Stratford
Peer Reviewed Journals & books

Effect of Employee and Customers Corporate Social Responsibility Programmes on Performance of Style Industries Limited in Nairobi

Francis Tom Baariu & Dr. Alaka D. Opollo

Effect of Employee and Customers Corporate Social Responsibility Programmes on Performance of Style Industries Limited in Nairobi County

[1*] Francis Tom Baariu & [2] Dr. Alaka D. Opollo

[1*]Postgraduate Student, Management University of Africa

[2]Lecturer, Management University of Africa

*E-mail of corresponding author: baariu8@yahoo.com

Abstract

Businesses worldwide are faced with the challenge of responding to the needs of their external environment in a manner that adds value to their operations. It is imperative that businesses run their operations within the precepts of the law of the land in which they operate and other regulations prescribed by authorities like business associations and government agencies. Darling Kenya limited have not fully implemented the Corporate Social Responsibility (CSR) operations. Therefore, at Darling Kenya, there is need to quantify the exact benefits that accrue from every CSR activity in order to justify the performance. The study investigated the impact of employee and customer corporate social responsibility on performance of Style Industries Limited in Nairobi. The study employed a descriptive research design. The study population target were 540 employees of the style industries in all the four areas of Mwingi, Rongo, Muranga and Nairobi.The sample size was 162 employees. Data was collected using the questionnaire and analyzed using descriptive and inferential statistics. A multiple linear regression analysis model was used to test the relationship between the employee and customer CSR Programmes and performance. Findings indicated that there was a significant and positive relationship between the Employee CSR, Customer and performance of manufacturing companies in Nairobi. These findings were useful especially for firms in the manufacturing sector as it will inform their decisions in terms of whether to involve themselves in CSR activities in the hope of improving financial performance or not. The study recommended that industries should invest in CSR for performance improvement.

Keywords: *Employee CSR, Customer CSR, Corporate social responsibility, Performance and Style industries limited.*

1.0 Introduction

1.1 Background of the Study

Corporate Social Responsibility is about how a business entity gives back to its stakeholders in a sustainable and acceptable manner. Holme and Watts (2000) in their publication "Making Good Business Sense state that Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Panayiotou, Aravossis, and Moschou (2009) views corporate social responsibility in three ways: The economic view is concerned with profitability, wages and benefits, resource usage, job offerings and outsourcing. The environmental view is on processes, products and services related to the environment while the social view focuses on health and safety issues, employee relations, ethics, human rights and working conditions.

However, businesses worldwide are faced with the challenge of responding to the needs of their external environment in a manner that adds value to their operations. It is imperative that businesses run their operations within the precepts of the law of the land in which they operate and other regulations prescribed by authorities like business associations and government agencies (Baker, 2011). The organization is also expected to treat their employees with dignity and within the existing labour laws. The customers expect organizations to produce quality goods and services while the shareholders expect a return on their investment.

Darling is the leading brand in the hair industry manufactured by Style Industries Limited in fourteen African countries which its clientele consist of young girls and women of various age groups. It is a company that prides in the production of the highest quality hair additions, designed to satisfy the desire, taste and aspirations for beauty in every woman (Holme & Watts, 2000). The company has been recognized worldwide in creativity and innovations with its outstanding fashions and designs whose vision and mission is to be a constant world leader in the manufacturing of highest quality hair additions, with great care being put into the look that meet the needs and style of the everyday woman of African origin; while providing an existing, competitive, safe and friendly environment for its employees (Holme, & Watts, 2000).

Style Industries Limited (SIL), the leading manufacturers of darling highest quality hair additions and cosmetics for everyday woman in African origin has embarked on a project of empowering disadvantaged girls in Kenya through the management and its research and development department (R&D) in safeguarding and implementing community development programmes in different parts of the country. Style Industries Limited was recognized by the IRC in the year 2012 through its efforts in various activities in empowering the girl child in slums and remote areas by which the project got the attention of both National and International media and in November 2012, the BBC Africa Journal voted and recognized the project as the best investment in East Africa towards poverty eradication in Africa and the programme was posted to the internet (Holme, & Watts, 2000). Though the company has participated in CSR activities in improving the social and living standards, the participation rate is still very low.

1.2 Statement of the Problem

The allocation of resources to projects that benefit the communities constitute Corporate Social Responsibility. However, Style Industries have not fully implemented the CSR operations. The CSR policies are not clearly defined and consistently aligned to the prevailing market conditions.

Porter (2010) argues that CSR programs focus mostly on reputation and have only limited connection to the business, making them hard to justify and maintain over the long run. Therefore, at Darling Kenya, there is need to quantify the exact benefits that accrue from every CSR activity in order to justify the performance. It is also increasingly becoming imperative for Darling Kenya Limited to align every CSR activities to its strategic intent so that the CSR resources can contribute to the attainment of the company's objectives (Gustavson, 2008).

Okeyo (2004) conducted a survey of the levels and determinants of CSR among commercial firms in Kenya. Muriuki (2008) conducted a study on the CSR link to strategy among mobile telephone service providers. Ominde (2006) studied the link between CSR and Corporate Strategy among listed companies on the Nairobi Stock Exchange. The above mentioned empirical studies have demonstrated that no study has so far focused on Darling Kenya; therefore this study was conducted so as to bridge the gap.

1.3 Specific Objectives

i. To examine the effect of employee CSR programmes on performance of Style Industries Limited in Nairobi.
ii. To determine the effect of customers CSR programmes on performance of Style Industries Limited in Nairobi.

1.4 Research Hypothesis

i. **Ho$_1$**: There is no significant relationship between employee CSR programmes and performance of Style Industries Limited in Nairobi.
ii. **Ho$_2$**: There is no significant relationship between customers CSR programmes and performance of Style Industries Limited in Nairobi.

2.0 Literature Review

2.1 Theoretical Review

The theories that supported the study include Corporate Social Performance Theory and Stakeholder Theory. This are presented in figure 1.

2.1.1 Corporate Social Performance Theory

Bowen (1953) explained that social responsibility of businessmen refers to the obligation of businessmen to pursue those policies, to make decision or to follow those lines of action which are desirable to society. Recent work on CSR has argued that CSR activities are framed vis-à-vis the social context and are thus influenced by the prevailing institutions in such contexts (Jackson & Apostolakou, 2010). 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 organization 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.

2.1.2 Stakeholder Theory

A stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). Friedman (2006) states that the organization itself

should be thought of as a grouping of stakeholders and the purpose of the organization should be to manage the interests, needs and viewpoints of stakeholders. This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should on the one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and the participation in decision making. Stakeholders include Customers, employees, local communities, suppliers, distributors and shareholders. Stakeholder theory is based on two ethical principles, Principle of corporate rights and the principle of corporate effects". The principle of corporate rights means that the corporation and its managers may not violate the legitimate rights of others to determine their future. Principle of corporate effects on the other hand is about responsibility for consequences. Corporations and its managers are responsible for the effects of their actions on others. (Mele, 2006). Therefore stakeholder theory supports the need for corporate social responsibility by corporations.
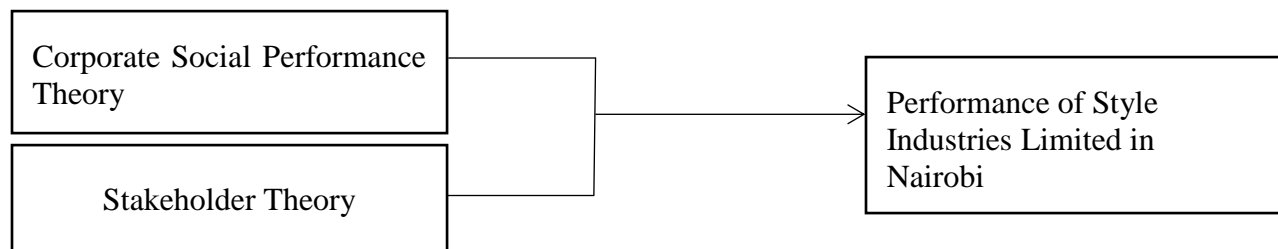
Figure 1: Theoretical Framework

2.2 Empirical Review

The empirical literature was reviewed according to the independent variables (employee and customers). Related and relevant literature was revised extensively.

Anlesinya, Ahinsah, Bawa, Appoh and Bukari, (2014) conducted a study on the Effect of Corporate Social Responsibility on Financial Performance of MTN Ghana Limited. Relevant data for the study were obtained from management employees of MTN Ghana Limited, Accra in a cross-sectional survey design. The research results showed that CSR at the aggregate level did not have significant positive effect on financial performance. At disaggregate level, it was found that, community CSR and environmental CSR have significant positive and negative effect on financial performance respectively. On the other hand, employee CSR and customer CSR did not have significant negative and positive effect on financial performance of MTN Ghana Ltd correspondingly. The study further found that employees CSR and customers CSR accounted for more variance in financial performance of the company than CSR towards community and environment. The study discusses important implications regarding the research results and made recommendations for management consideration and implementation.

Masinde (2017) conducted a study on Corporate Social Responsibility towards Employees and Business Performance of Sugar Manufacturing Firms in Kenya. The paper examined the effect of employee oriented activities (provision of housing for employees, work safety arrangements, insurance of workers and motivation schemes). The findings of the research was that there was a positive statistically significant linear correlation between practicing employee oriented activities and business performance of sugar manufacturing firms in Kenya. On the basis of these findings, it was recommended that managers, investors of sugar manufacturing firms as well as the interested parties in sugar firms should proactively participate in employee oriented.

A survey by Gichana (2004) on CSR practice by Kenyan companies sought to identify social responsibility practices by firms listed in the NSE and the factors that explain the kind of CSR practices adopted by these firms. The study found out that all the companies practiced long term planning and had strategies or social responsibility in place. It was observed that majority of these firms focused on health and education in their practice and were responsible to their employees by offering them medical, housing and pension schemes. It was also observed that water conservation and management was poorly addressed with most of the respondents focusing on internal implications or their activities rather than the water situation as a whole on factors that drive companies to adopt CSR. The recognition of CSR as a core value was the most cited explanation. Other factors include: giving back to the community as a way of meeting government requirement on degradation and as a medium of advertisement.

Idowu (2008) observed that in the global arena it is increasingly being clear that CSR is slowly moving away from the margins to the business mainstream and there is hope of establishing a measurement criterion of CSR through the establishment of CSR management standards, labelling schemes, and reporting systems which would then make it easier to assess the impact of CSR on corporate performance. For instance, the current global practice where organizations disclose information on social and environmental practices in their audited financial reports is evidence that CSR reporting systems can be harnessed to form a basis upon which the overall performance of an organization can be measured.

Okiro, Omoro and Kinyua (2013) tested the relationship between investment in CSR and sustained growth of commercial banks in Nairobi County. The researchers sought to establish the relationship between banks sustained growth and CSR. The findings revealed an increasing positive attitude towards CSR in terms of investment. There was a general agreement that CSR was essential for the success of the firm. Since commercial institutions work to generate profits by offering the best services to customers, they would provide proper care to retain its customers. The researchers found out that investment in CSR activities had a positive effect on a banks' sustained growth. The findings indicate that there was a weak positive relationship between the variables and that only 11% of bank sustained growth could be explained by investing in CSR activities.

Irresponsible behavior by firms agitates stakeholders (society, employees, customers, and environment). They often react by boycotting the company, reducing consumption of the company's products initiating legal action against the company, and/or spreading bad words-of-mouth about irresponsible business practices. Boycotting of Nike products due to human rights' abuse and unsafe working conditions at suppliers' locations in Asia (Mark-Herbert, 2007), or sharp reaction from environmentalists and consumers to the pesticide content in Pepsi and Coca-Cola beverages in the world are living examples.

2.3 Conceptual Framework

Mugenda (2003) and Smith (2004) defined a conceptual framework a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature (Creswell, 2003). The study concentrated on the relationship of employee, customers CSR

programmes on performance of Style Industries Limited in Nairobi. This was figuratively represented in figure 2.
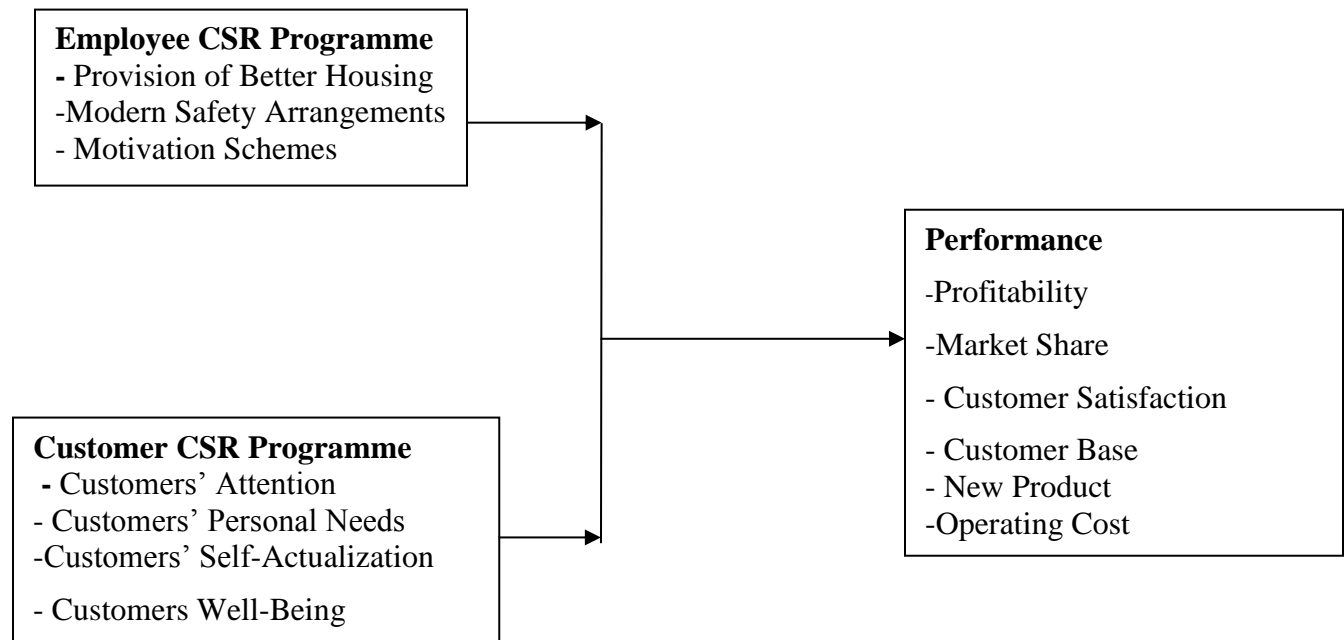
Figure 2: Conceptual framework

3.0 Research Methodology

The study adopted a descriptive and causal study design. The study target population were 540 employees of the style industries in all the four areas of Mwingi, Rongo, Muranga and Nairobi. The sample size selected was 162 employees. Data was collected through the administration of the questionnaires and analyzed using descriptive and inferential statistics. A multiple regression model was used to test the significance of the influence of the employee and customers CSR programmes on the performance. The multiple regression model was presented as below.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$

Where:

Y = Performance

X_1 = Employee CSR Programme

X_2 = Customers CSR Programme

β_0 represents the constant

e error term

4.0 Results and Findings

4.1 Employee CSR

In this study, Employee CSR was measured by five questions focusing on presence of better housing, modern safety, strong health and strong benefit programs. The respondents were asked to give their opinion regarding Employee CSR. Specifically, they were asked to rate Employee

CSR on a scale of 1 to 5 1=strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Stronly agree. The analysis on state of Employee CSR is analyzed in Table 1. The results indicated that the majority of the respondents who represented 80.0% of the respondents agreed with the presence of better housing to the employees, 71.2% of the respondents agreed with provision of modern safety arrangements to the employees, 66.7% agreed that their companies provided motivation schemes to the employees, 80.0% of the respondents agreed that their company had a strong health programs for the employees while 82.0% of the respondents agreed that their company had a strong benefit programs for the employees. On a five-point scale, the average mean of the responses was 3.9 which meant that majority of the respondents agreed with most of the statements; however, the answers were varied as shown by a standard deviation of 1.10. Therefore, an average mean of the responses was 3.9 which meant that majority of the respondents agreed with most of the statements.

Table 1: Employee CSR

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Our firm provide better housing to the employees	4.4%	6.7%	8.9%	51.1%	28.9%	3.9	1.0
Our firm provide modern safety arrangements to the employees	4.4%	11.1%	13.3%	35.6%	35.6%	3.9	1.2
Our company provide motivation schemes to the employees	11.1%	4.4%	17.8%	37.8%	28.9%	3.7	1.2
Our company has a strong health programs for the employees	6.7%	8.9%	4.4%	57.8%	22.2%	3.8	1.1
Our company has a strong benefit programs for the employees	0.0%	11.1%	6.7%	28.9%	53.3%	4.2	1.0
Average						**3.9**	**1.10**

4.2 Customer CSR

The study also focused on firms' attention, meeting of personal needs, CSR programs that boost customer's abilities to reach self-actualization, reason to identify with reputable services and provision of mass awareness about consumer wellbeing: gifts, discounts and promotions. The respondents were asked to give their opinion regarding customer CSR. Specifically, they were asked to rate staff competence on a scale of 1 to 5 where 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=strongly agree. The result is presented on Table 2.

Results indicated that 69.0% of the respondents agreed that their firms pays attention to CSR towards all the customers, 71.0% of the respondents agreed that their company met personal needs for each customer, 80.0% of the respondents agreed that firm CSR programs boost customer's abilities to reach self-actualization, 82.0% of the respondents agreed that company gave consumers more of a reason to identify with their reputable services, while 71.% of the respondents agreed that their firm provided mass awareness about consumer wellbeing: gifts, discounts and promotions and that had led to the profitability of the company. On a five-point scale, the average mean of the responses was 3.9 which meant that majority of the respondents agreed with most of the statements; however, the opinions were varied as shown by a standard deviation of 1.2.

Table 2: Customer CSR

	Strongly Disagree	Disa gree	Neut ral	Agre e	Strong ly Agree	Mea n	Std. Dev
Our firm pays attention to CSR towards all the customers	18%	4%	9%	11%	58%	3.9	1.6
Our company meets personal needs for each customer	4%	16%	9%	40%	31%	3.8	1.2
Our firm's CSR programs boost customer's abilities to reach self-actualization	4%	4%	11%	40%	40%	4.1	1.0
The company gives consumers more of a reason to identify with our reputable services	4%	4%	9%	42%	40%	4.1	1.0
The firm provides mass awareness about consumer wellbeing: gifts, discounts and promotions and this has led to the profitability of the company.	11%	4%	13%	42%	29%	3.7	1.2
Average						**3.9**	**1.2**

4.3 Correlation Analysis

The study established the association between Employee CSR, Customer CSRR and performance on style industries then computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. The results revealed that Performance of style industries and Employee CSR were positively and significant related ($r=0.51$, $p=0.003$). The results also indicate that Customer CSR and Performance of style industries were positively and significantly related ($r=0.208$, $p=0.028$). Results is presented on Table 3.

Table 3: Correlation Matrix

		Performance	Employee CSR	Customer CSR
Performance	Pearson Correlation	1.000		
Employee CSR	Pearson Correlation	.251**	1.000	
	Sig. (2-tailed)	0.003		
Customer CSR	Pearson Correlation	.277**	0.017	1.000
	Sig. (2-tailed)	0.001	0.847	

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

4.4 Hypothesis Testing

Regression analysis were performed by using the composites of the key variables; employee CSR and customers CSR. Results are then presented in Tables 4, 5 and 6. Table 4 presents the fitness of model used in the regression model in explaining the study phenomena. Employee CSR and

Customer CSR were found to be satisfactory variables in performance of style industries. This was supported by coefficient of determination or the R square of 34.8%. This means that employee and customers CSR programmes explain 34.8% of the variations in the dependent variable which is performance of style industries. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 4: Model Fitness for the Regression

Indicator	Coefficient
R	0.590
R Square	0.348
Adjusted R Square	0.328
Std. Error of the Estimate	0.405

Table 5 provided the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Additionally, the results imply that the customers and employees CSR programmes were good predictors of performance. This was supported by an F statistic of 17.342 and the reported $p<0.05$ which was less than the conventional probability of 0.05significance level.

Table 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	11.420	4	2.855	17.372	.000
	Residual	21.364	130	.164		
	Total	32.784	134			

Regression of coefficients results in Table 6 shows that performance of style industries and Employee CSR were positively and significant related (r=0.236, p<0.05). This finding was consistent with that of Masinde (2014) conducted a study on Corporate Social Responsibility towards Employees and Business Performance of Sugar Manufacturing Firms in Kenya. The paper examined the effect of employee oriented activities (provision of housing for employees, work safety arrangements, insurance of workers and motivation schemes). The findings of the research was that there is a positive statistically significant linear correlation between practicing employee oriented activities and business performance of sugar manufacturing firms in Kenya.

Additionally it indicated that Customer CSR and performance of style industries were positively and significantly related (r=0.160, p<0.05). This finding is consistent with that of Okiro, Omoro and Kinyua (2013) tested the relationship between investment in CSR and sustained growth of commercial banks in Nairobi County. The researchers sought to establish the relationship between banks sustained growth and CSR. The findings revealed an increasing positive attitude towards CSR in terms of investment. There was a general agreement that CSR was essential for the success of the firm. Since commercial institutions work to generate profits by offering the best services to customers, they would provide proper care to retain its customers.

Table 6: Regression of Coefficients

Variable	B	Std. Error	Beta	t	Sig
(Constant)	1.051	.382		2.754	.007
Employee CSR	.236	.070	.237	3.349	.001
Customer CSR	.160	.042	.274	3.858	.000

Thus the optimal model of the study is;

Y= 1.051+ 0.236X$_1$+ 0.160X$_2$.

Where

Y= Performance of Style Industries

X$_1$= Employee CSR Programme

X$_2$= Customer CSR Programme

5.0 Conclusions

The study concluded that Employee CSR was an essential foundation for the performance of Style Industries. Being a factor that supports the revenue generation, Employee CSR constituted a significant enhancer (or barrier) to implementation of firms' objectives. For better firms' performance Employee CSR should be readily available. In addition, the study concluded that mastering the use of Customer CSR had become a core factor for the performance of Style Industries. It was also likely to become a core factor in generating the industries revenue.

6.0 Recommendations

The study recommends for investment and maintenance of ICT Employee CSR since it normally very delicate and prone to general firms performance. Maintenance of the Employee CSR should be done regularly to motive them in their performance. Failure to maintain regularly Employee CSR may lead to less performance in industries leading non-attainment of the objective. The study recommended that Customer CSR should be improved by style industries so that they can improve their performance hence meeting their objectives.

7.0 References

Anlesinya, A., Ahinsah, J., Bawa, F., Appoh, E. W., & Bukari, Z. (2014). The effect of corporate social responsibility on financial performance of MTN Ghana Limited. *International Journal of Thesis Projects and Dissertations (IJTPD)*, 2(1), 62-69.

Baker, M. (2011).*Corporate Social Responsibility*,[Online] Available: http://net/csr/articles.php.

Bowen, H. R.(1953). *The Social Responsibilities of the Businessman*. New York.

Freeman, R.E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman publishing.

Friedman, M. (2006).*Capitalism and freedom*. London: University of Chicago press.

Gichana, O. B. (2004). *A Survey of Corporate Social Responsibility Practice by Kenyan Companies: A Case for Companies Listed in the Nairobi Stock Exchange*. An unpublished MBA Research project, University of Nairobi.

Gustavson, R. (2008). *The directors' perspective of corporate social responsibility*. Cariberra: The Australian National University.

Holme, R., & Watts, P. (2000).*Corporate Social Responsibility: Making good business sense*. Oxford: World Business Council for Sustainable Development.

Idowu, S. O. (2008). *Global Practices of Corporate Social Responsibility*. Berlin: Springer-Verlag.

Jackson, G. & Apostolakou, A. (2010). Corporate social responsibility in Western Europe: An institutional mirror or substitute? *Journal of Business Ethics, 94 (3): 371-394.*

Mark-Herbert, C., & Von Schantz, C. (2007). Communicating corporate social responsibility–brand management. *EJBO-Electronic Journal of Business Ethics and Organization Studies*.

Masinde, S. W. (2014). Corporate Social Responsibility towards Employees and Business Performance of Sugar Manufacturing Firms in Kenya. In *Scientific Conference Proceedings*.

Mele, D. (2006). Mainstream Theories in normative Corporate Social Responsibility. An analysis from catholic social thought.

Mugenda (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi, KE: Acts Press.

Muriuki, T. N. (2008). *Corporate social responsibility link to strategy among mobile telephone service providers in Kenya* (Doctoral dissertation, University of Nairobi).

Okeyo, W. O. (2004). A survey of rationale and determinants of levels of corporate social responsibility among firms in Kenya. *Unpublished MBA Thesis*.

Okiro, K., Omoro, N. & Kinyua, H. (2013). Investment in Corporate Social Responsibility and Sustained Growth In Commercial Banks In Kenya. *Journal of Emerging Issues in Economics, Finance and Banking. An Online International Monthly Journal,3(2),* 1057-1064.

Panayiotou, N. A., Aravossis, K. G., & Moschou, P. (2009). A new methodology approach for measuring corporate social responsibility performance. *Water, Air, & Soil Pollution: Focus*, *9*(1-2), 129-138.

Porter, M. E. (2010).Strategy and the Internet. *Harvard Business Review*. 76(6), 77-90.