European Journal of Economic and Financial Research
ISSN: 2501-9430
ISSN-L: 2501-9430
Available on-line at: http://www.oapub.org/soc

doi: 10.5281/zenodo.437905 Volume 2 | Issue 1 | 2017

CORPORATE SOCIAL RESPONSIBILITY: FINANCIAL PERFORMANCE AND ORGANIZATIONS INITIATIVE TO ADDRESS THE WELFARE OF SOCIETIES IN GLOBAL COUNTRIES

Jet Mboga[i]
DBA, William Paterson University,
Marketing & Management Sciences,
1600 Valley Road, Wayne, NJ 07470, USA

Abstract:
The objectives of corporations conducting business entail making profit and or making a difference. Corporations contribute billions of dollars towards corporate social responsibility (CSR) each year in the name of addressing the welfare of the society. The assumption that if companies are successful and exhibit increasing financial performance they have an obligation to care for the society does exist in some regions. This paper explores the understanding of CSR and examines if the population in Kenya expects corporations to take initiative in addressing the welfare of their society. The results substantiate that CSR initiatives from corporations conducting business in Kenya are unexpected by the local population. The findings confirmed that the population sought for assistance from some organizations that included American National Red Cross, UNICEF, World Vision, and World Hunger.

JEL: M14, L25, P42

Keywords: corporate social responsibility, society, financial performance, Kenya, population

1. Introduction

Corporations are in business to earn revenue that can be used to pay employees; shareholders; business expenses; set aside ample funds for future innovations; and their

[i] Correspondence: email jmboga2003@yahoo.com

outmost main purpose is to make profit (Holme & Watts, 1999). When the corporations take on the involvement and assist in the livelihood of the communities they are conducting business in and other regions is termed as Corporate Social Responsibility (CSR) (Leonard & McAdam, 2003; Lindgreen & Swaen, 2010; Holme &Watts, 1999). Distinctively, CSR is the commitment by organizations to contribute to the society's development, taking initiative to enhance employees, families, and local societies (Holme & Watts, 1999).

CSR in organizations mainly depends on the corporations' level of diversification; size; research and development; government sales; labor market conditions; consumer income; and stage in the industry life cycle (McWilliams & Siegel, (2001). Should the corporations focus on their own perspectives ignoring the societies around them or should they take an initiative in the welfare of the society? Existing studies have answered this posed question and shared multiple CSR initiatives in urban and developing countries including documentation done by Fortune 500 of US and UK amounts spending in a total sum of $15.2 billion a year on CSR initiatives (Smith, 2014). In this research, the author explored the understanding of CSR and examined if the population in Kenya expected corporations to take initiative in addressing the welfare of their society.

2. Background

Research by economic consulting firm Economic Policy Group (EPG) confirmed the US spending of $11.95bn on CSR where the 71% of the donations were directly related to giving free software to universities and free drugs to health institutions (Smith, 2014). The Fortune 500 documented the biggest CSR giving organization to be Oracle for granting software to learning institutions in 100 countries that included secondary schools, colleges and universities. Additionally, Merck and Johnson & Johnson were among the top 6 organizations that provided two-third of US CSR amounts (Smith, 2014). In comparison to UK spent $3.2 billion in CSR initiatives with 34% being employee fundraising and volunteering and GlaxoSmithKline and AstraZeneca accounting for over three-quarters of the CSR total.

Regions such as Indonesia adopted mandatory CSR in 2007 under Law No. 40 (Waagstein, 2011). Although the law was legitimate, it was also problematic because of the precise requirement; the law was enacted as a preventive measure to keep corporations from being irresponsible to the environment/community (Waagstein, 2011). Similarly, in India the ministry of corporate affairs issued a law requiring companies to spend two percent of annual post-tax profit on CSR initiatives, the act of mandating CRS was to uplift society (Khandkar, 2014). To ensure the funds were appropriately allocated, the CSR policy makers set regulations of what initiatives would qualify as CSR activities; they included enhancement projects for livelihood, healthcare and sanitation, veterans, and even helping in homes for orphans and hostels for women (Khandkar, 2014). The policy makers were adamant of some initiatives that would not qualify for CSR activities such as political party events, or assistance of employee and their families (Khandkar, 2014).

In a research that examined the focus of CSR by companies in Kenya, the findings confirmed that CSR initiative in Kenya differed from CSR in other regions such as US and UK. The results confirmed that lack of the Kenyan government regulations and its ability to enforce the set regulations contributed to the lack of corporations getting on board and taking on CSR initiative (Muthuri & Gilbert, 2011). Similarly, in a research to examine corporate CSR initiatives in Kenya as listed in the Nairobi Stock Exchange (NSE), the results confirmed that CSR disclosures were voluntary by corporations with an objective to recover their image and be seen as responsible corporations (Ponnu & Okoth, 2009). The study findings by Ponnu and Okoth (2009) confirmed that the Kenyan government did not mandate disclosure of CSR initiatives and had no CSR reporting standards set for corporations doing business in Kenya. The authors confirmed that the corporations were reluctant to report their CSR initiatives because of the lack of government set standards and shared that mandating CSR disclosures in Kenya would force corporations to integrate business practices for both social and environment preservation (Ponnu & Okoth, 2009)

The CSR initiatives are evidence that the corporations conducting business in their communities are not only focused in making profit but embrace the livelihood of the members in the society. One hundred and forty-three participants from the Kenyan population willingly took part in this qualitative exploratory case study. The author's purpose was to provide the participants understanding of CSR and share their experiences of their expectations for corporations to take initiatives in addressing the welfare of their societies. The participants were asked the following questions

1. What does the population living in Kenya understand about CSR?
2. What does the population think about CSR - do they expect these companies doing business in their country to contribute to welfare of society?
3. Does the population assume that if the company has high financial performance they should help the community?
4. According to the population you interview - have any of the companies addressed the welfare of their community and how do these companies contribute to the welfare of the community?

5. Are the companies in that global country mandated by the government mandated to help the community that they conduct business in?

2. Study Results

The results of when the participants were asked the question "*what does the population living in Kenya understand about CSR?*" The participants results for this question were mixed in nature whereby some participants shared they did not understand the meaning behind the term CSR; other participants shared their understanding of CSR as a term that stood behind corporations taking responsibility for their actions and helping sustain the environment. The study participants shared that some corporations doing business in Kenya were involved in CSR initiatives but their initiatives such as actions to preserve the environments were not always communicated to the Kenyan population. What does the population think about CSR - do they expect these companies doing business in their country to contribute to welfare of society? The results revealed that participants with in-depth knowledge on CSR raised their complaints that corporations should take responsibility for being negligent to the society they conducted business in. The example they shared was the pollution associated with refuse dumping in rivers whereby the population was affected by the use of water from Nairobi and Athi River. On the contrary, other participants with limited knowledge on CSR shared that they do not expect companies doing business in their country to contribute to welfare of society or give back to support the livelihood and protection of the environment.

CSR initiatives were not expected if corporations had high financial performance, instead the participants sought assistance from organizations that included American National Red Cross, UNICEF, World Vision, and World Hunger to contribute to positive initiatives. The results of participants CSR 23, 28, 44, 65, 78, 79, 84, 86, 101, 116, 122, 134, and 139 shared that "*We don't expect corporation conducting business in our Kenya to take any initiative to help sustain our societies; but we expect our government to help sustain our communities.*" The findings also confirmed that participants that understood CSR were in involved in tasking corporations to stand behind their corporations and showing they cared for their consumers environments by taking CSR initiatives to protect the environment. The participants shared that if corporations took an interest in the society and environment they would not only integrate practices good for current but also for future generations if they practiced business operations that did not cause harm the environment.

The contributions to the welfare of the community by corporations conducting business in Kenya are not visible to all participants. The participants shared that the CSR initiatives were not part of the core objectives in conducting business because they were not announced to the general public as to how the corporations would contribute to the welfare of the community. The results confirmed that there were no set standard on how businesses operate thus few organizations such as Safaricom and Kenya Commercial Bank had taken initiatives to protection of the environment by setting up foundations that would help in the administering of their CSR initiatives. The results confirmed that the corporations in Kenya were not mandated by the government to help the community that they conduct business in. Participants shared that the voluntary status of the corporations to participate in CSR and reporting of their initiatives could contribute to lack of these corporations embracing the responsibility of their actions to the society and environment.

3. Conclusion/Discussion

CSR initiatives contribute to positive environmental and social changes but do not directly or immediately benefit the corporation funding the initiatives (Aguilera, Rupp, Williams, & Ganapathi, 2007). The public entrusts corporations to take part in CSR initiatives because of their power in the economy and access to assets that can be allocated in the sustainability of the environment and the social welfare of consumers and employees (Branco & Rodrigues, 2006). The purpose of this research was to explore the Kenyan populations understanding of CSR and examine if the population expected corporations to take initiative in addressing the welfare of their society. The results confirmed a mixture in the populations understanding of CSR from no expectations by the population for corporations to be involved in CSR initiatives to knowledgeable participants that corporations were to be held liable in taking responsibility for their actions and held liable for environmental sustainability.

Populations in global nations such as US and UK have visibility to corporations CSR initiatives that are documented for the general public to access. The lack of corporate CSR initiatives visibility in Kenya contributed to some participants not having knowledge of corporations CSR initiatives in the development of the well-being of the society and the environment. The results confirmed that CSR initiatives were not sought through corporations but with organizations such as American National Red Cross, UNICEF, World Vision, and World Hunger to contribute to positive initiatives. The visibility of CSR initiatives would contribute to all participants understanding of CSR instead of minimal participants understanding and corporations would be held liable for CSR regardless of the corporation's financial performance status. The integration of CSR initiatives, taking responsibility and precautions, and following government regulations would help corporations setting up their business in Kenya and require them to take initiative in preserving the environment for current and future generations.

Mandating business to share business processes and reveal their business CSR initiatives to the Kenyan population would contribute to the social welfare of the society and environmental sustainability. Corporations such as Safaricom and Kenya Commercial Bank that had taken initiatives to contribute toward CSR initiatives by setting up foundations that would help sustain the environment would be examples for other corporations to follow. The explicit documentation of corporation's business processes and adhering to government regulations would allow the population to have visibility of the corporation involvement in taking CSR initiatives thus contributing to the better livelihoods of the society and environment corporations are conducting business in. The limitations to this study of exploring the Kenyan populations understanding of CSR and examining if the population expected corporations to take initiative in addressing the welfare of their society was the target population of random participants excluding shareholders and owners of the corporations. The focus was to get the populations perspective not the corporations running business in Kenya.

References

1. Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of management review*, *32*(3), 836-863. Retrieved from *amr.aom.org*
2. Branco, M. C., & Rodrigues, L. L. (2006). Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics*, *69*(2), 111-132. Retrieved from doi:10.1007/sl0551-006-9071-z
3. Holme, R., & Watts, P. (1999). Corporate social responsibility. *Geneva: World Business Council for Sustainable Development*. Retrieved from *www.unrisd.org*
4. Khandkar, A. N. (2014). Mandatory corporate social responsibility (CSR) spending in India to impact corporate profits. Retrieved from *http://www.breakingcall.com*
5. Leonard, D., & McAdam, R. (2003). Corporate social responsibility. *Quality progress*, *36*(10), 27-33. Retrieved from *www.asq.org*

6. Lindgreen, A., & Swaen, V. (2010). Corporate social responsibility. *International Journal of Management Reviews*, *12*(1), 1-7. Retrieved from *onlinelibrary.wiley.com*
7. McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of management review*, *26*(1), 117-127. doi:10.5465/AMR.2001.4011987
8. Muthuri, J. N., & Gilbert, V. (2011). An institutional analysis of corporate social responsibility in Kenya. *Journal of Business Ethics*, *98*(3), 467-483. doi: 10.1007/s10551-010-0588-9
9. Ponnu, C. H., & Okoth, M. O. (2009). Corporate social responsibility disclosure in Kenya: The Nairobi stock exchange. *African Journal of Business Management*, *3*(10), 601-608. doi:10.5897/AJBM09.118
10. Smith, A. (2014). Fortune 500, October 12, 2014: Fortune 500 companies spend more than $15bn on corporate social responsibility. Retrieved from http://www.ft.com
11. Waagstein, P. R. (2011). The mandatory corporate social responsibility in indonesia: Problems and implications. *Journal of Business Ethics, 98*(3), 455-466. doi:10.1007/s10551-010-0587-x