeholders to create and sustain competitive advantage in the increasingly competitive market.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The contemporary business environment has been greatly affected by dynamic turbulence and competition which are highly influenced by globalization. This dynamism demands that organizations constantly review and modernize their approaches to management and keep their focus on the delivery of value. Enhanced competition requires increased efficiency and effectiveness to win the highly informed and empowered consumers who have easy access to global products and information. Various strategies including generic and grant strategies have been employed by firms for competitive advantage to outperform one another for customer satisfaction through dynamism in creativity and innovation (Faulkner & Segal-Horn, 2010; Newman et al., 2016; Pearce & Robinson, 2011).

Intense competition for industrial products pose markets with social contestability based on environmental and health related externalities attributed to the products and processes, and economic contestation from competitors. Firms use CSR to create shared value for their stakeholders and to mitigate their adverse impacts (Crifo & Forget, 2015). CSR involves economic, legal, ethical and discretionary concerns (Fadun, 2014; Galbreath, 2009) for employees, customers, community, government and other stakeholders (Fu & Shen, 2015; Popa & Salanta, 2014; Safwat, 2015; Sweeney, 2009; Tilakasiri, 2012). Organizations are often under pressure from various stakeholder groups to commit resources to CSR activities (Bagh, Khan, Azad, Saddique & Khan, 2017; Manyasi & Masinde, 2014; Sweeney, 2009; Tilakasiri, 2012), hence a key strategy in business operations.

Manufacturing sector plays a key role in socioeconomic transformation and development (AfDB, 2014). However, manufacturing leads to serious environmental

impacts through depletion of natural resources and creation of pollution. Companies that produce goods with the least possible impact on the environment gain competitive advantage. Manufacturing firms are facing major challenges as environmental requirements entail radical changes in product design and production systems as increased competition from low cost countries creates a strong urge for more affordable products and enhanced performance (UNIDO, 2013). To enhance their reputation and to mitigate the risks emanating from the negative impacts of their operations, firms engage in CSR to constructively interact with various stakeholders (Fernando, 2013).

Corporate Social Responsibility (CSR) is a strategy employed by firms to achieve competitive advantages (Ching, Yin, Pei, Zhi & Pei, 2015; Galbreath, 2009; Newman et al., 2016). CSR enhances corporate image and reputation resulting in improved company's competitiveness (Carroll & Shabana, 2010; Chung & Safdar, 2014; Togun & Nasieku, 2015). It involves managing multiple stakeholder ties concurrently and therefore mitigates the likelihood of negative regulatory, legislative or fiscal action, and attracts socially conscious consumers and investors (Freeman et al., 2010). Engagement with stakeholders enhances and sustains a firm's revenue generation through improved relationship with employees, customers and other stakeholders (Harrison & Wicks, 2013). The relationship between business and society has witnessed a massive transformation from the traditional view of business performance as profit maximizing economic agent to a more ethical outlook that analyzes the greater impact of business on society (Safwat, 2015).

1.1.1 Global Perspective on CSR and Performance of Manufacturing Sector

The manufacturing sector is the engine of economic growth and a catalyst for national development. This is realized through wealth and employment creation, contribution to the country's Gross Domestic Product (GDP) and poverty alleviation among the citizenry (Shen, Govindan & Shankar, 2015; Togun & Nasieku, 2015). In Japan, it accounts for 24 percent of GDP and 90 percent of exports (KPMG, 2014). This therefore raises global concern on the performance and impact of manufacturing firms since the

pervasive growth of the manufacturing sector has resulted in depletion of natural resources and ubiquitous pollution, hence CSR used to mitigate such market imperfections (Crifo & Forget, 2015).

The increasing significance of CSR has prompted governments to promote socially and ecologically responsible corporate practices in their national public policies. Governments such as Canada and Denmark monitor CSR practices and have national policies that make it mandatory for companies to include information on CSR in their annual financial reports. International benchmark bodies such as ISO 26000 (CSR standard), ISO 14001 (EMS), OECD guidelines, Global Reporting Initiative (GRI), AccountAbility1000, Social Accountability 8000 and UN Global Compact, entail tenets of responsible investment (Henriques, 2012; Kalunda, 2012). Some countries impose compulsory CSR obligations that demand mandatory contribution to CSR activities (Chung & Safdar, 2014; Ramdhony, 2018). Brazil has a lively CSR scene under Instituto Ethos, a network of businesses committed to social responsibility (Morara, 2013). Developed countries, such as Britain, Germany, France, Belgium, Denmark, Australia and Canada, have working CSR legislations which champion responsible business practices (Ibrahim, 2014).

There is paradigm shift from the traditional single bottom line to contemporary triple bottom line (TBL); people, planet and profit firm performance measures (Bagh et al., 2017; Bremner, 2016). However, the problem with the TBL is that it is not easily and clearly measurable and therefore does not offer a clear test of business success or effective performance in the use of resources. Whereas measuring profits is straightforward, measuring environmental protection and social justice is not (Morara, 2013). The expanding reach of media coupled with advances in information technology, such as the internet, has enabled immediate and widespread exposure of corporate activities even in most remote areas, hence the dire need for responsible business practice (Yin, Rothlin, Li & Caccamo, 2013).

1.1.2 Regional Perspective on CSR and Performance of Manufacturing Sector

Africa is abundantly endowed with precious natural resources, but still relies heavily on imported inputs due to lack of domestic capabilities to transform the resources into industrial inputs and finished products (AfDB, 2014). The manufacturing sector is widely considered to drive African development due to the labour-intensive and export nature of the industry. Many African economies are based on raw commodity exports, which make them highly unsustainable and susceptible to external shocks. In Africa, manufacturing accounts for about 13 percent of GDP and 25 percent of exports. However, Africa's manufacturing sector is expanding fast through investments in institutional factors and foreign direct investments (KPMG, 2014).

While acquiring technology to exploit the vast resources, developing countries encounter the risk of obsolete and harmful technologies and products, and environmental degradation due to weak regulations, frameworks, institutions, standards and indices (Ahen, 2015; Tilakasiri, 2012). Enforcement of CSR ensures that firms are accountable to stakeholders for harmonious coexistence which leads to improved firm performance and social reputation (Calabrese, Costa, Menichini, Rosati & Sanfelice, 2013).

1.1.3 Kenyan Perspective on CSR and Performance of Manufacturing Sector

Manufacturing sector accounts for 70 percent of global trade and is a driver of economic prosperity. Currently, it is globally under intense adaptive pressure through rapid technological change which leads to shortened product life cycles, introduction of new materials and advanced manufacturing techniques. A competitive manufacturing sector is central to social-economic transformation and poverty alleviation in emerging economies. In Kenya, manufacturing suffers from dependence on imported inputs, low productivity, structural and policy constraints and cost of factors of production, despite the mineral wealth discoveries from systematic mapping (AfDB, 2014).

The manufacturing sector in Kenya is core in the realization of the country's vision of becoming prosperous and globally competitive by 2030 and is the main conduit for the country's integration into regional and global markets. It contributes to 10 percent of GDP and 12.5 percent of exports (Kinyanjui, 2015). Policy frameworks in Kenya that support manufacturing include Vision 2030 (2007), Industrial Development Master plan (2008), National Industrial Policy Framework (2012) and Medium Term Plan II 2013-2017 (2013).

Intense market competition due to heightened domestic rivalry and globalization have adversely affected profitability among manufacturing firms in Kenya in line with Porter's five forces of industry competition (Kinyanjui, 2015). This is further exacerbated by inefficient industrial capabilities, sub-standard and counterfeit goods and ecological impacts caused by poor waste management (GOK, 2012a). However, construction sector has been vibrant due to induced demand from infrastructure and urbanization (AfDB, 2014).

The Kenyan economy is expected to grow at 10 percent per annum as envisaged in Kenya's Vision 2030 over-arching goal of transforming into "a newly industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment" by 2030. Rapid industrialization in South East Asia (SEA) resulted in economic transformation with contribution to GDP increased from about 15.4 percent in 1970 to over 30.0 percent in 2012, while contribution of manufacturing sector to GDP in Kenya has stagnated at about 10 percent (KIPPRA, 2013).

The Constitution of Kenya 2010, Chapter Five, Part 2, provides for "sustainable exploitation, utilization, management and conservation of the environment and natural resources" (GOK, 2010). KIM's Organizational Performance Index (OPI) ranks companies' competitiveness for Company of the Year Award (COYA). In OPI, CSR is placed in seven areas of concern: Community involvement and development, human rights, labour practices, fair operating practices, consumer issues and the ecology (Muturi, 2013). The Global Compact Network Kenya is managed by Kenya Association

of Manufacturers (KAM) (GIZ, 2013). These espouse financial and non-financial firm performance measures.

The manufacturing sector in Kenya is affected by various concerns: Energy consumption, waste management and recycling, labour practices, occupational health and safety, health effects of processes on residents and quality of products. These concerns cause conflict with various stakeholders including the government, human resource, community and consumers (Mwangi & Oyenje, 2013), hence the need for government regulation and establishment of functional CSR institutions (Muthuri & Gilbert, 2011). Firm stakeholders; employees, customers, community and government, are the most common constructs in CSR studies (Ahmad & Zabri, 2016; Chen, 2015; Tilakasiri, 2012) and therefore formed the independent variables in this study because they are highly salient in Kenyan context.

Leading manufacturing firms in Kenya including East African Breweries, Bamburi cement, Unilever, Henkel, Coca Cola and Tata Chemicals (formerly Magadi Soda) have been actively involved in CSR projects driven by a combination of factors; normative (giving back to society), instrumental (for public relations and marketing purpose) and strategic (integrating into a company's mission and vision) (GIZ, 2013). Some other firms attempt to partially follow guidelines such as UN global compact, but not committed to audited CSR disclosure (Kalunda, 2012). The capability of firms to engage in CSR activities is mainly driven by firm characteristics such as size and age (Galbreath, 2009; Gi, Vakilbashi & Zamil, 2015; Sweeney, 2009; Trencansky & Tsaparlidis, 2014). This study used firm size as a control variable since it reveals more details about the firm's capacity.

1.2 Statement of the Problem

Manufacturing sector is a key driver of global trade and is highly espoused in Kenya's Vision 2030 economic blueprint (KIPPRA, 2013). The government of Kenya has initiated programmes to shift into mass industrial production of higher value-added

goods that are competitive in the export market through development of a favourable business environment and infrastructure (KNBS, 2016; KPMG, 2014), hence the need to study the manufacturing sector in Kenya.

In today's business environment, social and ecological responsiveness is a battle ground for competitive success (Porter & Kramer, 2011). Manufacturing of products exploits natural resources and generates waste and pollution, hence the need to sustainably control their negative impact on stakeholders (Galbreath, 2009). CSR heightens the need for organizations to adopt policies that focus on the importance of minimizing or eliminating harmful practices meted on stakeholders (Cruz & Ramos, 2015).

The growing stakeholder clamour and bargaining power put pressure on businesses to balance economic, social and environmental concerns in their operations (Bremner, 2016). A balanced approach to measuring sustainable organizational performance includes financial and non-financial measures (Galbreath, 2009). Triple bottom line (TBL) or sustainable balanced score card is commonly used in CSR studies to measure business performance (Freeman et al., 2010; Njoroge, Machuki, Ongeti & Kinuu, 2015). This research sought to measure firm performance broadly in both financial and non-financial perspectives.

1.3 Research Objectives

The study sought to achieve the following general and specific objectives:

1.3.1 General Objective

The general objective of this research was to determine the effect of corporate social responsibility on performance of manufacturing firms in Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

1) To establish the effect of employee relations on performance of manufacturing firms in Kenya.
2) To determine the effect of customer relations on performance of manufacturing firms in Kenya.
3) To assess the effect of community relations on performance of manufacturing firms in Kenya.
4) To find out the effect of government relations on performance of manufacturing firms in Kenya.
5) To examine the controlling effect of firm size on the relationship between CSR and performance of manufacturing firms in Kenya.

1.4 Research Hypotheses

The following hypotheses were formulated to test the research questions:

H_{01}: Employee relations have no significant effect on performance of manufacturing firms in Kenya.

H_{02}: Customer relations have no significant effect on performance of manufacturing firms in Kenya.

H_{03}: Community relations have no significant effect on performance of manufacturing firms in Kenya.

H_{04}: Government relations have no significant effect on performance of manufacturing firms in Kenya.

H_{05}: Firm size has no significant controlling effect on the relationship between CSR and performance of manufacturing firms in Kenya.

1.5 Justification of the Study

The key beneficiaries of this study were identified to include scholars, practitioners and policy makers among others:

1.5.1 Scholars and Academicians

Available studies have focused mostly on CSR in developed countries with limited research on developing countries (Tilakasiri, 2012). This research, being one of the very few concerning CSR in Kenyan context, will offer a rich empirical source to researchers and academicians in creating deeper understanding on the strategic importance of CSR and stimulate future research on the subject. It pays specific attention to the manufacturing sector, thus contributing to the limited body of knowledge in this area.

1.5.2 Managers and Industrialists

Managers without strategic understanding of CSR are prone to postponing costs that later escalate when the company is later judged to have violated its social obligation. Coordinated CSR activities connected to the company's strategy make significant social impact and strengthen the firm's long term competitiveness (Porter & Kramer, 2011). Research has identified CSR as a win-win strategy for business and society (Iatridis, 2011). This research will be of significant contribution to the body of knowledge to sensitize managers and industrialists in mainstreaming and targeting their efforts to social and environmental concerns emanating from their operations in an effort to obtain competitive advantage. It will invoke managers and industrialists to compile and publish data on CSR to test and enrich extant literature.

1.5.3 Policy Makers

Research interest in manufacturing sector stems from the consequences of factories on the environment and society in which they are located, and the significant impact on the economy of a nation since it is the basis for determining a nation's economic efficiency

(Amakom, 2012). In developed economies manufacturing accounts for a substantial proportion of total economic activities. The manufacturing sector is the engine of economic growth and a catalyst for national development by creating wealth and employment, hence contributing to the country's Gross Domestic Product (GDP) (Togun & Nasieku, 2015). A study therefore into the effect of CSR on the performance of firms in this sector was worth undertaking. It will guide formulation of policy guidelines that create harmony between manufacturing firms and the various stakeholders.

1.6 Scope of the Study

The study focused on the manufacturing sector in Kenya. Manufacturing is a key driver of global trade (AfDB, 2014) and a priority sector envisaged to spur economic growth in Kenya's Vision 2030 development plan (KIPPRA, 2013). It focused on factories located in Athi River and Nairobi, which host over 80 percent of manufacturing firms in Kenya (KAM, 2015). This study adopted multiple stakeholder constructs comprising of employees, customers, community and government, who are the most concerned parties in CSR execution (Tilakasiri, 2012). It used financial and non-financial measures to determine firm performance, by considering firm's contribution to sustainable development through social, economic and ecological gains (Safwat, 2015). The survey captured performance for 5 years (2012 to 2016) and carried out from 27th March 2017 to 27th March 2018.

1.7 Limitations of the Study

This study was limited by resistance from some respondent firms to disclose information required for the study. This was caused by the fact that company information is highly guarded as confidential to counter the risk of benefiting rival firms, and also some managers posed to be too busy to find time to attend to the questionnaire, occasionally delegating to subordinates and interns. This was managed by seeking prior consent from respondent firms to participate in the study, use of introduction letter from the researcher, JKUAT and NACOSTI, engagement of a research assistant to follow up the

questionnaires, use of both email and drop-and-pick methods, availability of the researcher to respondents whenever clarification was required, use of a simple generic and carefully phrased questionnaire, use of a large sample size, and the use of perceived measures of CSR and firm performance as opposed to explicit measures of each construct.

This study was also limited to the information obtained from the perception of the respondents on CSR activities. Respondents are inclined to give a positive image of the company, over estimate their CSR impact, and may not be able to identify negative attributes, hence biased response (Ching et al., 2015; Sweeney, 2009). In other firms, the questionnaire was attended by subordinates who did not have broad view of the organization. This challenge was mitigated by the consideration of secondary data from company websites, publications and newsletters to authenticate the received responses.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a brief review of the literature relating to the study. It captures the theoretical background of the study to provide the basis for the appropriate conceptual and theoretical framework. It helps to identify research gaps and areas that have been recommended for further research.

2.2 Theoretical Framework

This section examines theories and business models used to establish the theoretical foundations of the study. A theory is a set of concepts or constructs and the interrelations that are assumed to exist among them, which contains generalizations and hypothesized principles which can be scientifically tested. It provides the basis for establishing the objectives and hypotheses of the study. Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. They form the base on which research is founded by providing prior expectations (Gujarati & Porter, 2010). This study was based on stakeholder theory, resource based theory, social contract theory, social identity theory and slack resources theory.

2.2.1 Stakeholder Theory

Stakeholder theory suggests that a firm's obligation is not only to maximize profits but also to increase stakeholder satisfaction. It argues that organizations should balance a multiplicity of stakeholders' interests. It recognizes that firms have obligation to a wide and integrated set of stakeholders (Harrison & Wicks, 2013; Sweeney, 2009). It posits that organizations should treat all stakeholders fairly to improve their performance and competitiveness in the marketplace (Tilakasiri, 2012; Yin et al., 2013).

Stakeholders are constituents who can affect or are affected by the organization's activities. They contribute to the firm's wealth-creating capacity and are potential beneficiaries and risk bearers (Sweeney, 2009). Firms possess both explicit (legal) and implicit (self-enforcing) contracts with various constituents. The key stakeholders in the firm's activities include; employees, suppliers, customers, media, local communities, government, NGOs and environmental activists (Freeman et al., 2010). CSR is most comprehensively studied through stakeholder theory (Chen, 2015; Tilakasiri, 2012). In this study CSR framework was based on selected stakeholders; employees, customers, communities and government.

The major limitation of the stakeholder theory is that it proposes fair treatment of all stakeholders, which conflicts with the major business profitability objective. The major strength of this theory is that it imposes responsibility on firms beyond regulatory requirement which assures firm's long term success and sustainability (Tilakasiri, 2012).

2.2.2 Resource Based Theory

The resource-based view (RBT) contends that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals (Freeman et al., 2010). RBT provides an assessment of the resources that the firm requires to possess and dispose of a bundle of distinctive capabilities and competencies to be competitive. The RBT suggests that the firm, in competitive business environment, needs to leverage its unique resources, capabilities and competencies and perform tasks efficiently and expeditiously to capture new opportunities, expel threats and to meet customer needs (Al-Ansari, 2014).

It posits that a firm's unique capabilities, competencies and management abilities to marshal its resources to produce superior performance, determine its competitive advantage. The firm's resources are classified as tangible (financial reserves and physical resources; plant, equipment, and raw materials), intangible (reputation and technology), and personnel-based (expertise, commitment and loyalty). Whereas

sustained competitive advantage is based on the attraction, accumulation and retention of resources which are unique and hard to copy, employees are nowadays acknowledged as valuable assets (Sweeney, 2009). Freeman et al. (2010) argues that, for a firm's resource to be a source of sustained competitive advantage, it must be unique, rare, valuable, inimitable (hard to copy) and non-substitutable. It supports employee, and customer relations, and also firm characteristics as sources of competitive advantage.

This theory supports the coordination of tangible and intangible resources for higher performance and competitive advantage. Its major weakness is that many firms have limited bundle of strategic assets and capabilities and are easily copied by competitors (Al-Ansari, 2014). The major strengths of RBT is that it is the driving force in strategic management literature and complements the stakeholder theory in that firm competitiveness requires effective management of both organizational resources and stakeholder relations (Freeman et al., 2010).

2.2.3 Social Contract Theory

Social contract theory declares that society has "the mandate" or the "viability of business". This is also referred to as "licence to operate", the "iron law of responsibility" and the "legitimacy theory" (Hilson, 2014). Organizations exist and act by permission of society at large, hence obliged to be sensitive to various stakeholders. If organizations act in ways that are not consistent with society's expectations, they will eventually face externally imposed controls over their behavior. Thus, firms are obliged to preserve their image of a legitimate business with legitimate aims and methods (Sweeney, 2009).

Social contract is mutual trust and relationship between the organization and stakeholders, with a set of rules and assumptions about behavioural patterns. Stakeholder management is grounded in the concept of the social contract which focuses on the relationship between the business and stakeholders (Sweeney, 2009). Formal social contract defines a firm's explicit responsibilities, including generating returns for

shareholders, obeying laws and regulations, creating jobs, paying taxes and honouring contracts.

On the other hand, informal social contract reflects society's implicit expectations that are not explicitly stipulated by the law such as adherence to global labour and environmental standards, triple bottom-line reporting, industry norms and codes of conduct, fulfilling brand promises and philanthropy to the community (Galbreath, 2009).

According to social contract theory, businesses must act in a responsible manner in line with society expectations as they pursue their commercial interests (Mwangi & Oyenje, 2013). Social contract theory defines relationships with shareholders, employees, creditors, suppliers, consumers, the government, the community and various stakeholders. Internally, employees become more productive when the working conditions, interests and benefits are guaranteed in the corporate internal contract. Externally, ensuring the quality of products, abiding to law and protecting the environment will help firms to establish a good corporate image and reputation, which creates and sustains competitive advantage (Fu & Shen, 2015).

The social contract recognizes that the firm has to seek favour from the society in which it operates. Its weakness is that the extent of corporate social contract is constrained by several factors such as laws, policies, morals, self-discipline and the preference of investors, government and community. Its key strength is that firm performance is based on the outcome of a collection of contracts with the various stakeholders; shareholders, employees, creditors, consumers, suppliers, government, community and other stakeholders (Fu & Shen, 2015; Sweeney, 2009).

2.2.4 Social Identity Theory

Social Identity theory (SIT) defines the conduct of a firm in ensuring its stakeholders' welfare is safeguarded by having an environment that is conducive. SIT proposes that individuals' view of themselves is influenced by their membership of social

organizations, which influence customer and employee loyalty. SIT has been extensively used to explain customer and employee management (Ching et al., 2015).

Organizational reputation attracts stakeholders to identify with the organization which guarantees employee and customer loyalty and satisfaction, and also increases organizational commitment. This reduces the costs involved in employee and customer attraction and retention (Bremner, 2016; Ching et al., 2015). The weakness of this theory is that firm reputation must first be formed to elicit employee and customer loyalty (Ching et al., 2015).

2.2.5 Slack Resources Theory

Slack resources theory argues that better financial performance potentially results in the availability of slack resources which facilitate firms to invest in CSR which creates and sustains competitive advantage in the long run. It avers that enhanced financial performance facilitates the social behaviour of firms. Thus, a firm's level of CSR behaviour is dependent on the slack resources available to the firm (Sweeney, 2009). The weakness of this theory is that it argues that CSR does not directly cause enhanced financial performance but rather, financial performance allows for social behaviour of firms.

Poor performers would prefer short term and high yield investments as opposed to uncertain and long term CSR investments in larger and more profitable firms. Businesses must be prudently managed to maximize profits. Adoption of CSR constrains a firm in the competition for survival (Sweeney, 2009). It is therefore expected that the more profitable firms in competitive industries are more inclined to invest in CSR to enhance their competitiveness.

2.3 Conceptual Framework

A conceptual framework is a diagrammatic representation of the relationship between the variables in the study. It is a hypothesized model identifying the concepts under

study and their relationships. It guides the reader to quickly see the proposed relationships. This study examined the effect of CSR on firm performance in the context of manufacturing firms registered with KAM. The conceptual framework for this study was based on the variables shown in Figure 2.1.

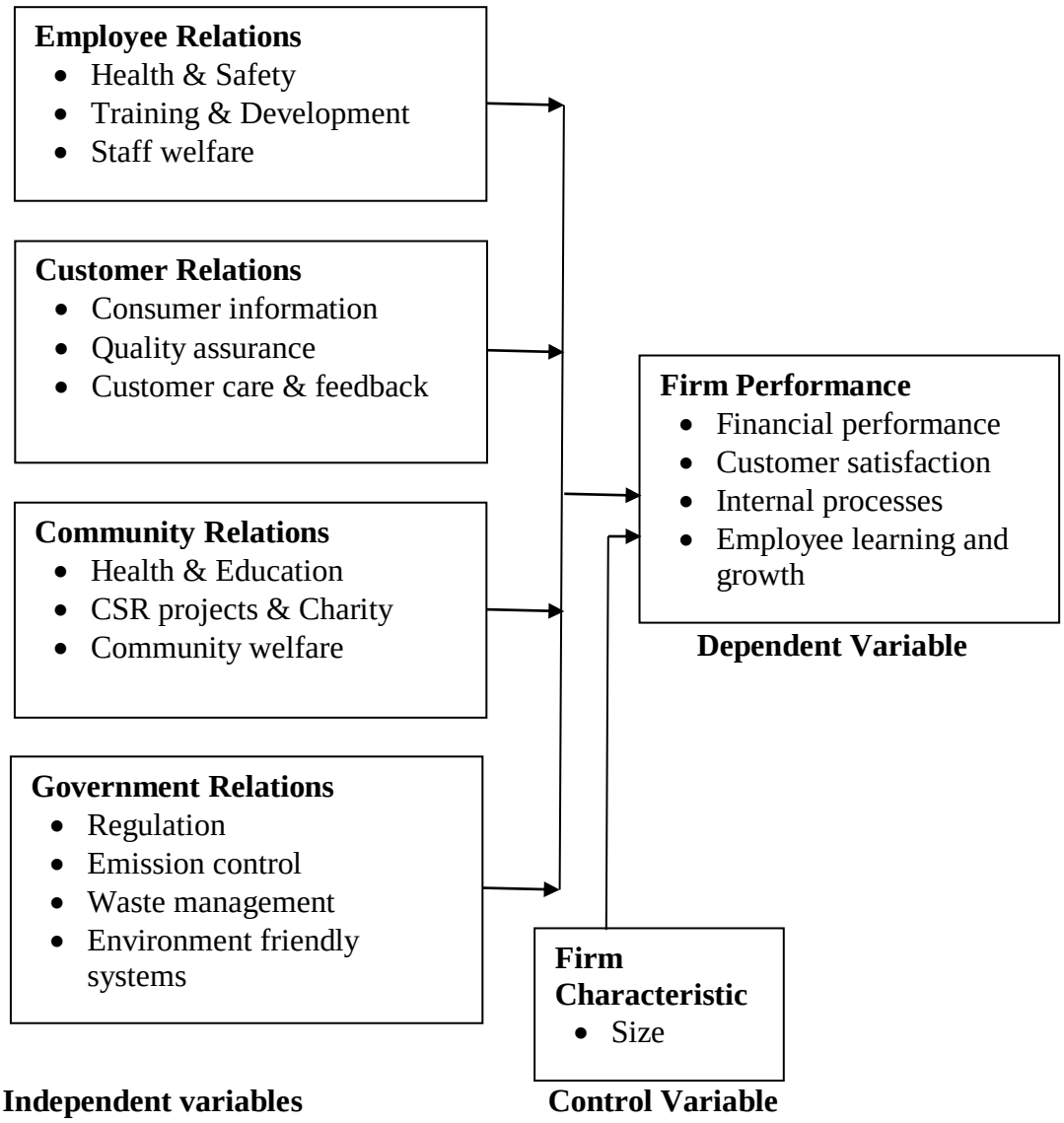

Figure 2.1: Conceptual Framework

2.3.1 Employee Relations

Employees are considered as valuable organizational resources hence the ability to retain them is core for sustainable organizational performance (Tilakasiri, 2012). Employees and employers are engaged in a social contract that affects the firm's performance where employees provide labour for the firm and employers compensate them for their contribution of skill and productivity.

The social contract involves numerous social, legal and public issues including safe and healthy workplace, job security and fair labour standards (Lawrence & Weber, 2011). CSR provides the firm with sustained competitive advantage based on the attraction, motivation, and retention of employees and controls the cost involved in recruiting and training staff (Simpson & Aprim, 2018; Sweeney, 2009). This study considered voluntary commitments to occupational safety and health administration, training and development and staff welfare to constitute critical employee related CSR activities that enhance and sustain the firm's performance.

2.3.2 Customer Relations

The attraction and loyalty of customers has significant influence on corporate performance (Tilakasiri, 2012). It is a prime social responsibility of a business to ensure that consumers are safeguarded through product safety, quality, information, pricing, and customer care and feedback. Socially responsible companies give serious consideration to consumer concerns, increase channels of communication with consumers, institute arbitration procedures to resolve complaints, and recall defective products (Lawrence & Weber, 2011). CSR has been shown to affect consumer attitude towards a product and the firm (Sweeney, 2009). This study considered consumer information, quality assurance, and customer care and feedback as critical components of a socially responsible firm.

2.3.3 Community Relations

Community relations refer to the organized involvement of business with the community in areas such as education, health care, economic development, and environmental issues. Although most companies give directly, some large corporations have established non-profit corporate foundations. Gifts by the corporations take one of the three forms; charitable donations (money), in-kind contributions (products and services), and volunteer employee service (time) (Lawrence & Weber, 2011). In addition to the production of goods and services, society expects that organizations will provide benefits such as improved lifestyle, employment, infrastructure, and environmental conservation (Agarwal, 2008). CSR practices mainly target poverty alleviation, the protection of human rights and environmental protection (Tilakasiri, 2012).

The key worth of CSR is the creation of shared value; benefit for society and for the business. The shared value strategic CSR creates a symbiotic relationship where the success of the company and that of the community become mutually reinforcing (Porter & Kramer, 2011). This study considered community relations to comprise of community health and education, CSR projects and charity, and community welfare.

2.3.4 Government Relations

The government is expected to create an enabling environment for business performance through legal standards and policy frameworks (Tilakasiri, 2012). This is done through enforcement of regulations by government agencies and also through firm's self-regulation. Government regulations mandate social responsibility reporting, where in some jurisdictions, firms are required to disclose social and environmental merits in their annual reports (Pedersen, 2015; Ramdhony, 2018).

Government regulations enforce quality standards, environment protection, labour standards, and adoption of efficient technologies (Fu & Shen, 2015; Mwangi & Oyenje, 2013; Yin et al., 2013). This ensures that the firms' operations and products meet both

ethical and legal requirements, by regulation of product information, health and safety, environmental concerns, and product quality (Lawrence & Weber, 2011). CSR mitigates the likelihood of negative regulatory, legislative or fiscal action (Cheng, Ioannou & Serafeim, 2015). This promotes initiatives that increase productivity and decrease costs through aggressive waste reduction and process improvement programs (Sweeney, 2009). This study considered regulation, emission control, waste management, and environmental friendly systems.

2.3.5 Firm Size

Control variables are used to overcome the effects of extraneous variables. The most common control variables used in the assessment of the relationship between CSR and firm performance are firm size, age and industry, which control the effects of firm specific characteristics. This helps to generalize the study across firms that vary in those characteristics (Gi et al., 2015; Lin &Amin, 2016; Osunsan, Nowak, Mabonga, Pule, Kibirige & Baliruno, 2015). Company size is normally considered as the most appropriate control variable based on empirical evidence that larger firms engage in CSR activities more than smaller and medium sized firms owing to the slack resources at their disposal (Tilakasiri, 2012). The control variable in this study was firm size which was operationalized by the number of employees because financial measures (assets, revenue) would hardly be disclosed due to firm confidentiality.

2.3.6 Firm Performance

In this study, it was hypothesized that firm performance related positively to CSR. Employee learning and growth, internal processes, customer satisfaction and financial performance were employed as indicators of firm performance based on firm efficiency and profitability. According to Sweeney (2009), the fast changing business climate demands satisfaction of the multiple stakeholders of the firm. Failure to take cognizant of social responsibility on all stakeholders results in stakeholder reactions including

employees withdrawing their loyalty, customers refusing to buy the firm's products, communities not tolerating the firm, and the government taking legal action.

2.4 Empirical Review

This section examines the preceding studies on the subject matter. It identifies and examines the gaps and shortcomings in the extant literature. It establishes the foundation for developing the research hypotheses and conceptual model upon which this study is based, by exploring the variables and their prior relationships. It helps to identify workable methodology for the study and provides information for formulation of survey instrument.

2.4.1 Employee Relations

Organizations are frequently subjected to pressure from various stakeholder groups to invest in CSR activities. The pressure from employees emanate from increasing public recognition of employee rights in the workplace. This includes fair wages, working conditions, health care, social security and fair labour practices. Corporate attention to CSR has not been entirely voluntary but has been due to pressure from public clamour. Nike faced extensive consumer boycott after the New York Times and other media outlets reported abusive labour practices at some of their Indonesian suppliers in the early 1990s (Newman et al., 2016).

CSR is a tool used to attract, motivate and retain a productive workforce by improved working conditions and labour practices (Bremner, 2016; Simpson & Aprim, 2018). CSR increases employee morale, loyalty, commitment and satisfaction hence leading to a positive impact on production levels of employees and averts labour turnover and disputes. Innovative policies concerning occupational health and safety, workplace diversity, career development opportunities, work life balance, recognition and reward to employees guarantee higher productivity (Manyasi & Masinde, 2014).

Staff training enhances employee skill and expertise which enables them to be more productive and invokes innovation and creativity, a core competitive advantage in the fierce market competition (Fu & Shen, 2015). Employee retention acts as a significant cost reduction in staff recruitment, training and knowledge retention (Sweeney, 2009). Socially responsible companies have a lesser risk of negative publicity and therefore increase a company's ability to attract and retain employees hence reduced costs of labour turnover, recruitment, training and development. Training and career development provide engaged and committed employees who perform better and less likely to leave the company (Ching et al., 2015; Tilakasiri, 2012).

Fair labour practices are critical for business success (Mugun, 2013). Employees' welfare enhances job satisfaction and organizational commitment which leads to greater productivity and low employee turnover (Ching et al., 2015; GIZ, 2013; Mwangi & Oyenje, 2013). Digitization, automation and mechanization are important employee CSR activities, where machines would be used to relief employees of onerous, monotonous, dangerous and non-ergonomic tasks hence boosting productivity. Organizations need to streamline their corporate social responsibility to protect and guarantee rights, interests, benefits and working conditions of workers to realize employee job satisfaction (Hilson, 2014). This includes elimination of sweatshop practices which engage workers for extremely long hours in very poor working conditions at meager pay (Faulkner & Segal-Horn, 2010). Employees whose welfare is guaranteed would be satisfied with their job and feel proud to work for the company (Ching et al., 2015).

2.4.2 Customer Relations

Consumer perceptions that a company is socially responsible are associated with a higher level of trust in its products. This ultimately leads to increased sales and customer loyalty. Alongside the traditional factors that mattered most to consumers; quality, value for money and financial performance, consumers are increasingly interested in the social behaviour of a firm (Sweeney, 2009; Tilakasiri, 2012).

Consumers care about the social and environmental conditions under which products and services are produced, and express preference for trusted products through their purchase behavior (Pedersen, 2015). Negative CSR reports can damage firm reputation and share price, and sometimes lead to consumer boycotts for example Royal Dutch Shell Oil Company in 1994 in the North Atlantic Ocean oil spill scandal (Faulkner & Segal-Horn, 2010).

Consumer information on products and services is very critical for customer loyalty, about the safe and responsible use of products. Producers are obliged to inform the users of their products about dangers that can ensue during correct operation or foreseeable misuse of the product and warn them accordingly, through manuals and warning stickers (Ibrahim, 2014). Consumer pressure includes the expectation that companies will produce safe products and provide more consumer information, after sales service and consumer protection. Organizations need to be aware of these consumer demands and integrate them into their business strategy (Lawrence & Weber, 2011).

Several scholars have proposed various competitive strategies for businesses geared towards customer satisfaction. These usually span quality, cost leadership, product differentiation, customer focus, speed, ICT adoption, and electronic (e) business adoption (Odoom, 2015). Product quality and safety is guaranteed through QMS (ISO 9001) and standardization mark. Quality has two sides: conformance to specification (the supplier view) and conformance to expectation (the customer side). The latter is strategic in that a variety of particularities (features, aesthetics, serviceability and value for money) coalesce to conform to the customer expectations (Cruz & Ramos, 2015; Yin et al., 2013). Customer stakeholder responsibility best practice involves ensuring product quality and service excellence in terms of sustainable product and technology, and timely customer feedback (Yin et al., 2013).

Brand image and reputation is higher in companies that implement CSR practices than in those that do not (Nzulwa, 2013). Customers develop perceptions on firms through product use, service interactions and expectations based on advertising, word-of-mouth

and CSR initiatives which impact on customer satisfaction (Galbreath, 2009). Concern for corporate values, image, reputation, and brand is often reported as a key reason for adopting CSR (Carroll & Shabana, 2010). CSR helps customers to have an improved view of a firm's brand and reputation (Cruz & Ramos, 2015). CSR functions in similar ways as advertising does, increasing demand for products and services and reducing consumer price sensitivity/elasticity (Pedersen, 2015).

2.4.3 Community Relations

Organizations that incorporate CSR activities into their strategies aim at alleviating suffering of communities, saving the environment and making life more bearable. They contribute in various ways including facilitating access to education through provision of facilities and learning materials as well as provision of scholarships and mentorship to bright needy students (Areba, 2013; Bagh et al., 2017). Millennium Development Goals (MDGs), now sustainable development goals (SDGs), aim at having a world with less poverty, hunger and disease, greater survival prospects for mothers and infants, better education, equal opportunities and a healthier environment (UN, 2015).

According to Yin et al. (2013), CSR practice involves commitment in community education, training, capacity building, collaboration, community engagement, philanthropic donations and sponsorship of sports activities. The support of the education system increases future recruitment pool. Microsoft works in partnership with the American Association of Community Colleges (AACC) by contributions of money and products and in curriculum development (Porter & Kramer, 2011).

Companies need healthy societies to succeed, and a healthy society needs successful companies for job creation, wealth, taxes, contributions and innovation which leads to improved standards of living. The health of employees and community is of great value. Organizations are expected to respond to pandemics regardless of whether they are removed from their primary product lines and markets. Food companies are held responsible for obesity, diabetes, cancer and related diseases (Porter & Kramer, 2011).

CSR is defined as a company's effort in improving the well-being of the society through contribution of the company's resources and discretionary business practices (Ching et al., 2015). Fadun (2015) argued that CSR must embody economic, legal, ethical and discretionary perspectives. A firm's discretionary responsibilities entail voluntary social involvement and philanthropic contributions (Sweeney, 2009). Many firms take this common and easiest approach to CSR, the corporate philanthropy which involves financial donations and aid to community and social projects such as education, health and disaster relief efforts. To ensure accountability and focus in CSR, organizations introduce foundations to channel their philanthropic contributions (Paul, 2013).

Nestle supports farmers in developing countries to source raw materials such as milk, coffee and cocoa on which its global business depends. General Electric operates ecomagination initiative that develops water purification systems. Unilever pioneers new products and packaging that address the needs of the poorest in society. BMW supports education, health and activities that advance social causes. These efforts create social impact through business opportunities that integrate business and society (Porter & Kramer, 2011).

Coca-cola aims to empower over 5 million women entrepreneurs in their value chain in developing countries by year 2020. This 5by20 initiative is being implemented in 12 countries; Brazil, China, Costa Rica, Egypt, Haiti, India, Kenya, Mexico, Nigeria, Philippines, South Africa and Thailand. The project provides access to business skills, financial services, assets, and support networks to groom entrepreneurs. This initiative helps to make impact on global issues while growing the company business (Sagwe, 2013).

Some firms choose to align their CSR focus with their core business and how to interface with the communities in which they operate and do business. These include business incubators, health, agriculture, and adapted offerings for vulnerable populations. Others pick areas of need in society from which the company will also benefit. This results in CSR involvement in areas such as education, health,

environmental protection, infrastructure improvement, workplace HIV/AIDS programmes, water, sports, economic empowerment and other concerns (GIZ, 2013; Okello, 2013).

CSR is used to appease communities that would otherwise be hostile to corporate interests, whereby, firms support community interests so as to conduct their activities in harmony. CSR initiatives bond the firm to society in a social contract which gives it social license to operate (Fu & Shen, 2015; Hilson, 2014). Besides the regulatory approvals, the physically present firm requires a social license through support of community interests to gain the community's acceptance of the firm's activities (Mugun, 2013; Popa & Salanta, 2014).

Companies with active CSR activities reap increased visibility due to enhanced image of the company and its products (Ratemo, 2015). According to Peterson (2013), it is not easy to measure how better off a company becomes by implementation of CSR. However, one needs to measure the impact of the projects on target communities. If a firm starts a project, it has to establish the beneficiaries, cost, expected revenues if any, management and sustainability logistics. According to Ratemo (2015), sustainability of CSR projects is achieved through empowering the recipients economically and through capacity building.

2.4.4 Government Relations

Following heightened environmentalism in the marketplace, companies go beyond the regulatory requirements to achieve cost savings and value chain efficiencies (GIZ, 2013; Pearce & Robinson, 2011; Yin et al., 2013). According to Sweeney (2009), environmental sensitivity impacts positively on financial performance in a number of ways. First, it drives down operating costs by exploiting ecological efficiencies by reducing waste, conserving energy and reusing material. Ecological sustainability also provides a basis for creating competitive advantage as there exists a large and growing segment of consumers with preference to environmentally friendly products and

practices. Additionally, firms with good environmental practices receive reduced interest rate on loans, reduced insurance premiums and tax reliefs (Sweeney, 2009).

Government regulations mandate firms to report CSR activities in annual reports, in line with regional and global CSR ratings and rankings. However, most corporate response has been cosmetic for public relations and media campaigns, rather than strategic. Many companies use CSR as a way of window-dressing to pre-empt the regulation in areas such as environmental pollution by extraction and manufacturing firms and public health by tobacco and alcohol industries (Nyamute, 2013; Ramdhony, 2018). In recent years many companies embrace CSR and publish CSR reports alongside their annual reports. However, such reports usually do not represent an accurate reflection of reality because companies over-report on CSR by enhancing their reputation to attract gains expected from socially responsible behavior such as improved customer and employee loyalty. Other companies communicate CSR but fail to practice it (Sweeney, 2009).

Regulations trigger innovations that eventually lower the total cost of a product and improve its value. Legislation creates pressure that motivates companies to innovate, for example the EU's tough emission standards that have put pressure on the global car industry to redesign engines, exhausts and fuel economy and innovations in hybrid electric/gasoline and hydrogen engines that create competitive advantage and environmental benefits. Legislation enforced innovation guides policy makers, business leaders and environmentalists to focus on the dynamic opportunities for enhanced productivity benefits (Morara, 2013).

Manufacturing firms use natural resources as raw materials to make products. Since these resources are gradually diminishing, social pressures are placed on firms to implement sustainable and renewable social and environmental activities (GIZ, 2013; Lawrence & Weber, 2011; Tilakasiri, 2012). Environmental concerns involve reduce, recycle and reuse of materials (Cruz & Ramos, 2015). Ozone layer depletion and unsustainable depletion of natural resources have in the recent past increased the pressure on businesses to deliver wider societal value (Sweeney, 2009).

The triple bottom line, people, planet and profits, regards highly ecological concerns by advocating responsible and efficient production and environmental compatibility (Bremner, 2016). CSR is a self-regulating practice that ensures that the firm is sensitive to its stakeholders. To promote CSR, governments reward or recognize socially responsible firms, through awards and tax reliefs, in order to motivate them and also make them role models for other firms to contribute to social activities (Chung & Safdar, 2014; Popa & Salanta, 2014).

Industrial activities cause environmental concerns such as radiation, oil spills, chemical pollution including sulphur, lead and mercury poisoning, ozone depletion, global warming/climate change, acid rain, air pollution, toxic and nuclear wastes, and the extinction of natural resources and biodiversity. Many countries have regulations for environmental protection through various emission and waste management regulations, with severe legal consequences from the government and communities for violations. Many organizations consider corporate environmental responsibility as their duty to compensate for the environmental implications of their operations. Therefore, the management of waste and emissions, maximization of the efficiency and productivity of resources are obligatory duties for all organizations and are a source of competitive advantage (Tilakasiri, 2012).

The UN has ratified various multilateral environmental agreements through international development agencies such as the UNEP, UNIDO, UNDP, ILO, World Bank, OECD, and AfDB that strongly articulate and advocate for environmental sustainability (UNIDO, 2015). The Constitution of Kenya 2010, Chapter Five, Part 2, provides for sustainable exploitation, utilization, management and conservation of the environment and natural resources, and a tree cover of at least 10 percent (GOK, 2010; KIPPRA, 2013). Kenya National Climate Change Action Plan (NCCAP) seeks to realize environmental conservation (GOK, 2012b).

Electronic (e) business is a strategic environment friendly business practice that involves initiatives that reduce paper consumption and provide digital solutions. This includes smart products and services such as electronic billing, emailing, electronic/digital material and other innovative smart applications, which reduce environmental impacts. However, waste electronic and electrical equipment (WEEE) contains heavy metals such as gold, tin, lithium, copper, silver, cobalt, silicon, graphite, antimony, bismuth, platinum, tantalum and others, which are highly radio-active and hazardous, hence need for safe disposal (GIZ, 2013).

Environmental responsibility involves reduction in Carbon dioxide (CO_2, greenhouse or carbon footprint) emissions and waste management, by progressively rolling out systems like ISO 14001- Environmental Management Systems (EMSs). This helps to achieve production efficiency gains, reduced environmental and occupational safety expenses, controlled pollution, and improved corporate image (UNEP, 2013). Firms which are less environmental friendly spend more in social causes to mitigate their environmental impacts (Chung & Safdar, 2014). Morara (2013) noted a strong correlation between environmental friendly policies and better than average stock market performance for public companies.

2.4.5 Firm Size

Firm size contributes to the ability of a firm to absorb the financial consequences of CSR. It is usually measured by sales volumes, total assets and the number of employees. The size of the firm in most of the CSR studies is mainly analyzed by the number of full time employees (Saeidi, Sofain, & Saaeidi, 2014). Firm size is categorized as small (less than 50 employees), medium (50-250 employees) and large (more than 250 employees) (Gi et al., 2015; Sweeney, 2009). Company size is a relevant variable because there is empirical evidence that smaller companies may not exhibit as many overt social responsibility behaviours as larger companies. Bigger companies attract more attention from external constituents hence the need to respond more openly (Tilakasiri, 2012). Larger firms realize more profit due to economies of scale hence exhibit more socially

responsible behavior relative to smaller firms (Ali, Mukulu, Kihoro & Nzulwa, 2016; Trencansky & Tsaparlidis, 2014).

2.4.6 Firm Performance

Firm performance refers to tangible results that reflect the company's economic, social and environmental relation with stakeholders (Chen, 2015; Tilakasiri, 2012). According to Atikiya (2015), firm performance is classified into archival data and perceived performance. Archival data involves financial performance derived from the company repository, while perceived firm performance involves the use of perceptions about the company's performance. This study preferred perceived indicators to measure firm performance because the archival data is mainly considered confidential.

In the current volatile market, financial based measures of firm performance are no longer sufficient, hence the use of both the financial and non-financial measures. Non-financial measures enhance a firm's competitiveness by providing information that indirectly reflects the strengths and weaknesses of business operations (Ahmad & Zabri, 2016; Ali et al., 2016). According to Lawrence and Weber (2011) and Pearce and Robinson (2011), the balanced scorecard and triple bottom line are the common firm performance measures that comprise both the financial and non-financial measures. The balanced scorecard introduced by Kaplan and Norton is based on four perspectives comprising the financial, customer, internal business processes and employee learning and growth. The triple bottom line refers to reporting that includes financial, social and environmental results. This study adopted the use of financial and non-financial measures.

2.5 Critique of the Reviewed Literature

This section deals with critique of extant literature relevant to the study. It examines relevant studies, their context and methodology. It gives the gist of the key findings in relation to the objectives of the present study. It also cross examines the limitations of

relevant studies and identifies the salient gaps that need to be addressed in future studies. It develops insight into relevant previous research and identifies emerging trends (Saunders, Lewis & Thornhill, 2012).

Chen (2015) study on sustainability and company performance in the manufacturing industry in Sweden, found that CSR practices have a positive impact on company triple bottom line performance. Quantitative data was collected through a survey conducted amongst selected manufacturing firms. Explanatory survey research design was used to test the existence of predicted relationships. Kruskal-Wallis one-way ANOVA test and Spearman's rho correlation test were applied for the non-parametric data, while cluster analysis, factor analysis, t-test, and Pearson correlation test were used for parametric data.

The study was based on institutional theory, stakeholder theory and resource dependence theory. The study used cross sectional data due to time limitation, while longitudinal data would be more appropriate because strategy affects operations in the long run.

Ching et al. (2015) sought to identify correlation between internal CSR practices (work life balance, training, health and safety, human rights and workplace diversity) and employees' quality of work life (trust, commitment and job satisfaction) among Malaysian service firms. 259 questionnaires were distributed by mail and hand, where seven point likert scale was used to measure, and MLRM and Pearson's Product Moment Correlation Coefficient (PMCC) used for analysis. The study found that internal CSR practices are significantly positively correlated with employees' quality of work life. The study results were limited to the service industry and therefore future study required on other industries. Secondly, the study used cross sectional data which shows the state on a specific time frame. Future studies need to consider time series and pooled data. Thirdly, the survey questionnaire was prone to response bias as managers were more likely to portray only positive image of their organizations and their interpretation of the questionnaire would be different. Future studies need to use interview schedule to reduce ambiguity, bias and also improve the response rate.

Fu and Shen (2015) did correlation between CSR and financial performance of Chinese food processing enterprises on the basis of stakeholder and social contract theories. CSR variables used were creditors, staff, government, suppliers, consumers, community and ecology. The study was based on panel data from 63 listed Chinese food processing companies. Correlation analysis and multiple regression analysis were used. The results showed that fulfilling CSR impacts positively on the company's financial performance. Further studies need to be done on other sectors and consider non-financial firm performance.

Tizro, Khaksar and Siavooshi (2015) studied the impact of social responsibility on corporate performance among cement industries in Iran. The study used a sample size of 74 out of 91 cases, selected using random sampling and Morgan table. Cronbach's Alpha test was used to test questionnaire reliability. Multiple regression analysis was used to test the impact of social responsibility (economic, legal, ethical and selflessness). The study found positive influence on performance (profitability and customer loyalty) of cement industries.

Fadun (2014) study examined CSR practices and stakeholders' expectations in Nigeria. The study was based on Carroll's CSR model that constitutes of economic, legal, ethical and discretionary social responsibilities. Quantitative survey research design and hypothesis testing were used. The study identified employees, customers, shareholders, and local communities as the main stakeholders in the context of business environment in Nigeria. A sample size of 240 respondents was identified through purposive sampling technique in the six geopolitical zones in Nigeria. Response rate was 66 percent (158) respondents. Data was processed and analyzed with SPSS/PASW by use of a 5 point likert scale ranging from strongly agree to strongly disagree. The findings indicated that CSR demonstrates sensitivity to multiple stakeholders and enhances corporate image hence competitive advantage.

Hilson (2014) focused on CSR in Ghana's oil sector in a qualitative study. The study was based on stakeholder and legitimacy theories. Purposive sampling and snowballing methods were used to select respondents from 6 affected communities, and relevant government agencies and ministries. The study used semi structured interviews, and focus groups with a range of stakeholders. Data was analyzed using discourse analysis. The study found that companies are disconnected ideologically from local development needs because of stifled creativity and innovation in CSR, attributed to institutional weaknesses and regulatory deficiencies. Ahen (2015) also did a qualitative study on pharmaceutical firms in Ghana. Qualitative research though provided detailed analysis of the subject matter was criticized for its inability to be replicated, hence quantitative studies proposed for future studies.

Ibrahim (2014) did a qualitative study on CSR practices among SMEs in Egypt. Qualitative exploratory research design was used. The study used a sample size of 54 respondents selected through purposive sampling. Primary data was collected through interviews and field notes while secondary data was collected from company documents and website information. Data analysis used both deductive and inductive approaches. The study found that the presence in a country of a conducive and institutionalized environment in favour of CSR acts as a catalyst for social and economic development.

Adeyemo, Oyebamiji and Alimi (2013) study on the factors influencing CSR in Nigerian manufacturing firms found that CSR is a must strategy in global competitive business environment. The population comprised of staff from 5 selected leading manufacturing companies in Ibadan. Purposive sampling method was used to select ten (10) respondents from each firm giving sample size of 50 respondents. Research design was descriptive survey through a questionnaire. Multiple regression analysis was used for data analysis using SPSS. The results identified key factors that influence CSR as competition, employees, government policy, organizational culture, and customers.

Tilakasiri (2012) investigated the relationship between CSR and firm performance in Sri Lanka, a developing country. It examined 250 respondents in 50 companies listed in the Colombo Stock Exchange in Sri Lanka using six CSR constructs: Employees, customers, environment, education, health and the general public. The study analyzed qualitative data using content analysis and quantitative data using panel data regression model using E-Views. The dependent variable was measured on financial measures (ROS, ROE & ROA). The study found a significant positive relationship between CSR and firm performance.

Galbreath (2009) analyzed the benefits of CSR on the performance of manufacturing and service firms in Australia. A sample size of 3,000 firms was selected which yielded 10 percent response rate, and regression analysis used in data analysis. CSR constructs were based on Carroll's model of economic, legal, ethical and discretionary measures. The study found empirical evidence that CSR offers benefits to firms beyond traditional financial oriented rewards in that CSR leads to employee and customer satisfaction.

Sweeney (2009) did a study on the relationship between CSR and firm performance in Ireland. The study used cross sectional data and descriptive survey design by use of a questionnaire. Sample size was 1,300 firms operating in Ireland, with pilot test of 50 firms. The final study recovered 222 usable surveys, hence overall response rate of 17 percent. Data analysis used cross tabulation and Chi-square tests by using LISREL statistical package. CSR constructs used were community, environment, customers and employees with control variables consisting of firm size and industry. The study found strong positive relationship of CSR with financial and non-financial measures.

The above study by Sweeney (2009) revealed a number of limitations. First, cross sectional data is obtained at a single point in time. A time series/longitudinal study would provide more detailed information regarding the relationship between CSR and firm performance because it allows performance to be measured over time as the level of CSR changes. Secondly, CSR was measured by firms' perception through responses to

survey questions on the extent of involvement in CSR activities. Direct measures of each construct would be more accurate for analysis.

Thirdly, the research focused on four stakeholders; employees, customers, environment and community. However, there are other key stakeholders such as government, suppliers and shareholders. Fourthly, the research relied on a single respondent from each organization. To overcome respondents' bias on the perception of CSR activities in their firms, a better approach would be to survey multiple respondents from each organization, which may result in conflicting results. Also, an increase in the sample size would lead to increased cost constraints.

2.6 Research Gaps

Many studies have focused on the relationship between CSR and financial firm performance (Fu & Shen, 2015; Mwangi & Oyenje, 2013; Talikasiri, 2009). However, contemporary studies have considered TBL, with financial and non-financial measures, which provides broader and more comprehensive results (Ching et al., 2015; Cruz & Ramos, 2015; Dilling, 2011; Fadun, 2014; Galbreath, 2009; Hilson, 2014; Popa & Salanta, 2014; Saeidi et al., 2014; Safwat, 2015; Sweeney, 2009; Tizro et al., 2015; Yin et al., 2013). This study sought to analyze firm performance in terms of financial and non-financial measures to capture the emerging social and environmental concerns.

Different constructs have been used in CSR studies. Some studies have used Carroll's model; economic, legal, ethical and discretionary (Fadun, 2014; Tizro et al., 2015), while others have used stakeholders. However, Carroll's model fails to capture the multiple stakeholder concerns characterizing business operations. Consequently, contemporary studies have adopted multiple stakeholder constructs in CSR operationalization (Ching et al., 2015; Fu & Shen, 2015; Popa & Salanta, 2014; Safwat, 2015; Sweeney, 2009; Tilakasiri, 2012; Yin et al., 2013). This study operationalized CSR in four stakeholders; employees, customers, community and government.

Available CSR studies are a combination of empirical desk reviews and survey studies. Pure empirical desk reviews mainly depend on the works of others (Chung & Safdar, 2014; Cruz & Ramos, 2015; Popa & Salanta, 2014; Safwat, 2015). Survey studies make use of the empirical review to form the foundation on which newly collected data is analyzed (Ching et al., 2015; Fadun, 2014; Fu & Shen, 2015; Galbreath, 2009; Sweeney, 2009; Tilakasiri, 2012; Tizro et al., 2015; Yin et al., 2013). This research adopted a descriptive survey research design. Some survey studies are qualitative (Chen, 2015; Ibrahim, 2014), while others are quantitative (Ching et al., 2015; Fadun, 2014; Fu & Shen, 2015; Sweeney, 2009; Tizro et al., 2015). This study adopted quantitative research design to guarantee superior reliability.

CSR studies have focused on various sectors of the economy. Ching et al. (2015) did a study on service firms in Malaysia. Galbreath (2009) did a study on manufacturing and service sectors in Australia. Fu and Shen (2015) did a study on food processing firms in China, while Tizro et al. (2015) did a study on cement industries in Iran. This research focuses on the manufacturing sector in Kenya. This emanates from its strategic economic importance in tandem with Kenya's Vision 2030 plan and its social and ecological impacts.

Various studies have used control variables to control the effect of the IVs on the DV. This has been commonly designated by various firm characteristics such as firm size, age and industry (Gi et al., 2015). Control variables enable accurate generalization of research findings (Tilakasiri, 2012). This study used firm size as control variable in corroboration with Galbreath (2009); Sweeney (2009); Tilakasiri (2012).

2.7 Summary

Competitive advantage in contemporary business environment is derived from the balance of multiple stakeholders and intangible assets, with firm performance analyzed through financial and non-financial measures. The study on the effect of CSR on firm performance is anchored mainly on the stakeholder theory and the social contract theory.

The stakeholder theory is grounded on a central belief that firm-stakeholder relationships are critical assets for the firm's success in a multiple-stakeholder environment. The multiple stakeholder consideration provides a practical approach to assess the social performance of organizations as regards key stakeholder groups. License to operate based on the social contract theory emanates from the fact that every company needs tacit and explicit permission from governments, communities and other stakeholders to do business. CSR is empirically supported to provide a direct and indirect impact on firm performance. Direct impact appears in the form of positive financial performance, while indirect impact results in enhanced brand image or market reputation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, the population, the type of data to be collected, sampling frame, sample and sampling technique, data collection instrument, data collection procedure, pilot test, validity and reliability of the instrument, data analysis and presentation, and hypotheses testing techniques. Research methodology explains the research approach, design and associated methods of data collection and analysis.

3.2 Research Design

Research design is the plan and the procedures for research that entails the broad assumptions and detailed methods of data collection and analysis. It is the blueprint for collection, measurement and analysis of data. It entails the methods of data collection, analysis and interpretations that translate the approach into practice (Ibrahim, 2014; Kothari & Gaurav, 2014; Saunders et al., 2012).

This study adopted descriptive survey research design, which is a fact finding enquiry that explains phenomena as they exist at that moment in time. Survey involves asking structured questions to a representative cross section of the population at a single point in time. The survey may be mailed to respondents, conducted over the phone, electronically or involve a face to face meeting with the respondent (Sweeney, 2009). In this study, descriptive survey methodology was used as it is an inexpensive yet a quick, efficient and accurate method of accessing information about the target population (Ching et al., 2015; Fadun, 2014).

3.3 Target Population

The population is the universe of all items with common observable characteristics (Kothari & Gaurav, 2014). The study population was made up of all manufacturing firms registered with KAM. Data on KAM directory (2015) provided 853 registered members, stratified in 14 sectors as follows; 1) building, mining and construction, 2) chemical and allied, 3) energy, electrical & electronics, 4) food and beverages, 5) leather and footwear, 6) metal and allied, 7) motor vehicle and accessories, 8) paper and board, 9) pharmaceutical and medical equipment, 10) plastics and rubber, 11) fresh produce, 12) service and consultancy, 13) textile & apparels, and 14) timber, wood & furniture. It is also stratified into 8 geographical regions; 1) Athi River, 2) Central Kenya, 3) Coast, 4) Eldoret, 5) Nairobi and surrounding, 6) Naivasha, 7) Nakuru, 8) Nyanza/Western.

Target population is the entire list of items on which the researcher wishes to generalize the study findings (Kothari & Gaurav, 2014). The target population was purposively and conveniently sampled to consist of 2 out of the 8 regional strata, Athi River and Nairobi, which constitute of 641 manufacturing firms in all stratified 14 sectors. The choice of this target population was based on the fact that majority (80 percent) of the firms registered with KAM are located in Nairobi and surrounding area, and is a reliable statutory source that has been used in other studies (KAM, 2015; Atikiya,2015) and that the region has a fair blend of all manufacturing sectors. KAM also hosts the Global Compact, Kenyan chapter which promotes CSR (Kalunda, 2012). Targeted respondents (units of observation) were the managers in charge of CSR.

3.4 Sampling Frame

Sampling frame is the entire list of all the items from which the sample is drawn and should be a good representative of the population (Kothari & Gaurav, 2014). The sampling frame for this study was the list of 427 manufacturing firms in the KAM directory (2015) in Athi River and Nairobi in 10 out of the stratified 14 sectors, purposively selected to capture the interest of the study based on their adoption of CSR

strategy, processing and value addition operations and their economic, social and environmental impact. The selected sectors included; 1) building, mining and construction, 2) chemical & allied, 3) energy, electrical and electronics, 4) food and beverages, 5) leather and footwear, 6) metal and allied, 7) motor vehicle and accessories, 8) paper and board, 9) pharmaceutical and medical equipment, 10) plastics and rubber.

3.5 Sample and Sampling Technique

A sample is a carefully selected subgroup that is representative of the population on which inference about the aggregate is made (Kothari & Gaurav, 2014). Sampling helps to reduce research costs and provides greater accuracy, flexibility and speed (Ching et al., 2015). The sample size should be optimal to fulfill the requirements of efficiency, representativeness, reliability and flexibility. The sample size is determined from considerations such as nature and size of population, sample size of similar studies, published tables, equations and software calculations (Israel, 2009).

For multiple regression analysis, a sizeable sample is required, about 200 – 500 (Israel, 2009). Large samples guarantee stable estimators (Sweeney, 2009). From published tables (Israel, 2009), a sample from a target population of 427 at 5 percent level of significance requires a sample size of 205. Sweeney (2009) recommends a sample size of 100 – 200. Using formula (Kothari & Gaurav, 2014), finite population sample size was estimated as follows:

$$n = \frac{z^2 . p . q . N}{e^2 (N - 1) + z^2 . p . q}$$

Where: n = sample size

Z = standard variate at the given level of significance obtained from z statistic table

P = sample proportion expected to have required characteristics, 0.5 is conservative

q = sample proportion expected not to have required characteristics = 1 - p

N = Size of target population or sampling frame from which sample is taken

e = acceptance error (the precision)

$$n = \frac{1.96^2 * 0.5 * 0.5 * 427}{0.05^2(427 - 1) + 1.96^2 * 0.5 * 0.5}$$

$$n = 202$$

The sample of the study was selected using purposive sampling method. Purposive (judgemental) sampling is a non-probability technique used to pick items with the required characteristics (Kothari & Gaurav, 2014). From the sampling frame of 427 firms, a sample size of 202 firms was purposively selected as shown in Table 3.1. The use of purposive sampling was in corroboration with the study by Hilson (2014); Ibrahim (2014); Yin et al. (2013).

Table 3.1: Sample Size

S.no	Sector	Sampling Frame	Sample
1	Building, mining and construction	17	8
2	Chemical & Allied	62	29
3	Energy, electrical & Electronics	34	16
4	Food & Beverages	90	43
5	Leather & Footwear	6	3
6	Metal & Allied	59	28
7	Motor vehicles & Accessories	29	13
8	Paper, board & Packaging	53	25
9	Pharmaceutical & Medical equipment	25	12
10	Plastics & Rubber	52	25
	Total	**427**	**202**

Source: KAM directory, 2015

3.6 Data Collection Instrument

This study adopted the use of a self-administered questionnaire. The choice was informed by the fact that it is less costly and less time consuming since the questionnaires can be easily distributed to dispersed respondents, is free from interviewer bias, can reach difficult respondents and is ideal for quantitative survey. However, it is subject to low response rate, interpretation ambiguity, respondent bias and insincerity, and delay in response (Kothari & Gaurav, 2014). A five point likert scale was used in most of the survey questions to obtain respondents' perception about the constructs alongside few open and close ended questions. Likert scale is an ordinal scale that gauges perception on the extent of an attribute.

3.7 Data Collection Procedure

The researcher made prior contacts, through email and telephone, to all firms selected for the study to seek prior authority and consent from the respondents to participate in the study. This correspondence introduced the researcher and explained the nature, purpose and significance of the study with a promise to uphold ethics and to share the key findings. The self-administered questionnaires were emailed and delivered to the respondents who would fill the questionnaires and send back by email and through drop and pick.

Cross sectional data was obtained from respondents by use of the self-administered questionnaire. Cross sectional data studies a phenomenon at a specific time and the data collected only once (Ching et al., 2015; Gujarati & Porter, 2010; Nzulwa, 2013). Secondary data was obtained from the respondent firms' annual reports, journals, books, articles and company websites using similar questionnaire to validate the primary data.

The researcher engaged one research assistant to track and collate the questionnaires. Telephone calls and emails were made to make follow-ups in an effort to ensure that majority of the questionnaires were filled and returned in time. The researcher was on

standby to respond to any clarification required by respondents and appear in person to those respondents who would need to be taken through the questionnaire. Secondary data was obtained from company websites and records to complement the survey primary data. Key findings of the study were shared with the participant respondents upon successful conclusion of the study.

3.8 Pilot Test

A pilot test is a small scale replica of the actual survey and it is carried out before the actual survey is undertaken. Test pilot of the questionnaire is done on respondents who are as similar as possible to those in the main enquiry. The number of respondents involved in the pilot should be sufficient to include any major variations in the population that are likely to affect responses. The size of the pilot study is often dependent on the time and financial resources available for the study and for most studies there should be a minimum of ten (10) respondents (Saunders et al., 2012). The pilot is used to test the efficiency and adequacy of the questionnaire and is obtained from 1 to 10 percent of the sample size (Sweeney, 2009). Based on 10 percent of the sample size, twenty (20) pilot cases were considered in this study. This guided in making corrections and modifications to the questionnaire to make it most suitable for the study by removing any form of ambiguity and making the questions clear, precise and straightforward.

3.8.1 Reliability of the Research Instrument

Reliability test is used to obtain stability and consistency of measurement where replication obtains same results over different circumstances if same method is used. It is a measure of the degree to which a research instrument yields consistent results for repeated trials (Kothari & Gaurav, 2014). Survey items are reliable and consistent if the Cronbach's alpha value is more than 0.70 (Ching et al., 2015). Reliability test was conducted by use of Cronbach's alpha.

3.8.2 Validity of the Research Instrument

Validity refers to the extent to which an empirical measure adequately reflects the concept under consideration. It refers to how accurately the data obtained in the study represents the study variables (Babbie, 2010). The study utilized content and construct validities.

Content (face) validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. Its measure is primarily judgemental based on how much the instrument represents the concept under study (Kothari & Gaurav, 2014). Content validity was tested and achieved through expert input, and also through adoption of questionnaire used in prior studies including Chen (2015); Ching et al. (2015); Sweeney (2009); Tilakasiri (2012). Construct validity is a measure of the degree to which an instrument results conform to predicted correlations and other theoretical propositions (Kothari & Gaurav, 2014). This was realized by anchoring the study to theoretical expectations.

3.9 Data Analysis and Presentation

3.9.1 Data Coding and Posting

Collected data was edited, coded and classified to facilitate a better and efficient analysis. The primary and secondary data were harmonized and moderated to eliminate response bias. Data consisted of both qualitative and quantitative data, where qualitative data was transformed into quantitative data for analysis. Quantitative approach facilitates examination and explanation of the relationship between variables and is easy to replicate (Fadun, 2014; Sasaka, Namusonge & Sakwa, 2014), hence was suitable for this study.

All qualitative data obtained in the survey was transformed into quantitative data to facilitate statistical analysis. All data was converted to numerical codes that represent variable attributes and posted in a code book. The data from each filled questionnaire

was posted and cleaned in the Statistical Package for Social Sciences (SPSS) input spreadsheet for analysis. The data in SPSS was analyzed using descriptive and inferential statistics.

Multiple linear regression (MLR) analysis was used to determine the relationship between CSR and firm performance (FP). MLR analysis is a technique used to analyze the association between a single DV and several IVs (Gujarati & Porter, 2010). To apply MLR analysis, underlying assumptions need to be tested and remedied, such as normality, heteroscedasticity, multicollinearity and autocorrelation (Ching et al., 2015; Gujarati & Porter, 2010). In this study, these tests were generated from SPSS.

3.9.2 Descriptive Analysis

Descriptive statistics show the summary of variable measurements presented in terms of central tendency, variability, frequency distribution (dispersion) and symmetry (normality). Central tendency measures include the mode, mean and median. Variability is expressed in terms of range, variance and standard deviation, while frequency distribution is expressed in terms of tables, graphs, bar charts and percentages, and symmetry is denoted by skewness and kurtosis (Kothari & Gaurav, 2014).

Skewness and kurtosis were used to measure the normality of the distribution. Normality test was conducted as it is one of the key assumptions that must be fulfilled for parametric tests such as Pearson correlation and multiple linear regression (MLR) analysis to be carried out (Saunders et al., 2012). If the skewness is within ±1 and kurtosis is within ±2, the data is considered normally distributed (Hair et al., 2010, cited in Ching et al., 2015).

3.9.3 Inferential Analysis

Inferential statistics draw inference about the population based on sample results. In this study, parametric tests based on regression analysis were used. Pearson's Product Moment Correlation Coefficient (PMCC) was used to determine the strength of

relationship between IVs. Multicollinearity test was used to determine the degree of linear relationship between IVs, a problem in MLRM remedied by model specification. If the correlation coefficient (ρ) between IVs is at 0.90 and above, multicollinearity problem exists. Variance inflation factor (VIF) value between 0 and 10 shows that there is no multicollinearity problem, and if otherwise, converse applies (Ching et al., 2015; Gujarati & Porter, 2010).

Heteroscedasticity is a common problem with cross sectional data hence necessary in this cross sectional study. For reliable estimators, homoscedasticity is a requirement where equal variance is expected in disturbance terms and in dependent values (Ys) (Gujarati & Porter, 2010). Common tests for heteroscedasticity include White test, Parker test and Glejser test. Glejser test was done on SPSS: If sig. $\geq$ 0.05, then homoscedasticity exists as required, and the converse applies. If problem exists, re-specification of the model would be used to remedy. Autocorrelation is a problem prevalent in time series data and may not be necessary in cross sectional study, but if detected, Durbin Watson test would be done on SPSS.

From SPSS regression output, various parametric statistics were analyzed. The coefficient of determination (R^2) and F statistic were used to test the joint/collective strength of the relationship between IVs (CSR) and DV (Performance) at 5 percent level of significance. R^2 is a measure of goodness of fit and shows the extent to which the dependent variable is jointly explained by the independent variable(s), hence, the higher the R^2, the better the model specification. F statistic determines whether the joint relationship is statistically significant. The t – test was used to test the individual strength/significance of each IV/predictor variable. If the p-value is less than 0.05, the relationship between IVs and DV is significant and vice versa (Gujarati & Porter, 2010). The model coefficients (estimators) were used to assess the magnitude, direction and significance of the relationship. The SPSS output which presents the sample analysis was used to generate inference about the population.

3.9.4 Measurement of Variables

a) Measurement of Independent Variables

The IV in this study is CSR which is operationalized through stakeholder perspective in four constructs; employee, customer, community and government relations. Employee concerns that were considered to affect the contribution of employees to firm performance include; health and safety, training and development and staff welfare (employee involvement, diversity, internal recruitment, innovation and creativity, welfare facilities, counseling, team building, work life balance and organizational learning). Customer relations include; product information, quality assurance, customer care and feedback. Community relations include; health and education, CSR projects and charity, and local community welfare activities. Government relations include; regulation, emission control, waste management, and environment friendly systems. It is expected that the greater the stakeholder relations, the higher the firm performance.

b) Measurement of Control Variable

Control variables are used to overcome the effects of extraneous variables. The control variable in this study is firm size, operationalized by the number of employees. The number of employees for firm size was used because financial measures (assets, revenue) would hardly be disclosed. Company size is a relevant variable because there is empirical evidence that smaller companies may not exhibit as many overt social responsibility behaviours as larger companies. Bigger companies attract more attention from external constituents hence the need to respond more openly (Tilakasiri, 2012).

c) Measurement of Dependent Variable

The dependent variable is firm performance which was operationalized through sustainable balanced score card also called the triple bottom line (economic, social and environmental measures) which takes into effect financial and non-financial measures. The DV constructs include; perceived financial measures, customer satisfaction, internal

process, and employee learning and growth. Perceived financial measure gauged the relative profitability and market share since explicit measures based on revenue would be considered confidential. Customer satisfaction tested the customer satisfaction index, internal processes tested plant efficiency, and employee learning and growth tested employee job satisfaction index.

3.9.5 Statistical Model

Regression analysis using SPSS was used to test the relationship between CSR (independent variable) and firm performance (dependent variable). The relationship was explained by the following regression model;

i) $Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$ ……. (Optimal model)

ii) $Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5C_i + e$ ……...(Overall model)

Where: Y- Firm performance (Financial and non-financial measures),

B_0 - Constant,

B_1 – Employee relations coefficient,

B_2 – Customer relations coefficient,

B_3 – Community relations coefficient,

B_4 – Government relations coefficient,

e – Error term stands for all other factors that are not considered in the study but have influence on the response (Gujarati & Porter, 2010).

Xs - are the corresponding independent variables and

C is the control variable (firm size).

3.9.6 Testing of Hypotheses

Hypothesis is a formal question that the researcher intends to resolve. It is a proposition set forth as an explanation for the occurrence of some specific phenomena asserted as a provisional conjecture to guide investigation and accepted as highly probable in the light of established facts (Kothari & Gaurav, 2014). This research sought to test 5 hypotheses based on the objectives of the study. Hypotheses tests offer support to the sample for generalization to be made (Fadun, 2014; Sasaka et al., 2014; Sweeney, 2009).

From the regression results, the t values and the corresponding p values were used to test the statistical significance of independent variables, based on 5 percent level of significance (95 percent confidence level; α = 0.05). When the p value is less than the level of significance, the null hypothesis (H_0 - that the variable has no effect) is rejected and if equal or greater, do not reject H_0. This is symbolically denoted as: p $< \alpha$ (level of significance): Reject H_0, and if p $\geq \alpha$: Do not reject H_0. Once the decision to reject or not reject null hypothesis was made, inference was drawn on the relationship and statistical significance.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the study by giving factual evidence based on the research objectives. It evaluates the response rate, pilot test, reliability and validity of the survey constructs. It also collates the background information of the respondents and descriptive analysis of the study variables. Finally, the chapter reviews the results of statistical analysis by testing the research hypotheses, presents discussions of the results and draws inference from the findings.

4.2 Pilot Test

The researcher conducted a pilot test to validate the research instrument with 20 manufacturing firms selected randomly from the sample population. This resulted in response from 10 respondents hence response rate of 50 percent. In the course of the pilot study, ambiguous issues were addressed to maintain the original intention of the research instrument. This involved wide consultations with the respondents, supervisors and experts for proper guidance. The questionnaire was amended to make it more resourceful and responsive.

4.2.1 Reliability of the Research Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results for repeated trials (Kothari & Gaurav, 2014). Survey items are reliable and consistent if the Cronbach's alpha value is more than 0.70 (Ching et al., 2015). Cronbach's alpha was used to test the internal reliability of the research instrument. The questionnaire would therefore yield similar results for repeated surveys. Table 4.1 shows that all the constructs were significant with alpha values above the 0.7 threshold.

Table 4.1: Reliability Coefficients of the Study Variables

Variable	Number of Items	Cronbach's Alpha	Comments
Employee Relations	12	0.887	Accepted
Customer Relations	8	0.792	Accepted
Community Relations	8	0.927	Accepted
Government Relations	8	0.795	Accepted
Firm Performance	14	0.835	Accepted

4.2.2 Validity of the Research Instrument

Validity refers to the extent to which data collection methods accurately measure what they were intended to measure (Saunders et al., 2012). This study utilized content and construct validities.

Content (face) validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. Content validity was tested and achieved through expert input, and also through adoption of questionnaires used in prior studies. Construct validity is a measure of the degree to which an instrument results conform to predicted correlations and other theoretical propositions. This was ensured by anchoring the study to theoretical expectations based on underlying theories and empirical review.

4.3 Response Rate

Response rate is the total number of responses divided by the total number in the sample. Response rate depends on the data collection method and the nature of respondents. For most academic studies involving top management, a response rate of approximately 35 per cent is reasonable (Saunders et al., 2012). The target sample for the study was 202 managers. From the survey, only 112 respondents were responsive, hence a response rate of 55 percent, which was considered appropriate for the study.

4.4 Demographic Characteristics of Respondent Firms

This section captured the general information of the Kenyan manufacturing sector; size of workforce, age of the organization, sub sector, whether the organization practices CSR strategy, officer in charge of CSR, method of CSR communication, motivation for engaging in CSR, barrier to CSR activities, support needed to encourage CSR, and organization certifications. The findings were presented and analyzed below.

The size of workforce was analyzed to indicate the size of the organization as summarized in Table 4.2. The study found out that none of the firms had less than 50 employees, 20.5 percent had between 51 to250 employees, 50.0 percent between 251and 1,000 employees, and 29.5 percent more than 1,000 employees. According to Newman et al. (2016), firm size is classified using World Bank definition into micro (up to 10 employees), small (up to 50 employees), medium (up to 300 employees) and large (up to/over 1,000 employees). These results showed that the majority of the manufacturing firms that participated in this study were medium and large companies.

Table 4.2: Size of the Firm

Number of employees	Frequency	Percentage
51-250	23	20.5
251-1,000	56	50.0
Over 1,000	33	29.5
Total	112	100.0

The age of the firm was considered as important demographic data as shown in Table 4.3. The respondent firms had 1.8 percent below 5 years, 11.6 percent between 5 to 10 years, 11.6 percent between 11 to 25 years, 33.9 percent between 26 to50 years and 41.1 percent had over 50 years of operation. According Tilakasiri (2012), mature firms have developed systems over time and not likely to withdraw from stakeholder commitments hence constantly strive for continual improvement. Firm age indicates the firm's resilience, expertise and knowledge of the market dynamism (Atikiya, 2015).

Table 4.3: Age of the Firm

Age of company in years	Frequency	Percentage
Below 5	2	1.8
5-10	13	11.6
11-25	13	11.6
26-50	38	33.9
Over 50	46	41.1
Total	112	100.0

Sub-sector to which the firm belongs was analyzed and summarized in Table 4.4. 7.1 percent of the firms sampled belonged to the building, mining and construction sector, 17.9 percent to the chemical and allied sector, 4.5 percent to the energy, electrical and electronics sector, 23.2 percent to the food and beverages sector, 2.7 percent to the leather and footwear sector, 14.3 percent to the metal and allied sector, 6.3 percent to the motor vehicle and accessories, 13.4 to the paper, board and packaging sector, 6.3 percent to the pharmaceutical and medical equipment sector, and 4.5 percent to the plastic and rubber sector.

Table 4.4: Sub-Sector to which the Firm Belongs

Sub-sector	Frequency	Percentage
Building	8	7.1
Chemical	20	17.9
Energy	5	4.5
Food	26	23.2
Leather	3	2.7
Metal	16	14.3
Motor Vehicle	7	6.3
Paper	15	13.4
Pharmaceutical	7	6.3
Plastic/Rubber	5	4.5
Total	112	100.0

As shown in Table 4.5, the study found that majority (71.4 percent) of the respondent firms had clear CSR policies which give direction on stakeholder integration. 28.6 percent of the firms did not have CSR policies but would at times extend CSR gesture. This finding corroborates with Newman et al. (2016) that firms with clear CSR policies have well defined CSR strategies hence able to sustain integration with stakeholders.

Table 4.5: CSR Policy

CSR Policy	Frequency	Percentage
No policy	32	28.6
Policy: Integrate with society	80	71.4
Total	112	100.0

The summary in Table 4.6 showed that there was a variety of officers in charge of CSR across the respondent firms. 12.5 percent of the firms had no CSR designate officer. CSR was under General Manager in 2.7 percent of the firms, 30.4 percent under HR, 17.9 percent under Corporate Affairs, 20.5 percent under Marketing, 2.7 percent under Communications, 8.0 percent under Managing Director/CEO, and 5.4 percent under CSR Manager. These results indicate that CSR is a strategic issue managed at senior management level and is mainly regarded as a public relations tool in corroboration with findings of Sweeney (2009).

Table 4.6: CSR Manager

CSR Manager	Frequency	Percentage
Not Applicable	14	12.5
GM	3	2.7
HR	34	30.4
Corporate Affairs	20	17.9
Marketing	23	20.5
Communications	3	2.7
MD	9	8.0
CSR	6	5.4
Total	112	100.0

Table 4.7 showed that, though some companies (22.3 percent) do not communicate CSR practices, 20.5 percent use newsletters and websites, 25.9 percent use media and notices and 31.3 percent use a combination of methods. Communication of CSR activities is extensively used to increase the social acceptance of the firm and its products and to cover up the social irresponsibility situations under which their products are made (Sweeney, 2009).

Table 4.7: CSR Communication

CSR Communication	Frequency	Percentage
No communication	25	22.3
Newsletter and Website	23	20.5
Media and Notices	29	25.9
Combined methods	35	31.3
Total	112	100.0

The summary in Table 4.8 showed that, though a minority 12.5 percent of the firms did not register motivation to engage in CSR activities, a majority 66.1 percent recorded reputation, 11.6 percent give back, 0.9 percent moral reasons, 0.9 percent environment, 3.6 percent community integration, 3.6 percent customer integration and 0.9 percent business partner integration. The findings of this study corroborates with the study by Tilakasiri (2012) that CSR is a means of strengthening the relationship between the firm and its stakeholders. Sweeney (2009) found that the key motivation of firms engaging in CSR is to preserve and improve company reputation.

Table 4.8: CSR Motivation

CSR Motivation	Frequency	Percentage
Not Applicable	14	12.5
Reputation	74	66.1
Give back	13	11.6
Moral	1	0.9
Environment	1	0.9
Community	4	3.6
Customer	4	3.6
Third Parties	1	0.9
Total	112	100.0

As presented in Table 4.9, majority (45.5 percent) of the firms identified finance as the greatest barrier to advancing CSR activities. Others (25 percent) were hindered by CSR not being aligned to their core business, 25 percent lacked support, 2.7 percent were too busy to engage in CSR, and 1.8 percent did not find this applicable. The study by Sweeney (2009) found that the only real barrier to CSR was cost, which corroborates with the findings of this study.

Table 4.9: CSR Barrier

CSR Motivation	Frequency	Percentage
Not Applicable	2	1.8
Finance	51	45.5
Time	3	2.7
Not Aligned	28	25.0
Support	28	25.0
Total	112	100.0

To encourage firms to engage in CSR activities, the study found as indicated in Table 4.10 that the majority comprising 58.0 percent of the firms require partnership with other firms, 26.8 percent require tax incentives, 4.5 percent need to form foundations, 2.7 percent require donors, 1.8 percent need global oversight, while 6.3 percent cases did not apply. Many firms find it easy to join hands with other firms to execute CSR activities in order to reduce heavy burden on individual firms and magnify the impact. This corroborates with the recommendations of Lawrence and Weber (2011) that firms must build collaborative partnerships to pool unique capabilities and resources because individual firms do not have adequate resources on their own.

Table 4.10: Motivation to Enhance CSR

Motivation	Frequency	Percentage
Not Applicable	7	6.3
Tax incentives	30	26.8
Partnerships	65	58.0
Donors	3	2.7
Foundation	5	4.5
Global Oversight	2	1.8
Total	112	100.0

As shown in Table 4.11, majority of the firms had internationally recognized certifications. 35.7 percent were QMS ISO certified only, 38.4 percent had QMS and other certifications like EMS, OHSAS among others, 0.9 percent had global compact, 0.9 percent OECD, and 24.1 percent did not have international certifications. This study found that ISO accreditation is popular among large firms in corroboration with the findings of Sweeney (2009) that ISO accreditation differentiates the firm by providing formal procedures for monitoring and evaluating performance and also provides formal instruments to organize CSR and social reporting.

Table 4.11: Firm Certifications

Certification	Frequency	Percentage
Not Applicable	27	24.1
QMS	40	35.7
QMS, EMS, OHSAS, others	43	38.4
Global compact	1	0.9
OECD	1	0.9
Total	112	100.0

4.5 Descriptive Statistics

The study investigated the effect of stakeholder related CSR activities on performance of manufacturing firms in Kenya. This research employed hypotheses to test the relationship between CSR constructs and firm performance.

4.5.1 Descriptive Relationship between Employee Relations and Firm Performance

Literature shows that there is a positive relationship between employee-related CSR practices and firm performance (Ching et al., 2015; Newman et al., 2016; Sweeney, 2009; Tilakasiri, 2012). Descriptive statistics such as frequency, percentage, mean and

standard deviation were used to summarize the responses as presented in Table 4.12. The study findings showed that organizations extended CSR concerns to employees, based on the mean ranked from highest to lowest, through health and safety (4.72), workforce diversity (3.93), training (3.62), skills development (3.54), knowledge sharing (3.43), rewards (3.29), staff welfare (3.13), work life balance (3.09), and employee consultation (2.70).

The standard deviation for all the items was below 1, which implies that the responses were not widely dispersed because the same employee practices apply across the firms. The findings of this study concur with past studies. Sweeney (2009) found that companies in Sri Lanka mainly extended CSR favours to their employees through development of skills, health and safety, consultation of employees on important company issues, and control of discrimination. Newman et al. (2016) identified employees' health and safety concerns as significant corporate practice.

The studies by Ching et al. (2015) and Tilkasiri (2012) identified employee-related CSR activities to comprise: Training and development; health and development; equal and impartial employment policies; trade union development; provision of welfare facilities such as transport, insurance, sporting activities, organizing functions, day-care and pre-school for children; formal recruitment, promotion and firing system; rewards and financial benefits; improved communication and consultation; grievance handling procedure; and counselling programmes.

Table 4.12: Employee Related CSR Activities

	Percentage					M	SD
	VL	L	M	H	VH		
Health and safety	-	-	1.8	24.1	74.1	4.72	0.488
Diversity	-	-	29.5	48.2	22.3	3.93	0.719
Training	-	7.1	35.7	45.5	11.6	3.62	0.786
Knowledge sharing	-	8.9	42.9	44.6	3.6	3.43	0.707
Skills development	-	3.6	47.3	41.1	8.0	3.54	0.697
Consultation	6.3	34.8	46.4	8.0	4.5	2.70	0.879
Work life balance	-	20.5	56.3	17.0	6.3	3.09	0.789
Welfare	3.6	15.2	49.1	28.6	3.6	3.13	0.844
Rewards	3.6	1.8	61.6	27.7	5.4	3.29	0.755

n = 112

VL=Very low, L=Low, M=Medium, H=High, VH=Very high

Based on the findings in Table 4.13, majority of manufacturing firms (55.4 percent) train their staff on product quality and safety. Other firms (43.8 percent) combine product quality and safety with product use. Ching et al. (2015) found that employee training and education have significant positive relationship with employee performance.

Table 4.13: Type of Employee Training

Training	**Frequency**	**Percentage**
Quality and Safety	62	55.4
Product use	1	0.9
Combined 1 and 2 above	49	43.8
Total	112	100.0

This study, as shown in Table 4.14, found that majority of firms (85.7 percent) reward employees for their exemplary performance through a combination of ways including bonuses, presents and promotions. This corroborates with the findings of the study by Ching et al. (2015) that compensation and benefits increase employees' quality of work life.

Table 4.14: Type of Employee Rewards

Rewards	Frequency	Percentage
Bonuses and presents	15	13.4
Promotions	1	0.9
Combined 1 & 2 above	96	85.7
Total	112	100.0

4.5.2 Descriptive Relationship between Customer Relations and Firm Performance

Prior studies have shown customer relations as a significant indicator of firm performance (Ching et al., 2015; Newman et al., 2016; Sweeney, 2009; Tilakasiri, 2012). The present study considered the aspects of customer relations to include: Product information, product quality, value, feedback, customer engagement, complaints, reputation and loyalty. As shown in Table 4.15, the study found that firms exercise very highly product quality (4.69), product information (4.67), and product value (4.50), highly customer feedback (3.94), and customer complaints (3.71), and moderately customer involvement (3.42), firm reputation (3.18) and customer loyalty (3.08). The standard deviation for all the items except two was below 1, which implies that the responses were not widely dispersed.

Table 4.15: Customer Related CSR Activities

	Percentage					M	SD
	VL	L	M	H	VH		
Product information	-	-	3.6	25.9	70.5	4.67	0.543
Product quality	-	-	0.9	29.5	69.6	4.69	0.485
Value	-	-	2.7	44.6	52.7	4.50	0.553
Feedback	-	-	30.4	45.5	24.1	3.94	0.739
Customer engagement	-	8.9	47.3	36.6	7.1	3.42	0.755
Complaints	-	-	40.2	49.1	10.7	3.71	0.653
Reputation	8.1	12.5	39.3	30.4	9.8	3.18	1.141
Loyalty	9.0	12.5	45.5	24.1	8.9	3.08	1.124

n = 112, VL=Very low, L=Low, M=Medium, H=High, VH=Very high

The findings in Table 4.16 indicated that firms implement ISO quality management system to enable continual improvement of their processes (53.6 percent), quality assurance (16.1 percent) and customer loyalty (6.3 percent). Other firms (24.1 percent) were not ISO certified. ISO certified firms are more competitive in customer satisfaction which concurs with the findings (Ching et al., 2015).

Table 4.16: Benefits of ISO 9001QMS Certification

Benefit	**Frequency**	**Percentage**
Not Applicable	27	24.1
Quality Assurance	18	16.1
Customer Loyalty	7	6.3
Continual Improvement	60	53.6
Total	112	100.0

To enhance customer capacity in the acceptance and use of products, many firms (65.2 percent) combine product information with some training on the product use, others only product information (28.6 percent) and others only some training on the product use (1.8 percent) as shown in Table 4.17. A minority (6.3 percent) do not undertake any customer capacity enhancement activity. The study found that firms enhance customer satisfaction through product information and training on product use which corroborates with the study by Tilakasiri (2012).

Table 4.17: Enhancing Customer Capacity

Customer Capacity	Frequency	Percentage
Not Applicable	7	6.3
Product Information	30	26.8
Training on Product Use	2	1.8
Combination of above cases	73	65.2
Total	112	100.0

4.5.3 Descriptive Relationship between Community Relations and Firm Performance

This research examined ways in which firms support the community. As shown in Table 4.18, firms extend CSR favours to the community through donations (3.71), health (2.73), education (2.63), recruitment from local community (2.14), development projects (2.02), sports (1.92), and purchasing from the local community (1.45). Sweeney (2009) and Tilakasiri (2012) identified that firms donate to charity, allow their employees to volunteer on behalf of the company, and get involved in projects in the local community. Newman et al. (2016) found community based CSR to include: Environmental protection, poverty alleviation, education, infrastructure development, health care services, youth development, and sporting events. Most of the items had standard

deviation above 1 meaning that the responses were fairly dispersed because the activities differed in the various organizations.

Table 4.18: Community Related CSR Activities

	Percentage						M	SD
	NA	VL	L	M	H	VH		
Health	20.5	8.0	15.2	17.0	12.5	26.8	2.73	1.865
Education	17.9	8.0	18.8	20.5	17.9	17.0	2.63	1.693
Donation	1.8	-	3.6	31.3	47.3	16.1	3.71	0.907
Projects	25.9	14.3	22.3	16.1	12.5	8.9	2.02	1.633
Recruitment	5.4	26.8	26.8	31.3	8.9	0.9	2.14	1.106
Purchasing	9.8	63.4	4.5	17.9	3.6	0.9	1.45	1.064
Sports	28.6	15.2	15.2	26.8	5.4	8.9	1.92	1.612
Volunteer Work	8.9	8.0	25.0	43.8	8.0	6.3	2.53	1.223

n = 112

VL=Very low, L=Low, M=Medium, H=High, VH=Very high

As shown in Table 4.19, majority of the firms use the easiest option of corporate philanthropy by offering donations (48.2 percent). Other firms (42 percent) combine various community based CSR activities including donations, health and sports. This corroborates with the findings of the study by Paul (2013) which contends that many firms take this common and easiest approach to CSR, the corporate philanthropy which involves financial donations and aid to community and social projects such as education, health and disaster relief efforts, hence organizations introduce foundations to channel their philanthropic contributions.

Table 4.19: CSR Activities on Community

CSR Activities	Frequency	Percentage
Not Applicable	7	6.3
Health	2	1.8
Donations	54	48.2
Sports	2	1.8
Combination of above items	47	42.0
Total	112	100.0

From the findings in Table 4.20, many firms (65.2 percent) engage on community based CSR to obtain combination of benefits comprising of social license and promotion of products. This concurs with the findings of the study by Galbreath (2009) that CSR offers benefits to firms beyond traditional financial oriented rewards. Other firms only identified social license (13.4 percent) and promotion of products (8.9 percent).

Table 4.20: Benefits of Community CSR Activities

Benefits of CSR	Frequency	Percentage
Not Applicable	14	12.5
Social Licence	15	13.4
Promote Products	10	8.9
Combination of above items	73	65.2
Total	112	100.0

4.5.4 Descriptive Relationship between Government Relations and Firm Performance

The study explored various ways in which organizations implemented government related CSR activities as presented in Table 4.21. The study findings showed that organizations highly exercised government related CSR activities through legal and ethical compliance in their products (4.98), compliance in their operations (4.96), emission control (4.04), environmental conservation (3.90), energy conservation (3.88), waste management (3.82), packaging (3.79), and electronic business (3.79). The standard deviations were below 1 in all the items implying that the responses were not widely dispersed from the mean value because the government related practices were almost similar in all the firms.

The findings of the studies by Fu and Shen (2015); Mwangi and Oyenje (2013); Yin et al. (2013) identified the need for firms to comply and exceed the basic quality standards. The studies by Chung and Safdar (2014); Morara (2013); Pearce and Robinson (2011); Sweeney (2009); Yin et al. (2013) stressed the need for environmental conservation. Tilakasiri (2012) identified the need for waste management.

Table 4.21: Government Related CSR Activities

	Percentage					M	SD
	VL	L	M	H	VH		
Operations Compliance	-	-	-	4.5	95.5	4.96	0.207
Products Compliance	-	-	-	1.8	98.2	4.98	0.133
Emission Control	-	4.5	8.9	64.3	22.3	4.04	0.702
Waste Management	3.6	-	15.2	73.2	8.0	3.82	0.726
Packaging Compliance	-	1.8	24.1	67.9	6.3	3.79	0.576
Energy Conservation	-	0.9	17.0	75.0	7.1	3.88	0.515
Sensitivity to Environmental Impact	-	-	18.8	72.3	8.9	3.90	0.519
Electronic Business	-	-	26.8	67.9	5.4	3.79	0.527

n = 112

VL=Very low, L=Low, M=Medium, H=High, VH=Very high

As show in Table 4.22, all firms endeavour to assure quality products through standardization mark on their products. This corroborates with the findings of the studies by Fu and Shen (2015); Mwangi and Oyenje (2013); Shen et al. (2013) who observed that the quality of products has to be maintained by regulated standardization.

Table 4.22: Standardization Mark

Benefit	Frequency	Percentage
Quality products	112	100
Total	112	100.0

From Table 4.23, majority of the firms (75 percent) reported to gain recognition from their involvement in CSR activities. A few firms (1.8 percent) reported to benefit from tax relief emanating from their engagement in CSR activities. This concurs with the findings of the studies by Chung and Safdar (2014); Popa and Salanta (2014) that firms that engage in CSR benefit from tax relief, reduced interest on loans, and improved brand image.

Table 4.23: Benefits Accrued from Government for CSR Involvement

Benefits from Government	Frequency	Percentage
Not Applicable	26	23.2
Tax relief/waiver	2	1.8
Recognition	84	75.0
Total	112	100.0

Majority of the firms under this study (69.6 percent) do not have an environmental management system in place as shown in Table 4.24. The other firms (30.4 percent) reported benefits from EMS implementation to include product improvement and environmental protection. This supports the studies by Chung and Safdar (2014); Sweeney (2009); Yin et al. (2013) who found environmental conservation efforts in firms that implement EMS.

Table 4.24: Benefits Accrued from EMS

Benefits from EMS	Frequency	Percentage
Not Applicable	78	69.6
Product Improvement & Environmental protection	34	30.4
Total	112	100.0

The findings shown in Table 4.25 indicated that nearly all firms (98.2 percent) embrace green technology in their operations and were constantly making efforts to adopt the latest manufacturing technology. The study by Tilakasiri (2012) found that green technology enables firms to be more productive, efficient in the use of raw materials and conserves the environment.

Table 4.25: Benefits of Engaging in Green Technology

Benefits from Government	Frequency	Percentage
Not Applicable	2	1.8
Product Improvement and Environmental protection	110	98.2
Total	112	100.0

4.5.5 Firm Performance

Several parameters were used to measure firm performance in this study averaged for the last five years as shown in Table 4.26. Based on the mean, the study findings showed that majority of the firms had high level of profitability (3.68), medium level of expenditure on CSR (2.61), medium level of market share (3.28), high level of customer satisfaction (3.54), very low levels of pollution (1.10), highly used the latest manufacturing technology (4.17), highly innovative and creative (3.93), medium level of employee satisfaction (3.37), and medium level of staff training expenditure (3.01). Majority of the firms reported medium level of positive impact from their engagement in CSR activities. Many of the firms in this study recorded a medium market share (3.30) of 41 to 60 percent, high plant efficiency (3.60) of 61 to 80 percent, high customer satisfaction (3.61) of 61 to 80 percent and medium level of employee satisfaction (3.42) of 41 to 60 percent. The standard deviation was below 1 for all the items except one, meaning that little dispersion from the mean value because almost the same performance parameters applied to all the firms.

On overall, majority of the firms that had involvement in CSR activities showed enhanced firm performance. This is consistent with the findings by Carroll and Shabana (2010); Chen (2015); Ching et al. (2015); Chung and Safdar (2014); Harrison and Wicks (2013); Newman et al. (2016); Safwat (2015); Tilakasiri (2012); Togun and Nasieku (2015) who contend that involvement in CSR activities enables firms to be more competitive which significantly and positively correlates with firm performance. This study established that involvement in CSR enhances performance of manufacturing firms in Kenya.

Table 4.26: Firm Performance Measures

	Percentage						M	SD
	NA	VL	L	M	H	VH		
Profitability	-	-	3.6	37.5	46.4	12.5	3.68	0.738
CSR expenditure	1.8	16.1	17.0	50.0	15.2	-	2.61	0.990
Market share	-	-	15.2	50.0	26.8	8.0	3.28	0.819
Customer satisfaction index	-	-	-	53.6	38.4	8.0	3.54	0.642
Pollution level	-	90.2	9.8	-	-	-	1.10	0.299
Use of latest technology	-	-	-	10.7	61.6	27.7	4.17	0.599
Innovation and creativity	-	-	-	17.0	73.2	9.8	3.93	0.515
Employee satisfaction index	-	-	5.4	53.6	40.2	0.9	3.37	0.600
Staff training expense	-	0.9	14.3	68.8	15.2	0.9	3.01	0.608
CSR impact	7.1	12.5	16.1	46.4	17.0	0.9	2.56	1.153
Market Share	-	-	14.3	50.0	26.8	8.9	3.30	0.826
Plant efficiency	-	-	0.9	41.1	55.4	2.7	3.60	0.561
Customer satisfaction index	-	-	0.9	40.2	56.3	2.7	3.61	0.559
Employee satisfaction index	-	-	1.8	55.4	42.0	0.9	3.42	0.548

n = 112

VL=Very low, L=Low, M=Medium, H=High, VH=Very high

As shown in Table 4.27, this study found that majority of firms (48.2 percent) executed CSR through donations, while others (42 percent) have a combination of health, sports and donations. This corroborates with the findings of the study by Paul (2013) which contends that most organizations prefer the easiest method of corporate philanthropy through donations.

Table 4.27: CSR Activities

CSR Activities	Frequency	Percentage
Not Applicable	7	6.3
Health	2	1.8
Donations	54	48.2
Sports	2	1.8
Combination of above items	47	42.0
Total	112	100.0

4.6 Diagnostic Tests

4.6.1 Normality Test

Table 4.28 reveals the result of normality test, where the skewness of the variables ranged from -0.838 to 0.238 while the kurtosis ranged from -0.633 to 0.949. Since the skewness for normally distributed data ranges between -1 and 1 and kurtosis ranges between -2 and 2, the data was found to be normally distributed.

Table 4.28: Normality Test

Variable	Skewness	Kurtosis	Comments
Employee Relations	-0.080	0.055	Accepted
Customer Relations	-0.480	-0.222	Accepted
Community Relations	-0.563	-0.282	Accepted
Government Relations	-0.838	0.949	Accepted
Performance	0.238	-0.633	Accepted

4.6.2 Multicollinearity Test

Underlying assumptions of MLRM were tested to ascertain the goodness of model specification. Multicollinearity is the degree of linear relationship between IVs, which leads to biased estimates of the regression coefficients. Similarities between independent variables results in a very strong correlation which renders the model unreliable. If the correlation coefficient (ρ) between IVs is at 0.90 and above, multicollinearity problem exists. Variance inflation factor (VIF) value between 0 and 10 shows that there is no multicollinearity problem, and if otherwise, converse applies (Ching et al., 2015; Gujarati & Porter, 2010).

Based on the coefficients output in Table 4.29, collinearity statistics obtained VIF values of X_1=2.150, X_2=2.990, X_3=2.133 and X_4=3.025. Since the VIF values obtained were between 0 and 10, it was concluded that there were no multicollinearity symptoms.

Table 4.29: Collinearity Statistics

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.818	5.414		.520	.604		
	X_1	.008	.126	.006	.063	.950	.465	2.150
	X_2	.441	.151	.313	2.927	.004	.335	2.990
	X_3	.163	.071	.206	2.279	.025	.469	2.133
	X_4	.619	.202	.330	3.071	.003	.331	3.025

4.6.3 Heteroscedasticity Test

Heteroscedasticity is a common problem with cross sectional data. For reliable estimators, homoscedasticity is a requirement where equal variance is expected in disturbance terms and in dependent values (Ys) (Gujarati & Porter, 2010). Glejser test defines that, if sig. > 0.05, then homoscedasticity exists as required, and the converse applies.

Based on the coefficients output in Table 4.30, the obtained value of sig. of X_1 variable of 0.199, sig. of X_2 variable of 0.800, sig. of X_3 variable of 0.996 and sig. of X_4 variable of 0.169 are all greater than 0.05 (> 0.05), hence the data was considered homoscedastic.

Table 4.30: Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.753	3.111		.564	.574
	X_1	-.093	.072	-.180	-1.292	.199
	X_2	-.022	.087	-.042	-.254	.800
	X_3	.000	.041	.001	.005	.996
	X_4	.161	.116	.230	1.386	.169

4.6.4 Correlation Analysis

Correlation matrix was used to examine the association between the study variables, and to test multicollinearity between independent variables. Pearson product correlation coefficient (r) shows the magnitude and direction of the bivariate linear relationship between the study variables, and ranges from +1 to -1.

The Pearson correlation matrix in Table 4.31 showed strong and significant positive relationships between the CSR variables, at 0.01 level of significance, where r ranged from 0.548 to 0.759 (p values=0.000). This showed that multicollinearity problem did not exist as the correlations between IVs were less than 0.9 (Ching et al., 2015). The findings also indicated significantly strong and positive correlation between CSR variables and performance of manufacturing firms, where r ranged from 0.556 to 0.716 (p values=0.000). This means that an increase in CSR activities led to an increase in performance of manufacturing firms.

Table 4.31: Pearson Correlation Matrix

		X_1	X_2	X_3	X_4	Y
	Pearson Correlation	1	.705**	.548**	.660**	.556**
X_1	Sig. (2-tailed)		.000	.000	.000	.000
	N	112	112	112	112	112
	Pearson Correlation	.705**	1	.653**	.759**	.701**
X_2	Sig. (2-tailed)	.000		.000	.000	.000
	N	112	112	112	112	112
	Pearson Correlation	.548**	.653**	1	.705**	.646**
X_3	Sig. (2-tailed)	.000	.000		.000	.000
	N	112	112	112	112	112
	Pearson Correlation	.660**	.759**	.705**	1	.716**
X_4	Sig. (2-tailed)	.000	.000	.000		.000
	N	112	112	112	112	112
	Pearson Correlation	.556**	.701**	.646**	.716**	1
Y	Sig. (2-tailed)	.000	.000	.000	.000	
	N	112	112	112	112	112

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

4.7 Simple Regression

The simple regression considered each independent variable separately and assumed all other factors to be constant. It was used to estimate the individual contribution of each variable in the model. It assumed the following form:

$$Y = B_0 + B_iX_i + e$$

4.7.1 Simple Regression of Firm Performance on Employee Relations

From the model summary in Table 4.32, the coefficient of correlation, $r^2 = 0.310$, which denotes that other factors held constant, 31% of the variation in firm performance is explained by employee relations. This correlation is fairly weak at 0.310, which means that there are other factors to consider in the model for adequacy.

Table 4.32: Employee Relations Simple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.556[a]	.310	.303	6.36387

a. Predictors: (Constant), X_1

From the ANOVA summary in Table 4.33, the F statistic is 49.324. Because the corresponding p-value = 0.000, ($p \leq 0.05$ for 5% level of significance) the null hypothesis, H_0 is rejected and inference drawn that statistically the explanatory variable, employee relations has significant effect on firm performance.

Table 4.33: Employee Relations Simple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1997.552	1	1997.552	49.324	.000[b]
	Residual	4454.868	110	40.499		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), X_1

From the coefficients in Table 4.34, $B_0 = 19.260$ and $B_1 = 0.774$, therefore;

$$\hat{Y} = 19.260 + 0.774X_1$$

If employee relations index goes up by 1 unit, other factors held constant, the firm performance index is expected to increase on average (considering the error term) by 0.774 units.

Table 4.34: Employee Relations Simple Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	19.260	4.017		4.795	.000	11.300	27.220
	X_1	.774	.110	.556	7.023	.000	.555	.992

a. Dependent Variable: Y

4.7.2 Simple Regression of Firm Performance on Customer Relations

From the model summary in Table 4.35, the coefficient of correlation, $r^2 = 0.492$, which denotes that other factors held constant, 49.2% of the variation in firm performance is explained by customer relations. This correlation is fairly weak at 0.492, which means that there are other factors to consider in the model for adequacy.

Table 4.35: Customer Relations Simple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.492	.487	5.45895

a. Predictors: (Constant), X_2

From the ANOVA summary in Table 4.36, the F statistic is 106.523. Because the corresponding p-value = 0.000, ($p < 0.05$ for 5% level of significance) the null hypothesis, H0 is rejected and inference drawn that statistically the explanatory variable, customer relations has significant effect on firm performance.

Table 4.36: Customer Relations Simple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3174.399	1	3174.399	106.523	.000[b]
	Residual	3278.021	110	29.800		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), X_2

From the coefficients in Table 4.37, $B_0 = 12.217$ and $B_2 = 0.989$, therefore;

$\hat{Y} = 12.217 + 0.989X_2$

If customer relations index increase by 1 unit, other factors held constant, firm performance is expected to increase on average by 0.989 units.

Table 4.37: Customer Relations Simple Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	12.217	3.424		3.568	.001	5.432	19.003
	X_2	.989	.096	.701	10.321	.000	.799	1.179

a. Dependent Variable: Y

4.7.3 Simple Regression of Firm Performance on Community Relations

From the model summary in Table 4.38, the coefficient of correlation, $r^2 = 0.417$, which denotes that other factors held constant, 41.7% of the variation in firm performance is explained by community relations. This correlation is fairly weak at 0.417, which means that there are other factors to consider in the model for adequacy.

Table 4.38: Community Relations Simple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646[a]	.417	.411	5.84912

a. Predictors: (Constant), X_3

From the ANOVA summary in Table 4.39, the F statistic is 78.600. Because the corresponding p-value = 0.000, ($p < 0.05$ for 5% level of significance) the null hypothesis, H_0 was rejected and inference drawn that statistically, the explanatory variable, community relations has significant effect on firm performance.

Table 4.39: Community Relations Simple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2689.079	1	2689.079	78.600	.000[b]
	Residual	3763.341	110	34.212		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), X_3

From the coefficients in Table 4.40, $B_0 = 34.361$ and $B_3 = 0.511$ therefore;

$$\hat{Y} = 34.361 + 0.511X_3$$

If community relations index increase by 1 unit, other factors held constant, firm performance is expected to increase on average (considering the error term) by 0.511 units.

Table 4.40: Community Relations Simple Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	34.361	1.545		22.241	.000	31.299	37.423
	X_3	.511	.058	.646	8.866	.000	.397	.625

a. Dependent Variable: Y

4.7.4 Simple Regression of Firm Performance on Government Relations

From the model summary in Table 4.41, the coefficient of determination, $r^2 = 0.512$, which denotes that other factors held constant, 51.2% of the variation in firm performance is explained by government relations. This correlation is fairly strong at 0.512, which means that government relations significantly affect firm performance.

Table 4.41: Government Relations Simple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	.512	.508	5.34766

a. Predictors: (Constant), X_4

From the ANOVA summary in Table 4.42, the F statistic is 115.629. Because the corresponding p-value = 0.000, ($p < 0.05$ for 5% level of significance) the null hypothesis, H_0 was rejected and inference drawn that statistically, government relations has significant effect on firm performance.

Table 4.42: Government Relations Simple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3306.698	1	3306.698	115.629	.000[b]
	Residual	3145.722	110	28.597		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), X_4

From the coefficients in Table 4.43, $B_0 = -5.780$ and $B_4 = 1.343$;

$\hat{Y} = -5.780 + 1.343X_4$

If government relations index goes up by 1 unit, other factors held constant, the firm performance index is expected to increase on average by 1.343 units.

Table 4.43: Government Relations Simple Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-5.780	4.948		-1.168	.245	-15.587	4.026
	X_4	1.343	.125	.716	10.753	.000	1.096	1.591

a. Dependent Variable: Y

4.8 Multiple Regression

4.8.1 Optimal Model

Multiple regression was used to determine whether independent variables; employee relations (X_1), customer relations (X_2), community relations (X_3), and government relations (X_4), collectively/jointly affect the dependent variable, firm performance (Y), which is performance of manufacturing firms in Kenya. From Table 4.46, the coefficient of determination (R square) of 0.591 shows that 59.1 percent of manufacturing firm performance can be explained by CSR strategy based on employee, customer, community and government relations. The R value of 0.769 in Table 4.44 shows that there is a strong and positive correlation between employee, customer, community and government relations, and performance of manufacturing firms in Kenya.

Table 4.44: Optimal Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769[a]	.591	.576	4.96338

a. Predictors: (Constant), X_4, X_1, X_3, X_2

From the overall model ANOVA in Table 4.45, the F statistic is 38.730. Because the p value of the F statistic is extremely low (0.000) in relation to the level of significance, $\alpha = 0.05$ (p value = 0.000 <0.05) the null hypothesis (H_0) was rejected in favour of the alternative hypothesis (H_a) hence inference deduced that the explanatory variables (employee, customer, community and government relations) collectively/jointly have statistically significant effect on firm performance.

Table 4.45: Optimal Model ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3816.458	4	954.115	38.730	.000[b]
	Residual	2635.961	107	24.635		
	Total	6452.420	111			

a. Dependent Variable: Y; b. Predictors: (Constant), X_4, X_1, X_3, X_2

From the model analysis in Table 4.46, the coefficient B_1=0.008 (p value = 0.950) implies a positive but insignificant relationship between employee relations and performance of manufacturing firms. Since the p value was greater than the 5 percent level of significance, the null hypothesis was not rejected and the alternative hypothesis rejected. It was therefore concluded that employee relations have positive but statistically insignificant effect on performance of manufacturing firms in Kenya.

The coefficients B_2 = 0.441 (p value = 0.004), B_3 = 0.163 (p value = 0.025) and B_4 = 0.619 (p value = 0.003) implied positive and significant relationships between customer, community and government relations, and performance of manufacturing firms. Since these p values were less than 0.05 (level of significance), the null hypotheses were rejected and concluded that customer, community and government relations separately have positive and statistically significant effect on performance of manufacturing firms in Kenya.

Table 4.46: Optimal Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.818	5.414		.520	.604
	X_1	.008	.126	.006	.063	.950
	X_2	.441	.151	.313	2.927	.004
	X_3	.163	.071	.206	2.279	.025
	X_4	.619	.202	.330	3.071	.003

a. Dependent Variable: Y

From Table 4.46, the multiple regression equation is formed as follows:

$$\hat{Y} = 2.818 + 0.008X_1 + 0.441X_2 + 0.163X_3 + 0.619X_4$$

The equation revealed that there is a positive relationship between IVs and DV. When employee relations improve by one unit, firm performance improves by an additional 0.008, other factors (customer, community and government relations) held constant. For every unit increase in customer relations, firm performance improves by 0.441 provided the other three IVs remain constant. Firm performance improves by 0.163 for every unit improvement in community relations, provided the other three IVs remain unchanged.

When government relations improve by a unit, firm performance improves by 0.619 if the other IVs remain constant.

In this model, the most dominant/influential IV is government relations followed by customer, community, and employee relations. This is deduced from the parameter estimates and p values. Government relations rank as the most influential IV in improving social and economic firm performance because the parameter estimate is highest at 0.619 and p value is lowest at 0.003. This is closely followed by customer relations with parameter estimate of 0.441 and p value of 0.004.

4.8.2 Overall Model

The analysis of the model with firm size as a control variable in Table 4.47 showed that firm size provided a positive but insignificant control effect on the relationship between CSR and firm performance in corroboration with the findings of the study by Galbreath (2009). The results of the regression model showed a positive but insignificant effect of firm size as a control variable in the relationship between CSR and performance of manufacturing firms in Kenya (B_5=0.075, p value = 0.925). A unit increase in firm size, other factors held constant, increases firm performance index by 0.075 of a unit.

Table 4.47: Overall Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.645	5.740		.461	.646
	X_1	.008	.127	.006	.064	.949
	X_2	.440	.151	.312	2.911	.004
	X_3	.160	.079	.202	2.032	.045
	X_4	.620	.203	.330	3.058	.003
	Size	.075	.795	.007	.094	.925

a. Dependent Variable: Y

The new R square of 0.592, as shown in Table 4.48, implied that 59.2 percent of the variations in firm performance can be explained jointly by employee, customer, community and government relations with firm size used as a control variable. This is insignificantly different from 0.591, as shown in Table 4.46 on page 83, obtained without the control variable. This means that firm size has no significant controlling effect on the relationship between CSR and performance of manufacturing firms in Kenya.

Table 4.48: Overall Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769[a]	.592	.572	4.98644

a. Predictors: (Constant), Size, X_1, X_3, X_2, X_4

From the Overall model ANOVA in Table 4.49, the F statistic is 30.700. Because the p value of the F statistic is extremely low (0.000) in relation to the level of significance, $\alpha = 0.05$ (p value = 0.000 $<$0.05), inference was deduced that the explanatory variables (employee, customer, community and government relations) and control variable (firm size), collectively/jointly have statistically significant effect on firm performance.

Table 4.49: Overall Model ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3816.769	5	763.354	30.700	.000[b]
	Residual	2635.650	106	24.865		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), Size, X_1, X_3, X_2, X_4

4.9 Hypotheses Testing

Inferential statistics were used to test the hypothesised relationships at 5 percent level of significance. Whenever the p value was less than 0.05, the null hypothesis was rejected in support of the alternative hypothesis, and the converse applies.

Hypothesis One, H_{01}: Employee relations have no significant effect on performance of manufacturing firms in Kenya.

This research found a positive relationship between employee relations and firm performance with a standardized coefficient of 0.008 as shown in Table 4.46 on page 83. This meant that a unit increase in employee relations index led to an increase in manufacturing firm performance index by 0.008. However, the relationship is not significant (p value = 0.950; $p>0.05$), therefore, the null hypothesis was not rejected. It can then be inferred that employee relations have no significant effect on performance of manufacturing firms in Kenya.

These findings contrast previous studies that have argued that the relationship is significant. Firm performance in this study considered financial and non-financial components to provide greater assessment. There is a significant positive relationship between employee relations and financial firm performance, which may not be the case for financial and non-financial considerations. Also, work practices are primarily controlled by government rules and regulations and not at the discretion of firms. However, this study found a positive relationship between employee relations and firm performance. There is a positive relationship between the firm's ability to attract, motivate and retain employees and firm performance.

This is consistent with the resource based theory, which postulates that sustained competitive advantage is based on attraction, accumulation and retention of unique resources (Al-Ansari, 2014; Freeman et al., 2010). Attraction, motivation and retention

of high quality employees represent a strategic imperative for many firms in today's highly competitive business environment (Sweeney, 2009).

The findings of this study are also consistent with the social identity theory, which indicates that employees are attracted, motivated and retained in firms with friendly employee relations. Though firms observe the rules and regulations of the host country, certain employee-related CSR activities are carried out on a voluntary basis with the aim of satisfying employees for greater productivity and performance.

Hypothesis Two, H_{02}: Customer relations have no significant effect on performance of manufacturing firms in Kenya.

The findings of this study revealed a positive relationship between customer relations and firm performance with a standardized coefficient of 0.441 as shown in Table 4.46 on 83. This meant that a unit increase in customer relations index led to an increase in manufacturing firm performance index by 0.441. The relationship is also significant with p value = 0.004 (since $p<0.05$), therefore, the null hypothesis was rejected in support of the alternative hypothesis, because there was positive significant relationship found between customer-related CSR and firm performance. These findings corroborate with previous studies that have argued that the relationship is significant (Sweeney, 2009; Tilakasiri, 2012). It can then be concluded that customer relations have significant effect on performance of manufacturing firms in Kenya.

The results are consistent with previous studies which have shown positive significant influence of customer relations on firm performance. Customer-related CSR activities are designed to increase customer satisfaction in anticipation for long term financial benefits for the firm. Customer satisfaction enhances customer loyalty, reduced price elasticity, insulation of current customers from competitive forces, lower costs of future transactions, lower costs of attracting new customers, and enhanced reputation (Tilakasiri, 2012). This study is in agreement with many authors (Fu & Shen, 2015;

Simpson, 2018; Sweeney, 2009; Tilakasiri, 2012) that CSR activities have positive effect on firm performance by attracting and retaining customers.

The findings of this study are consistent with the stakeholder theory, which indicates that a firm needs to take cognizant of the various stakeholder interests among which are customers. Consumer behaviour is influenced by the firm's ethical and ecological practices, consumer information, and quality assurance, in line with the social identity theory (Palmer, 2012; Sweeney, 2009).

Hypothesis Three, H_{03}: Community relations have no significant effect on performance of manufacturing firms in Kenya.

This study found a positive and significant relationship between community relations and firm performance with a standardized coefficient of 0.163 as shown in Table 4.46 on page 83. The relationship is significant with p value = 0.025 (since $p<0.05$), therefore, the null hypothesis was rejected in support of the alternative hypothesis, because there was positive and significant relationship found between community-related CSR activities and firm performance. These findings corroborate with previous studies that have argued that the relationship is positive and significant (Bagh et al., 2017; Fu & Shen, 2015; Hilson, 2014; Sweeney, 2009; Tilakasiri, 2012). It can then be concluded that community relations significantly enhance performance of manufacturing firms in Kenya.

The results are consistent with previous studies which have shown positive and significant influence of community relations on firm performance. Community-related CSR activities such as donations, health, education and sports build trust and confidence and mitigate risks (Yin et al., 2012). Community relations in this research included health, education, donations, sports and volunteer work. This is in agreement with previous studies (Fu & Shen, 2015; Hilson, 2014; Sweeney, 2009; Tilakasiri, 2012) that community-related CSR activities enhance firm performance.

The findings of this study are consistent with the stakeholder and social contract theories, which indicate that a firm needs to take cognizant of the various stakeholder interests including community. This study recognized community as a key stakeholder for the firm with which it has to establish good relations to enable it carry out its operations smoothly. This provides a social license for the firm in line with the findings of the studies by Fu and Shen (2015), Hilson (2014), Mugun (2013), and Popa and Salanta (2014).

Hypothesis Four, H_{04}: Government relations have no significant effect on performance of manufacturing firms in Kenya.

This study established a positive and significant relationship between government relations and firm performance with a standardized coefficient of 0.619 as shown in Table 4.46 on page 83. The relationship is significant with p value = 0.003 (since $p<0.05$), therefore, the null hypothesis was rejected in support of the alternative hypothesis, because there was a positive and significant relationship found between government-related CSR activities and firm performance. These findings corroborate with previous studies that have argued that the relationship is positive and significant (Adeyemo et al., 2013; Fu & Shen, 2015). It can then be inferred that government relations significantly enhance performance of manufacturing firms in Kenya.

The results are consistent with previous studies which have shown positive and significant influence of government relations on firm performance. An increasing number of companies are promoting CSR strategies as a response to a variety of social, environmental and economic pressures (Ramdhony, 2018; Steurer, 2010). Government-related CSR activities considered in this study included compliance of operations and products, pollution control, waste management, environmentally friendly packaging and energy conservation. This study found that government relations lead to enforcement of production quality standards, environmental protection, labour standards, and the adoption of efficient technologies in line with the findings by Fu and Shen (2015), Mwangi and Oyenje (2013), and Yin et al. (2013).

The findings of this study are consistent with the stakeholder theory, which indicates that a firm needs to take cognizant of the various stakeholder interests. CSR mitigates the likelihood of negative regulatory, legislative and fiscal action on firms (Cheng et al., 2015). This study found that CSR supports the firm's self-regulation on ethical practices which supplements the enforcement through government regulation in corroboration with the findings of the study by Pedersen (2015) and Steurer (2010). This protects the firm's stakeholders including the employees, customers, and the community hence enabling the firm to perform better socially and economically.

Hypothesis Five, H_{05}: Firm size has no significant controlling effect on the relationship between CSR and performance of manufacturing firms in Kenya.

This study found a positive but insignificant relationship between firm size and firm performance with a standardized coefficient of 0.075 as shown in Table 4.47 on page 84. The relationship is insignificant with p value = 0.925 (since p>0.05), therefore, the null hypothesis was not rejected while the alternative hypothesis was rejected, because there was positive but insignificant relationship found between firm size and firm performance. The parameters of the independent variables did not change significantly with the introduction of the control variable in the model as shown in Table 4.47 on page 84 compared to the results in Table 4.46 on page 83, hence insignificant effect of the control variable.

$\hat{Y} = 2.818 + 0.008X_1 + 0.441X_2 + 0.163X_3 + 0.619X_4$ ……. Optimal model

(0.604) (0.950) (0.004) (0.025) (0.003)

$\hat{Y} = 2.645 + 0.008X_1 + 0.440X_2 + 0.160X_3 + 0.620X_4 + 0.075C$ ….. Overall model

(0.646) (0.949) (0.004) (0.045) (0.003) (0.925)

These findings contradict with the previous studies which argued for positive and significant relationship between firm size and firm performance (Sweeney, 2009; Tilakasiri, 2012; Trencansky & Tsaparlidis, 2014). In those studies, firm size was found to be a positive and significant determinant of CSR which enhances firm performance. However, this study corroborates with the findings of the study by Galbreath (2009) that firm size had positive but insignificant controlling effect on the relationship between CSR and firm performance.

Firm size is an important control variable because as firms grow, they have resources to devote to CSR programs than smaller firms, based on resource based and the slack resources theories. Firm size determines the ability of a firm to absorb the financial consequences of CSR (Sweeney, 2009). Smaller firms are unlikely to participate in CSR programs due to limited scale of operations, resource access constraints and lower visibility. Larger firms have better access to resources and more visibility emanating from larger advertising and marketing budgets (Camilleri, 2012; Palmer, 2012).

The findings of this study are consistent with the slack resources theory, which indicates that a firm needs to be fairly big and profitable to generate slack resources that would facilitate investment in CSR which creates and sustains competitive advantage in the long run (Sweeney, 2009; Tilakasiri, 2012). The study findings informed the failure to reject the null hypothesis and rejection of the alternative hypothesis that firm size has a positive but insignificant effect on performance of manufacturing firms in Kenya. The present study concluded that, firm size as defined by the number of employees, other factors held constant, has positive but insignificant controlling effect on the relationship between CSR and performance of manufacturing firms in Kenya.

Table 4.50: Results of Hypotheses Testing

Null Hypothesis	Results
H_{01}: Employee relations have no significant effect on performance of manufacturing firms in Kenya.	Not rejected
H_{02}: Customer relations have no significant effect on performance of manufacturing firms in Kenya.	Rejected
H_{03}: Community relations have no significant effect on performance of manufacturing firms in Kenya.	Rejected
H_{04}: Government relations have no significant effect on performance of manufacturing firms in Kenya.	Rejected
H_{05}: Firm size has no significant controlling effect on the relationship between CSR and performance of manufacturing firms in Kenya.	Not rejected

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, the conclusion and recommendations for future research. This study sought to examine the effect of CSR practices on performance of manufacturing firms in Kenya. It determined the effect of employee relations, customer relations, community relations and government relations, on performance of manufacturing firms in Kenya and the controlling effect of firm size on the relationship between CSR and performance of manufacturing firms in Kenya.

5.2 Summary of the Major Findings

5.2.1 The Effect of Employee Relations on Firm Performance

The results of the study showed that there is no significant relationship between employee relations and performance of manufacturing firms in Kenya. These findings were in corroboration with some previous studies which found the relationship to be insignificant. Literature review showed that most studies found significant relationship between employee relations and firm performance by establishing that CSR creates employee attraction, motivation and retention hence enhancing firm performance. However, this research found a positive relationship between employee relations and firm performance, which meant that an increase in employee relations index led to an increase in manufacturing firm performance.

These findings contrast previous studies that argue for a significant relationship between CSR and firm performance. Employee relations are normally controlled by national and international laws and regulations such as health and safety and human rights. In most of the studies in the literature review, firm performance was based on financial measures such as return on assets, return on equity and return on sales. In this study, firm

performance was based on both financial and non-financial measures for broader assessment and purely focused on manufacturing firms.

The findings of this study were consistent with the resource based theory, which postulates that sustained competitive advantage is based on attraction, accumulation and retention of resources which are difficult to substitute and imitate. The findings were also consistent with the social identity theory, which indicates that employees are attracted, motivated and retained in firms with friendly employee relations.

5.2.2 The Effect of Customer Relations on Firm Performance

This research found a positive relationship between customer relations and firm performance, which meant that an increase in customer relations index led to an increase in manufacturing firm performance index. The relationship is also significant hence the null hypothesis was rejected in support of the alternative hypothesis. These findings corroborate with previous studies that have argued that the relationship is significant. It can then be concluded that customer relations significantly enhances performance of manufacturing firms in Kenya.

The results are consistent with previous studies which show positive and significant influence of customer relations on firm performance. Customer relations increase customer satisfaction in anticipation for long term financial benefits for the firm. Customer satisfaction provides enhanced customer loyalty, reduced price elasticity, insulation of customers from competitive forces, lower transaction costs, and enhanced reputation. This study is in agreement with many authors that CSR activities attract customers to choose the firm's products hence boosting its performance.

The findings of this study are consistent with the stakeholder theory, which postulates that a firm needs to take cognizant of the various stakeholder interests. The customer is influenced by the firm's ethical and ecological practices, consumer information, and

quality assurance. This study also supports the social identity theory in that CSR improves customer loyalty by supporting consumer interests.

5.2.3 The Effect of Community Relations on Firm Performance

The findings of this research found a positive and significant relationship between community relations and firm performance. The relationship is significant hence the null hypothesis was rejected in support of the alternative hypothesis. These findings corroborate with previous studies that have argued that the relationship is positive and significant. It can then be concluded that community relations significantly enhance performance of manufacturing firms in Kenya.

The results are consistent with previous studies which have shown positive and significant influence of community relations on firm performance. This is in agreement with previous studies that community-related CSR activities enhance firm performance. Community-related CSR activities such as donations, health, education and sports build trust and confidence and mitigate risks. The study findings informed the rejection of the null hypothesis, hence inference that community relations have a positive and significant effect on performance of manufacturing firms in Kenya. This study recognized community as a key stakeholder for the firm with which it has to establish good relations to enable it carry out its operations smoothly, in line with stakeholder and social contract theories, which provides a social license for the firm.

5.2.4 The Effect of Government Relations on Firm Performance

This research found a positive and significant relationship between government relations and firm performance. The relationship is significant therefore the null hypothesis was rejected in support of the alternative hypothesis. These findings corroborate with previous studies that have argued that the relationship is positive and significant. It can then be concluded that government relations significantly enhance performance of manufacturing firms in Kenya.

This study found that government relations lead to enforcement of production quality standards, environmental protection, labour standards, and the adoption of efficient technologies. Government relations considered in this study included compliance of operations and products, pollution control, waste management, environmentally friendly packaging and energy conservation.

The findings of this study are consistent with the stakeholder theory, where CSR mitigates the likelihood of negative regulatory, legislative and fiscal action on firms. This study found that CSR supports the firm's self-regulation on ethical practices which supplements the enforcement through government regulation. This protects the firm's stakeholders including the employees, customers, and the community hence enabling the firm to perform better socially and economically.

5.2.5 The Effect of Firm Size on the Relationship between CSR and Firm Performance

This research found a positive but insignificant relationship between firm size and firm performance. Since the relationship is insignificant, the null hypothesis was not rejected while the alternative hypothesis was rejected. The parameters of the independent variables did not change significantly with the introduction of the control variable in the model.

These findings conflict with previous studies which argued that the relationship between firm size in total assets and firm performance is positive and significant. According to the results of previous studies, company size defined by the number of employees was found to be a positive and significant determinant of CSR which enhances firm performance. However, some previous studies found a positive but insignificant effect of firm size on the relationship.

Firm size is an important control variable because bigger firms have resources to devote to CSR programs than smaller firms, based on resource based and the slack resources theories. Firm size determines the ability of a firm to absorb the financial consequences of CSR. The findings of this study are consistent with the slack resources theory, which indicates that a firm needs to be fairly big and profitable to generate slack resources that would facilitate investment in CSR which creates and sustains competitive advantage in the long run.

5.3 Conclusions

The study revealed that employee relations have positive but insignificant effect on performance of manufacturing firms. Based on the findings, it can be implied that manufacturing firms would not directly derive significant improvement in firm performance from investments in employee relations. When firms invest in employee relations such as health and safety, diversity, training, knowledge sharing, skill development, consultation, work life balance, welfare and rewards, they benefit from improved productivity and performance in the long run. Some previous studies concur with the expectation while other studies found the contrary, but all coincide in that the relationship is at least positive.

The findings of the study showed that customer relations significantly enhance performance of manufacturing firms in Kenya. Most notably, customer relations impact firm performance through product information, quality, value, feedback, customer engagement and complaints handling. Customer relations increase customer satisfaction which attracts and retains customers to the firm's products. This creates competitive advantage for the firm through enhanced firm reputation and customer loyalty in support of the stakeholder and social identity theories.

The findings of the study showed that community relations significantly enhance performance of manufacturing firms in Kenya. Community relations impact firm performance through support of community health, education, donations, projects and

sports. The findings indicated that the performance of manufacturing firms increased with increase in community relations. This creates competitive advantage for the firm through enhanced firm reputation and customer loyalty in support of the stakeholder and social identity theories. Community relations provide social license for the firm to enable it carry out its operations smoothly, build trust and confidence, and mitigate risks in line with stakeholder and social contract theories.

The study found that government relations significantly enhance performance of manufacturing firms in Kenya. These included compliance of operations and products, pollution control, waste management, biodegradable packaging and energy conservation. The findings indicated that the performance of manufacturing firms increased with increase in government relations. This study found that government relations led to enforcement and self-regulation of production quality standards, environmental protection, labour standards, and the adoption of efficient technologies which mitigates the likelihood of negative regulatory action on firms. This protects the firm's stakeholders in line with stakeholder theory hence enabling the firm to perform better ecologically, socially and economically.

The findings of this study revealed that there is a positive but insignificant effect of firm size on the relationship between CSR and firm performance. The study defined company size by the number of employees. The results showed that bigger and profitable firms have resources to devote to CSR programs than smaller firms, based on resource based and the slack resources theories. Such firms are able to absorb the financial consequences of CSR, which creates and sustains competitive advantage in the long run.

5.4 Recommendations of the Study

Based on the findings of the study, the researcher recommends that manufacturing firms enhance employee relations because employees are the most valuable stakeholder in a company. The empirical evidence from this study infers that the success of firms depends on the level of employee motivation and job satisfaction which determines job

performance and the quality of products and services. Also based on the empirical evidence that training and education of employees enables them to be more skilled and productive, this study recommends that manufacturing firms in Kenya develop skills and capacity of employees so as to enhance innovation and creativity hence create and sustain competitive advantage.

This study recommends that manufacturing firms need to offer the much required customer support in terms of product information, quality assurance, and handling customer feedback. Considering the highly competitive market place, firms need to be clearly visible and provide the best offering to the customer. This would ensure customer satisfaction for enhanced customer loyalty and firm's reputation. This study further recommends that manufacturing firms should be highly sensitive to the customer who nowadays has easy access to information, variety of choices and ecologically sensitive.

This study recommends that manufacturing firms in Kenya be actively engaged in community development initiatives to promote harmony with the local society. Socially responsible acts would service the local community in areas of environmental protection, poverty alleviation, education and health programmes. The socially responsible firm would bond and create peace with the communities and also develop the market for its products.

This study recommends that manufacturing firms maintain friendly business-government relations through self-regulation on ethical practices in addition to compliance to enforcement through government regulation. This would promote production quality standards, environmental protection, labour standards, and the adoption of efficient technologies, which would offer sustained competitive advantage. Such relations would protect the firm's stakeholders including the employees, customers, and the community hence enabling the firm to enhance social and economic performance, and maintain high reputation.

This study recommends that manufacturing firms in Kenya, regardless of their size, need to invest in social responsibility to create and sustain competitive advantage over rival firms. Investments in CSR would enhance the firm's reputation which would counter the fierce competition waged by the influx of cheap imports, counterfeit and contraband products emanating from globalization, free markets and unscrupulous business practices.

5.5 Study's Contribution to Knowledge

5.5.1 Academic Contribution

This research has made an important contribution to literature through consideration of both financial and non-financial measures of firm performance by considering the triple bottom line of social, environmental and financial concepts. Contemporary CSR studies challenge the traditional view of business performance as a profit maximizing economic agent to a more ethical outlook that analyzes the greater impact of business on society. Also, in line with contemporary literature which conceptualizes CSR constructs under multiple stakeholders, this research analyzed CSR under four stakeholder groups of employees, customers, community and government. This research has thus contributed to bridge the gap in the measure of triple bottom line firm performance and use of stakeholder constructs.

There is common acknowledgement that manufacturing firms have both significant positive and negative impacts on society which makes CSR an important issue in recent years. Pressure on the earth's resource base is becoming increasingly severe owing to rapid industrialization, whereby resources are being depleted and polluted above sustainable rates. As Kenya endeavours to transform into a highly industrialized middle income country, with rapid economic growth driven by manufacturing sector, there is increasing pressure on the environment which is exacerbated by the adverse effects of climate change. This research recommends CSR as a strategic frontier to mitigate the adverse effects of industrialization.

This study enhanced the stakeholder theory in that CSR was conceptualized under stakeholder constructs consisting of employees, customers, community and government. The study also enhanced the resource based theory. Firms create and sustain competitive advantage through configuration and coordination of resources. Through CSR, operationalized through employees, customers, community and government relations, firms are able to enhance employee learning and growth, internal processes, customer satisfaction and the bottom line. The study highlights CSR to be positively and significantly correlated to firm performance in the highly dynamic and competitive market place.

This study contributed to the social contract theory in that it considered the community as a key stakeholder. Social contract theory stands for harmonious relationship between the business and stakeholders. This study contributed to the social identity theory in that it identified customer and employee relations to enhance customer loyalty and firm reputation hence creating competitive advantage for the firm. This reduces the costs involved in employee and customer attraction and retention.

This study supported the slack resources theory by identifying that CSR in Kenya is spearheaded by large companies who have the resources to absorb the financial implication of CSR investments. Larger firms realize more profit due to economies of scale and exhibit more socially responsible behavior relative to smaller firms. This generates competitive advantage for the firms by marketing their products and raising their reputation.

5.5.2 Practical Contribution

This study provides information on the practicability of the strategic importance of CSR among manufacturing firms in Kenya. Coordinated CSR activities connected to the company's strategy make significant social impact and strengthen the firm's long term competitiveness. This research also provides information to managers and industrialists to manage industrial waste and other adverse effects of manufacturing operations on the

environment and society. It provides a platform for firms to collate data on CSR to test and enrich extant literature.

Mandatory requirements are needed to enforce the implementation of activities related to stakeholder constructs. However, firms could be empowered and motivated to implement CSR activities on voluntary basis. This study invokes firms and regulatory institutions to recognize and give preference to firms that have CSR practices.

5.6 Recommendation for Policy

The manufacturing sector is the engine of economic growth and a catalyst for national development. This study provides information to industrial investors and government agencies on responsible manufacturing operations. It also informs government agencies to develop and amend policies on social responsibility. Managing CSR well provides an opportunity for risk management by amelioration of stakeholder pressures. This study provides guidance on the formulation of policy guidelines that create harmony between manufacturing firms and the various stakeholders through CSR, and also justifies the allocation of CSR budgets in organizations.

This study recommends firms to build collaborative partnerships with other stakeholders to impact positively to society through CSR. Partnerships pool unique capabilities and resources whose outcome could not be achieved by the firm acting alone. It also recommends firms to integrate CSR with their vision, mission, core competencies, values, strategic goals and objectives to benefit both the firm and the society.

5.7 Areas for Further Research

This study used cross sectional data obtained from respondents by use of a self-administered questionnaire. Cross sectional data observes a phenomenon at a specific time where the data collected only once, hence ideal for managing resource constraints. Time series data is collected over a period of time and pooled data combines elements of time series and cross sectional data. Panel, longitudinal or micropanel data is a special

type of pooled data where the same unit is surveyed over time. This research recommends the collection of time series data for future CSR studies because as a strategy, CSR takes effect over time.

This study considered the manufacturing sector owing to its strategic role in the economy and the impact of manufacturing operations. This study recommends further research on other sectors of the economy, especially the service sector including banking, insurance, hospitality, health, education, and telecommunication sectors. Study may be extended to state institutions to monitor how the government embraces CSR.

Using the same constructs used in this study, further studies can consider the unit of observation to consist of the employees, customers, community, and government participants. This would ensure first hand accurate data from the stakeholder perspective since the perception of the managers tend to portray only the positive image of the organization. Future research can use interview data collection method as opposed to the questionnaire. This would enhance the response rate, eliminate response bias and ambiguity, and overcome delays in data collection.

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APPENDICES

Appendix 1: Introduction Letter

To: Whom it may concern

FROM: Researcher

Date: 2017

RE: QUESTIONNAIRE

Your participation in this questionnaire is part of my doctoral research in Business Administration, Strategic Management at Jomo Kenyatta University of Agriculture and Technology (JKUAT). This thesis seeks to determine the "Effect of corporate social responsibility on performance of manufacturing firms in Kenya" as part of the requirements for the award of a doctoral degree. I seek to collect accurate data from manufacturing firms, on CSR initiatives strategically focused through stakeholders, to draw conclusions that would contribute to growing literature on CSR as a strategy for firm performance. I kindly seek your permission and cooperation to participate in this study. Please share any additional information that would add value to this research. Ethical requirements including confidentiality and anonymity will be held to the highest level. The study will be used for academic purposes only and key findings of the study will be shared with you and published in reputable global business journals.

Thanking you in advance,

Amos Sila Mwangangi 0722 793166

a.mwangangi@yahoo.com

Appendix 2: Questionnaire

Instructions:

This study attempts to determine the effect of CSR on firm performance for academic purpose only. Kindly select as appropriate;

Part A: Organization Background

1. Name of company ……..
2. How many employees do you have in your firm?
   1-20 [ ] 21-50 [ ] 51-100 [ ] 101-250 [ ] Over 250 [ ]
3. How long in years has the firm been in operation?
   Below 5 [ ] 5-10 [ ] 11-25 [ ] 26-50 [ ] Over 50 [ ]
4. Which sector does the Company belong?

S.No.	**Sub-sector**	
1	Building, mining & construction	[ ]
2	Chemical & Allied	[ ]
3	Energy, Electrical & Electronics	[ ]
4	Food & Beverages	[ ]
5	Leather & Footwear	[ ]
6	Metal & Allied	[ ]
7	Motor vehicle & Accessories	[ ]
8	Paper, Board & Packaging	[ ]
9	Pharmaceutical & Medical equipment	[ ]
10	Plastic & Rubber	[ ]

5. If you have a CSR policy in your organization, what is the key directive? ……
6. Who is responsible for CSR in your organization (Job title)? [ ]

7. If your company communicates CSR activities, what mode of communication is used? [ ]
8. What is your greatest motivator for engaging in CSR? Please rank.
   i) Preserve/ improve company's reputation [ ]
   ii) Give back to the community [ ]
   iii) Ethical & moral reasons [ ]
   iv) Reduce environmental impact [ ]
   v) Improve employee motivation [ ]
   vi) Improve community relations [ ]
   vii) Improve customer loyalty [ ]
   viii) Improve relations with business partners/ investors [ ]
   ix) Pressure from third parties/ attract public incentives [ ]
9. What is your greatest barrier to furthering CSR activities?
   Finance [ ] Time [ ] Human resource [ ] Not aligned [ ] Other [……..]
10. What support do you need, and from which entity, to encourage you engage in CSR activities? ……..
11. Which of the following certifications apply to your firm?
    ISO 9001QMS [ ] ISO 14001 EMS [ ] ISO 22000 [ ] OHSAS [ ] ISO 26000 CSR [ ] GRI [ ] UN Global compact [ ] OECD guidelines [ ] AA1000 [ ] SA8000 [ ] Others (Specify) …….

Part B: Employee Relations

Please indicate the extent to which your organization is committed to the following constructs: Use the scale; VH-Very high, H-High, M-Moderate, L-Low, VL-Very low.

S.No.	Constructs	VH	H	M	L	VL
1	Health and safety of employees					
2	Diversity (gender, ethnicity, race, PWD)					
3	Training programs to enhance quality/performance					
4	Employees to share knowledge and expertise					
5	Develop employees skills and long term careers					
6	Consult employees on important issues					
7	Work-life balance among employees					
8	Welfare: Transport, sports & fitness, employee functions, counseling, team building					
9	Internal recruitment and promotion					
10	Support and reward of innovation and creativity					

i) Which employee trainings do you conduct to develop staff skills?
……

ii) How do you reward employees for innovation, creativity and performance?
……..

Part C: Customer Relations

Please indicate the extent to which the following apply to your organization. Use the scale: VH-Very high, H-High, M-Moderate, L-Low, VL-Very low.

S.No.	Constructs	VH	H	M	L	VL
1	Clear and accurate product information and labeling					
2	Guarantee quality products and services					
3	Commitment to provide value to customers					
4	Customer care and feedback					
5	Customer engagement in product development					
6	Timely resolve of customer complaints					
7	Impact of CSR activities on reputation of the firm					
8	Impact of CSR activities on customer loyalty					

i) If your organization is ISO 9001QMS certified, what key business benefits accrue? …….

ii) How do you enhance consumer capacity on product use? ……

Part D: Community Relations

Please indicate the extent to which your organization is committed to the following constructs: Use the scale: VH-Very high, H-High, M-Moderate, L-Low, VL-Very low.

S.No.	Constructs	VH	H	M	L	VL
1	Community health support					
2	Education support (scholarships and donations)					
3	Donation to charity and emergency relief					
4	Involvement in community CSR projects					
5	Recruitment policies in favour of local communities					
6	Purchasing policies in favour of local communities					
7	Support sports activities					
8	Staff charity volunteer work					

i) What CSR activities have you undertaken in the community in recent past?

……..

ii) What benefits do you expect from community for CSR activities?

…….

Part E: Government Relations

Please indicate the extent to which the following apply to your organization. Use the scale: VH-Very high, H-High, M-Moderate, L-Low, VL-Very low.

S.No.	Constructs	VH	H	M	L	VL
1	Consistency of operations with expectations of law					
2	Provision of products that meet legal requirements					
3	Emission/ pollution control (air, water & soil)					
4	Waste management (Treat, Reduce, Recycle, Reuse)					
5	Environmentally friendly packaging / containers					
6	Energy conservation					
7	Sensitivity to environmental impact					
8	Embrace electronic (e) business					

i) What key benefits do you accrue from complying with standardization (S) mark? ……..

ii) Please indicate any existing policy gaps that the government needs to address to improve CSR amongst manufacturing firms……....

iii) What benefits do you get from government for engaging in CSR? ……..

iv) If your organization is ISO 14001 EMS certified, what key business benefits accrue? ……...

v) Which green technology has your firm implemented in the recent past? …….....

Part F: Firm Performance 1

How do you rate the performance trend of your business over the last 5 years (2012-2016)?

Use the scale: VH-Very high, H-High, M-Moderate, L-Low, VL-Very low

S.No.	Constructs	VH	H	M	L	VL
1	Profitability					
2	CSR expenditure					
3	Market share					
4	Customer satisfaction index					
5	Environmental pollution from the firm's operations					
6	Use of latest technology					
7	Innovation and creativity					
8	Employee satisfaction index					
9	Expenditure on staff training & development					
10	Impact of CSR on firm performance					

i) What awards/ recognitions/ rating has the company received in the last 5 years?

……

Part G: Firm Performance 2

Kindly give an indication of the current firm performance in percentage:

S.No.	Constructs	81 - 100	61 - 80	41- 60	21 - 40	0- 20
1	Market share					
2	Plant efficiency					
3	Customer satisfaction index					
4	Employee satisfaction index					

Appendix 3: Critical Review Summary

No.	Item	Description
1.	Author	Chen, 2015
	Study focus	Sustainability & firm performance
	Scope	Sweden, manufacturing
	Theory	Institutional, Stakeholder, resource dependence, ecological modernization
	IVs	Sustainability: Reputation, social audit, management, disclosures
	DV	Performance (TBL): GRI rating, ROE
	CV	Not applicable
	Methodology	Quantitative; Kruskal-Wallis, correlation , factor analysis, SEM
	Findings	Positive impact
2.	Author	Ching et al., 2015
	Study focus	Effect of CSR on employee quality of work life
	Scope	Malaysia, Service firms
	Theory	Social identity theory
	IVs	Work - Life balance, training, health & safety, human rights & diversity
	DV	Quality of work life: Trust, commitment, job engagement & job satisfaction
	CV	Not applicable
	Methodology	Quantitative, questionnaire, sample=250, descriptive, correlation, MLRM
	Findings	Employee oriented CSR improves the quality of work life
3.	Author	Fu & Shen, 2015
	Study focus	Correlation between CSR and financial performance
	Scope	China, Food processing
	Theory	Stakeholder, social contract

	IVs	CSR: creditors, staff, government, suppliers, consumers, community, ecology
	DV	Financial performance: ROE, ROA
	CV	Size (total assets)
	Methodology	Correlation, MLR, sample=63
	Findings	CSR impacts positively on company's financial performance
4.	Author	Tizro et al., 2015
	Study focus	Impact of CSR on corporate performance
	Scope	Iran, Cement industry
	Theory	Missing
	IVs	CSR: economic, legal, ethical & discretionary
	DV	Performance: Profitability & Customer loyalty
	CV	Not applicable
	Methodology	MLRM, sample =74
	Findings	Positive influence
5.	Author	Fadun, 2014
	Study focus	Business practices & stakeholders' expectations
	Scope	Nigeria
	Theory	Stakeholder theory
	IVs	Economic, legal, ethical and philanthropic responsibilities
	DV	Stakeholder (employees, customers, shareholders & community) expectations
	CV	Not applicable
	Methodology	Purposive sampling, sample=240, quantitative survey, SPSS
	Findings	CSR enhances corporate image and competitive advantage
6.	Author	Hilson, 2014
	Study focus	CSR in Ghana's oil sector
	Scope	Ghana, Oil sector
	Theory	Stakeholder & legitimacy theories

	IVs	Companies, Government, civil society, communities
	DV	Impact of CSR programs
	CV	Not applicable
	Methodology	Purposive & snowball sampling, interviews & focus groups, Qualitative, Discourse analysis
	Findings	Many firms are disconnected from stakeholders social and ecological needs
7.	Author	Ibrahim, 2014
	Study focus	CSR practices among SMEs in Egypt
	Scope	Egypt, SMEs
	Theory	Social capital theory
	IVs	CSR motivations, stakeholder relationships, macro-environmental factors
	DV	Impact: Institutionalization, strategic exchange, value creation
	CV	Not applicable
	Methodology	Purposive sampling, sample=54, Qualitative, interviews
	Findings	CSR acts as a catalyst for social and economic development
8.	Author	Adeyemo et al., 2013
	Study focus	Factors influencing CSR
	Scope	Nigeria (Ibadan), manufacturing firms
	Theory	Stakeholder, agency, political
	IVs	Organizational culture, competition, pressure groups, government policy, customers' demand, employees' demand
	DV	Adoption of CSR
	CV	Not applicable
	Methodology	Purposive sampling, descriptive survey, MLRM, SPSS
	Findings	CSR adoption attracts best workers and more customers
9.	Author	Tilakasiri, 2012
	Study focus	Relationship between CSR and firm performance

	Scope	Sri Lanka, Colombo Stock Exchange list,
	Theory	Stakeholder, social contract, legitimacy, resource dependence, agency
	IVs	Employees, customers, ecology, education, health & general public
	DV	Financial measures: ROS, ROE, ROA
	CV	Company size (assets & sales)
	Methodology	Qualitative-content analysis, quantitative-panel data regression
	Findings	Significant positive relationship
10.	Author	Galbreath, 2009
	Study focus	Benefits of CSR on the performance of firms
	Context	Australia, business firms
	Theory	Stakeholder, justice & equity
	IVs	Economic, legal, ethical & discretionary
	DV	Employee turnover, customer satisfaction
	CV	Firm size, firm age, industry type, and sales revenue
	Methodology	Confirmatory factor analysis
	Findings	CSR leads to employee and customer satisfaction
11.	Author	Sweeney, 2009
	Study focus	Relationship between CSR and firm performance
	Context	Ireland, 1,300 business firms in Ireland
	Theory	Stakeholder theory
	IVs	Community, ecology, customers & employees
	DV	Performance: Finance (profit & sales), employee attraction & retention, customer loyalty, reputation & access to capital (p. 230).
	CV	Firm size & industry
	Methodology	222 surveys, cross sectional data, cross tabulation & Chi-square
	Findings	Strong positive relationship

Appendix 4: List of Respondent Firms

1.	ABM	18.	Bobmil	35.	DPL
2.	African Cotton	19.	BOC	36.	E.A. Foundry
3.	Alliance Industries	20.	C&P Shoe Company	37.	E.A. Spectre
4.	Allpack	21.	C. Dormans	38.	E.A.Cables
5.	Alpharma	22.	Cadbury	39.	EABL
6.	Aquamist	23.	Carton Manufacturers	40.	E.A. Malt
7.	ARM	24.	Cempack Solutions Ltd	41.	EAPCC
8.	Ashut	25.	Central Glass	42.	Elson Plastics of Kenya
9.	Athi River Mining	26.	Chandaria Industries	43.	Elys Chemical
10.	Athi River Tanneries	27.	CocaCola	44.	Europack
11.	Athi Steel	28.	Continental Products	45.	Excel Chemicals
12.	Autospring	29.	Cosmos	46.	Farmer's Choice
13.	Bamburi Cement	30.	Crown Paints	47.	Fine Engineering
14.	Basco Paints	31.	Davis & Shirtliff	48.	Flamingo Tiles
15.	BAT	32.	Darling - Style Industries	49.	Frigoken
16.	Bayer	33.	Dawa Limited	50.	Galaxy Paints
17.	Beta Health Care	34.	Devki Steel	51.	Glacier Products Ltd.

52. General Motors
53. General Plastics
54. GSK
55. Henkel
56. Holman
57. Impala
58. Insteel
59. Interconsumer
60. Johnson & Johnson
61. Kalu Works
62. Kamili Packers
63. Kapa Oil Refineries
64. Kartasi Industries
65. KCC
66. Kenafric Industries
67. Kenpoly
68. Kens Metal
69. Kenwest Cables
70. Kenya Grange
71. Kim Fay
72. KWAL
73. Lab & Allied
74. London Distillers
75. Medisel
76. Metal Crowns
77. Metlex
78. Mitsubishi Motors
79. Mombasa Cement
80. MRM
81. Murphy Chemicals
82. Nestle Foods
83. Nation Media Group
84. Norbrook
85. Orbit
86. Osho Chemicals
87. Paper Bags Ltd
88. Pembe Flour Mills
89. Power Technics
90. Premier Food Industries Ltd
91. Proctar & Gamble
92. Proctar & Allan
93. PZ Cussons
94. Ramco
95. Reckitt & Benckiser
96. Sadolin
97. Saj Ceramics
98. Sameer
99. Savannah Cement
100. SBC Pepsi
101. Silpak Industries Ltd.
102. Standard Group

103. Statpack
104. Syngenta Kenya
105. Tetrapack
106. Tononoka Kenya
107. Toyota
108. Trufoods
109. Twiga Chemicals
110. Unga Ltd
111. Unilever
112. Wringley

Source: KAM directory, 2015

Appendix 5: University Letter

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY
NAIROBI CBD CAMPUS
Department of Commerce and Economics Studies

P.O. Box 62000
NAIROBI - 00200
KENYA

TEL: 020-221306
Email: cesncbd@jkuat.ac.ke

15th March, 2017

To Whom It May Concern,

Dear Sir / Madam;

RE: INTRODUCTION LETTER FOR AMOS SILA MWANGANGI - HD433-5061/2014

This is to confirm that the above named is a student pursuing Doctor of Philosophy in Business Administration programme at Jomo Kenyatta University of Agriculture and Technology, Nairobi CBD Campus. He is currently undertaking a research project titled: **Effect of Corporate Social Responsibility on Performance of Manufacturing Firms in Kenya** in partial fulfillment of the requirements for the degree programme. As such, he will be contacting you for data collection for his research study.

Any assistance accorded to him will be highly appreciated. Please do not hesitate to contact the undersigned for any more information.

Yours faithfully,

Associate Chairperson
CES NAIROBI CBD CAMPUS

Dr. Rotich G. C. (Ph.D)
Associate Chair, CES

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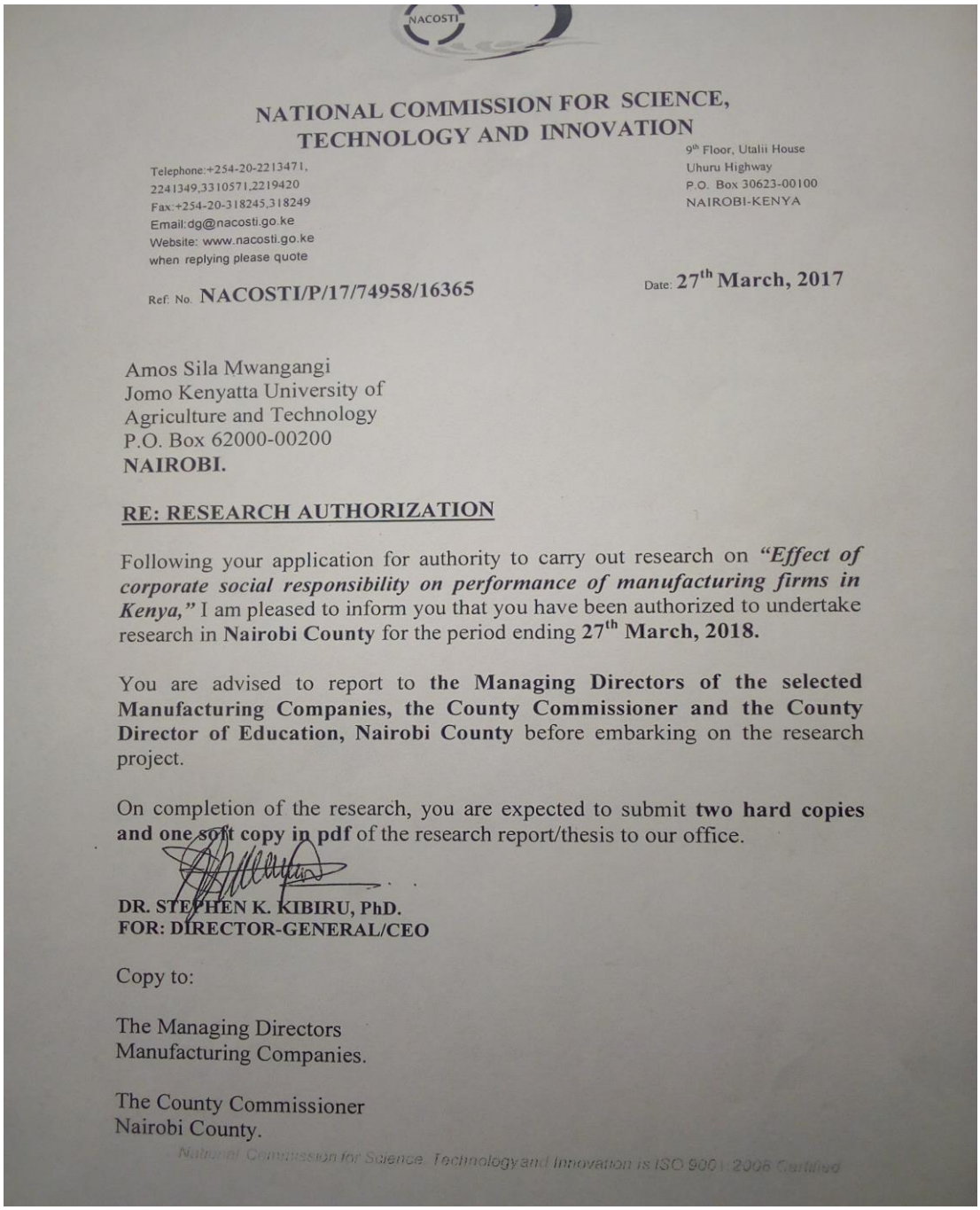
Setting Trends in Higher Education, Research and Innovation

Appendix 6: NACOSTI Letter



NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Fax:+254-20-318245,318249
Email:dg@nacosti.go.ke
Website: www.nacosti.go.ke
when replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/17/74958/16365**

Date: **27th March, 2017**

Amos Sila Mwangangi
Jomo Kenyatta University of
Agriculture and Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effect of corporate social responsibility on performance of manufacturing firms in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **27th March, 2018.**

You are advised to report to **the Managing Directors of the selected Manufacturing Companies, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Managing Directors
Manufacturing Companies.

The County Commissioner
Nairobi County.

National Commission for Science, Technology and Innovation is ISO 9001: 2008 Certified