

COMMUNITY FOCUSED CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND ORGANIZATIONAL PERFORMANCE OF SELECTED SUGAR COMPANIES IN WESTERN KENYA

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Abstract: The trend in the last five years in the Sugar companies in Western Kenya is worrying with some sugar companies being put under receivership and others are non-operational. Studies on how community corporate social responsibility contributes to organizational performance revealed both positive and negative results. Previous studies have not conclusively addressed community corporate social responsibility and organizational performance. The study therefore analyzed the effect of community focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. The study was anchored on stakeholder theory. The study employed a mixed research design. The study was conducted in Nzoia, South Nyanza, Busia, Kabras and Butali sugar companies in Western Kenya. Researcher used Yamane formula to calculate the sample size. The target population was 1200 and sampled 300 respondents. The study employed purposive and stratified random sampling. The study utilized primary data which was collected using self-administered structured questionnaire and interview guides. Reliability was tested using pilot study which was done using 30 respondents and the results yielded Cronbach Alpha coefficient of 0.8. Validity was established using university expert analysis and content validity index. The data was analyzed using both descriptive and inferential statistics. The correlation results indicated that community focused corporate social responsibility practices had significant effect on organizational performance ($r=0.744$, $p=0.000$). The study concluded that community focused corporate social practices affected performance of selected sugar companies in Western Kenya. The study recommends that sugar companies in Kenya be actively engaged in community focused CSR practices in order to promote good relations with the local communities. Organizations participation in social responsibility can be in areas of environmental conservation, stakeholders' participation and sports. This will help the organization improve their performance.

Keywords: Community Focused Corporate Social Responsibility Practices, Organizational Performance, Selected Sugar Companies in Western Kenya.

1. INTRODUCTION

Community focused corporate social responsibility practices involves entitlements of individuals in decisions about things that affect their life. Tiwari and Smith (2014) argue that it involves discussions and working with people who should participate in activities that affect their life. According to Kotler and Armstrong (2010) organizations do engage in philanthropic work aimed at being a good neighbor to the community. Many corporate social responsibility programmes have been introduced by the organizations to assist the society and not the companies but to enhance favorable views of the public.

The local community belongs to the shareholders. Sri (2010) proposes that corporate social responsibility be reduced to companies and this leads to the activities that are sustainable. Corporate social responsibility has to create value for the business as well as the local community. A company can provide financial contributions in form of products/service availability, job opportunities, enterprenueship and culture that is innovative to the local community (Hohnen, 2007).

Companies focus on the communities' well being so as to gain goodwill as well as the license to operate in return. The community's commitment to the business lies in the company's characteristics and the context of the local community Sri (2010). Corporate social responsibility programmes should be beneficial to both the company and the society. Maina (2013) asserts that strategic social issues have societal problems that are significant to the society, as well as the business strategy and resources of a company that need minimum input to generate maximum output.

An organization must establish links with the community in which they operate within, thus the company has a responsibility to develop the community and their main goal should be able to increase the well being of the community, Newman, Rand, Tarp and Trifkovic, (2016). According to Brown (2012) when companies engage in community focused corporate social responsibility, it not only prospers but also the companies can gain competitive advantage, it enhances employee loyalty and sales can be boosted since local consumers are eager to purchase products or services from companies who support the community.

1.1 Statement of the Problem

Debate on why sugar companies in the same industry and market experience different performance levels remains a fundamental and contentious issue within the sugar industry (Khamah, 2014). Despite efforts by the government to bail the public sugar companies are not bearing fruits as the financial woes have intensified. The dismal performance by the public sugar companies has been witnessed during the last five consecutive years. This has slowed down the path of economic development in the country.

These challenges have threatened the survival of sugar companies such as Miwani ,Chemili, Muhoroni, Mumias which are non operational as well as under receivership According to Awuor (2010), urgent actions have to be undertaken in order to revive the public sugar companies, Sugar Research Institute, SRI, (2019). Researchers have further noted that corporate social responsibility affects performance of firms. Ogulla (2012) investigated community involvement and performance of oil companies and established no relationship while Nyandika and Ngugi (2014) conducted research on community involvement and performance of road projects in Kenya National Highway Authority and the results were positive. These research studies mainly focused on the link between corporate social responsibilities and organizational performance is scanty or few on community focused CSR and therefore the study sought to analyze the effect of community focused CSR on organizational performance of selected sugar companies in Western Kenya.

1.2 Objective of the study

To analyze the effect of community focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya.

1.3 Research Hypothesis

H₀₁: Community focused corporate social responsibility practices have no statistically significant effect on organizational performance of selected sugar companies in Western Kenya.

1.4 Conceptual Framework

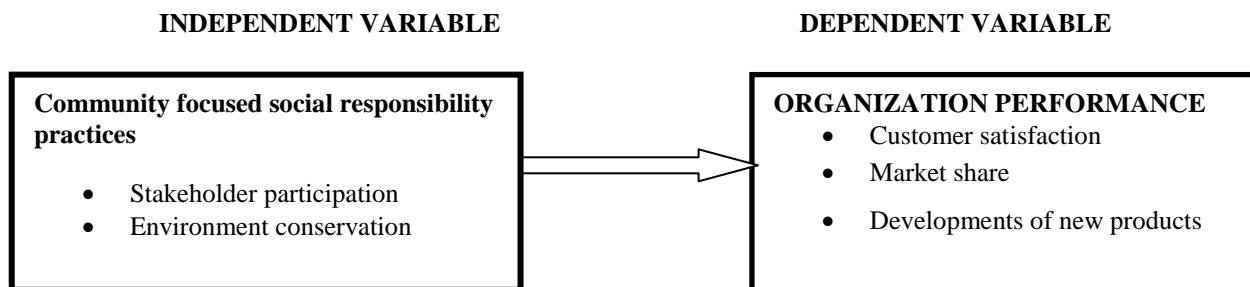


Figure 1: Conceptual framework.

Source: Researcher's own conceptual (2019)

2. LITERATURE REVIEW

2.1 Social Contract Theory

The proponent of the theory was Gray (1996) who describes society as a “series of society itself”. In the perspective of CSR and alternative possibility is not that the business may act in a responsible manner because it is in its commercial interest, but also what the society implicit expects business to do. Dyer (1996) introduced social contract theory as a way for managers to take decisions in an ethical context in order to differentiate between macro social contract and micro social contract. This macro social contract in relation to the business needs to support the local community and stake holder which is the main focus of this research.

2.2 Empirical literature review

Previous researchers on the effect of corporate social responsibility on the community have yielded mixed results. Ogulla (2012) did a study in on corporate social responsibility on oil firms and how it relates to the community in the Niger delta of Nigeria and the findings showed that the failure to understand, seek and intergrate expectations of corporate social responsibilities among oil companies was the cause of conflict between host communities. This study finding did not consider the specific parameters of community focused CSR practices a research gap sealed by this study.

A study conducted by Asemah (2011) on how to achieve mutual benefits through corporate social responsibility among communities. The findings indicated that corporate social responsibility practices led to the company being competitive and improving the social as well as economic welfare of the community. The findings of this study provided a solution by recommending for the adoption of community focused CSR practices.

A study was conducted by Frankental (2001) on corporate social responsibility and its influence on communities in Nigeria. It concluded that corporate social responsibility improves performance of organization and corporate image in the long run. The findings of the study sealed the gap because the results indicated a statistically significant positive effect of community focused CSR practices on organizational performance of sugar companies.

3. RESEARCH METHODOLOGY

The researcher therefore adopted positivist research paradigm because the study used the existing theory to develop the hypotheses and test using quantitative and qualitative methods. The study was conducted in Nzoia, South Nyanza, Busia, Kabras and Butali sugar companies in Western Kenya. Researcher used Yamane formula to calculate the sample size. The target population was 1200 and sampled 300 respondents. The study employed purposive and stratified random sampling. The study utilized primary data which was collected using self-administered structured questionnaire and interview guides. Reliability was tested using pilot study which was done using 30 respondents and the results yielded Cronbach Alpha coefficient of 0.8. Validity was established using university expert analysis and content validity index. The data was analyzed using both descriptive and inferential statistics. Data was presented using frequency distribution tables.

4. RESULTS AND DISCUSSIONS

4.1 Response Rate

A total of three hundred (300) respondents participated in the study. In this study, out of 300 questionnaires that were distributed to the sampled respondents, 289 of them were filled and returned. The summary of the questionnaire return rate is as shown in Table 1.

Table 1: Questionnaire Return Rate

		Frequency	Percentage (%)
Valid	Returned	289	96.33
	Not returned	11	3.67
	Total	300	100.0

Source; Field Data (2019)

289 of the questionnaires were correctly filled and used for the analysis in this study. This represented a questionnaire return rate of 96.33% of the sample size and falls within the confines of a large sample size as asserted by Mugenda and Mugenda (2019).

4.2 Results and Discussion

Inferential analysis was conducted on the study variables. The results of the study are depicted in Table 2.

Table 2: Inferential study analysis

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.744 ^a	.553	.552	.58106	1.412

a. Predictors: (Constant), CommunityfocusedCSRP

b. Dependent Variable: OrganizationalPerformance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	119.984	1	119.984	355.371	.000 ^b
1	Residual	96.900	287	.338		
	Total	216.884	288			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Community focused Corporate Social Responsibility (CFCSR)

Coefficients ^a							
Model		Unstandardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error			Beta	Tolerance
	(Constant)	.633	.128	4.955	.000		
1	Community focused CSRP	.719	.038	18.851	.000	1.000	1.000

a. Dependent Variable: Organizational Performance

Source: Field Data (2019)

The study regression model in Table 2 generated a Durbin –Watson coefficient of 1.412. Since it was between 1 and 3 suggested by Hoe (2008) and Blackwell (2005), there was no autocorrelation in the data residual. Linear regression model was therefore appropriate for this study.

ANOVA results depicted a F value of 355.371 which is significant within 95% confidence interval with P value = 0.000 meaning that community focused corporate social responsibility practices was significant in the prediction of organizational performance in selected sugar companies in Western Kenya.

The VIF value in the Table 2 was 1 thus less than 10 meaning that there is no multicollinearity problem in the study model (Green, 2012). Absence of multicollinearity was demonstrated by a tolerance value of 1 as asserted by O'Brien et al. (2007) that a value of below 0.2 is a case of concern.

Analysis of the regression model coefficients shows there is a beta co-efficient of 0.719 for community focused corporate social responsibility practices as a predictor of organizational performance with a P-value = 0.000 which is less than 0.05 thus considered significant. 0.719 change in organization performance is thus attributed to a unit change in community focused corporate social responsibility practices.

The regression equation was written as follows:

$Y = 0.633 + 0.719 X + \epsilon$ Where Y = Organizational Performance, X is community focused corporate social responsibility practices and ϵ is the error term.

Since the t-statistic value was significant, the fourth hypothesis of the study, H₀₄: Community focused corporate social responsibility practices have no statistically significant effect on organizational performance of selected sugar companies in Western Kenya was rejected. The study therefore concluded that community focused corporate social responsibility practices have a statistically significant and positive effect on organizational performance of selected sugar companies in Western Kenya.

An increase in organization performance can thus be attributed to community participation in corporate social responsibility. The study findings mirror those of past studies that attributed increase in organization performance to participation of community members (Asemah, 2011; Frankental (2001). The results of this study imply that sugar companies in Kenya have embraced community focused CSR practices. However these results contradict those of Ogulla (2012) who established no relationship.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Key Study Findings

The study objective sought to analyse the effect of community focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. Pearson Product Moment Correlation Coefficient was used to investigate the relationship between community focused corporate social responsibility practices and organizational performance of selected sugar companies in Western Kenya and findings revealed a significant positive effect between community focused corporate social responsibility practices and organizational performance ($r=0.744$; $P<0.05$).

Results from regression analysis revealed an R squared of 0.553 which implies that 55.3% of the variance in organizational performance of selected sugar companies in Western Kenya was as a result of Community focused corporate social responsibility practices. Analysis results from ANOVA an F value of 355.371 which is significant at 0.05 level of significance. This means that community focused corporate social responsibility practices were significant in predicting organizational performance in selected sugar companies in Western Kenya as indicated by a P value=0.000 which was significant within 95% confidence interval.

The results of this study are consistent with previous studies which established positive and significant effect of community focused CSR activities on organizational performance. This corresponds with previous studies that community focused CSR activities influence firms performance. Community focused CSR practices such as participation, environment conservation, sports build confidence and trust as well as mitigating risks. The findings of this study contrast previous studies which revealed no significant relationship. This study recognized the community as a key stakeholder in the operation of the firm and therefore it's imperative to establish good relations with community, so as to create conducive environment in agreement with stakeholder and shareholders theories. This study concluded that community focused corporate social responsibility practices enhanced the performance of sugar companies in Western Kenya. This study recommends that sugar companies in Kenya need to embrace community focused CSR practices.

5.2 Conclusion

The study objective sought to analyze the effect of community focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. Correlation Coefficients were used to investigate the relationship between community focused corporate social responsibility practices and organizational performance of selected sugar companies in Western Kenya and findings revealed a statistically significant positive effect between community focused corporate social responsibility practices and organizational performance of selected sugar companies in Western Kenya. Results from regression and ANOVA analysis revealed significant effect of Community focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. With respect to study results on the fourth objective, a conclusion is made that Community focused corporate social responsibility practices have a statistically significant and positive effect on organizational performance of selected sugar companies in Western Kenya.

5.3 Recommendations

The study recommends that sugar companies in Kenya be actively engaged in community focused CSR practices in order to promote good relations with the local communities. Social responsible acts that assist the community in areas of environmental conservation, stakeholders' participation, sports, and the organization by being socially responsible will bond and create harmony with the community and as a result the community will provide market for their products. This study recommends that sugar companies embrace community focused CSR practices.

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