RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND ORGANISATIONAL PERFORMANCE OF MANUFACTURING FIRMS IN NAKURU, KENYA

BY

ELIZABETH WAIRIMU KARANI

This dissertation is submitted to the Faculty of Business, Computer Science and Communication Studies in partial fulfillment of the requirements for the award of the Master of Business Administration (Strategic Management and Leadership) degree from St. Paul's University.

May 2017

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Supervisors: **Dr. Julius Kahuthia**

Dr. David Gichuhi

May 2017

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DECLARATION

Declaration

This Dissertation is my original work and has never been submitted for any academic award in any University

Signature …… Date……

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Word Count: Nineteen thousand and ninety two (19,092)

We confirm that the work reported in this thesis was carried out by the student under our supervision.

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ABSTRACT

Comprehensive evaluation of empirical studies on the relationship between Corporate Social Responsibility and Organizational Performance indicates that those firms that have been perceived as having engaged in corporate social responsibility activities tend to show good performance compared with firms that have not been socially responsible. Although there have been studies conducted on CSR as highlighted, focus has not been given to the manufacturing sector. There also seems existence of scant empirical investigations on the topic under study especially focusing on manufacturing sector within Nakuru town which according to the United Nation's report (2013) is the fastest growing town in Africa with an average annual growth rate of 13%. The purpose of this study was to examine the relationship between Corporate Social Responsibility practices and Organizational Performance of manufacturing firms in Nakuru town. The study was guided by the following specific objectives; to examine the relationship between philanthropic CSR activities, environmental CSR activities, ethical CSR activities and Organizational Performance of manufacturing firms. The study was based on stakeholder, slack resource, agency and corporate social performance theories. The population of the study comprised of two hundred and seventy nine permanent employees of the twenty four manufacturing firms operating in Nakuru town. The study used exploratory research design and stratified proportional sampling technique. Primary data was collected using structured questionnaires. Data was analyzed using descriptive statistics including, frequencies, mean and standard deviations and inferential statistics methods including spearman correlation and chi-square with the assistance of SPSS as the tool of analysis. The research findings were presented inform of tables and figures for ease of interpretation. The study established that there exist statistically insignificant, negative relationship between philanthropic CSR practices (rho= -0.044; $p>0.05$) while there exist statistically significant, positive relationship between environmental CSR practices and Organizational performance **(**rho= 0.195; $p<0.05$) and statistically insignificant, positive relationship between ethical CSR practices and Organizational performance **(**rho= 0.094; $p>0.05$). It is recommended that firms should not focus more in terms of funds allocation on Philanthropic CSR activities since these activities were found to have a negative relationship with performance. More focus should be given to specifically environmental CSR activities which reported a statistically significant positive relationship and ethical CSR activities which reported a positive relationship.

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TABLE OF CONTENTS

DECLARATION ..... **ii**
ACKNOWLEDGEMENT ..... **iii**
ABSTRACT ..... **iv**
LIST OF ABBREVIATIONS AND ACRONYMS ..... **v**
CHAPTER ONE **1**
INTRODUCTION **1**
1.0 Introduction 1
1.1 Background Study 1
1.1.1 Manufacturing Industry in Kenya 3
1.2 Statement of Problem 4
1.3 Research Objectives 5
1.3.1 General Objective 5
1.3.2 Specific Objectives 5
1.4 Research Hypotheses 5
1.5 Scope of the study 5
1.6 Significance of the study 6
1.7Assumptions of the Study 6
1.8 Limitations of the study 6
1.9 Definition of Terms 8
CHAPTER TWO **9**
LITERATURE REVIEW **9**
2.1 Introduction 9
2.2 Theoretical Literature Review 9
2.2.1 Stakeholder Theory 9
2.2.2 Slack Resource Theory 11
2.2.3 Agency Theory 12
2.2.4 Corporate Social Performance Theory 13
2.3 Empirical Literature Review 14
2.3.1 Organizational Performance 14
2.3.2 Philanthropic Corporate Social Responsibility 18
2.3.3 Environmental Corporate Social Responsibility 20
2.3.4 Ethical Corporate Social Responsibility 21

ST. PAUL'S UNIVERSITY

2.4 Conceptual framework 22
2.5 Research Gaps 24
CHAPTER THREE 25
RESEARCH METHODOLOGY 25
3.1 Introduction 25
3.2 Research Design 25
3.3 Target Population 25
3.4 Sampling Design Technique 27
3.5 Sample Size Determination 27
3.6 Data Collection procedure 29
3.7 Data Collection instruments 29
3.7.1 Validity of instruments. 29
3.7.2 Reliability of Instruments 30
3.8 Data Analysis 30
3.9 Ethical Considerations 31
CHAPTER FOUR 32
RESEARCH FINDINGS AND DISCUSSIONS 32
4.1 Introduction 32
4.2 Response Rate 32
4.3 Demographic Information 33
4.3.1 Gender 33
4.3.2 Age 33
4.3.3 Number of years that respondents worked in the firm 34
4.4 Descriptive statistics analysis and discussions 34
4.4.1 Philanthropic Corporate Social Responsibility practices 34
4.4.2 Environmental Corporate Social Responsibility practices 37
4.4.3 Ethical Corporate Social Responsibility Practices 38
4.4.4 Organizational Pperformance 40
4.5 Chi-square Test for Goodness of Fit Analysis 42
4.6 Correlation Analysis 43
4.6.1 Relationship between Philanthropic CSR Practices and Organizational Performance 43

ST. PAUL'S UNIVERSITY

4.6.2 Relationship between Environmental CSR Practices and Organizational Performance 44
4.6.3 Relationship between Ethical CSR Practices and Organizational Performance 44

CHAPTER FIVE 46
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 46
5.1 Introduction 46
5.2 Summary 46
5.2.1 Philanthropic Corporate Social Responsibility Practices 46
5.2.2 Environmental Corporate Social Responsibility Practices 47
5.2.3 Ethical Corporate Social Responsibility Practices 47
5.3 Conclusions of the Findings 47
5.3.1 Philanthropic Corporate Social Responsibility Practices 47
5.3.2 Environmental Corporate Social Responsibility Practices 48
5.3.3 Ethical Corporate Social Responsibility Practices 48
5.4 Recommendations 49
5.4.1 Philanthropic Corporate Social Responsibility Practices 49
5.4.2 Environmental Corporate Social Responsibility Practices 49
5.4.3 Ethical Corporate Social Responsibility practices 49
5.5 Ssuggestions For Ffurther Rresearch 49
References 50
APPENDICES 60
APPENDIX 1: PERMISSION LETTER TO CARRY OUT A RESEARCH STUDY 60
APPENDIX II: RESEARCH QUESTIONAIRE 61
APPENDIX III: LIST OF MANUFACTURING FIRMS IN NAKURU TOWN 66

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LIST OF ABBREVIATIONS AND ACRONYMS

CFP	Corporate Financial Performance
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
KIPPRA	Kenya Institute for Public Policy Research and Analysis
NGOs	Non Governmental Organizations
NMCs	Northern Multinational Companies
NSE	Nairobi Stock Exchange
ROA	Return on Assets
ROI	Return on Investments
SPSS	Statistical Packages for Social Sciences

ST. PAUL'S UNIVERSITY

LIST OF TABLES

Table 3.1: Target Population....26
Table 3.2:Sample size 28
Table 4.1 Response Rate 32
Table 4.2: Respondents' Gender....33
Table 4.3: Respondents' Age....33
Table 4.4: Number of years that respondents have worked in the company 34
Table 4.5: Descriptive Analysis for Philanthropic CSR practices....35
Table 4.6: Descriptive Analysis for Environmental CSR practices....37
Table 4.7: Descriptive Analysis for Ethical CSR practices 38
Table 4.8: Descriptive Analysis for Organizational performance 40
Table 4.9: chi-square test for goodness of fit....42
Table 4.10 : Relationship between Philanthropic Corporate Social Responsibility practices .43
Table 4.11:Relationship between Environmental CSR practices and Organizational performance....44
Table 4.12: Relationship between Ethical CSR practices and Organizational performance ..45

ST. PAUL'S UNIVERSITY

LIST OF FIGURES

Figure 2.1 Relationship Between Corporate Social Responsibility Practices And Organizational Performance…… 23

ST. PAUL'S UNIVERSITY

CHAPTER ONE
INTRODUCTION

1.0 Introduction

This chapter comprises the background of the study, statement of the problem, research objectives guiding the study and research hypotheses. The significance of the study, limitations and assumptions, scope of the study and definition of operational terms are also presented.

1.1 Background Study

Corporate Social Responsibility (CSR) is popularly referred by the business fraternity as one of the discretionary societal expectations of organizations be it a small-scale enterprise or a multinational company. CSR as defined by Schnackers (2007) is business commitment to the development seen as the continuing commitment by business to contribute to community development both economically and socially. The operating environment of present businesses is characterized by a disclosure of firm's information on its operations, pressure from investors, demand for better suppliers/stakeholders relations and a competitive labour market. The foregoing characteristics are driving organizations to adopt CSR efforts in their operations (International Institute for Sustainable Development, 2016). These efforts might have short-term costs but without direct financial benefits to organizations, they encourage a positive environmental and social change.

Corporate Social Responsibility (CSR), defined in terms of the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations, is one outcome of these developments (Omboto, 2014). Corporate social responsibility (CSR) is an essential topic that is receiving increasing attention from organizations. One of the reasons is that, according to corporate governance principles issued by OECD (Udayasankar, 2008), CSR is highly associated with good corporate governance. In addition, if properly used, CSR projects have a positive influence on consumer's behavior (Mohr, 2001). Besides performance and earnings performance, stakeholders have recently developed interests in CSR projects that organizations engage in. In other words, organizations are also measured by their concerns about the society in which they operate (Quintin, 2004).

ST. PAUL'S UNIVERSITY

Corporate Social Responsibility is an increasingly important part of the business environment. The past twenty years have seen a radical change in the relationship between business and society (Omboto, 2014). Key drivers of this change have been the globalization of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation (Turker, 2008). The relationship between companies and civil society organizations has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society (Omboto, 2014). Corporate Social Responsibility (CSR) is a management concept whereby companies integrate ethical and environmental concerns in their business operations and interactions with their stakeholders Omboto, 2014).

As Scholtens (2006) explains, CSR has become an increasingly visible and central aspect of businesses and corporations all over the world, as consumers and governments become more concerned about aspects of sustainability and environmental impact that these businesses and corporations make as they pursue profits. Kallio (2006) described corporate goodness as nothing other than naivety and can only be advanced as taboos. Ponnu and Okoth (2009) provided empirical evidence that firms engaging in CSR activities seek to enhance their corporate image which can enable them improve their profits and revenue. Globally, CSR has emerged as a high-profile notion that has strategic importance to many companies. Companies are taking direct and visible steps to communicate their CSR spending to consumers (Luo & Bhattacharya, 2006).

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According to Bhattacharya and Sen (2004), marketing surveys indicate that social responsibility activities have important effects on several performance outcomes. Thus firms that exhibit enviable corporate reputation on corporate social responsibilities programs enhances its public outlook thus boosting its performance (Giirhan – Canli &Batra, 2004). Corporate social responsibility practice has been dominated by developments in developed economies such as North America and the United Kingdom (cheers, 2011). According to Global Reporting Initiative, there exist guidelines on firms which intend to engage in disclosure of their corporate social responsibility measures (Brown et al., 2007). Sustainability reporting has been defined as a practice of disclosing, measuring and ensuring accountability to all stakeholders for firms' performance towards sustainable development goal (Isaksson & Steimle, 2009). Economic, environmental and social impacts are also described and there exists more than one thousand firms in over thirty five countries which are in compliance with Global Reporting Initiative guidelines.

There has been an examination of corporate social responsibility concept by researchers from the developing countries. According to (Dobers & Halme, 2009) particular interest has been on whether and to what extent western notions of corporate social responsibility can be implemented in developing countries and whether corporate social responsibility has any positive business benefits (Jamali, 2007). There has been a push by various stakeholders to push for firms in implementing corporate social responsibility in developing countries. However, it seems that a lot of firms do not have or lack enough knowledge to actualize these (Cheers, 2011). There exist no accepted rules and regulations in developing countries on enforcement of stakeholders demands (Visser, 2008). The firms' management team also lacks adequate understanding of the benefits of implementing corporate social responsibility programs in companies (Agarwal, 2008).

In Kenya, firms have been engaging in corporate social responsibility activities. Such corporate social responsibility projects include capacity building and rehabilitation in children homes, sponsorship and scholarship programs to enable bright and poor children get access to education, donating money to charities, involvement in environmental conservation activities through distribution of tree seedlings to the society for planting, sporting and other charitable activities (Ogola, 2013). Many companies including Kenya Commercial Bank organizes KCB safari rally events yearly, Stanchart Bank organizes Stanchart marathon, UAP

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insurance sponsors Ndakaini Marathon, Menengai Oil refineries sponsors Prinsloo rugby amongst other CSR activities carried out by other companies. It is important to understand specifically how CSR activities carried out by manufacturing firms in Nakuru Town affects organizational performance based on this background.

Organisational performance analyses a firm's performance in line with set goals and objectives. Organisational performance can either be in monetary on non- monetary form (Oarlitzky, 2003). In organisations' performance, there are various aspects which are analysed. These include; corporate reputation and firm's employee commitment, financial performance, market and production capacity performance. There has been a significant effort which has been made to critically understand the influence of corporate social responsibility on firm's performance (Husted & Salazare, 2006). According to Maneva (2007) comprehensive evaluation of empirical studies on the relationship between corporate social responsibility and organizational performance indicates that those firms that have been perceived as having engaged in corporate social responsibility activities tend to show good performance compared to those other firms that have not been socially responsible. Such positive correlation between corporate social responsibility and organizations performance has also been supported by a recent meta-analysis. (Orlitzky et al., 2003).

1.1.1 Manufacturing Sector in Kenya

Vision 2030 in Kenya has identified the manufacturing sector as a major economic growth driver in realization of a sustainable Gross Domestic Product at an average growth rate of ten percent (GOK, 2007). The manufacturing sector immensely contributes to employment and economic growth and development in Kenya although the sector remains with potential which has not exhaustively been tapped. Seventy percent of the industrial sector contribution to Gross Domestic Product in Kenya is constituted by the manufacturing sector, with mining, construction, quarrying and building cumulatively contributing to thirty percent (KIPPRA, 2013). For Kenya to become globally competitive there is great need to create a competitive manufacturing and industrial sector in a bid to spur the country's position as an upper middle income and enhance its competitive advantage (Government of Kenya, 2007).

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Accelerated investment is required in the manufacturing industry as appreciated by policy makers in Kenya. The County's ministry of industrialization should map guidelines and bankable implementable strategic plan and policies that are meant to spur industrial growth for the country to achieve Vision 2030 (Lekaram, 2014). The manufacturing sector is very important in economic growth in Kenya. The government should allocate enough funds in the budget to the manufacturing sector. Given the demographic position of the country, with over half a million young Kenyans being added into the labour force every year, there is great need for Kenya to invest manpower and resources in the industrial and manufacturing industry (KIPPRA, 2013). Kenya's manufacturing sector has shown resilience and reported enviable growth compared to other economies in East Africa region. By 2013 the manufacturing sector contributed eleven percent in Gross Domestic Product and employed twelve percent of 2.3 million Kenyans in the labour force. Although success has been recorded in this sector, the country still trails behind compared to other countries in Africa including Ghana, Tunisia, Ethiopia, Nigeria, Angola and South Africa (World Bank Report, 2014).

1.2 Statement of Problem

Corporate social responsibility activities include social responsibility to environment conservation, stakeholders such as human resource, the community, suppliers and consumers. The relationship between corporate social responsibility and organisation's performance has been studied in Kenya, for example, Cheruiyot (2010) carried out a study that sought to assess the association between firms' corporate social responsibility activities and financial performance of companies quoted at Nairobi securities exchange. It was established that there exists a statistically significant positive relationship between corporate social responsibility practices and financial performance of firms.

Obusubiri (2009) conducted a study on corporate social responsibility and performance of firm portfolio. He found that there exists a positive association between corporate social performance and firm's portfolio performance. Although these studies have been conducted on CSR as highlighted, focus has not been given to the manufacturing sector. There also seems existence of scant empirical investigations on the topic under study especially focusing on manufacturing sector within Nakuru town which according to United Nations report (2013) is the fastest growing town in Africa with an average annual growth rate of 13%.

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Thus, this formed a fundamental research base warranting an investigation to establish the relationship between CSR activities and manufacturing firms' business performance in Nakuru town which this study sought to address.

1.3 Research Objectives

The study was guided by the following research objectives.

1.3.1 General Objective

To establish the relationship between corporate social responsibility practices and organizational performance of manufacturing firms in Nakuru.

1.3.2 Specific Objectives

To achieve the general objective, the study was guided by the following specific objectives:

i. To examine the relationship between philanthropic CSR activities and organizational performance of manufacturing firms in Nakuru.
ii. To assess the relationship between environmental CSR activities and organizational performance of manufacturing firms in Nakuru.
iii. To establish the relationship between Ethical CSR activities and organizational performance of manufacturing firms in Nakuru.

1.4 Research Hypotheses

i. $H0_1$: There is no significant relationship between Philanthropic CSR activities and organizational performance of manufacturing firms in Nakuru.
ii. $H0_2$: There is no significant relationship between Environmental CSR activities and organizational performance of manufacturing firms in Nakuru.
iii. $H0_3$: There is no significant relationship between Ethical CSR activities and organizational performance of manufacturing firms in Nakuru.

1.5 Scope of the study

This study was conducted to establish the relationship between corporate social responsibility practices on manufacturing firms' organizational performance in Nakuru town. CSR activities to be looked into include; philanthropic, environmental and ethical issues regressed against organizational performance. Respondents sample were drawn from permanent employees of the various manufacturing firms within Nakuru Town. The target population was twenty four (24) manufacturing firms which manufacture different products, operating

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and registered by Nakuru county government Ministry of Trade and Industrialization. The study was conducted in a period of two months.

1.6 Significance of the study

The research findings are important especially for firms in the manufacturing, construction and allied sector as they will inform their decisions in terms of whether to involve themselves in CSR activities in the hope of improving performance or not. It will also give the type of CSR activities that their peers are involved in and the resulting effects. This study will be of great help to the firm management team on how the firm can enhance its relationship with key stakeholders which include suppliers, customers and the community. The general public will be made aware of the various corporate social responsibility activities that firms can engage in either philanthropically, environmentally or socially in a bid to improve the quality of life of the surrounding community and community at large. Through these findings, there will be existing knowledge which can be used by any interested party who wishes to understand the link between various aspects of CSR and organizational performance. This study seeks to add to the available knowledge in the topic but with emphasis on the relationship between CSR and firms' performance for a given industry or sector. The research findings will also be helpful to those in academia who want to further the research topic.

1.7Assumptions of the Study

It was assumed that the CSR practices affect organizational performance. The study assumed that in organizational performance, various outcomes are analyzed namely; financial performance, market performance, employees' commitment and corporate reputation.

1.8 Limitations of the study

The study was limited to manufacturing firms in Nakuru town which are of different sizes, thus, the results could not be generalized on all manufacturing firms in the country. To delimit this, the researcher ensured purposively that key firms dealing with diverse productions and manufacturing formed the study sample. Additionally, some respondents were unwilling to provide information for fear that the information was sensitive and confidential. However, the researcher ensured proper communication was made on the purpose of the study and by assuring respondents of confidentiality on information provided. In measuring financial performance of the firms, audited financial statements were not used as the management team of the manufacturing firms was reluctant to provide the statements.

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Moreover, a number of these firms are privately incorporated thus, not compulsory required under the Companies Act, 2015 to publish their financial statements publicly as is the case of public incorporated companies.

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1.9 Definition of Terms

Corporate Social Responsibility- Corporate social responsibility describes the discretionary role a company has in society, which includes conserving the environment, corporate giving and practicing ethics to stakeholders (Alison, 2004). This study adopted this meaning.

Philanthropic Corporate Social Responsibility- According to this study, it means the giving activities carried out by the firm to society relating to health, education and events sponsorship CSR activities.

Environmental Corporate Social Responsibility- CSR activities entailing environmental protection such as planting trees, rehabilitation of water catchment areas, waste management, and garbage collection.

Ethical Corporate Social Responsibility- includes behavior, criterion, standards which reflect not only the company's concern for the value of justice among customers, employees and the local community, but also shows its moral spirit of respecting and protecting the interest of stakeholders (Carroll ,1991). The study adopted this meaning.

Organizational Performance- Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (John & Morris, 2011). Performance measures can be financial or non-financial. In this study, organization performance was measured from the following angles namely; financial performance, employees' commitment, and corporate reputation.

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CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of literature relevant to the study area of CSR and organizational performance. The theoretical review focuses on the relevant theories on CSR and corporate performance and discusses the relevance of the theories to the subject area. In addition to the above, the chapter concludes with the empirical studies in corporate social responsibility.

2.2 Theoretical Literature Review

This study was based on four theories which are relevant to the study; stakeholder theory, slack resource theory, agency theory and corporate social performance theory.

2.2.1 Stakeholder Theory

This theory emphasizes that the firm has a relationship with its stakeholders and the processes and outcomes of these relationships are of interest (Hillman and Luce, 2001). It purports that since businesses focus to appeal to both financial and non-financial stakeholders, they should focus on engaging in CSR undertakings that are apparently significant to non-financial stakeholder groups. This is because the firm needs both of these groups to be sustainable in the long run. Freeman and Reed (1983) identified two groups of stakeholders; those that affect and can be affected by the firm and those that provide support to the firm in form of resources. Stakeholder theory recognizes the long term effect that the actions of stake holders may have on the company. Pedersen (2004) notes that maximizing the value of one's stakeholder will maximize the value of the company.

Stakeholder relationship will also enhance trade. Kakabadse and Rozuel (2005) emphasizes that, for business to perform well, they must deal with a variety of constituents other than its owners. Jensen (2002) proposes that the society expects the organization to perform various responsibilities in order for them to survive. Zingales (2000) also suggests that firms can only succeed by maintaining a quality relationship with the society. Authors have tried to relate and mix stakeholder theory and management oriented perspectives; mostly theories related to agency and governance. Stakeholder theory is of great importance as a normative and instrumental framework. Normative stakeholders assert that firms have ultimate moral obligation to uphold corporate stakeholders' interests (Evans &Freeman, 1983). Moreover,

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instrumental stakeholder theory states that firm managers should encourage contributions which are constructive from their various stakeholders to achieve company goals efficiently (Evans &Freeman, 1983). Freeman (1984) postulated that a firm possesses both formal and informal agreements with numerous stakeholders and are hence liable to honour all such contracts. This enables the company to develop its reputation.

Implied contracts become self-regulating through maintaining this relationship and the cost associated with these contracts also reduces (Telser, 1980). Moreover, Tesler argued that it improves performance and reputation of the firm. The function of management is to balance the demand of different existing stakeholders. The stakeholder theory proposes that CSR is positively associated with corporate financial performance. However, there are several critiques from scholars such as Sternberg (1997) who indicates that the theory challenges the property privileges of shareholders. Moreover, Sternberg posits that the theory also undermines the role of capitalism, relegates the role of government and hence compromises the mechanism of the free market. In the stakeholder theory, the firm's purpose is creation of wealth and values to stakeholders through conversion of their different stakes into goods or services and also to ensure service as a vehicle for coordination of stakeholder interests (Clarkson, 1995).

Presentation of stakeholder theory was first managerial theory. Accordingly, the organization should be managed for the interests of its various stakeholders. These include its suppliers, customers, employees, owners and communities living locally in a bid to ensure maintenance and firm survival (Evan & Freeman, 1988). The decision making structure is based on the discretion of the top management and corporate governance, and frequently, it is stated that such governance should incorporate stakeholder representatives. Stakeholder theory of CSR is related to the belief that corporations have an obligation to the constituent groups in society other than stockholders and beyond that prescribed by law or union contact (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company including shareholders, employees, customers, supplier and local community.

The base legitimacy of the stakeholder theory is on two ethical principles; principle of CSR rights and principle of corporate effects. Both principles take into account the Kant's dictum respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the

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responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is a problem of solving conflicting interests between stakeholders (Freeman & Reed 1983). The implication of stakeholder theory was that companies implement CSR voluntarily since it is part of its role to the stakeholders. The theory implies that a company practices CSR on its own self will. Like individuals, organizations and communities have a complex relationship. Thus, the stakeholders have a role to play in firm's financial performance by ensuring a positive impact in the business community.

Stakeholders are people and groups that affect or are affected by decisions, policies and operations of organizations (Post, 2002). The need to satisfy the various stakeholder groups as major influences on the context within which businesses operate cannot be over emphasized and recognition of this has immeasurable and sustainable benefits for organizations (Halabi, 2006). This theory was relevant to the study since manufacturing firms need to manage their stakeholders namely; customers, employees, suppliers and communities around and whatever CSR activity firm managers undertake will affect the financial performance of these firms.

2.2.2 Slack Resource Theory

Cyert and March (1963) defined slack resource as any free or underutilized resources that can be redeployed for use by the organization. This theory proposes that companies with slack resources at their disposal have an opportunity to invest more on CSR activities thus improving its corporate social performance (Wissink, 2012). Waddock and Grave (1997) noted that a company is enabled to perform its CSR activities when it has improved financial performance due to the availability of slack resources. The insinuation of this approach is that CSR is an extra cost and social actions by companies can only be pursued if the firm has extra resources or cash flows (McGuire, 1988). Proper utilization of slack resources enhances effectiveness and efficiency and can augment to achievement organizational goals. Buchholtz (1991) further argued that this enables a firm to effectively adjust to inside burden for modification or to outside burdens for modification in policy.

Whereas CSR may influence the company's financial performance, there is a different direction of causation in this theory where by a CFP-CSP relationship is involved. The financial performance is interpreted as the independent variable and it is the one that drives the corporate social performance which is the dependent variable (Ahmed, 2014). It shows an

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interesting cycle whereby responsibility and improved performance goes hand in hand. There is no clear evidence showing slack resources enhance financial performance (Zhong, 2011). This theory was relevant to this study as the researcher assumed that firms which engage in CSR activities have surplus financial resources at their disposal mainly from the retained earnings. These surplus financial resources are used to fund CSR activities.

2.2.3 Agency Theory

Agency theory explains the relationships between principals and agents. Under the agency theory, the shareholders are the owners of the firm thus called the principals whereas the management of the firm who work on behalf of the shareholders are the agents (Jensen, 2000). In organizations, the principals who are the shareholders of a company delegate duties of firm management and governance to the agents, who in this case is the management of the organization. The management should thus ensure they work free from conflict of interests and should ensure the owners net worth or shareholders value is maximized. The agency theory assumption is that principals and the agents are both motivated through self interest. According to Ross (1973), the agents who are the managers bear a fiduciary duty to the principals who are shareholders and the principals should ensure strong incentives to the management to alienate their conflict of interests. Such incentives include: fair remuneration and accruing employment benefits.

It has been acceptable that under various conditions, social interests' satisfaction has a contribution in maximization of the shareholders net worth, thus most firms pays attention to corporate social responsibilities activities especially taking into consideration interests of stakeholders. In this respect, Jensen (2000) proposes what he called 'maximization of enlightened value'. In this concept, he specifies that maximization of long-term value or value-seeking is through a firm's objective which allows trade-offs with the relevant different stakeholders of the organization. In distinguishing profitable corporate social responsibility activities, from other activities which are not, Burke and Logsdon (1996) in their study proposed that the concept of corporate social responsibility refers to actions and policies, process and programs which gives maximum related benefits to the organisation, particularly through supporting business activities which are core, thus making contribution to the organisations' effectiveness in achieving its objectives.

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There is a level which is ideal in corporate social responsibilities which is determinable through cost-benefit analysis and also dependent on other factors (McWilliams & Siegel, 2001). Friedman (1962) uses the agency theory to explain his criticism of CSR by arguing that managers are agents for the owners of the firm. Their only responsibility is to use their assets and take part in activities intended to maximize their returns that results to an increase in the shareholders wealth as long as they act as per the laid down rules and procedures. Gerrans and Murphy (2005), argue that managers should only accept projects that increase shareholders wealth and reject non value adding projects. From the agency theory point of view, CSR is a misuse of corporate resources (Mc Williams and Siengel, 2005) and such resources can be used by firms to engage in other profitable project. Moral hazard and agency cost can also emerge when managers make decisions to invest in CSR activities without any observable consequence.

Jones (2004), posits that the agent is an expert and has an in depth knowledge of that particular industry. He is also aware of the various uncertain outcomes likely to happen more than the principal is. Thus, the principal is required to trust on the agent and should let them work on their behalf. The existing contract between the management and shareholders encourages managers to choose profit maximizing projects. According to Hill and Jones (1992) the principal can prevent deviation from interests by use of incentives for the agent and incurring monitoring cost. The classical theory supports this theory as it undervalues the possible merits of CSR in terms of resource productivity, cost saving and product differentiation. This theory was relevant to this study as the study was interested in the relationship between the principals who are the shareholders and the agents who are the management and how this affected the choices of CSR practiced by manufacturing firms which may eventually influence organizational performance of manufacturing firms.

2.2.4 Corporate Social Performance Theory

According to Bowen (1953) corporate social responsibility of organizations refers to duty of organizations to practice those policies, to engage in actions and activities that improve the welfare of the society. In mid 1970s there was new development in the field of business and societal relationship. These new developments were as a result of much protest on capitalism and organizations increased growth social activities which led to increase state regulations, formal requirements and procedures (Mele, 2006). One of the requirements was the

ST. PAUL'S UNIVERSITY

adaptation of corporate behavior to social needs and demands including being proactive (Mele, 2006). In 1979, there was an introduction of corporate social performance by Caroll. Wartick and Cochran (1985) made an extension of Caroll's approach suggesting that organization social engagement rests mainly on the principles of social responsibility, policy issues of management and proves of social responsiveness. In 1991 Wood gave the basic model of corporate social performance which includes institutional, organizational and individual CSR, the process of corporate social responsiveness and outcomes of corporate behavior.

When it applies to the institution, it is known as the principle of legitimacy which states that society grants legitimacy and power to business and that those who don't use it well tend to lose it. Under the organizational CSR, a business should adhere to the standards of performance, law and existing public policy. Individual CSR has to do with the managers exercising discretion in their decision making to ensure socially responsible outcomes. Firms therefore need to be more proactive in publishing reports on their economic, social and environmental performance for their CSR activities to be known (Mele, 2006). This theory was relevant to this study as it aided in examining key CSR activities carried out by manufacturing firms and whether there was any increased organizational performance associated with engagement in CSR practices among manufacturing firms.

2.3 Empirical Literature Review

Several empirical studies exist on the relationship between corporate social responsibility practices and corporate organizational performance.

2.3.1 Organizational Performance

Organizations have a large, positive or negative, direct or indirect influence on every party in society (Kitchen, 2010). In general, in the literature, any action taken for society as a whole or for a particular party within society is considered as CSR (Comfort, Hiller & Jones, 2007). The need for CSR projects has increased in accordance with the changing understanding of organizations on each party affected by an organization's actions. Organizations are socially responsible to each party related with the organization (Turker, 2008). However, this responsibility does not necessarily mean that organizations' main goal is to satisfy all parties they contract with. The benefits expected by each party from an organization vary (O'Riordan & Fairbrass, 2008). For an organization, the aim is to create economic and social

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value to their organization, for a shareholder, it might be to increase wealth, or for the government to decrease unemployment and increase Gross Domestic Product by high volume production of organization (Ocran, 2011). Thus, the role of organizations in balancing the interacting benefits or expectations of each party is crucial for both society and the business environment.

Firm performance relates to business practices that do not diminish the prospects of future persons to enjoy levels of consumption, wealth, utility, or welfare comparable to those enjoyed in the present (Jerkee, 2008). This means companies' operational practices reduce environmental damage and resource depletion. Efforts to influence business practices toward economic sustainability include pricing mechanisms, such as carbon taxes, that pass on the cost of environmental impact to the users of those resources (Jerkee, 2008). Tracking sustainability measures can be performed using sustainability accounting, in which a corporation discloses its performance with respect to activities that have a direct impact on the societal, environmental, and economic performance of an organization (Owiti, 2013). According to common definitions, sustainability has three key dimensions: environmental, social, and economic. Companies are for example starting to take more concern to the environmental, ethical and philanthropic issues (Jenkins, 2014). However, other companies have resisted spending in CSR as they believe that it contradicts their aim to maximize firm performance or profits (Jenkins, 2014; McWilliams & Siegel, 2000). Idowu and Papasolomou (2007) states that there are five key drivers influencing the increasing focus on CSR which are, greater stakeholder awareness of corporate ethical, philanthropic and environmental behaviour, direct stakeholder pressures, investor pressures, peer pressures as well as an increased sense of social responsibility. Sarbutts (2013) argues that if CSR affect a company's reputation it is also very likely that this will affect the company's performance. A company's first responsibility is its economic responsibility -- that is to say, a company needs to be primarily concerned with turning a profit (Jerkee, 2008). This is for the simple fact that if a company does not make money, it won't last, employees will lose jobs and the company won't even be able to think about taking care of its social responsibilities (Owiti, 2013).

Simpson & Kohers (2002) have on the basis of previous research been able to sort the relationship between CSR usage and financial performance into three main viewpoints. In the first viewpoint, it is argued that CSR investments put these companies into an economic

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disadvantage compared to less responsible companies. The second viewpoint is that explicit CSR investment costs are minimal and that companies investing in CSR actually gain benefits from this in terms of employee morale and productivity (Simpson & Kohers, 2002). In the third viewpoint, costs from CSR investments are significant; they are however offset by the reduction in other company costs. It is also suggested that companies should satisfy all stakeholders not just the shareholders of a company. Branco and Rodrigues (2007) states that those who distinguished a negative correlation, between CSR and financial performance, argue that this is due to the high investment costs of CSR.

Organizational performance entails an analysis of a firm's performance as compared to set organizational objectives and goals. There are various aspects analysed within organizations, which include: market performance, firm's financial performance, employees' commitment, corporate reputation and production capacity performance. There has been significant stride which has been made to determine the influence of corporate social responsibility activities on corporate organisations' performance (Husted & Salazar, 2006). According to Moneva et al., (2007), the researchers indicate that the relationship between corporate social responsibility and organizational performance is positive. Those firms that are perceived as having engaged in corporate social responsibility activities have either performed well compared to those other firms that have not bothered to engage in socially responsible activities. These findings have also received support from a Meta analysis which tested the relationship between organizational performance and corporate social responsibility activities (Orlitzky et al., 2003).

Employee commitment refers the extent to which a firm's employees are committed and fond of the organization. They see their career future in the firm and are willing to make self commitment to ensure that the organization emerges the best in all aspects (Backhaus et al., 2002). According to Aguilera et al. (2007) firm employees are judgmental about their employer's corporate social responsibilities efforts based on observations of the firm's corporate social responsibility actions, corporate social responsibility action outcomes, and implementation process handling. A number of studies have reported the link between corporate social responsibility and firm's employee commitment (Albinger & Freeman, 2000). Firm's corporate social responsibility actions are of great interest to employees as the employees view these organizations engaged in socially responsible actions positively

ST. PAUL'S UNIVERSITY

(Albinger & Freeman, 2000; Greening & Turban, 2000). Firms that are perceived to engage in socially responsible actions, have increased ability of attracting job applicants who are better for the job on offer, as applicants view these organizations as being able to offer the job security career growth and enhanced employee morale (Branco & Rodrigues, 2006). Peterson (2004) asserts that firms that get involved in corporate social responsibilities activities enjoy enhanced employee commitment levels. These firms are perceived to be dedicated in ensuring quality experiences at the workplace. These firms also address social issues such the welfare of the community and other stakeholders and environmental conservation.

Roberts and Dowling (2002) define corporate reputation as assessment by outsiders on what the firm does, how well the firm is able to meets its commitments and interests of various stakeholders and how the overall organizational performance aligns with its social political business environment. According to existing empirical research, corporate reputation is a very important asset and resource that enables a firm to have a competitive advantage (Roberts &Dowling, 2002; Shamsie, 2003). Development of good corporate reputation takes into account and depends on an organization making consistent investments which are stable overtime. Firm's corporate reputation can be destroyed or enhanced by an organisation's decisions to involve itself in corporate social responsibility activities (Roberts & Dowling, 2002). According to Bhattacharya and Sen (2003) corporate social responsibility builds goodwill for the firm. McWilliams & Siegel (2001) asserts that corporate social responsibility creates a reputation that a firm is honest and reliable. When organizations are able to demonstrate, by effectively communicating with stakeholders, that they can be able to operate in accordance with ethical and social criteria, they are able to create a positive corporate reputation. Failure to do so can be a source of risk to a firm's reputation (Branco & Rodrigues, 2006).

In determining business performance, various items have to be considered. These items include: economic aspects which reveal firm's objectives, set goals and purpose, organizational policies and plans and also define firm's effort in achievement of the set goals and objectives. The items also state the nature of non economic value that a firm may expect to contribute to stakeholders; including shareholders, customers, employees and communities. These include: organisation's growth in market sales, growth in sales, enhanced customers brand loyalty, growth in new products/services development, firm's employee

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commitment and enhanced corporate reputation (McWilliams & Siegel, 2001). Thus in this study, business performance was measured in the following angles, namely; financial performance; employees' commitment and corporate reputation.

2.3.2 Philanthropic Corporate Social Responsibility and Organizational Performance

A company that practices corporate social responsibility (CSR) embraces responsibility for its actions and, through its activities, positively affects the environment, society, consumers, employees, communities, and other stakeholders (Branco & Rodrigues, 2008). One type of CSR is philanthropic giving (Kitchen, 2010). Noam Noked (2011) asserts that a firm derives value by engaging in corporate philanthropy. Corporate philanthropy is a means of enhancing public image of a firm. Thus, by allocating resources in corporate social responsibility activities, an organisation gains social status and such this can be a key source of extrinsic value. Firms have discretionary social responsibility which involves choosing voluntarily how resources will be allocated to social and charitable activities in a bid to achieve its set business related objectives of which there exist no clarity social expectations on how organizations should perform (Ricks, 2005).

A company that practices corporate social responsibility (CSR) embraces responsibility for its actions and, through its activities, positively affects the environment, society, consumers, employees, communities, and other stakeholders (Clark & Master, 2012). One type of CSR is philanthropic giving (Lathan, 2002). The roots of corporate philanthropy date back to the rise of industry in the 19th and early 20th century, when pioneering businessmen like Henry Ford and John D. Rockefeller established a number of philanthropic foundations. Today, corporate philanthropy can involve donating funds, goods, or services to another organization or cause (Mobil, 2012). While individual philanthropists use their own resources to change the world for the better according to their interests, corporate philanthropy directs organizational resources to support a worthy cause or address a societal need (Ocran, 2011). The practice is not without its critics; some complain that philanthropic CSR is not directly related to an organization's core business. For instance, many large arts organizations receive funding from corporations in completely different industries simply because their executives happen to love music and wish to support a local symphony (Owiti, 2013). Although philanthropic CSR may provide public relations or branding advantages to a business, these benefits are difficult to measure and track.

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A business's philanthropic activity does not occur without oversight (Clark & Master, 2012). Since the early 2000's, corporations have sought to hold charities accountable for how they use donations. As a result, many nonprofit groups have adopted business practices for measuring their own performance. In this way, these beneficiaries of philanthropy demonstrate both a responsible use of the funds they have received and evidence of their performance relative to their mission. Companies engaging in philanthropic CSR can then use those results to measure the impact of their own efforts to support social causes (Kitchen, 2010). If a company is able to meet all of its other responsibilities, it can begin meeting philanthropic responsibilities (Kitchen, 2010). Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society for example, by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes.

Since the early 2000's, corporations have sought to hold charities accountable for how they use donations. As a result, many nonprofit groups have adopted business practices for measuring their own performance. In this way, these beneficiaries of philanthropy demonstrate both a responsible use of the funds they have received and evidence of their performance relative to their mission (Kitchen, 2010). Companies engaging in philanthropic CSR can then use those results to measure the impact of their own efforts to support social causes (Branco & Rodrigues, 2008).

According to Onyema (2012) in a study he carried on Corporate social responsibility on firms' performance, he found that there exists a positive association or relationship between philanthropic corporate social responsibility and organizational performance ($\beta = 0.208$, $P > 0.05$). This study empirically tested the relationship between organizational performance of manufacturing firms and philanthropic CSR activities carried out by these firms to determine whether there existed any relationship or association. Although philanthropic CSR may provide public relations or branding advantages to a business, these benefits are difficult to measure and track and indicate a negative correlation to firms performance (Branco& Rodrigues, 2008).

ST. PAUL'S UNIVERSITY

A study done in Ghana by Ocran (2011) also revealed that even though Nestle Ghana was doing a lot of environmental and philanthropic community based social intervention programmes, the customers or the people in the community were not aware of such programmes. Ocran (2011) further asserted that that the concept of philanthropic CSR had become more and more common in business practices and customers almost expect companies to be socially responsible. He then concluded that even though philanthropic CSR is very important for companies, it has historically not been a very lucrative approach for them to involve in such activities.

2.3.3 Environmental Corporate Social Responsibility and Organizational Performance

According to Carroll (1991) as cited by Cheruiyot (2010), environmental CSR is done by assessment of the environment and assessing how the company activities may affect the environment in which it operates. This necessitates responsible production, meaning production processes that preserve the current environment for future activities. This is always shown in triple bottom line reports of companies. Community relations involves more than appearing positive and planning (Robert, 2005) thus prepares an organization for meeting the challenges in a diverse often unpredictable climate.

Mobil (2012) particularly focuses on the environmental implications of adopting CSR. CSR contemplates more than pure legal obligations imposed by statute. The commitment is a holistic approach to business that, in light of the state of the environment, attempts to address more than the financial bottom-line (Connelly, 2011). CSR is predicated on the belief that going about 'business as usual' is simply not sustainable. The global environmental movement, recognizing this risk, highlights the rapid rate at which industry is depleting the environment and thus threatening the prosperity of business in the long-term, in an attempt to encourage companies to amend their current business practices and incorporate CSR (Birmingham, 2011). The implications of carrying on 'business as usual' and failing to incorporate CSR might include the development of a second market place, where the environmental repercussions of our industries are traded. In effect, this would create a carbon economy in which industries' harmful environmental practices are tolerated, for a price (Birmingham, 2011).

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However, governments are increasingly regulating the impacts that businesses have on the environment themselves, while simultaneously enacting legislation that directly or indirectly mandates minimum CSR standards required for businesses to operate (Mobil, 2012). Instead of waiting for such government action, businesses should consider adopting CSR by considering their product's entire life cycle (Vance, 2010). This means taking into account not only how to get the product into the consumers' hands and the related environmental impact, but also how the product will be used, and, ultimately, disposed of (Omboto, 2014). By considering how the product will end its life, the business can then implement more sustainable means of production as well as developing a method of minimizing their carbon footprint (Vance, 2010). This is done by counteracting any damaging impact the production process may have with a system that helps to nullify it (Connelly, 2011). By incorporating CSR to this extent, a business will take responsibility for its impact on the environment and the future. If every business did the same, the exhaustion of the non-renewable resources would be thwarted (Birmingham, 2011).

Whereas public seek recognition, a hearing and sincere consideration, the public relations professional must prepare by completing the following series of stages: to initiate or re-establish a community relations intent, to research internal and external infrastructures, attitudes, requests, and so on, to build dialogic bridges, to monitor continually the environment, and to integrate the data and actions into some synergistic approach that allows for a mutually beneficial co-existence for organizations and the various publics (Robert, 2005). According to Xiping (2014) in a study carried out on corporate social responsibility and organisational performance of mineral firms, the researcher found that there exists a negative relationship between environmental social responsibility and mineral firms' performance in China mineral industry.

2.3.4 Ethical Corporate Social Responsibility and Organizational Performance

Ethical Responsibilities embraces those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, to protection moral rights (Zhu, Sun & Leung, 2014). In one sense, changes in ethics or values precede the establishment of laws because they become the driving forces behind the very creation of

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laws and regulations. Ethical responsibilities reflect newly emerging values and norms that society expects business to meet, even though they may exhibit a higher standard of performance than that currently required by law (Zheng, Luo & Wang, 2014).

Ethical Corporate social responsibility enhances employees' commitment level with the organization because ethical CSR activities include treating fairly employees and improving their welfare and their families (Ali et al., 2010). Dawkins (2004) stated that when an organization contributes towards social welfare, it enhances commitment level of existing customers and attracts the motivated potential employees. According to Carroll (1991) as cited by Cheruiyot (2010), ethical responsibility includes behavior, criterion, standards which reflect not only the company's concern for the value of justice among customers, employees and the local community, but also showed its moral spirit of respecting and protecting the interest of stakeholders.

Legal responsibility aspect of the pyramid is concerned with the society's expectations of the company's compliance with the laws and regulations in place. According to Ayobami (2012), in a study he carried on Corporate social responsibility on firms' performance, he found that there exists a positive association or relationship between ethical corporate social responsibility philanthropic and organizational performance ($\beta = 0.304$, $P < 0.05$). A study done in Kenya on ethical CSR in SMEs by Sarbutts (2013) found out that if spending in CSR affected a company's reputation it was also very likely that it will affect the company's financial performance.

2.4 Conceptual framework

A conceptual framework is a hypothesized model that graphically portrays the relationships (Mugenda & Mugenda, 2003). The conceptual framework for this study is illustrated in Figure 2.1. According to this framework, corporate social responsibility activities of manufacturing firms are the independent variable whereas organizational performance is the dependent variable.

ST. PAUL'S UNIVERSITY

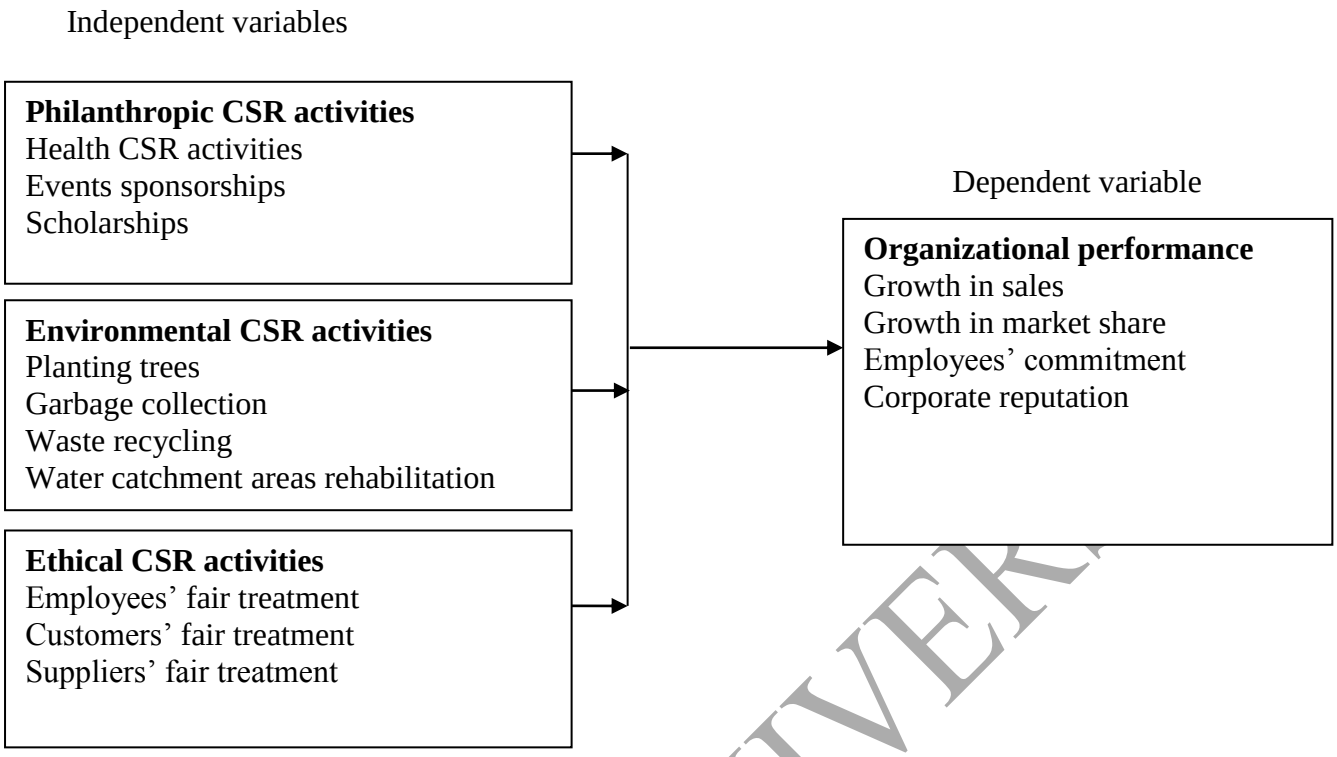


Figure 2.1 Relationship between corporate social responsibility practices and organizational performance.

Source: **(**Author, 2017)

Corporate social responsibility activities are shown in figure 2.1; philanthropic, environmental and ethical CSR practices. Philanthropic CSR activities includes; carrying out or supporting health related CSR activities, sponsoring events either in cash or in kind and offering scholarships to local community. Environmental CSR practices include; garbage collection, tree planting, supporting rehabilitation of water catchment areas and ensuring industrial waste is well managed. On Ethical CSR activities, firms must treat their employees fairly by paying them fair salaries, promoting them on merit and ensuring working environment in conducive. Customers should also be treated fairly by offering fair prices on goods, offering quality goods and services and also solving customers' complaints on time.

Firms must also ensure suppliers are treated fairly through; paying them on time for goods supplied and also ensuring tenders on supply of goods is fairy awarded on merit. On the other hand, organizational performance will be measured in relation to; growth in sales, growth in market share, employees' commitment and corporate reputation.

ST. PAUL'S UNIVER

2.5 Research Gaps

Based on the review of the empirical literature, it is evident that although studies have been conducted on CSR as highlighted, focus has not been given to manufacturing sector. There also seems existence of scant empirical investigations on the topic under study especially focusing on manufacturing sector within Nakuru town which has been named as fastest growing town with an average growth of thirteen percent annually (United Nations, 2013). There are no exhaustive studies on the relationship between manufacturing firms' corporate social responsibility practices and firms' financial or non- financial performance focusing in Nakuru town. Although there exists scant literature on the corporate social responsibility on philanthropic, environmental and ethical point of view, there exists a significance research gap on how organization performance is influenced by corporate social responsibly activities among manufacturing firms. Thus the study's focus was to establish the relationship between CSR and organization performance based on selected manufacturing firms as the study sought to find out whether these institutions realize any benefits from the much they spend.

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CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of research design, target population, sample size and sampling technique, data collection procedure, reliability and validity of the research instruments to be used and data analysis and presentation techniques

3.2 Research Design

This study used exploratory research design since the research sought to establish the association between the study variables. According to Orodho (2005), explanatory research design helps to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem and helps to develop ideas or hypotheses in a bid to determine the relationship or association between study variables.

3.3 Target Population

Nachmias and Nachmias (2008) define a population as all cases of individuals or things or elements that fit a researcher's specification. The population of the study comprised two hundred and seventy nine employees permanently employed by the twenty four manufacturing firms operating in Nakuru Town. The researcher assumed that permanent employed staffs were conversant with the firms' different CSR activities. There were twenty four (24) manufacturing firms registered with Nakuru County government, ministry of Trade and industrialization.

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Table 3.1 Target Population

Company	Permanent employees
Unga Limited	31
Happy Cow Dairies	16
Tosti Bakery	23
Rift Valley Machinery	9
Bedi Fabrics	11
Spin Knit Limited	5
Ruby Foods	8
Pyrethrum Board Of Kenya	15
Nakuwell Water Services	12
Bidco Refinenary	23
Nakuru Tanners Limited	6
Mega Distillers	11
Doru Industries	9
Flamingo Paints	5
United Millers Limited	6
Londra Limited	3
Menengai Oil Refineries Limited	17
Comply Industries Limited	21
Rosin Kenya Limited	5
Mega Spin Limited	8
Coil Products (K) Limited	11
Kapi Limited	3
Unga Firm Care Limited	12
Nakuru Crater Pure Water Bottlers	9
Total	**279**

Source: (Respective Human Resource departments, 2017)

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3.4 Sampling Design Technique

Sampling Technique is a process of selecting sufficient number of elements from a population for the purpose of determining their properties or characteristics and generalizing the findings of the whole population (Sekaran, 2006). Sampling is a selection of a few items (a sample) from a bigger group (population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group (Cooper & Schinder 2003). Stratified proportional sampling and simple random sampling were employed in this study.

3.5 Sample Size Determination

Sample size refers to the number of items to be selected for observations in order to obtain accurate information on the universe (Oso and Onen, 2008). Stratified sampling was used to categorise the firms into stratas while stratified proportional sampling was used to determine the number of staff from each stratum who will form the final sample. Simple random sampling was employed to determine the final respondents that were interviewed based on years of experience they had served in their respective firms, in this case a minimum of five years on permanent terms.

ST. PAUL'S UNIVERSITY

Table 3.2 Sample size

Stratas	Strata Population	Sampled employees
Unga Limited	31	18
Happy Cow Dairies	16	9
Tosti Bakery	23	13
Rift Valley Machinery	9	5
Bedi Fabrics	11	6
Spin Knit Limited	5	2
Ruby Foods	8	4
Pyrethrum Board Of Kenya	15	8
Nakuwell Water Services	12	7
Bidco Refinenary	23	13
Nakuru Tanners Limited	6	3
Mega Distillers	11	6
Doru Industries	9	5
Flamingo Paints	5	2
United Millers Limited	6	3
Londra Limited	3	1
Menengai Oil Refineries Limited	17	9
Comply Industries Limited	21	12
Rosin Kenya Limited	5	2
Mega Spin Limited	8	4
Coil Products (K) Limited	11	6
Kapi Limited	3	2
Unga Firm Care Limited	12	7
Nakuru Crater Pure Water Bottlers	9	5
Total	**279**	**152**

Source: (Respective Human Resource departments, 2017)

The optimum sample size (n) of the study will be determined using Israel (1992) as shown below;

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{279}{1 + 279(0.05)^2} = 164$$

Where;

n = optimum sample size,

N = number of study population

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e = probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level).

Stratified proportional random sampling was used to allocate the sample size proportional to size of the strata as;

$$n_h = \left(\frac{n}{N}\right) N_h$$

Where:

- n is the strata size.
- N is the target population
- N_h is the optimum sample size

Thus the sample size was 152 respondents

3.6 Data Collection procedure

The researcher proceeded to collect data from the selected respondents after receiving permission from the relevant authorities. The researcher visited the area of study before actual data collection for familiarization and acquaintance. During this visit, the researcher informed the firms' staff about the purpose of the study and booked appointments for data collection. After familiarization, data was collected using questionnaires. The completed instruments were dropped and picked later.

3.7 Data Collection instruments

Structured questionnaires were used to collect primary data. The questionnaires were self-administered to the respondents. The questionnaires were designed based on the objectives of the study. The questionnaires contained a five point Likert scale (5-Strongly Disagree, 4-Disagree, Not Certain, 2- Strongly Agree and 1-Agree) to measure the variables under the study. The questionnaires were administered personally by the researcher who explained to the respondents the purpose of the study to enhance adequate responses.

3.7.1 Validity of instruments.

Validity is the degree to which a test measures what it purports to measure (Orodho, 2005). It is also used to check whether an instrument is biased, the language, format and the layout of the data collection tool is appropriate (Kasomo, 2006). Content validity ensures that the items in the data collection tool cover the subject area adequately whereas construct validity on the other hand ensures that the instrument actually measures what it is supposed to measure (Fraenkel&Wallen, 2000). Construct validity is the degree to which test measurers

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an intended hypothetical construct (Mugenda, 2003). Supervisors assisted in validating data collection instruments. To ensure construct validity, supervisors' inputs assisted in validating data collection instruments.

3.7.2 Reliability of Instruments

According to Mugenda and Mugenda (2007) reliability is the ability of an instrument to yield the same results when used repeatedly to collect data from the same group. Cronbach's Alpha was used to test reliability of instruments. Kombo & Tromp (2009) indicates that an alpha range of 0.7 is commonly accepted rule of thumb that indicates good reliability. The instruments returned an alpha test of 0.756 which was taken to be reliable according to Kombo and Tromp (2009) rule of thumb.

Table 3.3 Reliability test results

Variables	Cronbach's Alpha
Philanthropic CSR activities	0.698
Environmental CSR activities	0.701
Ethical CSR activities	0.706
Organizational Performance	0.711
Overall Reliability Coefficient	**0.756**

Source: **(**Author, 2017)

3.8 Data Analysis

Data was analyzed with the help of the Statistical Package for Social Sciences (SPSS). Data was first "cleaned" to ensure consistency, exhaustiveness and completeness in information expected. Descriptive statistics including frequencies, mean and standard deviations were used to summarize the data while inferential statistics including; Spearman Correlation was used to test the nature of the relationship between corporate social responsibility activities and organizational performance,Chi-Square-test was be carried out to test goodness of fit, whereas research hypotheses were tested at 5% significance level using correlation coefficient. Non-parametric statistical tests were used since the data did not show normality which is a key requirement for use of parametric tests.

ST. PAUL'S UNIVERSITY

3.9 Ethical Considerations

Voluntary participation by the respondent was applied in a bid to protect their rights (Borgatti, 2005). Respondents' confidentiality was ensured through the study (Trochim 2006) as well as through literature review for authors' acknowledgement. The researcher also explained the purpose of the study and how the information obtained was to be used.

ST. PAUL'S UNIVERSITY

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter focuses on data analysis, presentation of research findings as well as findings discussions

4.2 Response Rate

The study's response rate was as presented in Table 4.1

Table 4.1 Response Rate

Firms	Sample size	Response	Percent
Unga Limited	18	12	66.7
Happy Cow Dairies	9	6	66.7
Tosti Bakery	13	9	69.2
Rift Valley Machinery	5	3	60
Bedi Fabrics	6	3	50
Spin Knit Limited	2	1	50
Ruby Foods	4	3	50
Pyrethrum Board Of Kenya	8	7	75
Nakuwell Water Services	7	3	42.8
Bidco Refinenary	13	8	61.5
Nakuru Tanners Limited	3	1	33.3
Mega Distillers	6	4	66.7
Doru Industries	5	3	60
Flamingo Paints	2	1	50
United Millers Limited	3	1	33.3
Menengai Oil Refineries Limited	9	5	55.6
Comply Industries Limited	12	11	91.7
Rosin Kenya Limited	2	2	100
Mega Spin Limited	4	3	75
Coil Products (K) Limited	6	4	66.7
Kapi Limited	2	1	50
Unga Firm Care Limited	7	6	50
Nakuru Crater Pure Water Bottlers	5	4	50
Total	**152**	**102**	**67.1**

Source: **(**Author, 2017)

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Out of one hundred and fifty two questionnaires that were administered to the respondents, one hundred and two were properly returned back. This represents 67.1% response. According to Mugenda and Mugenda (2003), 50% and above respondents' response rate is appropriate in conclusion of research findings. Response rate obtained was therefore appropriate in achieving study's research objectives

4.3 Demographic Information

Demographic information of the respondents discussed entailed; number of years that one has served in the firm, Gender and age.

4.3.1 Gender

The study sought to establish gender of the respondents.

Table 4.2: Respondents' Gender

Respondents gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	71	69.6	69.6	69.6
Female	31	30.4	30.4	100.0
Total	102	100.0	100.0	

Source: **(**Author, 2017)

From the results on Table 4.2, majority 71 (69.6%) of respondents were men while 31(30.4%) were female. This means that manufacturing firms in Nakuru Town has employed fewer women than men indicating that men prefer working in manufacturing industry.

4.3.2 Age

The study sought to establish age of the respondents.

Table 4.3: Respondents' Age

Respondents age				
	Frequency	Percent	Valid Percent	Cumulative Percent
20-30 years	27	26.5	26.5	26.5
31-40 years	53	52.0	52.0	78.4
above 40 years	22	21.6	21.6	100.0

ST. PAUL'S UNIVERSITY

Total	102	100.0	100.0

Source: **(**Author, 2017)

Table 4.3 shows that majority 53 (52.0%) of the respondent are aged 31-40 years. 27 (26.5%) of respondents are aged 20-30 years while only 22(21.3) are above 40 years old. This means that a majority of those working in manufacturing sector in Nakuru Town are young people.

4.3.3 Number of years that respondents worked in the firm

The study sought to establish how long respondents worked in their respective companies.

Table 4.4: Number of years that respondents have worked in the company

how long have you worked in this company				
	Frequency	Percent	Valid Percent	Cumulative Percent
5-10 years	34	33.3	33.3	33.3
over 11 years	68	66.7	66.7	100.0
Total	102	100.0	100.0	

Source: **(**Author, 2017)

Number of years in worked were categorized into two groups; 5-10 years, 11 years and above. Table 4.4 shows that majority 68 (66.7%) of the respondent have worked for their current employer for over11 years. 34 (33.3%) of respondents have worked for 5-10 Thus it can be concluded that most of the respondents have enough work experience to understand topic under study.

4.4 Descriptive statistics analysis and discussions

Descriptive statistics analysis for study research variables and discussions are presented. The study's independent variables were; philanthropic CSR practices, Environmental CSR practices and Ethical CSR activities while organizational performance was the dependent variable.

4.4.1 Philanthropic Corporate Social Responsibility practices

The study sought to find out whether measured indicators of philanthropic CSR practices influences organizational performance among manufacturing firms. These indicators were ranked on a 5 point likert scale ranging from "5 strongly disagree" to "1 –strongly agree".

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Table 4.5: Descriptive Analysis for Philanthropic CSR practices

	1	2	3	4	5	Mean	Standard deviation (SD)
The organisation carries out/supports HIV/AIDS awareness campaigns	29 (28.4. %)	18 (17.6%)	17 (17.6%	23 (22.5%	14 (13.7%)	3.25	1.431
The organisation carries out/supports drug abuse awareness campaigns	10 (9.8%)	14 (13.7%)	26 (25.5%)	24 (23.5%)	28 (27.5%)	3.45	1.295
The organisation carries out eye clinics	17 (16.7%)	23 (22.5%)	18 (17.6%)	22 (21.6%)	22 (21.6%)	3.09	1.408
The organisation supports polio awareness campaigns	12 (11.8%)	20 (19.6%)	13 (12.7%)	25 (24.5%)	32 (31.4%)	3.44	1.411
The organisation carries out/supports cancer screening awareness campaigns	40 (39.2%)	46 (45.1%)	6 (5.9%)	7 (6.9%)	3 (2.9%)	1.89	0.994
The organisation carries out/supports maternity and family planning awareness campaigns	3 (2.9%)	15 (14.7%)	11 (10.8%)	43 (42.2%)	30 (29.4%)	3.77	1.116
The organisation carries out/supports tuberculosis awareness campaigns	6 (5.9%)	12 (11.8%)	18 (17.6%)	38 (37.3%)	28 (27.5%)	3.69	1.169

The organisation has scholarship program for needy children	46 (45.1%)	43 (42.2%)	8 (7.8%)	3 (2.9%)	2 (2.0%)	1.75	0.875
The organisation provides learning materials(e.g books) to schools	33 (32.4%)	58 (56.9%)	6 (5.9%)	4 (3.9%)	1 (1.0%)	1.84	0.780
The organisation supports education for girl child	44 (43.1%)	39 (38.2%)	4 (3.9%)	11 (10.8%)	4 (3.9%)	1.94	1.124
The organisation sponsors different events inform of food stuff	42 (41 .2%)	43 (42.2%)	7 (6.9%)	6 (5.9%)	4 (3.9%)	1.89	1.033
The organisation sponsors different events financially	42 (41.2%)	55 (53.9%)	2 (2.0%)	2 (2.0%)	1 (1.0%)	1.68	0.706
The organisation sponsors different by providing kits	38 (37.3%)	55 (53.9%)	3 (4.9%)	1 (1.0%)	1 (1.0%)	1.76	0.760

Key: 1=Strongly agree, 2=Agree, 3=Not certain, 4-Disagree, 5=Strongly Disagree,

Source: **(**Author, 2017)

The findings on table 4.5 indicate that 46% of respondents agreed that their organisations carries out/supports HIV/AIDS awareness campaigns while 36.2% disagreed (mean=3.25, SD=1.431). 51% of respondents disagreed that organisations carries out/supports drug abuse awareness campaigns (mean=3.45, SD=1.295).The respondents were indifferent with a small margin with 23.5% of respondents agreeing and 25.5% holding a neutral opinion on whether their employer supports drug abuse awareness campaigns. 39.2% of respondents agreed that manufacturing organisations carries out eye clinics with a fair larger 43.2% of respondents disagreeing (mean=3.09, SD=1.408). Most manufacturing firms carries out/supports cancer screening awareness campaigns as agreed by a larger majority of respondents 84.3% (mean=1.89, SD=0.994). Most respondents (55.9%), disagreed that organisations supports polio awareness campaigns with only a fair minority of respondents (31.4%) agreeing (mean=3.44, SD=1.411). A large number of respondents (71.6%) disagreed their

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organisations carries out/supports maternity and family planning awareness campaigns with only a minority of respondents (17.6%) agreeing (mean=3.77, SD=1.116).

Minority of the respondents (17.7%) agreed manufacturing firms carries out/supports tuberculosis awareness campaigns with a larger percentage of respondents (64.8%) holding a contrary opinion (mean=3.69, SD=1.169). According to majority of respondents (87.3%) manufacturing organisation has scholarship program for needy children (mean=1.75, SD=0.875) and provides learning materials (e.g books) to schools as reported by (89.3%) of respondents (mean=1.84, SD=0.780). The firms also support education for girl child as agreed by a larger majority of 81.3% respondents (mean=1.94, SD=1.124). Majority of respondents agreed that manufacturing firms sponsors different events inform of food stuff (mean=1.89, SD=1.033), sponsors different events financially (mean=1.68, SD=0.706), and also sponsors different events by providing kits as agreed by majority of respondents (mean=1.76, SD=0.760). The Standard deviations were close to zero, this shows that the data was close to the mean of respective indicators.

4.4.2 Environmental Corporate Social Responsibility practices

The study sought to find out whether measured indicators of environmental CSR practices influences organizational performance among manufacturing firms. These indicators were ranked on a 5 point likert scale ranging from "5 strongly disagree" to "1 –strongly agree".

Table 4.6: Descriptive Analysis for Environmental CSR practices

	1	2	3	4	5	Mean	Standard deviation (SD)
The organisation carries out garbage collection activities	39 (38.2. %)	44 (43.1%)	9 (8.8%	7 (6.9%)	3 (2.9%)	1.93	1.007
The organisation carries out tree planting activities	29 (28.4%)	48 (47.7%)	13 (12.7%)	10 (9.8%)	2 (2.0%)	2.10	0.990
The organisation supports rehabilitation of water catchment areas	28 (27.5%)	59 (57.8%)	7 (6.9%)	6 (5.9%)	2 (2.0%)	1.97	0.873

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The organisation ensures industrial waste is well managed and recycled	26 (25.5%)	63 (61.8%)	9 (8.8%)	4 (3.9%)	-	1.91	0.705

Key: 1=Strongly agree, 2=Agree, 3=Not certain, 4-Disagree, 5=Strongly Disagree,

Source: **(**Author, 2017)

The findings on table 4.6 indicate that 81.3% of respondents agreed that manufacturing firms carries out garbage collection activities while a minority of respondents (9.8%) disagreed (mean=1.93, SD=1.007). Majority of respondents agreed that manufacturing firms carries out tree planting activities (mean=2.10, SD=0.990), supports rehabilitation of water catchment areas (mean=1.97, SD=0.873) and ensures industrial waste is well managed and recycled (mean=1.91, SD=0.705). The data was close to the indicators' mean values since respective Standard deviations were close to zero.

4.4.3 Ethical Corporate Social Responsibility Practices

The study sought to find out whether measured indicators of ethical CSR practices influences organizational performance among manufacturing firms. These indicators were ranked on a 5 point likert scale ranging from "5 strongly disagree" to "1 –strongly agree".

Table 4.7: Descriptive Analysis for Ethical CSR practices

	1	2	3	4	5	Mean	Standard deviation (SD)
The organisation offers fair prices on its goods to consumers	33 (32.4%)	56 (54.9%)	9 (8.8%)	3 (2.9%)	1 (1.0%)	1.85	0.776
The organisation offers quality goods to consumers	23 (22.5%)	63 (67.6%)	6 (5.9%)	3 (2.9%)	1 (1.0%)	1.92	0.699
The organisation solves customers complaints on time	43 (42.2%)	42 (41.2%)	11 (10.8%)	5 (4.9%)	1 (1.0%)	1.81	0.887

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The organisation meets needs of its target customers	45 (44.1%)	45 (44.1%)	8 (7.8%)	3 (2.9%)	1 (1.0%)	1.73	0.810
The organisation pays suppliers on time	45 (44.1%)	44 (43.1%)	4 (3.9%)	6 (5.9%)	3 (2.9%)	1.80	0.975
The organisation awards tenders fairly for supply of goods and services	44 (43.1%)	47 (46.1%)	4 (3.9%)	5 (4.9%)	2 (2.0%)	1.76	0.892
The organisation pays a fair salary on time	41 (40.2%)	49 (48.0%)	4 (3.9%)	7 (6.9%)	1 (1.0%)	1.80	0.879
The organisation promotes employees on merit	21 (20.6%)	67 (65.7%)	3 (2.9%)	6 (5.9%)	5 (4.9%)	2.09	0.955
The organisation's working environment is conducive	50 (49.0%)	43 (42.2%)	5 (4.9%)	3 (2.9%)	1 (1.0%)	1.65	0.792
The organisation provides fringed benefits(e.g health insurance, pension plans, house allowance)	35 (34.3%)	57 (55.9%)	4 (3.9%)	5 (4.9%)	1 (1.0%)	1.82	0.801

Key: 1=Strongly agree, 2=Agree, 3=Not certain, 4-Disagree, 5=Strongly Disagree,

Source: **(**Author, 2017)

The findings on table 4.7 indicate that 87.3% of respondents agreed that manufacturing firms offers fair prices on its goods to consumers with a minority of respondents (3.9%) disagreeing (mean=1.85, SD=0.776). The studied firms offer quality goods to consumers (mean=1.92, SD=0.699) and solves customers complaints on time (mean=1.81, SD=0.887) as reported by a majority of respondents. According to the results, most manufacturing firms in Nakuru Town meets needs of its target customers (mean=1.73, SD=0.810) pays suppliers on time (mean=1.80, SD=0.975), awards tenders fairly for supply of goods and services

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(mean=1.76, SD=0.892). 88.2% of respondents agreed that they receive a fair salary on time (mean=1.80, SD=0.879), with only 86.3% agreeing that manufacturing firms promotes employees on merit (mean=2.09, SD=0.955). The organisations' working environment is conducive (mean=1.65, SD=0.792) and fringed benefits (e.g health insurance, pension plans, house allowance) are provided to employees (mean=1.82, SD=0.801) as reported by larger number of respondents. Standard deviations were close to zero indicating that the data was close to the mean of respective indicators.

4.4.4 Organizational performance

The study sought to find out whether measured indicators influences organizational performance among manufacturing firms. These indicators were ranked on a 5 point likert scale ranging from "5 strongly disagree" to "1 –strongly agree".

Table 4.8: Descriptive Analysis for Organizational performance

	1	2	3	4	5	Mean	Standard deviation (SD)
The firm's sales have grown steadily	45 (44.1%)	51 (50.0%)	4 (3.9%)	2 (2.0%)	-	1.64	0.657
The firm's market share has increased	3 (2.9%)	7 (6.9%)	19 (18.6%)	61 (59.8)	12 (11.8%)	3.71	0.874
Engagement by the firm in CSR activities has reduced employees turn overrate	3 (2.9%)	6 (5.9%)	15 (14.7%)	61 (59.8%)	17 (16.7%)	3.81	0.887
Engagement by the firm in CSR activities has enhanced firm's corporate reputation	48 (47.1%)	42 (41.2%)	5 (4.9%)	7 (6.9%)	-	1.72	0.849
Engagement by the firm in CSR activities has enhanced customers' brand royalty	33 (32.4%)	56 (54.9%)	8 (7.8%)	5 (4.9%)	-	1.85	0.763

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Engagement by the firm in CSR activities has enhanced relationship with stakeholders	59 (57.8%)	28 (27.5%)	10 (9.8%)	4 (3.9%)	1 (1.0%)	1.63	0.889
Engagement by the firm in CSR activities has enhanced customers satisfaction	30 (29.4%)	54 (52.9%)	8 (7.8%)	8 (7.8%)	2 (2.0%)	2.00	0.933
Engagement by the firm in CSR activities has increased percentage of response to open positions	21 (20.6%)	23 (22.5%)	26 (25.5%)	23 (22.5%)	9 (8.8%)	2.76	1.260
Engagement by the firm in CSR activities has enhanced employees satisfaction	24 (23.5%)	59 (57.8%)	11 (10.8%)	8 (7.8%)	-	2.03	0.814
Engagement by the firm in CSR activities has enhanced number of new customers	51 (50%)	38 (37.3%)	7 (6.9%)	5 (4.9%)	1 (1.0%)	1.70	0.876

Key: 1=Strongly agree, 2=Agree, 3=Not certain, 4-Disagree, 5=Strongly Disagree,

Source: **(**Author, 2017)

The findings on table 4.8 indicate that 94.1% of respondents agreed that firms' sales have grown steadily while 2.0 % disagreed (mean=1.64, SD=0.657). 71.6% of respondents disagreed that firms' market share has increased with only a least minority of respondents (9.8%) agreeing there was an increase in market share (mean=3.71, SD=0.874). Engagement by the firm in CSR activities has not reduced employees' turnover rate according to 76.5% of respondents (mean=3.81, SD=0.887). The findings are consistent with those of Peterson (2004) suggested that firms that engage in CSR activities are likely to enjoy enhanced levels of employee commitment, as these firms are perceived to be dedicated in ensuring quality experiences at the workplace. According to 88.3% of the respondents, engagement by the firms in CSR activities has also enhanced firms' corporate reputation (mean=1.72, SD=0.879). McWilliams & Siegel (2001) reported that CSR creates a reputation that a firm is

ST. PAUL

reliable and honest. As Sarbutts (2013) assets, if CSR affect a company's reputation it is also very likely that this will affect the company's performance. The findings also indicate that manufacturing firms CSR activities enhance customers' brand royalty (mean=1.85, SD=0.763) and relationship with stakeholders (mean=1.63, SD=0.889).

A larger majority of respondents (82.3%) agreed that manufacturing firms' engagement in CSR activities has enhanced customers' satisfaction (mean=2.00, SD=0.933) with 81.3% of respondents stating that engagement by firms in CSR activities has enhanced employees' satisfaction (mean=2.03, SD=0.814) while 87.3% agreed that the CSR activities has increased number of new customers (mean=1.70, SD=0.876). A fair majority (43.1%) of respondents agreed that engagement by firms in CSR activities has increased percentage of response to open positions with 25.5% of those holding a neutral position and 31.3% disagreeing that engagement by the firms in CSR activities has increased percentage of response to open positions (mean=2.76, SD=1.260). According to Branco & Rodrigues (2006), firms perceived to have a strong social responsibility image often have an increased ability to attract better job applicants, retain them once hired, and maintain employee morale. The data was close to the indicators' mean values since respective Standard deviations were close to zero.

4.5 Chi-square Test for Goodness of Fit Analysis

This section presents the findings of the chi-square test for goodness of fit for study's variables.

Table 4.9: chi-square test for goodness of fit

Test Statistics				
	EnvironmtCSR	EthicalCSR	PhilantrpcCSR	OrganPerf
Chi-quare	65.176[a]	153.588[a]	7.686[b]	26.510[b]
Df	2	2	1	1
Asymp. Sig.	.000	.000	.006	.000

Source: **(**Author, 2017)

Table 4.9 presents these findings. The Chi-squared test for equal proportions is a statistical test used to investigate whether the proportions of responses in each category are equal or whether there are statistically significant differences in the proportions of responses in each category. The null hypothesis of the Chi-square test is that the proportion of responses that fall into each of these categories is equal and any differences observed are due to chance or

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random variation. If the null hypothesis is true, then we cannot conclude anything based on the responses we observe, as these are essentially due to chance. We reject this null hypothesis of equal proportions at the 5% significance level (95% confidence) if the p-value of the test for that question is less than or equal to 0.05. The p-values shown are less than 0.05 (x^2=65.176, p<0.05), (x^2=153.588, p<0.05), (x^2=7.686, p<0.05) and (x^2=26.510, p<0.05) respectively, indicating that the results obtained are statistically significant, showing dominant and equal perception of respondents regarding the said questions.

4.6 Correlation Analysis

This section presents the findings of the correlation analysis between the independent variables and the dependent variable to test the nature of relationship and test research hypotheses of the study. Devore and Peck (2006) recommends a guideline for assessing resultant correlation coefficients as; correlation coefficients less than 0.5 represent a weak relationship, correlation coefficients greater than 0.5, but less than 0.8, represent a moderate relationship whereas correlation coefficients greater than 0.8 represent a strong relationship.

4.6.1 Relationship between Philanthropic CSR Practices and Organizational Performance

The study's first hypothesis was to examine the relationship between Philanthropic Corporate Social Responsibility practices and organizational performance as presented in Table 4.10.

Table 4.10 Relationship between Philanthropic Corporate Social Responsibility practices

Correlations

			PhilantrpcCSR	OrganPerf
Spearman's rho	PhilantrpcCSR	Correlation Coefficient	1.000	-.044
		Sig. (2-tailed)	.	.659
		N	102	102
	OrganPerf	Correlation Coefficient	-.044	1.000
		Sig. (2-tailed)	.659	.
		N	102	102

Source: **(**Author, 2017)

It was established that there exist statistically insignificant, negative relationship between philanthropic CSR practices and organizational performance (rho= -0.044; p>0.05), thus H_{01}

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was accepted. These findings are inconsistent with those of Onyema (2012) who found that there exists a positive association or relationship between philanthropic corporate social responsibility and organizational performance. These findings are however consistent with those of Branco and Rodrigues (2008) found who asserts that that there exists a negative correlation between philanthropic corporate social responsibility and organizational performance.

4.6.2 Relationship between Environmental CSR Practices and Organizational Performance

The study's second hypothesis examined the relationship between Environmental CSR practices and Organizational performance as presented in Table 4.15.

Table 4.11 Relationship between Environmental CSR practices and Organizational performance

Correlations

			EnvironmtCSR	OrganPerf
Spearman's rho	EnvironmtCSR	Correlation Coefficient	1.000	.195*
		Sig. (2-tailed)	.	.049
		N	102	102
	OrganPerf	Correlation Coefficient	.195*	1.000
		Sig. (2-tailed)	.049	.
		N	102	102

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

Source: **(**Author, 2017)

It was established that there exist statistically significant, positive relationship between environmental CSR practices and Organizational performance **(**rho= 0.195; $p<0.05$), thus H_{02} was rejected. These findings are inconsistent with those of Xiping (2014) found that there exists a negative relationship between environmental social responsibility and mineral firms performance in china mineral industry.

4.6.3 Relationship between Ethical CSR Practices and Organizational Performance

The study's third hypothesis was to examine the relationship between Ethical CSR practices and Organizational performance as presented in Table 4.16.

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Table 4.12 Relationship between Ethical CSR practices and Organizational performance

Correlations

			EthicalCSR	OrganPerf
Spearman's rho	EthicalCSR	Correlation Coefficient	1.000	.094
		Sig. (2-tailed)	.	.345
		N	102	102
	OrganPerf	Correlation Coefficient	.094	1.000
		Sig. (2-tailed)	.345	.
		N	102	102

Source: **(**Author, 2017)

It was established that there exist statistically insignificant, positive relationship between ethical CSR practices and Organizational performance **(**rho= 0.094; $p>0.05$), thus H_{03} was accepted. These findings are consistent with those of Ayobami (2012), who found that there exists a positive association or relationship between ethical corporate social responsibility philanthropic and organizational performance. Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, and stakeholders regard as fair, to protection moral rights (Zhu, Sun & Leung, 2014).

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CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of research findings and gives conclusions of the findings, recommendations of the study and suggestions for further research.

5.2 Summary

The main objective of the study was to establish the relationship between corporate social responsibility practices and organizational performance of manufacturing firms in Nakuru. The study intended to find whether there exists any relationship between philanthropic CSR activities, environmental CSR activities, ethical CSR activities and organizational performance of manufacturing firms. Data was collected using questionnaires and analyzed using descriptive and inferential statistics. Findings were presented using frequency tables, percentages and inferential statistics tables while respondents' response rate was 67.1%.

5.2.1 Philanthropic Corporate Social Responsibility Practices

The first objective of the study was to examine the relationship between philanthropic CSR activities and organizational performance of manufacturing firms. The findings indicate that that manufacturing organisations carries out/supports HIV/AIDS awareness campaigns while respondents disagreed that organisations carries out/supports drug abuse awareness campaigns. The respondents were indifferent with a small margin on whether manufacturing firms supports drug abuse awareness campaigns. Manufacturing organisations were found not to catty out or support eye clinics. Most manufacturing firms carry out/supports cancer screening awareness campaigns as agreed by a larger majority of respondents. Most respondents disagreed organisations supports polio awareness campaigns. A large number of respondents disagreed that manufacturing organisation carries out/supports maternity and family planning awareness campaigns. Minority of the respondents agreed that manufacturing firms carries out/supports tuberculosis awareness campaigns with a larger percentage of respondents holding a contrary opinion. According to majority of respondents manufacturing organisation has scholarship program for needy children and provides learning materials (e.g books) to schools.

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Manufacturing firms also support education for girl child as agreed according a larger majority of respondents. Manufacturing firms sponsor different events inform of food stuff, sponsors different events financially and also sponsors different events by providing kits. It was established that there exist statistically insignificant, negative relationship between philanthropic CSR practices (rho= -0.044; p>0.05).

5.2.2 Environmental Corporate Social Responsibility Practices

The second objective of the study was to identify the nature of relationship between environmental CSR activities and organizational performance of manufacturing firms. The findings indicate that most manufacturing firms carry out garbage collection activities. Moreover, manufacturing firms carries out tree planting activities, supports rehabilitation of water catchment areas and ensures industrial waste is well managed and recycled. It was established that there exist statistically significant, positive relationship between environmental CSR practices and Organizational performance (rho= 0.195; p<0.05).

5.2.3 Ethical Corporate Social Responsibility Practices

The study's third objective of the study was to establish the relationship between Ethical CSR activities and organizational performance of manufacturing firms. The findings indicate that manufacturing firms offers fair prices on its goods to consumers. The studied firms offer quality goods to consumers, solves customers complaints on time, while most manufacturing firms in Nakuru Town meets needs of its target customers, pays suppliers on time and awards tenders fairly for supply of goods and services. A larger number of respondents agreed that they receive a fair salary on time with many respondents agreeing that manufacturing firms promotes employees on merit. The organizations' working environment is conducive and fringed benefits are provided (e.g health insurance, pension plans, house allowance). It was established that there exist statistically insignificant, positive relationship between ethical CSR practices and Organizational performance (rho= 0.094; p>0.05).

5.3 Conclusions of the Findings

This section contains the conclusions of the research findings. They are as follows:-

5.3.1 Philanthropic Corporate Social Responsibility Practices

A fair number of respondents agreed that manufacturing firms carry out/supports HIV/AIDS awareness campaigns, drug abuse awareness campaigns and eye clinics. This means that

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manufacturing firms don't carry out more health CSR activities. Most manufacturing firms carry out/support cancer screening awareness campaigns as agreed by a larger majority of respondents. Manufacturing firms should also support maternity and family planning awareness campaigns as part of CSR activities as many respondents held that opinion. Manufacturing organizations have scholarship program for needy children and provide learning materials to schools as reported by majority of respondents as well as supporting education for girl child. Manufacturing firms sponsor different events inform of food stuff, sponsor different events financially and also sponsor different events by providing kits. The negative relationship between philanthropic CSR activities and organizational performance means that, as philanthropic CSR practices among manufacturing firm increases, organizational performance declines.

5.3.2 Environmental Corporate Social Responsibility Practices

Manufacturing firms carries out garbage collection activities, tree planting activities, supports rehabilitation of water catchment areas and ensures industrial waste is well managed and recycled as agreed by a majority of respondents. The positive association between environmental CSR practices and Organizational performance means that, as environmental CSR practices increases among manufacturing firms, Organizational performance increases.

5.3.3 Ethical Corporate Social Responsibility Practices

Firms also offer fair prices on its goods to consumers, quality goods to consumers, solves customers, complaints on time, meets needs of target customers and also talks in to consideration interests of its stakeholders (suppliers, customers and employees). Studied firms' sales have grown steadily but the market share has not really increased as a result of CSR activities. Firms should ensure that employees' turnover is addressed since the findings showed that engagement by the firm in CSR activities has not reduced employees' turnover rate but CSR activities have enhanced firms' corporate, customers' brand royalty and relationship with stakeholders. It is evident from the research findings that continuous involvement by manufacturing firms in environmental and ethical CSR activities may influence the firms' performance. The positive association between ethical CSR practices and Organizational performance means that, as ethical CSR practices increases among manufacturing firm, Organizational performance increases.

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5.4 Recommendations

Based on findings of the study, the study recommended the following measures on the objectives that were being investigated:

5.4.1 Philanthropic Corporate Social Responsibility Practices

Manufacturing firms should carry/ support more health related CSR activities, such as supports HIV/AIDS awareness campaigns, drug abuse awareness campaigns and eye clinics as these activities may influence positively on firms performance. Manufacturing firms should not focus more in terms of funds allocation on Philanthropic CSR activities since these activities were found to have a negative relationship with performance.

5.4.2 Environmental Corporate Social Responsibility Practices

More focus should be given to environmental CSR activities which reported a statistically significant positive relationship. Firms should ensure specific budgets are allocated to environmental CSR activities to enhance manufacturing firms' performance.

5.4.3 Ethical Corporate Social Responsibility practices

More focus should be given to ethical CSR activities which reported a positive relationship. Firms should ensure continuous focus on ethical CSR activities as customers, suppliers, employees and other stakeholders plays a key role on firms' performance.

5.5 Suggestions for Further Research

The study suggests further research on the following:

A research relationship between corporate social responsibility and financial performance of manufacturing firms using time series data (audited financial statements). A study on other CSR practices variables like economic and legal responsibilities on firms' performance should also be investigated. These studies may aid in research finding generalization on CSR and firms performance debate.

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APPENDICES

APPENDIX 1: PERMISSION LETTER TO CARRY OUT A RESEARCH STUDY

St. Paul University,
Limuru, Kenya

Dear Sir/Madam,

RE: PERMISSION TO CARRY OUT ACADEMIC RESEARCH

I am a Master of Business Administration student at St. Pauls' University conducting a research study entitled **"RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND ORGANISATIONAL PERFORMANCE OF MANUFACTURINGFIRMS IN NAKURU, KENYA"** The purpose of this letter is to request you for permission to interview you/ your staff using the questionnaire copies attached. You are kindly requested to fill in the questionnaire with precision and accuracy. The questionnaire is supposed to assist in answering specific objectives of the research which is being undertaken as part of the University requirement. Any information given herein will be treated with utmost confidentiality and only be used for the purpose of research. So kindly feel free to fill the questionnaire.
Thank you.

Yours faithfully,

Elizabeth WairimuKarani

ST. PAUL'S UNIVERSITY

APPENDIX II: RESEARCH QUESTIONAIRE

Please answer all the questions honestly. Tick (√) or fill up the box at the appropriate blank

SECTION A: BIODATA

1. Kindly indicate your gender

   Male [ ] Female [ ]

2. Age

   Between20-30 [ ] 31-40 years [ ] above 40 years [ ]

3. For how long have you worked in this company

   5-10 years [ ] over 10 years [ ]

4. What is your current job title…….

SECTION B: Philanthropic Corporate Social Responsibility Practices

The following statements relate to Philanthropic Corporate Social Responsibility Practices On a scale of 1-5 where (Strongly Disagree (SD) =5, Disagree (D) =4, Not certain (NC) =3, Agree (A) =2, strongly Agree (SA) =1). Please tick appropriately on the extent to which these statements influence your organizational performance

	Health CSR activities	SD	D	NC	A	SA
5.	The organization carries-out/supports HIV/AIDS awareness campaigns and this affects organizational performance					
6.	The organization carries-out/ supports drug and substance abuse awareness campaigns and this impacts organizational performance					
7.	The organization carries-out eye clinics and this affects organizational performance					
8.	The organization supports polio awareness campaigns and this affects organizational performance					
9.	The organization carries-out/ supports cancer					

ST. PAUL'S UNIVERSITY

	screening awareness campaigns and this influence organizational performance					
10	The organization carries-out/ supports maternity and family planning awareness campaigns and this influence organizational performance					
11	The organization carries-out/supports Tuberculosis awareness campaigns and this influence organizational performance					
	Education CSR activities					
12	The organization has scholarship program for needy children this affects organizational performance					
13	The organization provides learning materials (e.g books) to local schools has sponsorship and this affects organizational performance					
14	The organization supports education for girl child and this influences organizational performance					
	Events sponsorship CSR activities					
15	The organization sponsors different events inform of foodstuff and this affects organizational performance					
16	The organization sponsors different events financially and this affects organizational performance					
17	The organization sponsors different events by providing kits and this affects organizational performance					

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SECTION C: Environmental Corporate Social Responsibility Practices

The following statements relate to Environmental Corporate Social Responsibility Practices On a scale of 1-5 where (Strongly Disagree (SD) =5, Disagree (D) =4, Not certain (NC) =3, Agree (A) =2, strongly Agree (SA) =1). Please tick appropriately on the extent to which these statements influence your organizational performance

		SD	D	NC	A	SA
18.	The organization carries-out garbage collection activities and this affects organizational performance					
19.	The organization carries-out tree planting activities and this affects organizational performance					
20.	The organization supports rehabilitation of water catchment areas and this affects organizational performance					
21.	The organization ensures industrial waste is well managed and recycled and this affects organizational performance					

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SECTION D: Ethical Corporate Social Responsibility Practices

The following statements relate to Ethical Corporate Social Responsibility Practices On a scale of 1-5 where (Strongly Disagree (SD) =5, Disagree (D) =4, Not certain (NC) =3, Agree (A) =2, strongly Agree (SA) =1). Please tick appropriately on the extent to which these statements influence your organizational performance.

	Customers	SD	D	NC	A	SA
22.	The organization offers fair prices on its goods to consumers and this affects organizational performance					
23.	The organization offer quality goods to consumers and this affects organizational performance					
24.	The organization solves customers' complaints on time and this affects organizational performance					
25.	The organization meets needs of its target customers and this affects organizational performance					
	Suppliers					
26.	The organization pays suppliers on time and this affects organizational performance					
27.	The organization awards fairly supply of goods and services tenders and this affects organizational performance					
	Employees					
28.	The organization pays salary fairly and on time and this affects organizational performance					
29	The organization promotes employees on merit and this affects organizational performance					
30.	The organization's working environment is conducive and this affects organizational performance					

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31.	The organization provides fringed benefits (e.ghealth insurance, pension plans, house allowance etc) and this affects					

SECTION E: Organizational performance

The following statements relate toorganisational performance indicators as result of CSR activities carried by your organization. Indicate by ticking the trend in your organization compared to your competitor on a scale of 1-5 where (Strongly Disagree (SD) =5, Disagree (D) =4, Not Certain (NC) =3, Agree (A) =2, Strongly Agree (SA) =1).

	Organizational performance Indicators	SD	D	NC	A	SA
32.	The firm's sales have grown steadily					
33.	The firm's market share was increased					
34.	Engagement by the firm in CSR activities has reduced employees turnover rate					
35.	Engagement by the firm in CSR activities has enhanced firm's corporate reputation					
36	Engagement by the firm in CSR activities has enhanced customers' brand loyalty					
37	Engagement by the firm in CSR activities has enhanced firm's relationship with stakeholders					
38	Engagement by the firm in CSR activities has enhanced customers' customer satisfaction & retention					
39	Engagement by the firm in CSR activities has increased Percentage of response to open Positions:					
40	Engagement by the firm in CSR activities has enhanced employees satisfaction					
41	Engagement by the firm in CSR activities has enhanced number of new customers					

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APPENDIX III: LIST OF MANUFACTURING FIRMS IN NAKURU TOWN

NAME OF THE FIRM.	YEAR OF FORMATION.
1. UNGA LIMITED	1992
2. HAPPY COW DAIRIES	2006
3. TOSTI BAKERY	1991
4. RIFT VALLEY MACHINERY	1999
5. BEDI FABRICS	1986
6. SPIN KNIT LIMITED	1991
7. RUBY FOODS	2004
8. PYRETHERUM BOARD OF KENYA	1982
9. NAKUWELL WATER SERVICES	1998
10. BIDCO REFINENARY	1978
11. NAKURU TANNERS LIMITED	1998
12. MEGA DISTILLERS	1999
13. DORU INDUSTRIES	1998
14. FLAMINGO PAINTS	2000
15. UNITED MILLERS LIMITED	1996
16. LONDRA LIMITED	1982
17. MENENGAI OIL REFINERIES LIMITED	1986
18. COMPLY INDUSTRIES LIMITED	1984
19. ROSIN KENYA LIMITED	1995
20. MEGA SPIN LIMITED	1997
21. COIL PRODUCTS (K) LIMITED	1990
22. KAPI LIMITED	1990
23. UNGA FIRM CARE LIMITED	1993
24. NAKURU CRATER PURE WATER BOTTLERS	2000

Source (Ministry of Trade, Nakuru County Government)

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