

**RELATIONSHIP BETWEEN CORPORATE SOCIAL
RESPONSIBILITY AND PERFORMANCE OF NEW KCC,
SOTIK, KENYA**

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ABSTRACT

New KCC Ltd, being an offspring of the restructured old KCC, is presumably using Corporate Social Responsibility (CSR) to maintain a good market share. In total there are 29 licensed processors in Kenya (Dairy Mail Africa, December 2005); besides the imported milk products like Butter, and powdered milk. Some corporations are using CSR to strengthen its relationship with different stakeholders like employees, suppliers, government, investors and customers (Imran and Zia, 2010) thereby enhancing organizations competitive position in the market place. Some of these Dairy companies at times resort to price reduction of their products as a strategy (Price, 2012). Brookside and Tuzo dairy companies use CSR as a strategy to make them competitive because the company and its products get positioned with the right publics at a lower cost. To supplement the other strategies New KCC use, the company management considered some aspects of CSR to invest in order to satisfy various stakeholders so as to be competitive. In this regard, the researcher sought to find out the relationship between CRS and performance of KCC in Kenya. This would help to explain the company's lukewarm performance as compared to other competitors despite also using CSR as a strategy. The researcher also wanted to identify the aspect(s) of CSR which New KCC, Sotik, engage in to improve its performance given that there is a diminishing popularity of its products yet they also sponsor some CSR activities. The researcher picked on New KCC, Sotik as a representative of other New KCC Companies given that it is also guided by policies governing the other New KCC outlets.

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INTRODUCTION

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).

Hypotheses

- i. H0: There is no relationship between corporate social responsibility activities and performance of New KCC, Sotik.
- ii. H1: There is relationship between corporate social responsibility activities and performance of New KCC, Sotik.

Scope of the Study

The study was concerned with the influence of CSR on the performance of the Milk Processing Company in Sotik Kenya. The concepts that the study handled included analyzing how CSR influence the performance of milk processing companies, the various CSR initiatives it is engaged in and the variables that influences the implementation of CSR within New KCC Limited Sotik ,Kenya. The study was not concerned with other approaches used by the company to improve their performance because they are many. The researcher was keen to establish the contribution of CSR on the performance of the company as compared to other strategies. New KCC, Sotik was picked on because like other New KCC outlets they are all guided by the same policies. The results of the study will be inferred to apply to all the other branches of KCC.

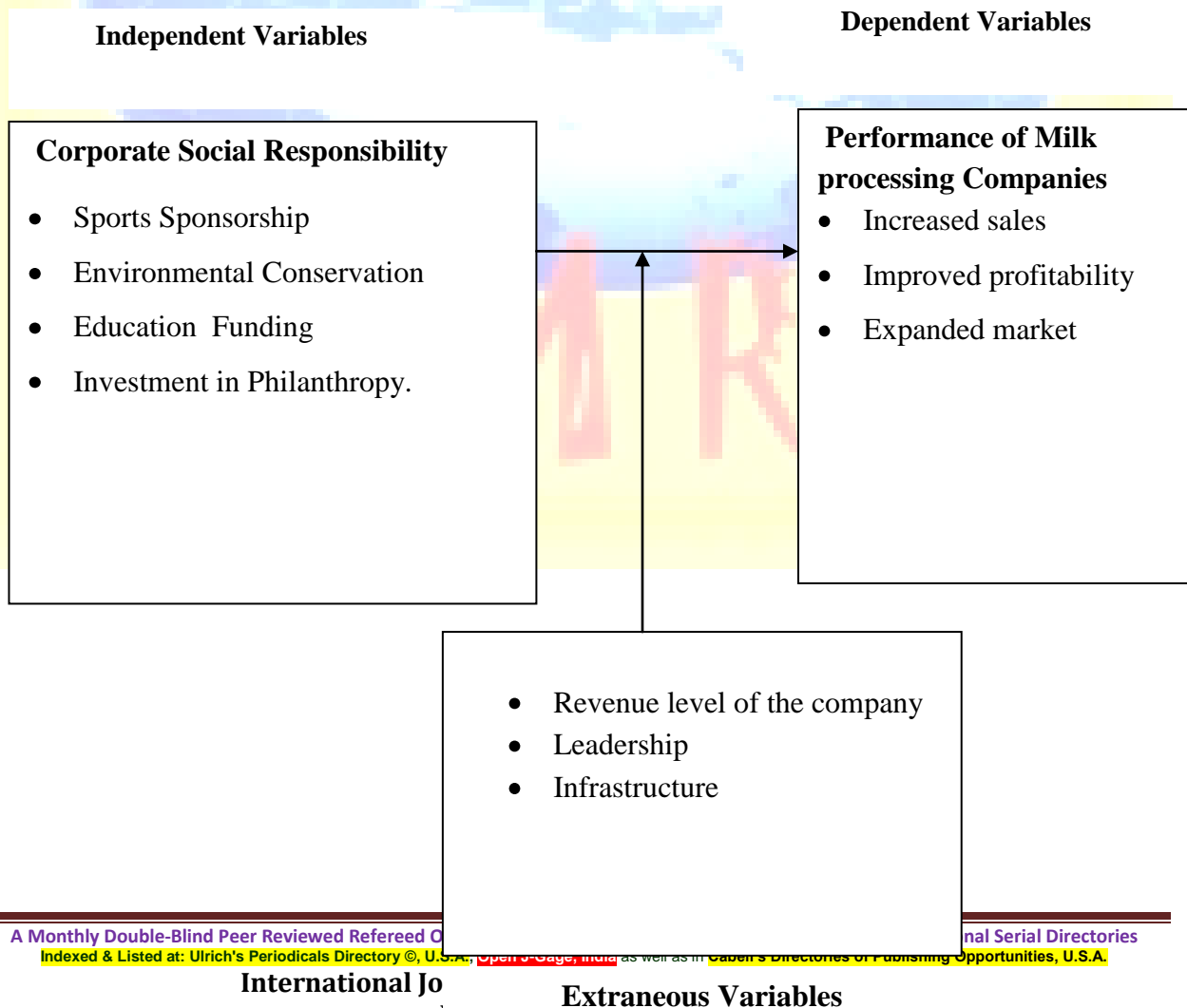
Limitations of the Study

Some of the respondents were initially not ready to be included in the data collection exercise. The researcher assured the reserved respondents of confidentiality of the information given. In addition, language barrier especially when dealing with Customers was experienced. The researcher translated the questions into Kiswahili as he interviewed them for easy communication .The researcher used interview schedule so as to communicate easily with them.

Assumptions of the Study

The staff co-operated to provide genuine information needed by the researcher. New KCC will embrace CSR strategy to improve its performance. All Departments of New KCC should be involved in the usage of CSR Strategy. Involvement in CSR should contribute positively to the performance of New KCC.

CONCEPTUAL FRAMEWORK



The CSR activities; sports sponsorships, environmental concern, health care, education funding and other philanthropic initiatives are the independent variables that affect the dependent variable hence competitive performance. Sports sponsorship ensures the logo of the sponsoring company is used by those they have sponsored and through this the company get known to the fans involved. The awareness created earned them a wider market share, led to increased sales volume thus making high profit. Consumers across the globe are becoming more aware of the environmental implications of their purchases and therefore take caution when making decisions on what to purchase. Products coated with lead, or mercury is likely to record low sales because of their toxic nature. A company should engage in activities that will earn them a good reputation for being environmentally conscious. This will win the confidence and trust of many customers thereby enlarging their market base and eventually more profit made. Corporate social investments includes among them funding education, a sector that uplifts communities through transfer of knowledge and skills necessary for survival. An attempt by a company to sponsor the bright and needy students will win it many admires from low income families who happen to be the majority. The assumption is that the CSR initiative influences public attitude toward the company and its products, this in turn creates goodwill to the company hence affecting sales volume, profitability and market share in a positive way. A socially responsible organization views things differently. It goes beyond what it's obligated to do or chooses to do what it can to help improve society because it's the right thing to do.

The extraneous variables that influence the performance of New KCC, Sotik are the revenue level of the company, the kind of leadership available and the infrastructure in place. Since the company is not financially well endowed certain sponsorships they would have wished to engage in are not possible. Leadership style and the level of skills among the employees are influencing the operations of the company. The top level management said that some of their employees are not skilled enough to handle sophisticated machines and obviously it has interfered with performance. The other extraneous variable that has interfered with the smooth implementation of CSR initiatives that may lead to improved performance is inadequate infrastructure. This includes stadiums, social halls, and theatres where sporting events can be staged. Given the shortage of these facilities the company has done little to invest in sports sponsorship thereby denying them the opportunity to market them.

RESULTS AND DISCUSSIONS

Correlation analysis between the three overall mean effectiveness of its CSR activities and the three performance of NKCC was run and the results shown in Table 4.17.

Table 4. 1: Pearson Moment Correlation Coefficient showing the Strength of Relationship between CSR initiatives and the performance of NKCC - n=113

independent Variable:		Dependent Variable:		
The activities New KCC supports in its CSR initiatives		Performance outcomes of NKCC		
		Sales volume	Profitability	Market share
Sports Sponsorship	Pearson Correlation	.735*	.669*	.677*
	Sig. (2-tailed)	.002	.013	.024
Environmental Concern	Pearson Correlation	.654*	.470	.429*
	Sig. (2-tailed)	.023	.070	.033
Education Funding	Pearson Correlation	.688*	.312	.503*
	Sig. (2-tailed)	.016	.194	.017

* Correlation is significant at the 0.05 level (2-tailed).

Table 4.17 shows the strength of relationship between independent and dependent variables indicating the highest to the lowest. Sales volume had strong and positive correlation with three variables of CSR initiatives namely Sports Sponsorship ($r = 0.735$, $p = 0.002$), environmental Concern ($r = .654$, $p = 0.023$), education funding ($r = 0.688$, $p = 0.016$). All the relationships were statistically significant at $p = 0.05$. The above analysis shows that the three independent variables had positive relationship with performance by improving sales volume. This may be attributed to their involvement in CSR initiatives. The finding is in agreement with what Shani and Sandler (2006) found out, that the audience will try to identify with the sponsoring company as they do to the sponsored event. This positive response will in most cases lead to high stock turn over.

Profitability, had weak relationship with education funding ($r = 0.3128$, $p = 0.194$) and environmental concern ($r = 0.470$, $p = 0.070$). However profitability had strong relationship with Sports Sponsorship ($r = 0.669$, $p = .002$). From the above finding, it shows how returns from investment in CSR are correlated. The area that received more funding and attention, realized better returns. Sens, Bhattacharya and Korschun(2006) concur with this statement when they say that consumers when made aware of what companies are doing philanthropically, that knowledge increases their desire to purchase from the company, and the company becomes more attractive as a place to work and in which to invest.

Market share volume had strong and positive correlation with sports sponsorship ($r = 0.677$, $p = 0.024$), and education funding ($r = 0.503$, $p = 0.017$). However profitability had weak relationship with environmental concern ($r = .429$, $p = .033$). It has come out clearly that sports sponsorship has had significant effect on the performance of New KCC, Sotik as compared to the other variables. Given this revelation sports sponsorship should be boosted because it has proved to be promising. The study went further to perform regression analysis to identify the CSR initiatives with the highest impact on Performance of NKCC, Sotik. The regression model consisted of three CSR initiatives; variables sports sponsorship initiatives, environmental concern initiatives and education funding initiatives and the summated performance of NKCC variables. Table 4.18, shows linear regression model summary of relationship between CSR initiatives and performance outcomes of NKCC

Table 4. 2: Linear Regression Model Summary of Relationship between CSR initiatives and the performance of NKCC

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569	.324	.312	.50055

a. Predictors: (Constant), sports sponsorship, Environmental Concern, Education Funding.

According to Table 4.18 the correlation between the combined CSR initiatives and the performance of NKCC was ($r = .569$). The R Square (R^2) is .324, is the proportion of the variance in the dependent variable which is associated with variance in the independent variables. It shows that the independent variables explain 32.4% of the change in the dependent

variable. Results showed that R^2 was statistically significant, $F(3, 241) = 26.3, p = .002$ (Table 4.20). Table 4.18 shows the contribution of all the independent variables when combined and was found to have contributed 32.4% towards the improvement in the performance of New KCC, Sotik. This therefore means that the remaining 67.6% were contributed by other factors not studied here.

Table 4.3 : ANOVA test for CSR initiatives and Performance of NKCC^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	15.534	3	5.178	26.3	.002 ^b
Residual	5.915	241	.197		
Total	16.249	244			

a. Dependent Variable: the performance of NKCC

b. Predictors: (Constant), sports sponsorship, Environmental Concern, Education Funding.

Table 4.19 shows that F is 26.3, which is significant at 0.05 levels. This implies that when CSR initiatives are taken together, they determine significantly the Performance of New KCC, Sotik. Anova test was used to show the significance of the effect of all the independent variables on the dependent variable.

Table 4.20 shows the unstandardized regression coefficient (*b*), the standardized regression coefficient (β), and the observed t-values (*t*). The unstandardized regression coefficient (*b*) indicate the average change in the dependent variable associated with one unit change in the independent variable statistically controlling for the other independent variable. On the other hand, standardized regression coefficient is also used alongside unstandardized regression coefficient to compare the strength of the effect of each independent variable on the dependent variable. The independent variable with the largest standardized Beta has the strongest effect as shown below. The observed t-value tests the null hypothesis that an independent variable has no effect on the dependent variable in the larger study population. The table below shows that the independent variables has an effect on dependent variable, therefore, the null hypothesis is rejected.

Table 4. 4: Regression Analysis Summary for Effect of CSR initiatives and the Performance of NKCC

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	b	Std. Error	Beta		
(Constant)	33.247	0.451		73.72	0
1 Sports Sponsorship	0.498	0.047	0.098	10.60	0.002
Environmental Concern	0.216	0.06	0.216	3.60	0.014
Education Funding	0.097	0.064	0.087	1.52	0.086

Source: Research Data (2013)

Table 4.20 shows the predictors of performance outcomes of New KCC, Sotik and how they rank from the highest to the lowest. The results in Table 4.20 shows that among the of CSR initiatives, Sports Sponsorship (beta=0.498) was the highest predictor of Performance outcomes of NKCC, followed by Environmental Concern (beta=0.216). Education Funding was a poor predictor of CSR initiatives with beta of 0.097. Table 4.20 shows that sports sponsorship and Environmental conservation are significant at 0.002 and 0.014 levels respectively which means that the two significantly determine the performance of New KCC, Sotik . Education funding is insignificant at 0.086. This finding is in agreement with what Buchan,(2006) reported, that sports sponsorship is one of the best ways to build a communication path towards consumers. Once consumers are won stock turn over goes up and that translates to more profit being made by the company if all factors remain constant. Similarly, Tara, (2014) concurred that as people become more aware of companies impact on the environment, they want to do business with companies that reflect their values, which is keeping the environment pollution-free. Education

funding has come out to be insignificant hence being a poor predictor. This may largely be due to less funding and focus being directed there. Regression model for table 4.20 is:

$$y = 33.247 + 0.498x_1 + 0.216x_2 + 0.097x_3 + e \dots\dots\dots (Eq.4.1)$$

Where:

y = *Dependent Variable*

x_1 = *Sport Sponsorship*

x_2 = *Environmental Concern*

x_3 = *Education Funding*

e = *Precision Error*

CONCLUSION

Sales volume had strong and positive correlation with three variables of CSR initiatives namely Sports Sponsorship (r = 0.735, p = 0.002), environmental Conservation (r = 0.654, p = 0.023), education funding (r = 0.688, p = 0.016). Profitability, had weak relationship with education funding (r = 0.3128, p = 0.194) and environmental conservation (r = 0.470, p = 0.070). However profitability had strong relationship with Sports Sponsorship (r = 0.669, p = 0.002). Market share volume had strong and positive correlation with sports sponsorship (r = 0.677, p = 0.024), and education funding (r = 0.503, p = 0.017). However profitability had weak relationship with environmental conservation (r = 0.429, p = 0.033).

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