

INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON THE PERFORMANCE OF NEW KCC, SOTIK, KENYA

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ABSTRACT

Corporate Social Responsibility (CSR) could be defined as a collection of actions by a firm in an effort to advance the promotion of social good beyond the immediate interests of the firm/shareholders and beyond the legal requirements. It is about conducting business in a more socially acceptable manner. Although several studies have been carried out on the relationship between CSR activities within companies and their performance limited studies have addressed how to manage corporate social responsibility to make it effective. In this study the findings attempts to provide better insight into the issue and also shows the effectiveness of CSR in improving performance of firms. Globalization has led to the entry of Dairy products from foreign countries into the Kenyan market leading to competition. The emergence of new local companies is a threat to New Kenya Co operative Creameries. The purpose of this study was to determine the influence of Corporate Social Responsibility on Performance of Milk Processing Companies, a case of New KCC, Sotik-Kenya. The specific objective of the study has been to study how corporate social responsibility influence the performance of Milk processing companies. The conclusion drawn was that the workers were not adequately skilled to handle modern technology and that they invest in a sporting event(s) that do not attract mass support. The researcher recommends that New KCC, Sotik should pick on sports and a few other initiatives they have the capacity to sponsor effectively for good returns to be realized and capacity building for workers also be organized. In future investigations more studies need to be done to establish the extent to which CSR activities enhance employee productivity thereby enhancing the corporate performance of the milk processing companies in Kenya.

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INTRODUCTION

Corporate Social Responsibility (CSR) refers to Corporate Conscience, Corporate Citizenship, Social performance or Sustainable responsible business. Corporate Social responsibility is when a corporation goes beyond their legal and economic obligations to better society and in the process make themselves and their products known. It is a way corporate organizations reciprocate the responses they get from their customers (Owen, 2007). Most Chief Executive Officers acknowledges the fact that it is necessary to address societal expectations if they are to remain competitive, but their challenge is how to build CSR into Corporate Strategy (Rodriquez, Richard and Sanchez, 2002).

Companies engage in CSR to create awareness of their existence as a company and their products, position a product with the right publics at a much lower cost and, provide hospitality to business friends and clients. Although the debate of the relationship between financial performance and CSR has been inconclusive, most studies have long responded by attempting to demonstrate the effects of CSR on corporate profitability (Orlizky; Frank, and Sara, 2003; Margolis; Elfenbein, and Walsh, 2007). An estimated number of 122 published studies empirically examined the relationship between CSR with financial performance during the period 1971-2001 (Margolis and Walsh, 2003). The latest studies found out that about six out of ten organizations have no strategy for CSR while quite a large number of them are unclear as to how to adequately anticipate which social issues will affect their overall strategy (The Work Foundation, 2002). People's consumption patterns are influenced by corporate social responsibility efforts, according to a 2004 survey of more than 400 'opinion elites' (members of the top 10% of society, with regard to media consumption, civic engagement, and interest in public policy issues) in 10 countries, by APCO Worldwide (2008).

Most large multi-national companies encounter extensive pressure from consumers, employees, suppliers, community groups, government, NGOs and institutional shareholders to engage in corporate social responsibility activities by incorporating social characteristics/features into products and manufacturing processes (Henderson, 2005). According to Porter and Kramer (2006), the reason why firms engage in CSR is because governments and the media have focused on holding companies accountable for the social consequences of their business actions. They therefore engage in it because of external pressure instead of look at it in a way appropriate to

their individual strategies and this includes moral obligation, sustainability, license to operate and reputation. Husted and Salazar (2006) found out that it is wiser for the firms to act strategically than to be coerced into making investments, and that by making investments strategically they could do more than simply follow altruistic motivations.

RESULTS AND DISCUSSION

Demographic Characteristics of Respondents

This section is important because it gives the researcher the opportunity to determine the age structure of the employees and gender issue at the work place. Details on age structure give the researcher a hint as to where their interest may be focused on and if there may be need for recruitment of more younger or middle aged employees. This is because in most cases interest for any activity goes with age and gender.

Table 4. 1: Distribution of employees by Age and Gender

Age	Gender				Total	
	Male		Female		f	%
	f	%	F	%		
20 - 30	34	14	10	4	44	18
31 - 40	100	41	44	18	144	59
41 - 50	36	15	10	4	46	19
Over 50	7	3	3	1	10	4
Total	177	73	67	27	244	100.0

According to the results in Table 4.1 the majority of the respondents were male at 177(73%) while 67(27%) female. The Table also showed that majority of the respondents 144(59%) were aged between 31-40 years, while 44(18%) were aged between 20-30 years. Those above 50years were 10(4%), while those aged 41-50 years 46(19%). The study established that the majority of the company employees were aged between 31-40years, mid-life worker, the period when workers focus on collaboration and respond to management strategies focused on co operation rather than competition (Kanfer and Ackerman, 2004). On Cognitive skills, they observed that working memory, abstract thinking, attention, and processing novel information peaks around

20`s. Many workforces today are made up of four fairly distinct groups namely; the matures(born during world war II period) tend to display attitudes that reflect the work values that were common during their formative years and those that were essential to being successful during those difficult years e.g. loyalty, hard work, respect for authority and conformity among many others. The second group is the baby boomers- they lean towards instant gratification and the fulfilment of the self and its desires. They believe in the value of communication and team efforts, personal development and having an optimistic view. The third group is Generation X, the age group that tends to be self reliant, skilled at working independently and are comfortable with modern concepts such as racial, gender and sexual diversity and modern technology. They have a lesser degree of loyalty to a particular employer because they believe that this world is filled with employment opportunities. Finally, there is Generation Y whose oldest lot are now entering the workforce. These workers tend to have confidence in themselves and demonstrate a high degree of comfort with diversity and technology. The management need to know this composition so as to avoid age stereotype because that may affect their motivation effort. New KCC, Sotik is lucky to have only 3 employees aged above 50 years because older workers are less adaptable and flexible. They resist change, are less motivated and are less able to learn(Donald, 2012). The finding would be useful for the organisational planning.

Table 4. 2: Distribution of employees by experience in employment and management level

It was necessary for the study to look at employee experience to enable the researcher determine if those with working experience, more specifically, from other companies will add knowledge on CSR within the company. In the event that most, if not all, employees are not conversant with CSR operations then capacity building is needed.

Experience (years)	Management Level				Total	
	Middle Management		Lower Management			
	F	%	F	%	f	%
0 -1	0	0	0	0	0	0
2 - 4	3	3	4	3	7	6
5 - 7	9	8	34	30	43	38
Above 8	0	0	63	56	63	56
Total	12	11	101	89	113	100

Table 4.2 showed that 12(11%) of respondents were in middle level management while 101(89%) were in lower level management. However, one high level management was also involved in the study. Table 4.2 illustrated that the highest percentage of respondents 63 (56%) had an experience above 8 years followed by those who had served for between 5 to 7 years with a percentage of about 38%. Another 7 (6%) of the respondents had had an experience between 2-4 years. This kind of mixture is good for the company. The distribution of employees according to the number of years they have worked shows that New KCC, Sotik has 97(94%) workers who have been in service for five years and above while only 7(6%) have worked for between two and four years. Work experience gently introduces one to the world of work. One gets to learn the dos and don'ts and learn to go about his work through the jungle of office politics i.e.it gives an idea of skills one might need to thrive in the workplace. The management of the company need this data when planning at this time when the introduction of CSR as a business strategy is being introduced. Some of the older employees may not see the need for this change which they argue that they have survived without. These are the lot that need in-service courses to enable them see its importance since the experience they have is also needed by the company.

According to Dawkins (2004) and Brammer (2007), a motivated workforce, skilled and experienced can drive the company to greater heights of success. Those with experience are cheaper for the company to work with because fewer funds are spent to train them unlike the inexperienced workers who need training for them to be efficient and effective. Besides, those with experience from elsewhere may bring in new benefits to the company. The experience does not necessarily mean that they acquire it within the company because some of the employees, who have worked in one organisation for far too long, may resist any useful changes that the management may introduce. This therefore requires that there should be a blend of new and old employees for efficiency to be realised.

4.3 Factors which Influence the Performance of Companies in the Dairy industry

Using five-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. The mid level management workers indicated their level of agreement with some statements concerning factors which make New KCC not to expanding as fast as the other companies in the industry. Table 4.3 provided the results obtained from descriptive statistics showing the frequency,

percentage, mean and standard deviation from the preliminary analysis of factors which influence the performance of companies in the Dairy industry.

Table 4. 3: Mid level Workers' response on importance they attach to various business activities

n= 12

What level of importance do you attach	Very Important	Important	Quite Important	Least Important	Not Important	Mean s.d
	f (%)	f (%)	f (%)	f (%)	f (%)	
Attitude of the customers towards the company?	12 (100)	0 (0)	0 (0)	0 (0)	0 (0)	3.818 (0.603)
The suppliers are not reliable?	9 (75)	3 (25)	0 (0)	0 (0)	0 (0)	2.909 (1.758)
Low purchasing power of the local people?	3 (25)	6 (50)	3 (25)	0 (0)	0 (0)	3.364 (1.433)
Workers are not adequately skilled to handle modern technology and management skills?	6 (50)	6 (50)	0 (0)	0 (0)	0 (0)	3.636 (1.286)
The entry of many other milk processing plants in the industry	9 (75)	3 (25)	0 (0)	0 (0)	0 (0)	3.636 (1.206)
Mean Response	2.6 (65)	1.2 (30)	0.2 (5)	0 (0)	0 (0)	3.473 (1.354)

Interpretation: Strongly Agree - 4.1 – 5.0

Agree - 3.1 – 4.0

Disagree - 2.1 – 3.0

Strongly Disagree - 1.0 – 2.0

The results in Table 4.3 revealed that the mean response on listed statements concerning factors which influence the performance of companies in the Dairy industry was 3.473 in the likert scale with a standard deviation of 1.354. This was interpreted to mean that the respondents agreed with the 3 listed statements. Specifically they agreed that factors which make New KCC not to expand fast as the other companies in the industry were attitude of the customers towards the company (3.636), the entry of many other milk processing plants in the industry (3.636) and workers are not adequately skilled to handle modern technology and management skills (3.268). However they disagreed that the suppliers are not reliable (2.909). Out of the 12 middle level employees interviewed all (100%) unanimously accepted that attitude of the customers towards the company is very important and therefore need to be looked into, 75% said the suppliers are not reliable and the entry of many other milk processing plants in the industry are a real challenge, 50% of them acknowledged the fact that most workers (78%) are not adequately skilled to handle modern technology and are also not versed with management skills. These being professionals heading key departments in the company, their sentiments need to be addressed. This finding is in agreement with the pulse model, which Reputation Institution came up with in 2006, which shows that the degree to which people trust, admire, respect and have a good feeling for a company influence their behaviour. This has a bearing on how customers behave towards a company's products. A good image in the eyes of the consumer will lead to their loyalty hence more and consistent purchase of the company products. This explains why Toyota Motors, Coca cola ltd, and Brookside Dairy Company among others have a large market base.

4.3 Corporate Social Responsibility (CSR) activities which influence the performance of New KCC

The second objective of this study was to identify the CSR activities in which New KCC is involved in. therefore the respondents were asked to identify the activities New KCC supports in its CSR initiatives. The results were as shown in Figure 4.1

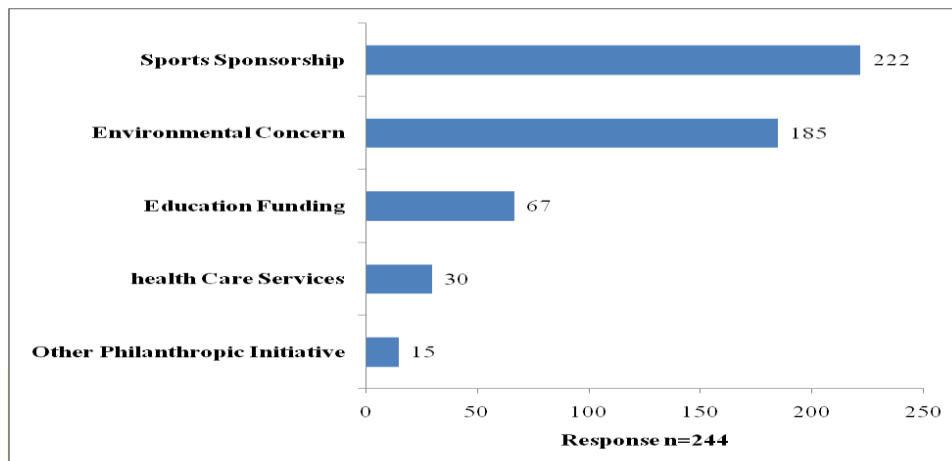


Figure 4. 1: The activities New KCC supports in its CSR initiatives

Source: Research Data (2013)

During the interview with all the respondents the following results were recorded as shown in Figure 4.1, majority 222(90.9%) of the respondents reported sports sponsorship to be the major New KCC supports in its CSR initiatives, followed by 185(75.8%) of those who felt it is environmental conservation. Other 67(27.3%), 30(12.1%) and 15(6.1%) reported that education funding, health care services, and other philanthropic initiatives were the New KCC supports in its CSR initiatives respectively.

CONCLUSION

Winning and retaining customers is a strategy New KCC, Sotik should focus on, because it can lead to competitive advantage and be a source of superior performance. Business firms are the engine of society and the making of profits is a social responsibility. However, in the current climate, issues of a social nature are bearing on firms to the point that CSR appears to be the new battle ground for competitive success and therefore New KCC, Sotik must invest in it. In view of the above New KCC Sotik need to consider the following dimensions; company mission, strategic issues, markets, customer needs, resources and competitive advantage. The management should embrace it to create awareness of their existence as a company and their products.

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