

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

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ABSTRACT

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 determine the variables that influence the implementation of corporate social responsibility within New Kenya Co-operative Creameries Ltd, Sotik. The researcher used case study design in order to get full details about New KCC. The targeted population was 244. Saturated sampling was used to sample staff and consumers. The sample population was 244 comprising 114 employees of the company and 130 consumers representing 100% of the target population. The study was conducted between June 2013 and August 2013. Questionnaires were used to collect Quantitative data and being reinforced by, Observation method on the spot and interview schedule for Qualitative data. Validity was checked by taking the instruments to the experts in Business Studies Department for content validation to avoid being irrelevant. Reliability of the instruments was checked by piloting within the company on 20 respondents. Data from the field was tabulated, and analyzed using both quantitative and qualitative techniques. Descriptive and inferential statistics were used in the study to present the results. Pearson moment correlation coefficient analysis, linear regression and one way ANOVA were used to analyze data. Regression analysis showed the

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highest predictor of performance outcome by revealing that Sport Sponsorship(0.002) was the most significant on the influence of CSR Initiative on the performance of NKCC, followed by Environmental Conservation (0.014) and lastly Education Funding(0.086). Since the Coefficient of determination is 0.002, the null hypothesis was rejected hence the alternative hypothesis is accepted. The R square was 0.324; it implied that 32.4% of the CSR Initiatives influence the performance of New KCC, Sotik. The findings will enhance better understanding of CSR, the various forms of CSR and how to execute them.

INTRODUCTION

The Concept of Corporate Social Responsibility and Performance of Milk Processing Companies.

Companies use different strategies to survive in this competitive market. Different Companies employ strategies unique to their situation to enable them survive the stiff competition brought by globalization, liberalization and computerization (Lesley, 2002). The strategies range from price reduction, offering employment opportunities to local communities, winning the support of prominent political personalities, engaging in philanthropic initiatives and other CSR activities, mergers/partnerships, and acquisitions among many others. Organizations are now compelled by the realities of the present times to adapt social marketing concept because consumers have become sensitive to impacts of what they purchase and use.

Leading the world in corporate responsibility, New Survey of 600 Firms in 27 countries finds Toyota lead with Google a close second. In 2006, Reputation Institute introduced the RepTrak Model- a simplified and standardized scorecard for measuring corporate reputation internationally. The beating heart of the model is the pulse-the degree to which people trust, admire, respect and have a good feeling for a company. The findings of the study provides executives with a high-level overview of their company`s reputation with customers. Rankings along the corporate social responsibility index aim to give companies a better sense of how the totality of their institutional activities is perceived by the general public and this has a lot of influence on buyer behavior. Recent surveys indicate that analyst place as much importance on corporate reputation as they do on financial performance (Hockerts, 2008). The positive attitude customers have towards Toyota explains why it is the most sort product. With the growing popularity of CSR in the last few years, especially in Europe and most recently US, a number of

major PR firms have responded by establishing specialist PR practice groups within their companies(Source Watch, CSR; 2012).

RESULTS AND DISCUSSIONS

Table 4. 1: Respondents' rating of the Company in terms of Environmental Conservation Initiative

Initiative

n=244

Ratings of effectiveness of environmental conservation initiative	Frequency	Percentage
Very Effective	139	57
Effective	24	10
Quite Effective	37	15
Least Effective	34	14
Not Effective	98	4

Interpretation: Very effective - 4.1 – 5.0 Effective - 3.1 – 4.0
Least effective - 2.1 – 3.0 Not effective - 1.0 – 2.0

According to the results in Table 4.9, majority of the respondents rated environmental conservation initiative to be Very Effective (57%), followed by those who felt it was Quite Effective (15%), effective(10%), Least Effective (14%) and Not Effective(4%). All the employees (100%) and customers (100%) interviewed were in agreement that New KCC, Sotik sponsors environmental conservation measures and that the sponsorship is effective.

Table 4. 2: Response on whether Environmental Concern Contribute to the Performance of New KCC Ltd, Sotik

n=113

Contribution to improved performance of New KCC Ltd	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Mean (S.D)
	f (%)	f (%)	f (%)	f (%)	f (%)	
Sales volume	14 (12)	50 (44)	19 (17)	17 (15)	14 (12)	3.364 (1.168)
Profitability	64 (56)	33 (29)	10 (9)	3 (3)	3 (3)	3.606 (1.197)

Market share	67	36	10	0	0	3.636
	(59)	(32)	(9)	(0)	(0)	(1.270)

Source: Research Data (2013)

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 4.10 revealed that the mean response on whether environmental conservation contributes to the performance of New KCC Ltd, Sotik, was 3.539 in the likert scale with a standard deviation of 1.217. This was interpreted to mean that the respondents agreed with the 3 listed statements concerning contribution of environmental concern on performance of New KCC Ltd. Specifically they agreed that sports sponsorship contributed on Sales volume (M = 3.364) , Profitability (M = 3.606) and Market share (M = 33.636).

During the interviews, Top level management (100%) was asked how environmental conservation affect the performance of new KCC limited, Sotik. The response was that, ‘‘environmental conservation gives us a forum for capacity building that brings loyalty and due to the acquired knowledge, results on production have been improving.’ The CEO went further to explain that cleaner environment lead to fewer cases of sicknesses, more rain due to a forestation-all these are important to the company.

4.3.3 Role played by Education Sponsorship on the Performance of New Kenya Co-operative Creameries Limited, Sotik

Table 4. 3: Education Funding Initiative New KCC Ltd has been involved in the last 3 years n=113

Education funding initiative New KCC Ltd has been involved in the last three years	Frequency	Percentage
PACO school milk initiative given at lower price	57	50
Allow student to visit factory	40	35
Carry out seminars	26	23
None	20	18
Support student on attachment	20	18
HIV awareness	20	18
Accommodation for visiting schools	17	15
Free Training	14	12

Field Days	10	9
First aid training	10	9
Safety preparations	7	6
Fire fighting training	3	3

Source: Research Data (2013)

Table 4.11 revealed that the main education funding initiative New KCC Ltd has been involved in the last three years in order of prominence was; PACO school milk initiative given at lower price (50%), allow students to visit factory (35%), carry out seminars (23%), support student on attachment (18%), HIV awareness (18%) and Accommodation for visiting schools (15%). An interview with all employees (100%) of New KCC, Sotik revealed that the company sponsors some education activities as indicated above. The results of the study shows that they sponsor Education but the areas they put in money may not have much impact on the ordinary customer who would only identify with a company that benefit them instantly. An area they would prefer most is paying fees for their needy children.

**Table 4. 4: Respondents’ rating of the Company in terms of Education Funding Initiative
n= 113**

Ratings of effectiveness of education funding initiative	Frequency	Percentage
Very Effective	7	6
Effective	17	15
Quite Effective	24	21
Least Effective	40	35
Not Effective	27	24
Mean		2.455
Standard deviation		1.201

Interpretation: Very effective - 4.1 – 5.0 Effective - 3.1 – 4.0 Least effective - 2.1 – 3.0 Not effective - 1.0 – 2.0

Table 4.12 revealed the rating responses of the Middle level management and Lower Level Management on the Company Performance in terms of Education Funding Initiative. The finding shows that the Mean response Ratings of effectiveness of education funding initiative was 2.455 in the Likert scale with a standard deviation of 1.201. This was interpreted to mean that

effectiveness of education funding initiative was least effective. Specifically, according to the results in Table 4.12 majority of the respondents rated Education Funding Initiative to be Least Effective(35%), followed by those who noted that it was not effective(24%), quite effective (25%), effective (15%) and very effective (6%).

During the interview top level management (100%), middle level management (70%) and lower level employees (69%) were in agreement that education funding has not had any impact worth talking about. Further interrogation revealed that the company has not funded many education activities to warrant any meaningful reward from the stakeholders.

Table 4. 5: Contribution of Education Funding to the Performance of New KCC, Sotik
n = 113

Contribution of education funding to the performance of New KCC	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Mean S
	f (%)	f (%)	f (%)	f (%)	f (%)	
Sales volume	7 (6)	32 (29)	31 (27)	14 (12)	29 (26)	2.727 (1.306)
Profitability	5 (15)	7 (21)	8 (23)	3 (9)	11 (32)	2.697 (1.447)
Market share	4 (12)	13 (38)	4 (12)	4 (12)	9 (26)	2.939 (1.456)
Mean Response	3.7 (11)	10 (29)	7 (21)	3.7 (11)	9.7 (28)	2.782 (1.408)

Source: Research Data (2013)

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 4.13 revealed that the mean response on whether education funding contributes to the performance of New KCC Ltd, Sotik was 2.782 in the likert scale with a standard deviation of 1.408. This was interpreted to mean that the respondents generally disagreed that education funding contribute to the performance of New KCC Ltd. Specifically they disagreed that education funding contributed to Sales volume (M = 2.727), Profitability (M = 2.697) and Market share (M = 2.939).

During an interview session, the Top Level Management was asked ways in which education funding has affected the performance of new KCC limited, Sotik, and the response was that education funding creates product and company awareness, interest and hence loyalty of consumers and suppliers current and future more specifically those who have benefited from it. This is the case with those who have visited the company, received fee sponsorship, camping space among others.

4.3.4 Level of Performance of New KCC, Sotik

The study sought to find out the level of performance of New KCC, with respect whether it had improved or not, sales volume, profitability and market share as the dependent variable in this study. Table 4.15 showed response of the consumers on ratings of improvement of performance of NCKK, Sotik

Table 4. 6: Response on Ratings of Improvement of Performance of NCKK, Sotik
n=130

Ratings of improvement of Performance of NCKK, Sotik	Sales volume		Profit		Market share	
	F	%	F	%	F	%
Increased Much	12	9	42	32	21	16
Increased	61	47	31	24	61	47
Undecided	23	18	31	24	14	11
Reduced	14	11	17	13	17	13
Reduced Much	21	16	21	16	17	13
Mean	3.063		3.125		3.258	
Standard deviation	1.294		1.408		1.390	

Interpretation: Improved Much - 4.1 – 5.0

Improved - 3.1 – 4.0

Improved least - 2.1 – 3.0

unimproved - 1.0 – 2.0

The result in Table 4.15 shows that the mean rating on whether sales volume had improved was 3.063 in the likert scale with a standard deviation of 1.294. This was interpreted to mean that the sales volume had improved. Indeed, most of the respondent felt that sales volume had increased (47%) followed by those who were Undecided (18%). Some 24%, 11% and 9% felt that sales volume had reduced much, reduced, increased much respectively.

During the interview of the consumers the majority (47%) said that the sales volume had increased while 9% said it had increased much. This is an indication that 56% of the entire staff were in agreement that since the company got involved in CSR they have realised improved sales. About 18% were undecided and the minority (27%) said the sales volume reduced. The difference in opinion more specifically those who are undecided and the minority, can be attributed to the level of awareness on what CSR actually mean and the impact it can have on the performance of the company.

Similarly, the mean rating on whether profit had improved was 3.125 in the likert scale with a standard deviation of 1.408. This was interpreted to mean that the profit had improved too. Majority (32%) of the respondent felt that profit had increased much followed by 24% who felt it had increased, undecided and reduced were 24% and 16% respectively while 16% felt that profit had reduced much. Among all the employees interviewed the majority (56%) said that the profit margin had increased while the minority (29%) said it had reduced and 24% were undecided. This result shows that the majority of the employees agree that CSR initiatives has had positive effects on their company

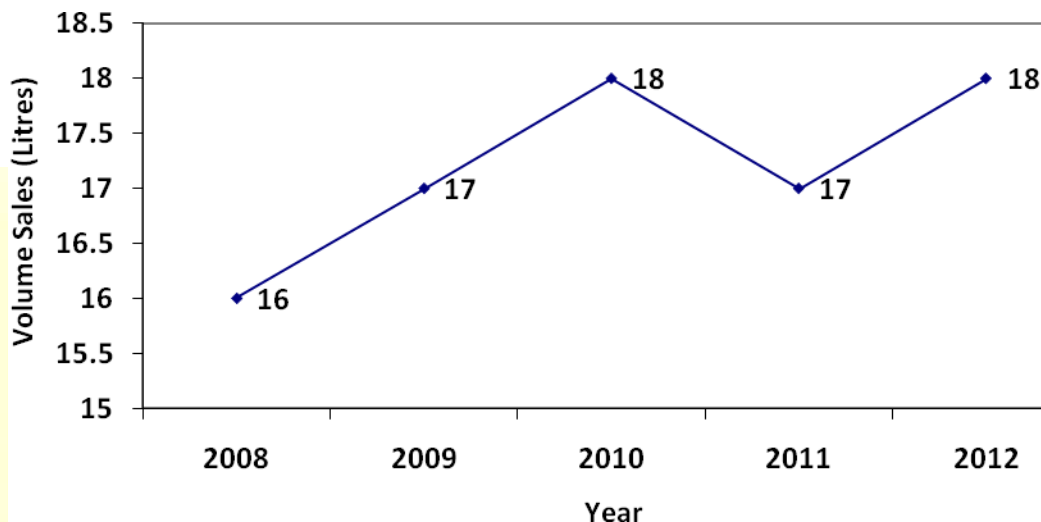
Concerning Market share, the mean rating on whether it had improved was 3.258 which meant that it had improved. The majority (63%) of the employees interviewed said that their market share had improved while the minority (26%) said it had reduced and 11% of those interviewed were undecided. The findings are a clear indication that CSR if properly utilised may make a firm win many customers.

The research finding by Sen, Bhattacharya and korschun (2006), were in agreement with this statement when they said that ``when consumers are more aware of what companies are doing philanthropically, that knowledge increases desire to purchase from the company, and makes it more attractive as a place to work and in which to invest.

In addition, Performance of New KCC, sotik was measured in terms of Sales Volume (Litres) million and Cost of Sales ((Ksh.) million. The response from the Top level management on Performance of New KCC trend from the year 2008 to 2012 in terms of Sales Volume (Litres) Cost of Sales ((Ksh.) million in the last 5 years were as given in Figure 4.2 and Figure 4.3 respectively. Figure 4.2 shows that sales volume increase from 11 million litres to 18 million litres from 2008 to 2012. The management attributed the drop in sales in 2011 to a dry spell

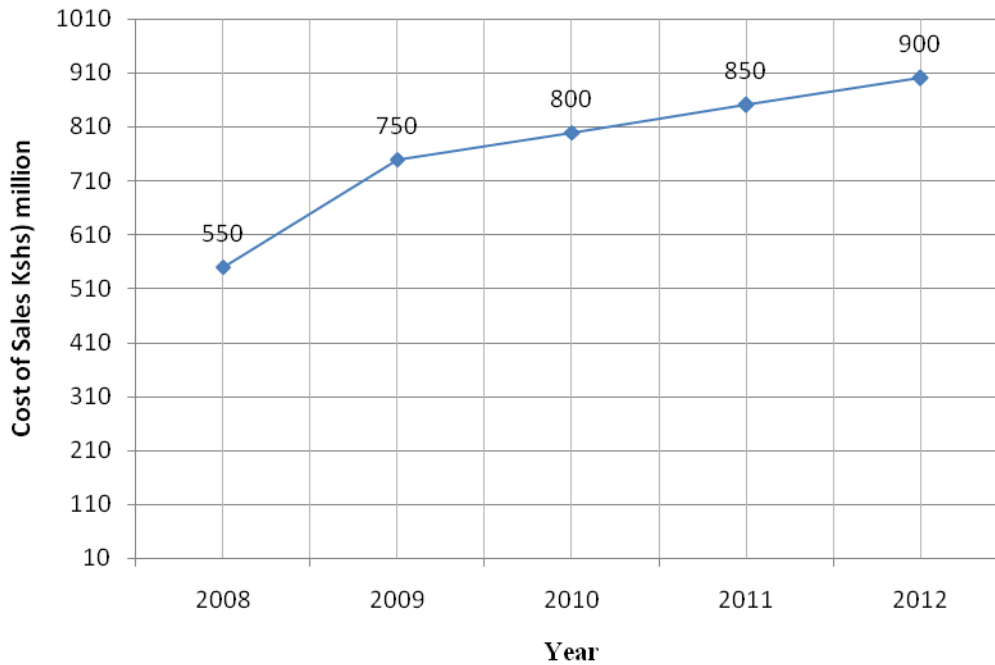
which destroyed pasture. Similarly, Figure 4.3 the cost of sales increased from ksh 550 million to 900 million from the year 2008 to 2012.

Figure 4.2: Sales Volume (Litres) Million



According to Figure 4.2 the sales volume increased from 11million litters to 18million litters from 2008 to 2012. During the interview with the Top level management and middle level management, all(100%) of them attributed the rise to the awareness created through various means among them being involved in CSR activities more specifically sports, environmental conservation, educational activities, philanthropic initiatives among others. The Top manager was more categorical by pointing out that shortage of fund made them not come out full blast to sponsor more of CSR activities. Sen, Bhattacharya and Korschun (2006), concurred with this finding when they said that, ``when consumers are more aware of what companies are doing philanthropically, that knowledge increases desire to purchase from the company, and make it more attractive as a place to work and in which to invest.

Figure 4. 3: Cost of Sales (Ksh.)



According to figure 4.3 the cost of sales between 2008 and 2012 rose from 550million to 900million. An interview with the top level and middle level management explained that this is because of high cost of machines they are purchasing to replace the old ones which have been in use for many years, labor cost to enable them retain their skilled workers, distribution and sales force costs, purchase of new vehicles to transport raw materials to the factory and the final products to the market. All of them (100%) in management position said that they have no other option because their competitors are all over the market and therefore they must do every possible to remain in business. To show the relationships between the New KCC supports in its CSR initiatives and performance outcome both Pearson’s Moment Correlation and Regression analyses were carried out based on the responses on the CSR initiatives and the performance of New KCC, Sotik shown in Table 4.17.

Table 4. 7: Summary of mean weight responses on the activities New KCC supports in its CSR initiatives and the performance of NKCC

Variables		Mean	S.D	Interpretation
Independent Variable: The activities New KCC supports	Sports Sponsorship	3.364	0.929	Effective
	Environmental Concern	2.758	1.119	Least Effective

in its CSR initiatives	Education Funding	2.455	1.201	Least Effective
Overall mean effectiveness of its CSR initiatives		2.859	1.083	Least Effective
Dependent Variable: The performance of NKCC,	Sales volume	3.063	1.294	Least Improved
	Profitability	3.125	1408	Improved
	Market share	3.258	1.390	Improved
Overall mean performance of NKCC		3.149	1.364	Increased

Source: Research Data (2013)

Table 4.16 gives the descriptive statistics of the variables which are in turn correlated in table 4.17. From the above summary, sports sponsorship was found to be more effective as compared to environmental conservation and education funding that was least effective. The three independent variables combined led to improved performance of New KCC, Sotik in terms of sales volume, profitability and wider market share. The company ought to have chosen a sporting event with large following if they wanted a bigger market share.

CONCLUSION

More than three quarters of the customers were not comfortable with the profit margin. They gave the following reasons for the discomfort: The profit margin have been very low due to few customers for K.C.C products, low payments for milk delivered compared to what you buy for the cows, slow sales, Due to the demand of the smaller packages of 250ml, Low demand for KCC products, Increased prices of milk due to increased inflation, Market challenge by hawkers and low pricing of raw milk around our marketing location. Poor non long lasting packaging.

In attempting to engage in CSR activities New KCC, Sotik, has encountered some challenges key among them include low profit margin given that few customers go for New KCC products. Since participation in CSR require heavy capital base, they find themselves financially handicapped. New KCC also faces stiff competition from their perennial rivals who seem to have a lot of funds which they invest in CSR activities. Frequent price fluctuations caused by the ever changing weather conditions interferes with their income and plans. The dry spells lead to reduced supply of milk while their competitors seem to have reliable supply of the same throughout the year hence steady revenue. There seems to be no elaborate policy by the Company on investments in this area. The Company does not have adequate personnel who are knowledgeable in how to turn these CSR activities into bait for winning customers.

RECOMMENDATIONS

The company must be seen and felt elsewhere outside its core business area ostensibly to be known and be identified with. New KCC, Sotik, should sponsor activities that most people like such as popular sporting activities, healthcare services, Performing Arts, Music, Education among others.

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