

**CORPORATE SOCIAL RESPONSIBILITY AS A DETERMINANT OF
PERFORMANCE IN SUPERMARKETS IN ELDORET TOWN, KENYA**

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DECLARATION

Declaration by the Candidate

I declare that, this work is the result of my own research and that it has never been presented elsewhere for another degree. I also declare that I have been under supervision for this thesis herein submitted.

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Declaration by the Supervisors

We hereby approve that the preparation and presentation of this thesis was supervised in accordance with the guidelines on supervision laid down by University of Eldoret.

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DEDICATION

This work is dedicated to the Almighty God for his guidance and protection throughout the period that this work was undertaken. It is also dedicated to my parents Mathew and Edna Cheptum and my sponsor Prof. Hanrietta Moore for their prayers, moral and financial support.

ABSTRACT

The main purpose of this study was to establish the relationship between corporate social responsibility and firm performance in Supermarkets in Eldoret Town. The study was guided by the four corporate social responsibility constructs namely: Community initiative on firm performance, Employee relations on firm performance, Government relations on firm performance and Customer wellbeing on firm performance. The study utilized the stakeholder theory. The study adopted the descriptive research design. The target population was 6,335 out of which a sample size of 108 was used for the study. Stratified and simple random sampling was used to select respondents. Both descriptive and inferential techniques were utilized in data analysis. The multiple regression model was also used in analysis. Results indicated that, community initiative had a significant relationship on firm performance ($\beta = 0.042$, $p < 0.017$). Employee relations had a significant impact on firm performance, ($\beta = 0.061$, $p < 0.001$). Government relations had an impact on firm performance ($\beta = 0.268$, $p < 0.001$) and finally customer wellbeing and firm performance had a positive relationship ($\beta = 0.051$, $p < 0.024$). The study made the following recommendations. On community initiative, it is vital for supermarkets to provide recreational services to the community in order for it to increase its sales volume. Under employee relations on firm performance of supermarkets, there is need for supermarkets to promote employees welfare through provision of educational, recreational, housing and credit facilities. Recommendations on government relations, Supermarkets should be responsible for disposal of wastes and residues and they should comply with government laws descriptive survey and regulations, hence the government will have more confidence in regard to the operation of supermarkets. On customer wellbeing on firm performance by supermarkets, supermarkets should carry out extensive promotion of education of customers about products and their use. The study contributed to literature review, policy and development of measurements of scale. The study recommends that further studies should be carried out to explore the relationship between CSR and profitability and to determine whether those relationships hold consistently over time.

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LIST OF ABBREVIATIONS

CEOs- Chief Executive Officers

CFP- Corporate Financial Performance

CSP- Corporate Social Performance

CSR- Corporate Social Responsibility

EIA- Environmental Impact Assessment

FEPA- Federal Environmental Protection Agency

FP- Firm Performance

KCMA- Kenya Capital Markets Authority

MNCs- Multi National Corporations

NAFDAC- National Agency for Food and Drug Administration and Control

NGOs- Non Governmental Organisations

NSE- Nairobi Stock Exchange

NYSE- New York Securities Exchange

ROA- Return on Asset

ROI- Return on Investment

SON- The Standards Organisation of Nigeria

OPERATIONAL DEFINITION OF TERMS

Firm Performance- This refers to a general measure of a firm's overall financial health over a given period of time, and to compare similar firms across the same industry (Barney, 2011). For the purpose of this study, firm performance is the general measure of the overall financial growth over a given period of time.

Corporate Social Responsibility- This is a form of corporate self-integrated into a business model. CSR policy functions ensures its active compliance with the spirit of the law, ethical standards and international norms (Pagés, 2010). For this study, CSR is the involvement of firms into community activities. Firms work together with the local community.

Growth-This refers to the upward increase of firm's sales and revenue (Richard *et al.*, 2009). For the case of this study, it is the expansion of a business through increase in sales volume and good corporate image.

Profitability- Profitability refers to For the purpose of this study, it is the revenue generated from the sales of a supermarket.

Community Initiative-This is whereby organisations participates as part of the local community in supporting projects such as health facility and environmental awareness.

Employee Relations- This is when firms belong to trade or employers' associations, but only if these associations are organized in ways that promote socially responsible

behaviours (Redington 2005). For this study, this is how employees as stakeholders of a firm relate with its organisation through activities like trade unions.

Government Relations-This is an educational process, educating business and industry leaders about the governmental process, educating officials about the issues important to business or other constituencies, and educating governmental and business leaders, and the public, about the potential consequences of legislation Boutilier,(2007). For the purpose of this study, it is the partnering of the government through fair legal terms and conditions for a common good with the supermarkets.

Customer Wellbeing-An organisation ensures that it offers best quality and safe products to its customers.

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CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the background of the study, statement of the problem, the study objectives, hypotheses, significance of the study, scope of the study and limitations.

1.1 Background to the Study

Performance of a firm comprises of the actual output or results of a firm as measured against its intended outputs. According to Richard *et al.*, (2009), organizational performance encompasses three specific areas of firm outcomes, financial performance consisting of profits, returns on assets and returns on investment; product market performance consisting of sales and market share and shareholder return which comprises total shareholder return and economic value added. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard method where performance is tracked and measured in multiple dimensions such as: financial performance, customer service, social responsibility and employee stewardship (Richard *et al.*, 2009).

It is argued that for a firm to be more competitive, it should adapt to new demands from the market and the society in which it operates (Brammer & Milligton, 2008). Socially responsible organizations consider the full scope of their impact on communities, society and the environment when making decisions, balancing the needs of stakeholders with their objective of growth and profit making (Nejati & Amran, 2009). Managers and Chief Executive Officers (CEOs) have embraced the concept of CSR but relationships between CSR and firm performance still has minimal

empirical verification in Kenya. Brammer & Millington (2008), suggested that some forms of socially responsible behaviour are positively associated with firms' performance while others are not. Barnett & Solomon (2006), indicated that CSR investments vary in relation to the intensity of a firm's social screening and also in the types of social screens that a firm employs. Yet, how those various dimensions interact as inputs of firm performance is important.

Corporate social responsibility has been prioritised by business partners as a catalysing factor for the accomplishment of business success. According to Nwachukwu (2006), a number of stakeholders are highly demanding that business organizations should be accountable towards the social, natural environment and economic impacts that they cause to every community in which they operate. Neoclassical economists have for example argued that firms should concentrate in supplying goods and services to their customers, minimise costs and maximise profits; and all these should take place within the laws and regulations of the land ((Jamali, 2006).

In Kenya for example, Tuskys and Nakumatt supermarkets experienced some difficulties in terms of their business activities. The government of Kenya at one point had injected some funds and changed the management of the supermarket to raise the life of Uchumi supermarket. This study will therefore add to the existing literature that have discussed issues on corporate social responsibility such as (Friedman, 2008), (Situma, 2013), since it has discussed issues on how corporate social responsibility affects firms performance. Findings of this study will be useful to managers of supermarkets in making prudent and financial decisions, business stakeholder, government agencies and any other interested bodies to expand their knowledge on the research topic.

1.2 Statement of the Problem

A Firm performance is determined, by various factors among them corporate social responsibility, which aims at promoting the welfare of the society which is currently more enlightened to the extent that it is aware of its problems and rights as well as contributions that business adds in improving social welfare. The society is facing a number of challenges which can be alleviated by business partners as part of their roles to the society they operate in. Socially responsible firms, in terms of balancing responsibility with power, have improved their public image since it balances social responsibility with the power it enjoys (Aquinis & Glavas, 2012). Furthermore businesses argue that there is a cost implication attached to CSR that is likely to affect the profits. Businesses further argue that adhering to CSR leads to lack of accountability since business has no direct lines of social accountability to the people (European Commission, 2007).

Proponents of CSR argue that firms may need to consider the needs of the various stakeholders among them employees, customers, government, community and the general public so as to deliver services profitably. In Kenya for example Ngirachu (2013), reports that Miwani and Muhoroni sugar companies were under receivership, Uchumi Supermarket also encountered financial difficulties and was placed under receivership on June 2006 due to problems which adversely affected their financial performance and could be attributed to failure to respond to corporate social responsibility among other factors (Herbling, 2013). In view of the foregoing arguments for and against CSR, this study sought to fill the gap in literature by examining the extent to which CSR affects performance of supermarkets in Kenya with aim of making recommendations on how CSR can contribute to improvement in performance of supermarkets and firms in general.

1.3 Research Objectives

The general objective of this study was to determine the relationship between corporate social responsibility and firm's performance in Kenya, using Supermarkets as a reference.

1.3.1 Specific objectives of the study

- i. To establish the effect of community initiative on firm performance.
- ii. To determine the effect of employee relations on firm performance.
- iii. To determine the effect of Government relations on firm performance.
- iv. To evaluate the effect of customer wellbeing on firm performance

1.4 Hypotheses

H01: There is no significant relationship between community initiative and firm performance.

H02: There is no significant relationship between employee relations and firm performance.

H03: There is no significant relationship between government relations and firm performance.

H04: There is no significant relationship between customer wellbeing and firm performance.

1.5 Significance of the study

Findings of the study will contribute to policy development, literature review on the research topic, development of conceptual framework and measurement of variables.

It will also be of great importance to the merchants who are operating in the Supermarkets in Kenya.

1.6 Scope of the study

This study was conducted among supermarkets in Eldoret town. The study concentrated on corporate social responsibility aspects of community initiative, employee relations, government relations and customer wellbeing. Firm performance was considered in terms of profitability and growth by Supermarkets sampled.

1.7 Limitations of the study

The results of the study was limited to supermarkets in Eldoret town only and not all other firms. There is need to include other firms like the manufacturing firms.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter gives a review of the stakeholder theory on firm performance, the concept of community initiative on firm performance, the concept of employee relations on firm performance, the concept of government relations on firm performance, the concept of customer wellbeing on firm performance, and the conceptual framework of the study.

2.1 Theoretical Framework

This study adopted the Stakeholder theory which was developed by Freeman (1984). In his theory, Freeman assessed the role of actors in a firm's environment. The theory is very important to this study because it argues that beside other internal and external actors which impacted on firm behaviour besides stakeholders also have an impact. Firms possess both explicit and implicit contracts with various constituents, and are responsible for honouring all contracts (Freeman, 1984). In honouring these contracts, a company develops a reputation that helps determine the terms of trade it can negotiate with various stakeholders. While explicit contracts legally define the relationship between a firm and its stakeholders, implicit contracts have no legal standing and are referred to in economic literature as self-enforcing relational contracts. Since implicit contracts can be breached at any time, the underlying argument has two strands. First, stakeholders provide the resources, such as capital, labour and revenue (Sweeney, 2009). If companies act irresponsibly toward employees, customers, and society, then they risk losing these critical resources. Second, stakeholders are both potential beneficiaries and risk bearers (Post *et al.*,

2002). They are exposed to risks associated with socially irresponsible behaviour such as poor quality products or exploitation of labour and the natural environment. According to the distribution justice principle (Sweeney, 2009), a firm's profit should be divided among all risk takers, including stakeholders.

In the traditional view of a company, the shareholder perceives that only the owners or shareholder of a company are important, and the company has a binding fiduciary duty to put their needs first, to increase value for them. The Stakeholder theory instead argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders since their status is derived from their capacity to affect the firm and its stakeholders. A firm's social performance activities serve to reduce relational costs with stakeholders who expect firms to deal fairly with respect to their rights and the overall distribution of outcomes and hence a firm that respects this implicit contract fosters social harmony and minimizes the costs of maintaining relationships with stakeholders (Jones, 1995).

On the contrary, if a firm violates the norm of fairness, stakeholders may attempt to interfere with the company's activities, sometimes by providing unflattering information about the company to other stakeholders, which ultimately raises the costs of doing business. Stakeholders are assumed to have the motivation to alter their actions based on information about a firm's social performance, which, in turn, affects its financial performance. The stakeholder theory thus implies that since Corporate social performance (CSP) contributes to Corporate financial performance (CFP), firms with good social performance should realize lower costs of managing stakeholder

relationships and, therefore, should earn higher financial returns than those firms with bad social practices (Jones, 1995).

2.2 The Concept of Firm Performance

Firm performance in much of the business and economics literature is focused on providing financial returns, variously referred to as profits, return on investment (ROI), economic rents, or shareholder returns (Barney, 2011). Many scholars argue that shareholders should be the highest priority firm's stakeholders (Jensen, 2001), partly because shareholders do not have a specifiable contract with the organization, which makes them residual claimants. Further, providing the maximum possible return to shareholders is the primary duty of firm managers. However, even if one resource provider or another does have the residual claim, why should a firm be obligated to maximize that residual at the expense of other resource providers? It might also be argued that stakeholders that provide more or better resources to a firm than their contracts require are also entitled to some of the surplus value created (Barney, 2011). Jensen (2001), argued for a single corporate objective function.

In spite of the foregoing, much has happened in the financial markets to expose well entrenched economic theories upon which such arguments have been made. Similarly, Barney (2011) admits that tackling issues associated with measuring performance from the perspective of multiple stakeholders is important even if it makes the process more complex. From a stakeholder perspective, financial performance metrics are important because they are important to all of the firm's core stakeholders, but they are incomplete and oversimplify the roles of, and utility received by, the various stakeholders involved in firm success (Barney, 2011). Financial measures offer an important but limited perspective on value creation, particularly when they are tied to

efforts to quantify events in terms of specific and measurable financial outcomes in the short or medium term thus reduce the ability or desire of managers to think more broadly about what a firm might do to increase total value across stakeholders.

There have been the good and the bad things that large companies do in relation to highly performing management. First and foremost is the issue of Big Company Bureaucracy. Failing to find a project for highly performing employees is a reason since big companies have many moving parts. Therefore, they usually don't have people going around to their best and the brightest asking them if they are enjoying their current projects or if they want to work on something new that they're really interested in which would help the company. Human Resources Managers are usually too busy keeping up with other things to get into this. The bosses are also usually tapped out on time. Top performers are not driven by money and power, but by the opportunity to be a part of something huge, that will change the world, and for which they are really passionate. Big companies usually never spend the time to figure this out with those people (McWilliams & Siegel, 2001).

Poor Annual Performance Reviews is another contributing factor to performance failure; it would be amazing at how many companies do not do a very effective job at annual performance reviews. Or, if they have them, they are rushed through, with a form quickly filled out and sent off to Human Resources, and back to real work. The impression this leaves with the employee is that they believe and trust so much on what the boss does and, therefore, the company isn't really interested in long-term future here (Margarita, 2004). This leads to discussion around Career Development where there is a secret for most bosses that most employees don't know what they will be doing in the coming years. Most bosses never engage with their employees about

where they want to go in their careers even the most performing ones. This represents a huge opportunity for an organisation which would want to bring up the idea. If an organisation's best people know there is a path for them going forward, they will be more likely to stay in the company. Strategic priorities also contributes to firm's failure in that, companies trying to hide their important projects around their talent, by giving new exciting projects to work on is very challenging for most organizations since setting up a strategic priority is not easy, but sticking with it a year or two can be better. If an organisation commits to a project that they will be heading up, then it has to be given enough opportunity to deliver (Hillman & Keim, 2001).

Measuring performance through tangible and intangible factors that are important to core stakeholders, allows organizations to better understand what stakeholders want and need both as a retrospective measure of how well firms have done and to help form new ideas about how firms will perform in the future. If the ability to create utility for stakeholders matters, and is a central predictor of future firm performance, then it is important to find ways of capturing more complex notions of value in a systematic and comprehensible fashion (Mathew *et al.*, 2007).

Most financial performance measures are so aggregated that they are not particularly useful in pinpointing problems within the organization (Johnson & Kaplan, 1987). In contrast, if an organization is using performance metrics that track utility created across multiple stakeholders, it is in a much better position to pinpoint potential sources of problems within the system that are reducing the amount of total value created. Firm performance can also be measured in many other ways including: revenue, profitability, stock price, and production efficiency, to name just a few. Measuring Firm Performance focuses on two measures. First, real labour productivity

growth which consists of the annual rate of growth of real sales per worker and is used as a proxy for how efficiently a firm uses its labour inputs. Secondly, employment growth is used as a measure of the absorption of labour in the production process. Both measures are expressed as annualized growth rates. This relates to the study since in Supermarkets, growth is implied by sales volume and production levels.

Ideally, growth is based on both higher productivity and rising employment, as more resources are put to work productively, but these measures do not always move in tandem. Several studies have shown that productivity growth is a driver of economic prosperity, and that languishing productivity in manufacturing and services is preventing the developing region from catching up with the developed world (Pagés, 2010). Adding to this trend, evidence suggests that production inputs, such as labour, are not shifting to more productive activities, slowing income and economic growth, potentially stunting gains in productivity (Rodrik, 2011). At the same time, the size of a firm can also play a role in its performance. Some studies have shown that larger firms are more productive than smaller ones (Castany *et al.*, 2005; Pagés, 2010) due to factors such as better access to technology, managerial skills, finance, and learning. At the other extreme, the flexible, non-hierarchical structure of small firms can give these firms a productivity advantage.

2.3 The Concept of Corporate Social Responsibility

Corporate social responsibility is a broad and complex concept with several definitions. Broadly, CSR is a business's contribution to sustainable development (United Nations, 2007) by meeting the needs of the present without sacrificing the ability to meet those of the future (The Institute of Chartered Accountants, 2004). CSR also allows companies to voluntarily integrate social and environmental concerns into

their business operations and their interactions with stakeholders .It extends beyond legal compliance, and companies are encouraged to voluntarily implement CSR initiatives to address various stakeholder needs. Businesses engage in CSR activities on a discretionary basis. Viewing CSR as a strategic marketing tool (Qu, 2007) gives them a competitive advantage in the market that may make them more capable of responding to public expectations and fulfilling their social and environmental responsibilities.

Corporate social responsibility is a fast growing concept in the Supermarket industry with little attention paid to its literature. CSR is common in literature but not the practice. Despite the need for business to be morally conducted, one of the primary reasons in CSR is whether organisations pursue it for economic reasons or because of the advantages involved. Unfortunately, there has been few or no empirical study conducted in support of the advantages and disadvantages involve in CSR. This makes CSR practice sustainable to the popular accusation of being a profitable public relations and marketing strategy (Adegboyega & Taiwo, 2011).CSR has to do with an organization going out of its way to initiate actions that will impact positively on its host community, its environment and the people generally. It can be seen as a way of acknowledging the fact that some business fall outs have adverse effects on the citizens and society and making efforts to ensure that such negative impacts are corrected. Socially responsible activities may also improve a firm's standing with such important constituencies as bankers, investors, and government officials. Improved relationships with these constituencies may bring economic benefits and banks and other institutional investors have reported social considerations to be a factor in their

investment decisions hence high corporate social responsibility may therefore improve a firm's access to sources of capital (Jensen, 2001).

Stating that a corporation is socially responsible and abides in ways to positively impact on society is not sufficient; evidence of concrete CSR strategies is required. One example of a company that engages in a multidimensional CSR strategy is McDonald's, the world's largest chain of fast food restaurants. Four specific CSR actions of the company are sustainable supply chain strategies, environmental responsibility, consumer well-being, and corporate philanthropy. McDonald's creates a sustainable supply chain by purchasing from suppliers that follow practices that ensure the health and safety of their employees and the welfare and humane treatment of animals. By doing so, the company chooses suppliers by standards more than what is supplied, but how the products are supplied (Pagés, 2010).

Adopting the CSR principles involves costs. These costs might be short term in nature or continuous outflows (Adegboyega & Taiwo, 2011). These costs might involve the purchase of new environmentally friendly equipment, the change of management structures, or the implementation of stricter quality controls. Since being socially responsible involves costs, it should generate benefits as well in order to be a sustainable business practice. A corporation cannot continue a policy that constantly generates negative cash flows (Rodrik, 2011). The shareholders invest their money in a supermarket, expecting the highest possible risk adjusted return. Therefore, being socially responsible should have bottom-line benefits in order to be sustainable. Socially responsible corporate performance can be associated with a series of bottom-line benefits. But in many cases, it seems that the time frame of the costs and benefits

can be out of alignment; the costs are immediate, and the benefits are not often realized quarterly. Therefore many benefits can be identified when socially responsible supermarkets have enhanced brand image and reputation. Customers of the supermarkets are often drawn to brands and companies with good reputations in CSR related issues.

A company regarded as socially responsible can also benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Reputation is hard to quantify and measure and it is even harder to measure how much it increases a company's value. But since companies have developed methods to measure the benefits of their advertisement campaigns, similar methods should be able to be applied in the case of corporate reputation. (Adeyanju, 2012), contented that corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, communities, and its environment. It implies that negative business impacts on people and society should be acknowledged and corrected, if possible. It may require a company forgoing some profits if its social impacts are seriously harmful to some of its stakeholders or if its fund can be used to promote a positive social good.

If businesses do not perceive the value of CSR, they may take an obstructive stance toward social responsibility since their behaviour will not meet public expectations (Fischer, 2004) in that, the sole and primary goal of a business is to make as much money as possible while conforming to the basic rules of the society. As CSR activities do not directly generate returns for businesses, their contributions are sometimes deemed to be a misallocation of funds and may lead to objections from

shareholders. Moreover, socially, irresponsible actions may spill over to other implicit stakeholders, who may doubt whether the firm would honour their claims. Thus, firms with an image of high corporate social responsibility may find that they have more low-cost implicit claims than other firms and thus have higher financial performance.

CSR is considered to be influenced by the institutional environment in which companies operate (Gilbert, 2008). The manufacturing, construction and allied sector in Kenya are affected by various concerns about CSR practice. Some of the issues include the need to save energy considering energy consumed by these firms during their production process, avoiding of waste and recycling. The sector is also affected by labour intensive processes with short term contracts for staff (casual labour), high accident rates and occupational health and safety. Also facing this sector are concerns about health effects of processes on residents and quality of products. These concerns are all part of the component of CSR practices which include responsibility to environment, human resource, community involvement, consumers and products. Being socially responsible means that, beyond legal requirements, firms accept to bear the cost of more ethical behaviour by voluntarily committing, for instance, to improving employment conditions, banning child labour and not working with countries that do not respect human rights, protecting the environment and investing in equipment to reduce the carbon footprint, developing partnerships with NGOs and providing funds to charity since CSR strategies would allow firms to maximize value and to minimize risk in the long run, to respond to increased competitive pressure and market differentiation, and such strategies would generally take into account the growing demands of their stakeholders (European Commission, 2007). The

complementarities and synergies between environmental, social and governance factors inherent in CSR strategies might be determinant on how a firm performs.

2.4 Corporate Social Responsibility and Firm Performance

The link between CSR and firm performance (FP) are mostly inconclusive, but positive relations between the two have been reported in most of the studies (Margolis & Walsh, 2003) suggested an instrumental orientation of CSR initiatives. An instrumental orientation towards CSR suggests the alignment of the social goal with the business goal where CSR is considered as a strategic tool to promote the economic objective of the firm. Managers foresee significant value additions in firm performance due to strengthened stakeholder relations. Management theorists argue that by improving CSR towards stakeholders, firm performance is augmented.

A research conducted by (Fauzi, 2009) on firms listed on the New York Securities Exchange (NYSE) to determine the relationship between CSR and corporate financial performance using companies listed at the NYSE and a regression model with financial performance as the dependent variable and CSR index as the independent variable found that CSR has no effect on CFP. The study however found that leverage (a control variable in the model) had a moderating effect on the interaction between CFP and CSR. This is relevant to the study in that it indicates the relationship between CSR and firm performance for the purpose of reviewing literature.

CSR and financial performance depend on how CSR is managed (Gyves , 2008), in his study suggested that, internally initiated CSR by the firm can simultaneously provide the most sustainable benefits for the firm itself, its particular stakeholders and

society at large, to increase the chances of creating a favourable situation. Based on this there appears to be multiple dimensions to corporate social responsibility and hence multiple stakeholder groups do exist and must be managed effectively for the well-being of the firm. The assessment of the social performance of a firm is likely to vary depending on the party assessing the performance. Given the multidimensionality of social performance, it may be impossible to adequately address the interests of all relevant stakeholders groups. Ultimately, management may be required to weigh the interests of the stakeholder groups against each other and against the economic welfare of the firm. Furthermore, performances relative to the dimensions of social performance indicate different outcomes for economic performance (Bhattacharyya *et al.*, 2008).

In order to understand better the relationship between CSR and firm performance it is important to expand on the ways examining how CSR dimensions in isolation and together influence firm performance. Although literature argues that the relationship between different dimensions of CSR and firm performance is not straightforward, extensive research conducted over the past years tends to show a positive relationship, at least not a negative one between CSR and financial performance (Margolis *et al.*, 2009). Corporations are investing more and more on different CSR actions. Shareholders and investors nowadays are increasingly considering the social and environmental performance of companies alongside financial returns. Good corporation citizenship makes image better, and good image makes better profit.

The socially responsible corporation is the good corporation which keeps its personnel updated about important things. CSR goes beyond philanthropy and charity. It is about

ethics, religion moral, caring, culture, philosophy and values which will ultimately translate into good business sense, good practice, good governance, transparency and better profit, (Mattila, 2009), Studied factors that influence corporate social responsibility in commercial banks in Kenya found that profitability was one of the factors that influence CSR practice in banks (Wanjala, 2011). Cheruiyot (2010), carried out a research to establish the relationship between corporate social responsibility and financial performance of firms listed at the Nairobi stock exchange (NSE). This was a cross sectional study of all the 47 listed companies in the NSE's main segment. His conclusion was that there was a statistically significant relationship between CSR and financial performance. Hence these literature guided the study by providing information on the effects of CSR on performance of supermarkets.

The complex relationship between CSR and firm performance has attracted a great deal of interest from academia. (Lin *et al.*, 2009), investigated some Taiwan cases based on long-term research and development expenditures and found out that CSR does not have much positive effect on short-term financial performance, but that it significantly influences a firm's long-term performance. However, other researchers agree that CSR expenditure decreases a firm's resources in the short term and that companies with good previous financial performance or resources are more likely to initiate the socially responsible activities (Scholtens, 2008). From a business perspective, the CSR precedes financial performance if it is seen as a strategic marketing tool (Qu, 2007) that helps to expand a firm's market share in the short run. In contrast, the financial performance will precede CSR if it is treated as a long term investment that enhances the company's sustainability.

2.4.1 Community Initiative on Firm Performance

A key priority for a socially responsible business is to develop and maintain strong and mutually beneficial relationships with its community. Businesses that take an active interest in community well-being can generate community support, loyalty and good will. This is often referred to as building a company's social license to operate, an important business objective for any business. Businesses engaging in community relations or community involvement typically conduct outreach to the community aiming to prevent or solve problems, foster social partnerships, and generally contribute to the community quality of life. They also participate in community relations to help improve their business by getting valuable community and other stakeholder input.

There is a proof that external stakeholders which consist of key communities impact on how and why a company becomes environmentally friendly as documented by (Christmann, 2004), who in his study analysed the determinants of global standardisation of multinational companies (MNCs) environmental policies. Using survey data from the chemical industry he was able to show that MNCs standardise different environmental policy dimensions in response to pressures from different external stakeholders. Yet external pressure was not the only driver as MNCs' internal characteristics also affected how and if they standardise environmental policy. Findings demonstrated that the nature of stakeholder demands affects firms' responses to stakeholder pressures since environmental policy standardisation reduces MNCs ability to exploit cross-country differences in environmental regulations, these findings also have important implications for the self-regulation of MNCs environmental conduct. The question raised is whether this standardisation limits a company's ability to maximise profit from a given situation. On one hand, it could be inferred that if a

company is not able to fully maximise profit because of a CSR policy, then that policy has a negative effect on the company's financial performance. On the other, the effect of not meeting or exceeding external stakeholder's expectations might prove to be more costly than possible inefficiencies arising from CSR initiatives (Lin *et al.*, 2009).

Community relations responses are suggestive of closed system thinking. This is too common approach and is apparently based on two assumptions: that the purpose of public relations is limited to affecting changes in the environment, and that organizations have the power to change their environments, thereby eliminating the need to change them. Open system approach cast public relations in the role of bringing about changes in both environments and organizations as a result of environmental inputs. Public relations functionaries attempt to preserve and promote a favourable image of the organization in the community on the hypothesis that if the organization is liked, the public will continue to absorb the organization's outputs. Such functionaries are only concerned with supplying information about the organization to the environment and not with supplying information to the organization about the environment (Cutlip *et al.*, 2000). In addition, a functional view of public relation calls for an open systems approach, changing both the organization and the environment. Relations between the organization and its public are maintained or changed on the basis of reciprocal output-feedback adjustment. Public relation has the potential to act in an advisory capacity and to have impact on decision making. The potential in turn might lead to some control over its own domain in times of crisis and, as a sensing device; public relation can be effective in preventing many potential crisis situations. Management properly remains the large wheel but the small wheel that is public relations may occasionally be capable of influencing the large one

(Cutlip *et al.*, 2000). Two way-symmetrical communications in public relations calls for an open system approach, changing both the organization and the environment. Relations between the organization and its public are maintained or changed on the basis of reciprocal output-feedback adjustment.

CSR towards community is seen in terms of philanthropic giving, public-private partnerships, community relationships, and participation in social and economic development issues. Companies are moving towards pursuing meaningful partnerships with non-governmental organizations (NGOs) to empower the local community (Singh & Bhagat, 2004). When firms focus their social actions on communities in and around their area of operation, they reap the benefits of a socially responsible image among their employees and the local community. Though past evidence suggests a negative relation between CSR towards the community and firm performance (Lin *et al.*, 2009), it is also observed that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labour.

2.4.2 Employee Relations on Firm Performance

Corporations will be more likely to act in socially responsible ways if they belong to trade or employers' associations, but only if these associations are organized in ways that promote socially responsible behaviours, and that corporations will be more likely to act in socially responsible ways if they are engaged in good communications with unions, employees, community groups, investors and other stakeholders. (Campbell, 2007). Job quality should be a key objective of any employer. Happy employees create happy customers which produce business results. Employees want fair, respectful, healthy and democratic workplaces that value their participation. The key

determinants of job quality include: the pace of work and work stress; opportunities for input; job security; work-life balance; workplace relationships; individual development and physical working condition. Employees also look for excellent employee benefits, competitive salaries, flexible schedules, and a focus on placing employee's personal well-being front and centre. The following is the profile of different aspects of these employee priorities, including workplace practices; training; safety, health and wellness; work-life balance; diversity; and living wages.

Workplace practices are the procedures and practices affecting how work gets performed in your organization. They include recruitment and promotion, discipline and grievance, termination, compensation, and practices that affect working conditions, such as employee participation. While governments have the primary responsibility for ensuring fair treatment, businesses that seek to be good employers will go further than required by legislation to foster a quality working environment. A starting point could be an employee survey to determine employee job satisfaction and areas of strength and weakness. Or it could be a staff retreat, where the staff is engaged in identifying job-related issues that could improve their work experience. Talking to other employers to find out what works for them can also be worthwhile (Aguinis & Glavas, 2012).

At a minimum a company would want to ensure that it is providing decent wages and hours of work and medical and dental benefits if it can to its human labour. Listening to and involving staff in your business direction can benefit your business both through the goodwill generated and the opportunity to capitalize on their ideas to grow the business. Ten years ago, the number one work priority of Canadians was career advancement; today it is work-life balance: nearly 40% of working women and men

reported they would leave a job for work-life balance reasons (Aguinis & Glavas, 2012). With this reality, flexible work practices can be a key source of competitive advantage for recruiting companies. Work-life balance includes combining paid work and family care, but goes beyond it to include support for a variety of non-work roles, including education, culture, recreation and volunteering. Small businesses have an advantage here in that employers can negotiate informal arrangements on an individual basis, by-passing the bureaucracy often associated with large formal programs. Successful work-life programs depend on the example set by top managers and corporate culture. Employers committed to supporting their employees to achieve a healthy balance between work and other pursuits need to demonstrate a personal commitment to this goal and not foster a round-the-clock work culture. Small businesses may have goals to improve the safety, health and wellness of employees for these bottom line reasons, or for social responsibility reasons, or some combination. Some companies even view workplace wellness as a business strategy, because of the connection between health and improved employee satisfaction.

Regardless of the business motivation, healthy workplace efforts typically start with a focus on worksite safety and injury prevention for workers and evolve to include programs that help employees choose healthy behaviours such as quitting smoking, healthy eating or getting physically active. Some of today's major workplace health issues include stress, smoking, the inability to balance work and family, and feelings of loss of control over workplace schedules and environment. Health and safety concerns can arise over dangerous equipment, processes and substances. To help ensure a safe, productive workplace, businesses can adopt a safety, health and wellness policy, conduct inspections to ensure hazards are eliminated and controlled, train employees on workplace hazards and applicable health and safety regulations,

and hold regular meetings to identify unsafe conditions and implement solutions. It is important to ensure employees are interested and involved. A positive health and safety culture can help you to attract and keep your employees, reduce the health care costs associated with disability, drugs and absenteeism, and improve morale. To encourage active lifestyles, modest investments can help employees make active choice (Rosso *et al.*, 2010). Bike racks, showers, health and wellness newsletters, lunchtime walking programs, team sports, healthier alternatives such as fruit and bagels at business meetings, and cafeterias and vending machines that offer healthy options are just some of the simple measures that go a long way to encourage fitness and healthy lifestyles amongst employees. Promoting health in the workplace need not be complicated or expensive (Rosso *et al.*, 2010). Success however depends on management commitment, employee engagement, adequate resources and a healthy workplace policy that sets the tone and direction. As a result an organisation will have healthier, more productive employees, and may replicate returns on the organisation's investment.

A number of trends are driving businesses to actively consider employee diversity as a strategic business advantage, such as: the need to remain competitive, demographic shifts and labour shortages, immigration and globalization. Diversity goes well beyond employment equity legislation, quotas and targets which characterized the discussion of equal employment and affirmative action of the last few decades. Today's approach to diversity is about inclusive organizations that value differences, rather than simply tolerating them. Companies that recruit for, and manage, diversity can tap into innovative business and marketing opportunities that come with diverse perspectives, and can better understand the needs and requirements of their changing customer base (Ellemers *et al.*, 2011). Including people from all communities

regardless of gender, ethnicity, disability, age, sexual orientation or belief can be a source of competitive advantage. Diverse staff is the point of contact between the business and the customer; they contribute to product and service design decisions; and participate in business strategy where market and entry strategy decisions are made. Employees from different backgrounds and groups can help you better understand and serve your customers.

There are two stages to developing a diverse workforce: the first step involves adapting hiring practices to achieve greater diversity; the second is to manage the diversity to leverage the benefits to your employees and your firm. If poorly managed, diversity can be a source of frustration, anger and even fear for employees, fostering an unhealthy workplace and limiting the benefits and opportunities that are possible (Kahneman & Deaton, 2010). Effective diversity management requires a commitment from company leaders, along with policies, training, supports, and an action plan, much as any other area of business strategy. Complaints need to be investigated quickly and confidentially and all employees need to be held accountable for their behaviour. This can help to promote a respectful workplace that values differences. Businesses that hold managers accountable and measure results achieve the most from their diversity commitments. Bringing people of diverse backgrounds and interests together in ways that maximize fair and equal treatment and opportunity can bring out everyone's best for the full benefit of the firm and staff, and ultimately your customers (Rupp, 2011).

Ongoing and on-the-job training can help employees succeed in their current job and position them for future responsibilities within the firm. Investments in employee training and development can help to build the firm's overall capacity enabling it to

achieve its business goals. A higher skilled organization can result in greater employee satisfaction, fostering employee loyalty, and generating business benefits for the firm (Booz, 2012). Training can be used to orient new hires, help employees adapt to new technologies or work processes, address performance challenges, or to support employees in adjusting to new responsibilities within the business (Booz, 2012). Training options include apprenticeships and vocational training, paid educational leave, tuition reimbursement, and broad-based lifelong learning programs. There are many ways to deliver training, including classroom training, e-training via webinars, mentoring, coaching, and support for professional certifications and licensing. Paying decent wages is a prime social responsibility of any business.

Many low-waged employees rely on government subsidies and food banks to ensure their children are properly fed and clothed and able to fully participate in school activities. As argued by (Carmeli *et al.*, 2007) labour shortages are a big barrier to workplace productivity, ahead of tax and regulatory burden and rising costs, according to their study. Thus, wage levels are predicted to have increasingly important productivity implications for small businesses. By offering wages above the minimum, an organization can better attract employees, reduce turnover and absenteeism, and build the firm's community reputation. A living wage is the wage employees with families need to earn based on the actual costs of living in their community. Businesses able to pay a living wage are helping to reduce child poverty and poor educational attainment and reduce the likelihood of future job insecurity, under-employment and poor health. In addition to supporting healthy child development, living wages can promote gender equality and reduce severe financial stress faced by families.

2.4.3 Government Relations on Firm Performance

Through corporate social responsibility, businesses reaffirm their principles and values, both in their processes and operations and in their interaction with other social actors. Corporate social responsibility is generally voluntary in nature and refers to activities that exceed a mere compliance with the law. The social and environmental responsibilities of enterprises may reflect the changing expectations of society. For instance is a situation where, what enterprises consider convenient practices today may become indispensable ones tomorrow. In addition, it is expected that different social actors interested in the activities of a certain enterprise will prioritize different social and environmental demands, which may contradict or compete with one another at times. Corporate social responsibility poses several challenges for enterprises, including the need to define their responsibilities with respect to those of the public sector, determine the extent of their obligations in the supply chain and decide until what point in the future they should anticipate and plan for the consequences of their activities, especially in the case of natural resource use. Pragmatism in corporate social responsibility is essential because despite the many issues it can address, corporate social responsibility also has its limits and cannot substitute for the role of government in enforcing laws and international labour standards. (Detomasi, 2006).

A global survey of corporate executives suggests that CEOs perceived that businesses benefit from CSR because it increases attractiveness to potential and existing stakeholders (Economist, 2008). A French poll on CSR indicated that employees were seen as the most important stakeholder group toward whom corporations have to exercise their social responsibility (Chauveau & Humière, 2001). In 2005, the UK Department of Trade and Industry launched a CSR competency framework to promote

the adoption of CSR by corporations. This framework supported human resource managers' efforts to enhance employees' adoption of socially responsible behaviour (Redington, 2005). This evidence suggests that employees are centrally important in deploying CSR strategies.

There is a unique combination of senior level industry, commercial, and project experience, coupled with a thorough understanding of government, bureaucratic and political processes, and policy and regulatory frameworks. The following explanation has a broad depth across the political spectrum and provides expertise at all levels of government, focusing on the municipal and provincial levels. Government relations services include Public Policy Development: Which indicates a thorough understanding of the government frameworks driving policy development and which have advised clients regarding issues including fiscal policy, infrastructure, resource and land management, and environmental issues? This support can help clients understand, anticipate, and influence policy development.

The key issues governing the links between CSR and public policies include the demand for societal governance to cope with the social challenges or demands faced by all post-industrial societies such as unemployment, poverty and social restructuring: this was the concept of governance applied directly to the CSR public policies adopted by the British government in response to a crisis in governance and legitimacy (Moon, 2004). For the UK government, the origin of CSR policies was thus justified by a crisis in governance affecting British society, in the form of unemployment, social poverty and lack of economic development. The crisis of the welfare state has made people look for new ways to develop collective action to deal with social demands that cannot be met by the state. This has led to the appearance of

partnership projects, with governments, companies and civil society organizations working together. CSR has increased the concern of these new partnerships, and the CSR literature reflects the clear link between CSR and social partnership (Gribben *et al.*, 2001). The challenge for governments is to find a way to design and implement public policy that will generate leadership and partnership-based innovation, seeking to maximize the benefits of these innovations by ensuring their systematic acceptance and application among the wider business community.

Monitoring services involves effective tracking of issues and policies as they move through the government process. The organisation's team is responsible to monitor information, gather details and develop insights to keep the company fully informed on developments in the shifting landscape of public policy and politics. Risk Assessment and Mitigation ensures that Supermarkets regularly conducts thorough risks assessments through situation analysis. Its significant insight into political and policy development, coupled with business and regulatory expertise and experience, provides clients with thorough risk assessments, in anticipation of political and policy developments. The company possess the networks, knowledge, and know-how to ensure clients are informed ahead of policy shifts that will impact their operations, and can aid clients in proactively preparing for the future. The company can support the development and implementation of effective mitigation strategies through its policy development and monitoring expertise which provides a strong basis for risk management and mitigation services. Effective sustainability programs include: sustainable products, pollution prevention, recycling, and clean energy. Sustainability efforts are based on a single principle: to minimize the environmental footprint of a corporation's operations and maximize sustainability. An example of a sustainable environmental CSR initiative is Cisco Systems initiative which was involved with

investing in energy-efficient lighting, motion detector lights, and computerized temperature controls. As a result, the company saved enough energy to power so many homes for a year, and minimized their environmental footprint. Cisco benefits from reduced operating costs and the environment benefits. One criticism of this program is that it is not CSR, but rather a cost reduction program (Hoboken *et al.*, 2005).

Following the illegal dumping of toxic wastes took place in Koko in 1987 the Nigerian Government promulgated the Harmful Wastes Decree. This decree provided a legal framework for control of disposal of toxic and hazardous waste in any environment within Nigeria. After the decree, the Federal Environmental Protection Agency (FEPA) was established in the 1988, charged with the responsibility of protecting and developing the Nigerian environment. The principal legislation with regard to environment is Decree 86 of 1992 which made Environmental Impact Assessments (EIA) mandatory for both public and private sectors for all development projects. Even though progress was made, (Boutilier, 2007) claim that when examining the various statutes, the framework for the EIA process, and the entire environmental regulatory process, it reveals that many of the statutes are not working according to intentions. The authors stipulate that there is a duplication of the functions in the processes which results in serious bottlenecks and bureaucratic confusion in the environmental process of Nigeria. Moreover, it still seems to be bureaucratic and institutional hindrances for the effective implementation of many of these initiatives. (Campbell, 2007), suggests that Corporations will be more likely to act in socially responsible ways if there are strong and well-enforced state regulations in place to ensure such behaviour, particularly if the process by which these regulations and enforcement capacities were developed was based upon negotiation and consensus

building among corporations, government and the other relevant stakeholders. According to (Leuz *et al.*, 2003), legal systems as part of the Determinants of Corporate Social Responsibility protect outside investors by conferring on them the right to discipline insiders (for example, to replace managers), and also through the enforcement of contracts designed to limit the private control benefits of insiders. As a result, legal systems, which effectively protect outside investors, reduce the incentives for insiders to act in irresponsible ways, such as engaging in the manipulation or obfuscation of a firm's earnings to conceal their own rent-seeking behaviour.

2.4.4 Customer Wellbeing on Firm Performance

Corporate social responsibility (CSR) activities have the potential to create several distinct forms of value for customers in Supermarkets. It is the customer perception of this value that mediates the relationship between CSR activities and subsequent financial performance. Investments in CSR activities are under scrutiny. Boards and shareholders are increasingly demanding that outcomes from these investments be measured to understand if and how they positively impact the profitability of the firm. A significant amount of research has been undertaken to understand the relationship between CSR and financial performance. Due to the importance of customers among business stakeholders, marketing research that examines the effects of CSR on profitability is particularly informative. CSR might lead to outcomes such as increased customer loyalty, willingness to pay premium prices, and lower reputational risks in times of crisis.

Positive customer perception about product quality and safety may lead to increased sales or decreased costs associated with stakeholder relationships. Higher product safety and quality improves the bottom line. When customers are dissatisfied with a

product or its associated services, investors apprehend that dissatisfied customer reactions in the form of decreased patronage, lawsuits, or both, will directly affect the bottom line (Berman *et al.*, 1999). Studies establish that market value of a company decreases when corporate irresponsibility and illegal behaviour is observed. The news of pesticide content in Pepsi and Coca-Cola beverages in India reduced the sales of both companies by 60% (Financial Express, 2006). Continuous deterioration in quality directly affects firm performance. Hence, companies need to be careful about factors such as ethical advertising standards, customer health and safety during product use,. Company policies and practices to address such issues give a positive signal about a company's responsible attitude towards its customers and can improve firm performance.

A company's customer requirements and quality system objectives should address areas of corporate citizenship and responsibility. These include business ethics, public health and safety, environment, and sharing of quality related information in the company's business and geographic communities. Health, safety, and environmental considerations need to take into account the life cycle of products and services and include factors such as waste generation. Quality planning in such cases should address adverse contingencies that may arise throughout the life cycle of production, distribution, and use of products. Plans should include problem avoidance and company response if avoidance fails, including how to maintain public trust and confidence. Inclusion of public responsibility areas within a quality system means not only meeting all local, state, and federal legal and regulatory requirements, but also treating these and related requirements as areas for continuous improvement. In addition, companies should support within reasonable limits of their resources

national, industry, trade, and community activities to share non-proprietary quality related information (Kahenaman *et al.*, 2010).

Considering the customer value of almost any CSR activity, it is helpful to gain a comprehensive view of the business decisions that can be made in the realm of CSR to impact customer attitudes and behaviours. In particular, given that most firms now engage in some type of CSR, business leaders responsible for choosing activities would benefit from a greater understanding of the value creation of one CSR activity over another through empirical studies. Information availability is very important because it gives the reactions of customers. However, not all information will prompt the same degree of reaction from customers. The intensity of the message will vary, depending on certain characteristics of the information. Information intensity can be defined as the likelihood an average customer will know something about, or be aware of, a firm's performance. Three characteristics which determine the degree of intensity of CSP information are: the source of information, the degree of diffusion, and the alignment of the current CSP information content with the firm's existing CSP reputation. (Yoon *et al.*, 2003).

Customers perceive CSR information from objective, unbiased parties as more credible than that provided by the firm, such as cause-related marketing (Yoon *et al.*, 2003). A cynic may discount company-sponsored marketing as being purely self-interested, while looking to external rating agencies or the media as providing unbiased, objective information about a firm's social activities. Information about a firm's social actions will have a higher intensity for existing and potential consumers than information provided by the firm (Deephouse, 2003), Public awareness is related

to the diffusion of a firm's CSR information, which speaks to the reach of the information.

2.5 Conceptual Framework

The conceptual framework for this study (Figure 2.1) shows the constructs for Corporate Social Responsibility for the study which are: Community initiative, Employee relations, Government relations and Customer Wellbeing all of which are directly related to the firm performance of the organization. The conceptual framework is guided by the Stakeholder theory which shows how stakeholders are important to the success of an organisation. Corporate Social Responsibility is the independent variable while Firm Performance (Supermarkets) is the dependent variable. Supermarkets provide social services to stakeholders such as charitable donations, local employment opportunities and safe products. The stakeholders use the services to improve their living standards. Hence this study shows the relationship between the independent variable and dependent variable.

Independent Variable: CSR

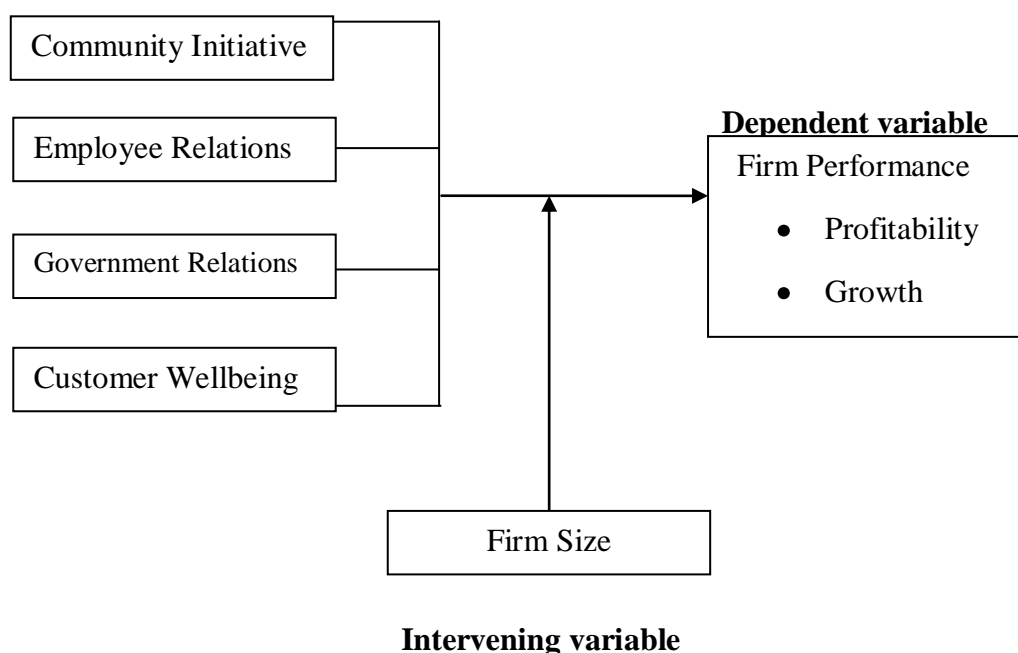


Figure 2.1 Conceptual Framework
(Source: Author 2015)

CHAPTER THREE

MATERIALS AND METHODS

3.0 Overview

This chapter focuses on the study area, research design, target population, sample size, sampling procedures and sample selection, types of data and data collection methods, validity and reliability of research instruments, data analysis and presentation.

3.1 Study Area

This study was conducted in Eldoret town which is located in Uasin Gishu County, and is the largest town in the county. Lying south of the Cherangani Hills, the local elevation varies from about 2100 metres above sea level at the airport to about 2700 metres in nearby areas. Eldoret is the 2nd largest urban centre in Midwestern Kenya after Nakuru and the 5th largest urban Centre in Kenya. The name *Eldoret* is derived from the Maasai word *eldore* meaning *stony river* because the bed of the nearby Sosiani River is very stony. The white settlers decided to call it Eldoret to make it easier to pronounce. At the start of the colonial era, the area was occupied by the Nandi. However, before that it was occupied by the Maasai who were preceded by the Sirikwa. Eldoret is known as the ‘Home of Champions’ since most of Kenya’s successful athletes have their roots in Eldoret and its surroundings. However, the town has many supermarkets and more are upcoming.

3.2 Research Design

This study used the descriptive survey design since it is cost effective in enhancing fast collection of information among a large population within a short time (Awoyemi & Quartey, 2002), reported that that the descriptive survey design does more than

merely uncover data for its synthesis since it integrates data and points to implications and interrelationships. (Mugenda & Mugenda 1999), also indicate that descriptive survey research seeks to obtain information that describes existing phenomena by asking questions to individuals about how they perceive an something, or a certain behaviour, and that surveys are excellent vehicles for measuring characteristics of large populations.

3.3 Target Population

The target population for this study was seven selected Supermarkets that are currently operating in Eldoret town. Both the managers, employees and the clients of the supermarkets were targeted for the study. Target population is a total set of individuals, cases or objects with some common observable characteristics of a particular nature distinct from other population (Mugenda & Mugenda, 1999). The total population was 6,335. The total number of managers was 60, total number of employees was 145 and the total number of clients was 6,130 (Author, 2015).

3.4 Sample Size and Sampling Procedure

3.4.1 Sample Size determination

The sample size for the managers, employees and the clients of supermarkets selected was determined using the coefficient of variation formula given by Nassiuma (2000),

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where n = Sample Size

N = Total Population

C = Coefficient of Variation e = Tolerance level

This study applied a coefficient of variation of 10.5%. This is because a coefficient of variation of less than 30% is considered more appropriate (Nassiuma, 2000) and that coefficient of variation is a more sure measure of variation. A population of 6,335 with 1% tolerance level gave a sample size of 108 respondents as shown below.

$$n = \frac{6,335*(0.105)^2}{(0.105)^2 + \{(6,335-1)*(0.01)^2\}} = 108$$

n=108 respondents

3.4.2 Sampling Frame

Sampling frame is an objective list of the population from which the researcher can make a selection. A population of 108 respondents was calculated as follows:

Table 3.1 Sampling Frame

Category	Population	Sample Size
Managers	60	14
Employees	145	22
Clients	6,130	72
Total	6,335	108

(Source: Author, 2015)

3.5 Types of Data and Data Collection Instruments

The study used both primary and secondary data. Primary data was collected from respondents in the field. While secondary data was obtained from financial statements, bulletins, books among other sources.

3.6 Reliability and Validity of Research Instruments

3.6.1 Reliability

Reliability refers to the consistency with which repeated measures produce the same results across time and across observers. Reliability and validity of data collection instruments was enhanced through conducting a pilot test which was done at Gilanis Supermarket in Nakuru town. Twenty respondents were involved, ten clients and ten staff of the supermarkets.

3.6.2 Validity

Validity is the degree to which results obtained from analysis of data represent the phenomenon under study (Mugenda & Mugenda, 1999). Validity is categorised into content, criterion-related and construct. Content validity addresses the match between test questions and the content or subject area they are intended to assess, a concept of match which is sometimes referred to as alignment, while the content or subject area of the test may be referred to as a performance domain. Criterion-related validity looks at the relationship between a test score and an outcome. Construct validity refers to the degree to which a test or other measure assesses the underlying theoretical construct it is supposed to measure (Kothari, 1985). Reliability and validity of the instruments was undertaken using Cronbach`s alpha coefficient.

Variables	Cronbach's alpha
Managers questionnaire	0.681
Employees questionnaire	0.735
Clients questionnaire	0.725

Source (Field data, 2015)

3.7 Measurement of Variables

The researcher generated the variables which were used in the study. Corporate social responsibility was measured based on community initiative, employee relations, government relations and customer wellbeing. The items testing these variables were presented in a Likert scale ranging from strongly agree (5) to strongly disagree (1). Firm performance was measured based on profitability and growth.

3.8 Data Analysis and Presentation

The data was coded for editing and analysis purposes. The researcher employed descriptive data analysis procedures for example data from questionnaires was analysed using descriptive statistics. The four key variables of the study were identified and measured using the Likert scale. Tables, frequencies and percentages were used to summarize the results. The data was manually coded and entered into the Statistical Package for Social Scientists (SPSS) while descriptive statistics were used to determine frequencies of various variables in the study. Tabulation was used to facilitate data interpretation.

To measure corporate social responsibility on firm performance, the study employed multiple regression model. Independent variables in the model constituted constructs

of CSR. Multiple regression attempts to determine whether a group of variables together predict a given dependent variable. Multiple regressions incorporate more than one independent variable to explain dependent variable. The multiple regression models assumed the form:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon$$

Where;

Y= Firm performance

α = the constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficients

x_1 = Community initiative

x_2 = Employee relations

x_3 =Government relations

x_4 = Customer wellbeing

ε = Error term

For every value of α (slope), a t-value and significance level for each t-value was determined. An independent variable was considered to be a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with the dependent variable was greater than the absolute critical t-value. The overall fit of multiple regressions was based on the F-test.

Correlation is a technique which is used in the analysis of the degree of relationships between two variables (Mugenda & Mugenda, 1999). Pearson's correlation coefficient (r) is used when both the study variables are measured at ratio or interval scale and are continuous. Where the relationship between the variables is not linear, then the correlation coefficient does not adequately represent the strength of the relationship between the variables. Pearson's r can range from -1 to 1. An r of -1 indicates a perfect

negative linear relationship between variables, an r of 0 indicates no linear relationship between variables, and an r of 1 indicates a perfect positive relationship between variables.

3.9 Ethical Considerations

Ethical considerations are the guidelines that a researcher should abide by when conducting a research as every organization has rules governing their policy and practice that may require prior permission before undertaking research (Mugenda & Mugenda, 1999). The researcher took into consideration all the ethical issues that should be strictly followed such as getting a permit while undertaking this research study. Research permit was sought from the relevant authority, respondents were enlightened on the purpose of the study and their consent sought prior to their participation. The researcher protected the identity of respondents by asking the respondents not to write their names on their questionnaires for the purpose of confidentiality.

CHAPTER FOUR

RESULTS

4.0 Introduction

This chapter presents results of the study and the discussions.

4.1 Response Rate

The researcher targeted 108 respondents and all the 108 questionnaires issued were filled representing 100%. Managers of supermarkets were 14, employees were 22 and clients 72.

4.2 Demographic Characteristics of the Respondents

Respondent included 50 (46 %) males and 58(54 %) females (Table 4.1) thus indicating that more females participated in the study than males. Most of the respondents were aged 31 – 40 (42%) thus showing that a large number of those interviewed were in their youthful stages.

Over 40 %(44%) of the respondents had secondary education, (30%) had diplomas, (20%) had certificates and only (6%) had degrees. This was an indication that most of those who work in the supermarkets had access to formal education up to secondary level.

Sixty one (57%) of the respondents had experience in the supermarket as employees or customers for a period of between 0 -5 years. However, the percentage dropped to 42 (39%) at 6- 10 years and 5 (4%) above 11 years. This could indicate that most of the respondents were those who had experience of 0 to 5 years in the supermarket.

Table 4.1: Demographic characteristics of the Respondents

		F	%
Gender	Male	50	46
	Female	58	54
	TOTAL	108	100
Age	Less than 20	2	2
	20-30	14	13
	31-40	45	42
	41-50	36	33
	51-60	9	8
	More than 60	2	2
	TOTAL	108	100
Education levels	Secondary	48	44
	Certificates	22	20
	Diplomas	32	30
	Degrees	7	6
	TOTAL	108	100
Experience in the Supermarket	0-5 years	61	57
	6-10 years	42	39
	Over 11 years	5	4
	TOTAL	108	100

(Source: Field Data, 2015)

4.3 Community Initiative on Firm Performance

In response to the question as to whether the firm participates in community development projects, 38.9% of the respondents agreed, 31.4% were undecided, and 22.1% strongly agreed, this result shows that the supermarkets participated in community development projects. Response on whether supermarkets support education facilities or not revealed that majority with 68.8% strongly agreed, 48.2% agreed and 37.0% were undecided. The result on whether supermarkets support recreational facilities in the community revealed that 46.3% strongly disagreed, 27.8% disagreed, 12.0% agreed, 6.5% were undecided and % strongly agreed. On whether or not supermarkets provide welfare programmes to the aged, 37.0% of the respondents agreed, 18.5% strongly agreed, 18.5% disagreed, 9.3% were undecided and 9.3% strongly disagreed. On whether, due considerations to the minorities and disadvantaged groups in the society are provided by my supermarket, 37.0% agreed, 18.5% strongly agreed, 18.5% were undecided, 11.1% disagreed and 7.4% strongly disagreed. A question on provision of employment opportunities to the locals by my supermarket indicated that respondents with 46.3% strongly agreed, 27.8% agreed, 13.8% were undecided and 4.6% disagreed.

On charitable donations are provided by my supermarket, respondents with 46.3% agreed, 27.8% strongly agreed, 13.8% were undecided and 4.6% disagreed. Transportation services are provided by my supermarket, the result was, 37% agreed, 20.3% were undecided, 18.5% strongly agreed, 9.3% strongly disagreed and 7.4% disagreed. On question about whether my supermarket supports housing facilities to the locals, 46.3% strongly disagreed, 27.8% disagreed, 9.3% were undecided, 5.6% agreed and 3.7% strongly agreed. On welfare programmes being provided to the

undernourished by my supermarket, 37.8% agreed, 18.5% strongly agreed, 18.5 % were undecided, 11.1% disagreed and 7.4% strongly disagreed. Under the question, my supermarket support cultural facilities majority with 37% agreed, 18.5% strongly agreed, 18.5% were undecided, 13% disagreed and 5.6% strongly disagreed. The result on health facilities are provided by my supermarket showed that, 47.2% strongly agreed, 36.1% agreed and 9.3% were undecided.

Table 4.2: Community Initiative on Firm Performance

Community Initiative	SD		D		UD		A		SA	
	F	%	F	%	F	%	F	%	F	%
A1. My supermarket actively participates in community development.	0	0.0	0	0.0	34	31.4	42	38.9	24	22.2
A2. My supermarket support educational facilities.	0	0.0	0	0.0	40	37	52	48.2	70	68.8
A3. We support recreational facilities in the community..	50	46.3	30	27.8	7	6.5	13	12.0	0	0.0
A4. We provide welfare programs to the aged.	10	9.3	20	18.5	10	9.2	40	37.0	20	18.5
A5. Due considerations to the minorities and disadvantaged in the society are given by my supermarket.	8	7.4	12	11.1	20	18.5	40	37.0	20	18.5
A6. Employment opportunities to the locals are provided by my supermarket.	0	0.0	5	4.6	15	13.8	30	27.8	50	46.3
A7. Charitable donations are provided by my supermarket.	0	0.0	5	4.6	15	13.8	50	46.3	30	27.8
A8. Transportation services are provided.	10	9.3	8	7.4	22	20.3	40	37.0	20	18.5
A9. We support housing facilities to the locals.	50	46.3	30	27.8	10	9.3	6	5.6	4	3.7
A10. The undernourished get welfare programs from supermarkets.	8	7.4	12	11.1	20	18.5	40	37.0	20	18.5
A11. Supermarket support cultural facilities.	6	5.6	14	13.0	20	18.5	40	37.0	20	18.5
A12. Health facilities are supported by supermarkets.	0	0.0	0	0.0	10	9.3	39	36.1	51	47.2

(Source: Field data, 2015)

4.4 Employee Relations on Firm Performance

The next objective was to determine the effect of employee relations on firm performance. Results showed that supermarkets supported equal opportunity action plan, with responses were as follows: 46.3% of the respondents strongly agreed, 37.0% agreed and 9.3% were undecided. Results on whether anti-discrimination policies towards issues of gender, pregnancy and marital status are supported by supermarkets showed that 55.6% of the respondent agreed, 25.9% strongly agreed and 11.1% were undecided.

On whether supermarkets support compensation of employees as per the legally mandated minimum wage, 64.8% of the respondents strongly agreed, 25.0% agreed, 1.9% were undecided and 0.9% disagreed. Results on whether supermarkets support policies prohibiting forced overtime showed that majority (74.1 %) of the respondents strongly agreed and 18.5% agreed. On provision of training and development of employees' services, responses revealed that 46.3% of the respondent agreed, 32.4% strongly agreed 9.3% were undecided and 4.6% disagreed. Results further indicated that supermarkets supported freedom of association with 60.2 % of the respondents agreeing, 27.8% strongly agreed and 4.6% were undecided. On whether supermarkets supported freedom of collective bargaining, 50.9% of the respondents agreed, 32.4% strongly agreed, 7.4% disagreed, 0.9% undecided and 0.9% strongly disagreed. On whether there was a well-defined complaint procedure in supermarkets, 64.8% of the respondents strongly agreed, 18.5% agreed, 4.6% were undecided, 2.8% disagreed and only 1.9% strongly disagreed. Results further showed that my supermarkets provide policies covering health and safety at work with responses given as follows 37.0% of

the respondents disagreed, 23.1% were undecided, 13.9% strongly agreed, 9.3% strongly disagreed and only 9.3% agreed.

Findings showed that supermarkets support formal workers representation in decision making with responses showing 64.8% of the respondent agreed, 23.1% strongly agreed and 4.6% undecided. The results from Table 4.3 indicated that they provide effective and efficient personnel administration and industrial relations practices with responses showing majority (74.1%) of the respondents strongly agreed and 18.5% agreed.

Table 4.3 Employee Relations on Firm Performance

	SD		D		UD		A		SA	
	F	%	F	%	F	%	F	%	F	%
Financial Perspective										
B1. We support equal opportunity action plan.	0	0.0	0	0.0	10	9.3	40	37.0	50	46.3
B2. Anti-discrimination policies are supported by supermarkets.	0	0.0	0	0.0	12	11.1	60	55.6	28	25.9
B3. We provide policies towards sexual harassment.	0	0.0	0	0.0	8	7.4	32	29.6	60	55.6
B4. We support compensation of employees as per legally mandated minimum wages.	0	0.0	1	0.9	2	1.9	27	25.0	70	64.8
B5. Supermarkets support policies towards prohibiting forced overtime.	0	0.0	0	0.0	0	0.0	20	18.5	80	74.1
B6. Training and development of employees' are done by supermarkets.	0	0.0	5	4.6	10	9.3	50	46.3	35	32.4
B7. Supermarkets support freedom of association.	0	0.0	0	0.0	5	4.6	65	60.2	30	27.8
B8. We support freedom of collective bargaining.	1	0.9	8	7.4	1	0.9	55	50.9	35	32.4
B9. We provide policies covering safety and health at work.	10	9.3	40	37.0	25	23.1	10	9.3	15	13.9
B10. Supermarket have well-defined complaint procedure.	2	1.9	3	2.8	5	4.6	20	18.5	70	64.8
B11. We supports formal workers representation.	0	0.0	0	0.0	5	4.6	70	64.8	25	23.1
B12. We provide effective and efficient personnel administration and industrial relations practices.	0	0.0	0	0.0	0	0.0	20	18.5	80	74.1

(Source: Field, data 2015)

4.5 Government Relations on Firm Performance

From the questionnaire responses, when respondents were asked on whether supermarkets adhere to the code of conduct with regard to bribery, gift receipts and corruption, 55.6% agreed, 27.8% strongly agreed, 4.6% were Undecided and 4.6% disagreed. On government relations the questionnaire sought to assess whether supermarkets support well defined environmental responsibilities, and responses showed that, majority (74.1%) agreed, 11.1% strongly agreed and 7.4% were undecided. On whether supermarkets support policies for substitution of pollution and conservation of virgin materials, responses revealed that, 46.3% of the respondents strongly agreed, 35.2% agreed and 11.1% were undecided. On whether supermarkets support preference for green products when purchasing, the responses were as follows, 27.8% of the respondent were undecided, 26.9% disagreed, 23.1% agreed, 13.9% strongly agreed and only 0.9% strongly disagreed. The study further enquired on whether my supermarkets support selection of cleaner transportation methods, the response were as follows: 27.8% of the respondent strongly disagreed, 23.1% disagreed, 23.1% were undecided, 11.1% agreed and only 7.4% strongly agreed.

Emission filters and end-of-pipe controls were provided, 69.4% of the respondents strongly agreed while 23.1% agreed. Responding on whether supermarkets are responsible for disposal of waste and residues, majority (74.1%) of the respondent strongly agreed, 13.9% agreed, 3.7% were undecided and only 0.9% disagreed.

On the question on effects of government relations on firm performance, supermarkets support design for reducing energy and natural resources consumption, with respondents' responses showing, 62.0% of the respondents agreed, 21.3% strongly

agreed, 4.6% were undecided, 2.8% disagreed and only 1.9% strongly disagreed. On whether supermarkets support systems and techniques for producing environmentally safe products, the response were as follows: majority (67.9%) of the respondent agreed, 13.0% strongly agreed and 12.0% were undecided. The study further established that there was support from supermarkets to the government on welfare and development programmes with responses showing that, 40% of the respondents agreed, 30% were undecided, 20% strongly agreed, 6% strongly disagreed and 4% disagreed. On whether supermarkets are in compliance with government laws and regulations, the responses were as follows: majority (74.1%) of the respondents strongly agreed, 13.9% agreed, 1.9% were undecided, 1.9% disagreed and only 0.9% strongly disagreed. Responses on whether supermarkets allocate proper CSR budgets: most of 57.4% of the respondent strongly agreed, 16.7% agreed, 13.9% were undecided and 4.6% disagreed.

On whether supermarkets provide policy for social accountability and sustainable reporting, responses were as follows: 52.8% were undecided, 32.4% agreed, 4.6% strongly agreed and 2.8% disagreed. Lastly on whether supermarkets make timely payment of taxes, the responses were as follows: 63.0% agreed, 18.5% were undecided, 9.3% strongly agreed, 0.9% disagreed and 0.9% strongly disagree.

Table 4.4: Government Relations on Firm Performance

Government relations	SD		D		UD		A		SA	
	F	%	F	%	F	%	F	%	F	%
C1. My supermarket adheres to the code of conduct with regard to bribery, gift receipts and corruption.	0	0.0	5	4.6	5	4.6	60	55.6	30	27.8
C2. We support well defined environmental responsibilities.	0	0.0	0	0.0	8	7.4	80	74.1	12	11.1
C3. We support policies for substitution of pollution and conservation of virgin materials.	0	0.0	0	0.0	12	11.1	38	35.2	50	46.3
C4. We support preference for green products in purchasing.	1	0.9	29	26.9	30	27.8	25	23.1	15	13.9
C5. My supermarket supports selection of cleaner transportation methods.	30	27.8	25	23.1	25	32.1	12	11.1	8	7.4
C6. We provide emission filters and end-pipe controls.	0	0.0	0	0.0	0	0.0	25	23.1	75	69.4
C7. We are responsible for disposal of waste and residue.	0	0.0	1	0.9	4	3.7	15	13.9	80	74.1
C8. Our supermarket supports process design for reducing energy and natural resources consumption.	0	0.0	0	0.0	0	0.0	92	85.2	8	7.4
C9. Systems and techniques for producing environment safe products are supported by my supermarket.	2	1.9	3	2.8	5	4.6	67	62.0	23	21.3
C10. My supermarket supports the government in welfare and development programs.	0	0.0	0	0.0	13	12.0	73	67.9	14	13.0
C11. Our supermarket is in compliance with government laws and regulations.	1	0.9	2	1.9	2	1.9	15	13.9	80	74.1
C12. Our supermarket allocates proper CSR budgets.	0	0.0	5	4.6	15	13.9	18	16.7	62	57.4
C13. Policy for social accountability is provided by my supermarket.	0	0.0	3	2.8	57	52.8	35	32.4	5	4.6
C14. We make timely payment of taxes.	1	0.9	1	0.9	20	18.5	68	63.0	10	9.3

(Source: Field data, 2015)

4.6 Customer Wellbeing on Firm Performance

The fourth and the last objective sought to ascertain the effects of customer wellbeing on firm performance and on to provide policy systems for customer satisfaction, response to this were as follows: 67.6% of the respondent agreed, 12.0 % strongly agreed, 9.3% were undecided and only 3.7% disagreed. Further results showed that customers viewed the advertising codes used by supermarkets as being standard and voluntary, the responses were as follows: 53.7% of the respondents agreed, 20.4% strongly agreed, 9.3% disagreed, 4.6% were undecided and 4.6% strongly disagreed. The supermarkets are committed to quality through well developed and wide quality programmes, the results were as follows: 37.0 % of the respondent strongly agreed, 27.8% agreed, 13.9% were undecided whereas 13.9% disagreed. When supermarkets were asked on whether it was committed to industry, majority of 75.9% of the respondent agreed, 4.6% strongly agreed, 4.6% disagree, 3.7% were undecided and 4% strongly disagreed.

On whether supermarkets are committed to Research and Development innovations, the responses were as follows: 42.6% of the respondent agreed, 31.5% were undecided, 13.9% agreed, 2.8% strongly disagreed and 1.9% disagreed. Supermarkets get involved direct to the customers by providing products to all levels of income earners, the responses were as follows: majority 72.2% of the respondent agreed and 20.6% strongly agreed. As to whether supermarkets ensure proper provision of all required information to credit rating Agencies, the responses were as follows: 27.8% of the respondent were undecided, 25.0% agreed, 21.3%strongly agreed, 13.9% disagreed and 4.6% strongly disagreed. My supermarket has regulatory mechanisms

for prohibiting insider trading, the responses were as follows: majority of the respondent with 85.2% agreed and only 7.4% strongly agreed. On whether my supermarket ensures competitive prices and payment conditions for products with quality, the responses were as follows: 49.1 % of the respondent agreed, 34.3% strongly agreed, 4.6% were undecided, 2.8% strongly disagreed whereas 1.9 % of the respondent disagreed. My supermarket supports fair terms of sale, the responses were as follows: 57.4% of the respondent agreed, 18.5% strongly agreed and 16.6% were undecided. Our supermarket promotes education of customers about product and their use, the responses were as follows: 62.0% of the respondent strongly disagreed, 12.0% were undecided, 9.3% disagreed, 5.6% agreed and only 3.7% strongly agreed. After sale services that may be required by the customers are availed by my supermarket, the responses were as follows: 54.6% of the respondent agreed, 13.9% were undecided, 10.2% agreed, 9.3% disagreed and 4.6% strongly disagreed.

We ensure proper labelling, packaging and presentation of products to the customers, the responses were as follows: 66.7% agreed, 23.1% strongly agreed and 2.8% were undecided. Finally on my supermarket conducts ample research before allowing a product on the market, the responses were as follows: 62.0% of the respondent agreed, 12.0% strongly agreed, 9.3% were undecided, 7.4% strongly disagreed whereas 1.9% disagreed.

Table 4.5: Customer Wellbeing on Firm Performance of Supermarkets

Customer wellbeing	SD		D		UD		A		SA	
	F	%	F	%	F	%	F	%	F	%
D1. We provide policy systems for customer satisfaction.	0	0.0	4	3.7	10	9.3	73	67.6	13	12.0
D2. Our advertisement codes are standard and voluntary.	5	4.6	10	9.3	5	4.6	58	53.7	22	20.4
D3. We are committed to quality through well developed and wide quality programs.	0	0.0	15	13.9	15	13.9	30	27.8	40	37.0
D4. We are committed to industry.	4	3.7	5	4.6	4	3.7	82	75.9	5	4.6
D5. We are committed to Research and Development.	3	2.8	2	1.9	34	31.5	46	42.6	15	13.9
D6. We get involved direct to the customers by providing products to all levels of income earners.	0	0.0	0	0.0	0	0.0	78	72.2	22	20.6
D7. We provide all required information to credit rating agencies.	5	4.6	15	13.9	30	27.8	27	25.0	23	21.3
D8. We have regulatory mechanisms for prohibiting insider trading.	0	0.0	0	0.0	0	0.0	92	85.2	8	7.4
D9. We ensures competitive prices and payment conditions for products with quality.	3	2.8	2	1.9	5	4.6	53	49.1	37	34.3
D10. We support fair terms of sale.	0	0.0	0	0.0	18	16.7	62	57.4	20	18.5
D11. We promote education of customers about products and their use.	67	62.0	10	9.3	13	12.0	6	5.6	4	3.7
D12. We avail after-sale services required by our customers.	5	4.6	10	9.3	15	13.9	59	54.6	11	10.2
D13. We ensure proper labelling of products.	0	0.0	0	0.0	3	2.8	72	66.7	25	23.1
D14. We conducts ample research.	8	7.4	2	1.9	10	9.3	67	62.0	13	12.0

(Source: Field data, 2015)

4.7 Correlation Analysis Results

The relationship between the study variables are presented under this section and Pearson's Correlation test was used. To investigate the relationship among the constructs a Zero-order correlation table was generated. The Pearson correlation coefficient (r) was applied to community initiative, Employee relations, government relations and customer wellbeing on supermarket performance. To establish the relationship between the study variables on Table 4.6; Corporate social responsibility as a determinant of performance in Supermarket, correlation results revealed the level of strength and significance of the relationships between the study variables and the dependent variable. From Table: 4.6, at 99% level of confidence, 1 unit change in Community initiative leads to 0.36 change on Performance of supermarkets. 1 unit change in employee relations leads to 0.153 change in supermarkets Performance, 1 unit change in Government relations leads to 0.42 change in Performance of supermarkets and finally 1 unit change in Customer wellbeing leads to 0.72 change in performance of supermarkets. The findings clearly show that all the four independent variables are positively related to the dependent variable since they have a correlation of between 0 and +1 and hence Government relations compared to other independent variables has the highest level of relationship that is, 0.42 Since this involve factors such as regulations, levies and taxes, the payment of such may portray financial burdens. Though taxes and levies may well be viewed as mandatory and as part of operational expenditures, the firms may nonetheless perceive them as hurdles towards its performance.

4.6.1 Correlation Analysis Results

Table 4.6: Results on Association of variables

		Community Initiative	Employee Relations	Government Relations	Customer Wellbeing	Firm Performance (Supermarkets)
Community Initiative	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	90				
Employee Relations	Pearson Correlation	0.042	1			
	Sig. (2-tailed)	0.045				
	N	90	90			
Government Relations	Pearson Correlation	0.038	0.52	1		
	Sig. (2-tailed)	0.001 □ □ □ □	0.003			
	N	90	90	90		
Customer wellbeing	Pearson Correlation	0.043	0.36	0.48	1	
	Sig. (2-tailed)	0.001 □ □	0.02	0.04		
	N	90	90	90	90	
Firm Performance (Supermarkets)	Pearson Correlation	0.36	0.153	0.42	0.072	1
	Sig. (2-tailed)	0.005 □	0.003	0.015	0.008	
	N	90	90	90	90	90

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

□ □ Level of significance at 0.001; □ Level of significance at 0.005

(Source: Field data, 2015)

4.8 Regression Analysis Results

Regression analysis is a statistical tool for the investigation of relationships between variables. Usually, the investigator seeks to ascertain the causal effect of one variable on another. As a result, 1 unit change on community initiative led to 0.153 change on performance in supermarkets. A 1 unit change on employee relations would lead to a 0.17 change on firm performance in Supermarkets, 1 unit change in the government relations would result in a 0.158 change on firm performance in Supermarkets and 1 unit change on customer wellbeing would lead to a 0.169 change on firm performance of Supermarkets. Also, there was the use of Community Initiative (t= 2.470), Employee Relations (t= 2.851), Government Relations (t=2.309) and Customer Wellbeing (t=2.550).

Table 4.7: Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.252	0.212		2.470	0.045
Community Initiative	0.042	0.023	0.153	2.851	0.017
Employee Relations	0.061	0.032	0.170	2.550	0.001
Government Relations	0.268	0.050	0.158	2.309	0.001
Customer Wellbeing	0.051	0.033	0.169	2.550	0.024

(Source: Field Data, 2015)

- Dependent Variable: Firm performance in Supermarkets
- $Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e$
- $Y = 0.153x_1 + 0.170x_2 + 0.158x_3 + 0.169x_4 + e$

Where y = Firm performance in Supermarkets

α = The constant

β =beta

x_1 = Community initiative

x_2 = Employee relations

x_3 =Government relations

x_4 = Customer wellbeing

ε = Error term

4.9 Regression Model Summary

From the results in Table 4.8 R= 0.708, R- square = 0.501, adjusted R- square= 0.459, and the SE= 1.10798. R coefficients indicate the degree of linear relationship of firm performance in supermarkets with all the predictor variables, whereas the coefficient of multiple determinations R-square shows the provision of the total variation in firm performance in supermarkets as explained by the independent variables, community initiative, employee relations, government relations and customer wellbeing in the regression equation. The adjusted R-square gives us the coefficient of determination between the variables the results from the regression analysis give an adjusted R-square value of 0.459, indicating that the independent variables acting together cause the 45.9% change on dependant variable (firm performance in supermarkets).

Table 4.8: Regression Model summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708 ^a	.501	.459	1.10798

Source (Field data, 2015)

a. Predictors: (Constant), community initiative, employee relations, government relations and customer wellbeing.

4.10 Hypotheses Testing

From the regression model computed in Table: 4.7, the research hypotheses were tested using the significance level of the coefficients. The research aimed at testing the hypotheses with the aim of accepting whether there was any effect of CSR on firm performance. A multiple linear regression model was used to investigate these hypotheses. The study hypothesized that:

H01: There is no significant relationship between community initiative and firm performance. The null hypothesis is rejected. ($\beta = 0.042$, $p < 0.017$). The result shows there is a positive relationship between community initiative and firm performance.

H02: There is no significant relationship between employee relations and firm performance and therefore the null hypothesis was rejected ($\beta = 0.061$, $p < 0.001$). This shows that employee relations affects firm performance.

H03: There is no significant relationship between government relations and firm performance. From the results the null hypothesis was rejected. ($\beta = 0.268$, $p < 0.001$). This is an indication that government relations is a contributing factor to firm performance.

H04: There is no significant relationship between customer wellbeing and firm performance. The null hypothesis was rejected. ($\beta = 0.051$, $p < 0.024$). This means that customer wellbeing has a significant effect on firm performance.

Results from the regression model in Table: 4.7 show that the regression weights of the four of the independent variables were significant. This means that all the four postulated hypotheses were supported. Therefore, community initiative, employee

relations, government relations and customer wellbeing are predictor variables which are determinants of performance in Supermarkets.

CHAPTER FIVE

SUMMARY AND DISCUSSIONS

5.0 Introduction

This chapter presents a summary of the findings and the discussion.

5.1 Summary of Findings

5.1.1 Community Initiative on Performance of Supermarkets

Results for objective one indicated that community initiative had $\beta = 0.042$, $p < 0.017$ and the hypothesis was therefore rejected. This showed that one unit of community initiative resulted to 0.042 units of performance of supermarkets.

5.1.2 Employee Relations on Performance of Supermarkets

Results for objective two indicated that employee relations had $\beta = 0.061$, $p < 0.001$ and the hypothesis was therefore rejected. This showed that one unit of employee relations resulted to 0.061 units of performance of supermarkets.

5.1.3 Government Relations on Performance of Supermarkets

Results for objective three indicated that government relations had $\beta = 0.268$, $p < 0.001$ and the hypothesis was therefore rejected. This demonstrated that one unit of government relations resulted to 0.268 units of performance of supermarkets.

5.1.4 Customer Wellbeing on Performance of Supermarkets

Results for objective four indicated that customer wellbeing had $\beta = 0.051$, $p < 0.024$ and the hypothesis was therefore rejected. This indicated that one unit of customer wellbeing resulted to 0.051 units of performance of supermarkets.

5.2 Discussion

5.2.1. Community Initiative on Supermarket Performance

Under community initiative as a determinant of performance in supermarkets, it was found that supermarkets do not support recreational facilities in the community and this implied that people from the community could look for recreation from other places rather than the supermarkets. Therefore, this led to reduced volume of sales and lower competitive advantage.

These findings are in line with those of (Adeyanju, 2012) who reported that corporate social responsibility contributes to living a healthy life in the community. A company has to give back to the society in which it operates, clean up all forms of pollution it has caused in its course of operation and also provide infrastructural facilities to the society as a way of giving back and developing the society. A company cannot progress positively in a retrogressing society.

5.2.2 Employee Relations on Performance of Supermarkets

On objective two, it was found that Supermarkets do not promote employees welfare through provision of recreational, housing and credit facilities and this demonstrated employees being demotivated and hence customer loyalty became a problem due to increased complaints from customers, this leading to high levels of customer dissatisfaction due to poor employee- customer relationships in supermarkets. By the same token, there are situations in which unions can stimulate training. Thus, the expression of a union voice, underwritten by the wage premium, should cut down on labour turnover and increase the incentive of the employer to invest in firm-specific training because of the longer payback period. Application of collective voice might improve contract enforcement and make workers more willing to engage in training, including multiskilling. More importantly, it might tackle a potential 'hold up'

problem on the part of employers, and firms might ‘hold up’ the sunk investments of workers in training, leading to an under-investment in human capital. Here, unions could act to prevent the holdup problem by making the firm honour its commitments (Menezes-Filho & Van Reenen, 2003.). On this reasoning, stronger unions could well imply improved contract execution. Even if employers in a sense over-train in response to the union premium and turnover is too low – so that society will not benefit – there is no implication that the productivity of training should on this account be lower in union regimes. The principal caveat would presumably be where unions negotiate training (Campbell, 2007).

5.2.3 Government Relations on Performance of Supermarkets

On government relations, it was found that supermarkets in Eldoret town are responsible for disposal of wastes and residues and that they are in compliance with government laws and regulations, hence the government had confidence in regard to the operation of supermarkets and this had led to increased sales and good business relationship with the government. According to Kohli (2006), an effective state-business relationship is an important underlying factor for economic growth. The author constructed a composite CSR measure for twenty sub-Saharan countries over the period of 1970–2005 and found that higher CSR scores are correlated with faster economic growth and with more operational investment climate data, such as fewer procedures when trading goods and services. (Maimunah, 2009) observed that the Bulgarian business environment had improved since 1997 partly because of improved public-private sector dialogue. In the current improved environment, the private sector had increased expectations from the state and the state sought to engage the private sector more often, albeit under pressure from international institutions, to obtain comments and advices on legal changes.

5.2.4 Customer Wellbeing on Performance of Supermarkets

It was found that supermarkets had regulatory mechanisms for prohibiting insider trading. This had led to customer confidence on products since they were sure of the products being sold in the supermarkets and hence customers had confidence to buy items from supermarkets in Eldoret town due to regulatory mechanisms governing trading.

This is in tandem with the study by Rodrik (2011), who stated that corporate social responsibility in the form of product features has the potential to provide the broadest spectrum of value to stakeholders in general. Although customers are considered the relevant stakeholder type for product-related features, these CSR activities can also affect other stakeholders, such as employees. Of particular importance is the potential of product-related features for self-oriented value, this is because customers are unlikely to trade quality for more traditional, other-oriented CSR. The other most common category of CSR activities includes those related to the business practices of the firm. Like philanthropy, CSR activities in the form of business practices carry the potential to enhance extrinsic value for customers. For example, supporting a firm that recycles can make an individual feel that he or she is practicing good community responsibility, and can be used to define to others that one is environmentally conscious. Many of these CSR activities can also greatly enhance self-oriented stakeholder value. For example, employees perceive very favourably many employee relations policies like benefit plans, for obvious self-oriented (Deephouse, 2003).

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the conclusions and recommendations.

6.1 Conclusions

From the result on community initiative, the study concluded that Supermarkets in Eldoret town do not support recreational facilities in the community. This led to lower sales volume especially during the weekends and holidays since most people could go to other places where they could find recreational facilities to have fun with their families and friends.

Under employee relations, supermarkets do not promote employee welfare through provision of recreational, housing and credit facilities. This led to customers being unsatisfied on how employees serve them especially during rainy the season since their minds are divided on how they will reach where they live. Customer loyalty became a problem due to increased complaints from customers, and this led to high levels of customer dissatisfaction due to employee- customer relationship in supermarkets.

On government relations, it was concluded that supermarkets in Eldoret town are responsible for disposal of wastes and residues and that they are in compliance with government laws and regulations, hence the government had confidence with regard to the operation of supermarkets and this had led to increased sales and good business relationship with the government.

Lastly on customer wellbeing, it was concluded that supermarkets had regulatory mechanisms for prohibiting insider trading. This had led to customer confidence on products since they were sure of the products being sold in the supermarkets and hence customers had confidence to buy items from supermarkets in Eldoret town due regulatory mechanisms governing trading.

6.2 Recommendations

6.2.1 Recommendations on Community Initiative

With regard to the study findings on community initiative as a determinant of performance in supermarkets; it is vital for supermarkets to provide recreational services to the community in order for them to increase their sales volume. The moment they provide this facility, most people will do more shopping especially during the weekends and holidays since they will buy food and refreshments among other items.

6.2.2 Recommendations on Employee Relations

Under employee relations on firm performance of supermarkets, there is need for supermarkets to promote employees welfare through provision of educational, recreational, housing and credit facilities. This will improve the living standards of the employees hence increased customer service and hence productivity.

6.2.3 Recommendations on Government Relations

Supermarkets should be responsible for disposal of wastes and residues and they should comply with government laws and regulations, hence the government will have more confidence in regard to the operation of supermarkets and this will lead to

increased sales and good business relationship with the government. Supermarkets should also support selection of cleaner transportation methods. There is therefore need for adoption of go-green by supermarkets. This will reduce environmental pollution and consequently reduction of diseases leading to improved general cleanliness in the country.

6.2.4 Recommendations on Customer Wellbeing

Supermarkets should carry out awareness creation and education of customers about products and their use. This will ensure customer loyalty, increased sales and good corporate image and thus earn competitive advantage.

6.2.2 Recommendations for Further Research

1. The researcher found out that the data used in carrying out the research were obtained only from supermarkets in Eldoret town and may be limited to it only. A further study that includes all or the majority of the supermarkets in Kenya is highly recommended.
2. Extensive studies are also needed to explore the relationship between CSR and profitability and determine whether or not those relationships hold consistently over time.
3. The study recommends that a research should be done to investigate and to ascertain how long it takes for the impact of CSR on financial performance to be revealed. For the above to be realized, more data on CSR should be generated and availed.
4. Further research should be conducted on the impact of corporate social responsibility on economic growth in Kenya.

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APPENDICES

Appendix I: COVER LETTER

Florence Jemutai Cheptum,

University of Eldoret,

P.O. Box 1125, 30100.

Eldoret, Kenya.

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION

I am a student with the registration number: **SBMS/PGMBM/002/13** from the University of Eldoret carrying out a research on **CORPORATE SOCIAL RESPONSIBILITY AS A DETERMINANT OF PERFORMANCE IN SUPERMARKETS IN ELDORET TOWN, KENYA**. This is in partial fulfilment of the requirement of the award of degree of Masters of Business Management (MBM) of the University of Eldoret town.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you.

Yours faithfully,

Florence Jemutai Cheptum

Appendix II: QUESTIONNAIRE

Tick as appropriate.

PART A: Demographic characteristics:

1. Gender. Female Male

2. Age bracket (Years)

Less than 20 20-30 31-40 41-50
51-60 More than 60

3. Highest level of education.

Doctorate Masters Degree
Diploma Certificate
K.C.S.E Any other

4. Experiences in the Supermarket

0 – 5 years 6 – 10 years over 11 years

Please tick as appropriate

5. Strongly Agree 4. Agree 3. Undecided 2. Disagree 1. Strongly Disagree

PART 1: COMMUNITY INITIATIVE

Statement	5	4	3	2	1
1. My Supermarket actively participate in community development projects					
2. My Supermarket support educational facilities					
3. Recreational facilities in the community are supported by my Supermarket					
4. My Supermarket provide welfare programmes to the aged					
5. Due considerations to the minorities and disadvantaged groups in the society are given by my Supermarket					
6. Employment opportunities to the locals are provided by my Supermarkets					
7. Charitable donations are provide by my Supermarket					
8. Transportation services are provided by my Supermarket					
9. My Supermarket support housing facilities to the locals					
10. The undernourished get welfare programmes from my supermarket					
11. My Supermarket support cultural facilities					
12. Health facilities are supported by my Supermarket					

PART 2: EMPLOYEE RELATIONS

Statement	5	4	3	2	1
1.We support equal opportunity action plan.					
2.Anti-discrimination policies towards issues of gender, pregnancy and marital status are supported by my Supermarket.					
3.We provide policies towards sexual harassment.					
4.We support compensation of employees as per legally mandated minimum wages.					
5.My Supermarket supports policies towards prohibiting forced overtime.					
6.Training and development of employees services are provided by the Supermarket.					
7.My Supermarket supports freedom of association.					
8.We support freedom of collective bargaining.					
9.My Supermarket has a well-defined complaint procedure.					
10.We provide policies covering health and safety at work.					
11.Our Supermarket supports formal workers representation in decision making.					
12.We provide effective and efficient personnel administration and industrial relations practices.					

PART 3: GOVERNMENT RELATIONS

Statement	5	4	3	2	1
1. My Supermarket adheres to the code of conduct with regard to bribery, gift receipts and corruption.					
2. We support well defined environmental responsibilities.					
3. We support policies for substitution of pollution and conservation of virgin materials.					
4. We support preference for green products in purchasing.					
5. My Supermarket supports selection of cleaner transportation methods.					
6. Emission filters and end-of-pipe controls are provided by the Supermarket.					
7. We are responsible for disposal of waste and residues.					
8. Our Supermarket supports process design for reducing energy and natural resources consumption in operation.					
9. Systems and techniques for producing environment safe products are supported by the Supermarket.					
10. My Supermarket supports the government in welfare and development programs.					
11. Our Supermarket is in compliance with government laws and regulation.					
12. Our Supermarket allocates proper CSR budgets.					
13. Policy for social accountability and sustainable reporting is provided by the Supermarket.					
14. The Supermarket makes timely payment of taxes.					

PART 4: CUSTOMER WELLBEING

Statement	5	4	3	2	1
1.We provide policy systems for customer satisfaction.					
2.Our advertising codes are standard and voluntary.					
3.We are committed to quality through well developed and wide quality programmes.					
4.We are committed to Industry					
5.We are committed to Research and Development innovations.					
6.We get involved direct to the customers by providing products to all levels of income earners.					
7.We ensure proper provision of all required information to credit rating Agencies.					
8.We have regulatory mechanisms for prohibiting insider trading.					
9.My Supermarket ensures competitive prices and payment conditions for products with quality.					
10.We support fair terms of sale.					
11.Our Supermarket promotes education of customers about product and their use.					
12.After-sale services that may be required by the customers are availed by the Supermarket.					
13.We ensure proper labelling, packaging and presentation of products to the customers.					
14.My Supermarket conducts ample research before allowing a product on the market.					

PART 5: FIRM PERFORMANCE

Statement	5	4	3	2	1
1. The level of sales volume in our supermarket is high.					
2. Our supermarket provides new and the best products and services.					
3. We earn more profits from the sales of our products and services we offer.					
4. Our supermarket has been having an increase in employees.					

THANK YOU

Appendix III: LIST OF SUPERMARKETS IN ELDORET TOWN

Uchumi Supermarket Limited.
Eldo Supermarket Limited
Aziz and Akbar Limited
Dil Enterprises Limited
The Drumstick Limited
Eldoret Mattresses Supermarket Limited
Eldoret Supermarket Limited
Iten Supermarket Limited
Eldomatt Supermarket Limited.
Jolly Grocers Limited
Nakumatt Supermarket Limited.
Kitale Wholesalers Supermarket Limited
Ukwala Supermarket Limited.
Nakuru Mattresses Limited
Naivas Supermarket Limited.
Suam Trading Company
Yako Supermarket Limited.
Ushanga Supermarket Limited
Khetias Supermarket Limited.
Veer Supermarket Limited
Tulin Supermarket Limited
Transmattresses Supermarket Limited.

Appendix IV: LIST OF SELECTED SUPERMARKETS

Uchumi Supermarket Limited.

Eldomatt Supermarket Limited.

Nakumatt Supermarket Limited.

Ukwala Supermarket Limited.

Naivas Supermarket Limited.

Yako Supermarket Limited.

Khetias Supermarket Limited.

Appendix V: MAP OF ELDORET TOWN



Figure 3.1: Map of Eldoret Town

(Source: Internet)