

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN
THE MANUFACTURING INDUSTRY IN KENYA AND ON
THE GROWTH OF THE INDUSTRY.**

CASE STUDY: BROOKSIDE DAIRY LIMITED, KENYA

Submitted by

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**RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS
AND MANAGEMENT IN PARTIAL FULFILMENT FOR THE AWARD
OF DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION IN
KAMPALA INTERNATIONAL UNIVERSITY.**

JUNE 2009

DECLARATION

I declare that this is my original and personal work and that it has never been submitted to any university for any award.

Signature

Date:


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14-JUNE-2009

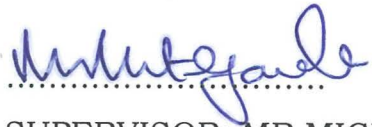
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APPROVAL

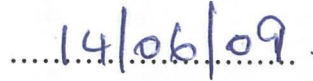
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ACKNOWLEDGEMENT

I extend my gratitude to my parents for their parental guidance and advice. All the financial, moral, social, and spiritual support and the good humor which has been a great key to my success.

Am grateful to almighty father for the spiritual guidance through out the years of my studies without his mercy all this would have not been possible.

With special respect, I do acknowledge the brookeside dairy limited Kenya and the entire workers whom I interviewed. Thank you all for the frankness, resourcefulness, and for the interest you showed in this research.

To my friends who have helped me in one way or another during this period of my study and for your love and moral support rendered to me during my three years stay in Kampala international university Uganda.

Last but not least my appreciation goes to the staff of the faculty of business management. And especially my supervisor MR MICHAEL RUTEGANDA whose guidance I have relied on and managed to present this paper.

It is however practically impossible to acknowledge individually all the help and support I have received evolving the ideas presented herein.

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LIST OF ACRONYMS

EPZ	export processing zone
CSR	corporate social responsibility
KHRC	Kenya human rights commission
COTU	central organization of trade union
COMESA	common market for eastern & southern Africa
BAT	British American tobacco
IGAD	inter governmental authority on development
UDHR	universal declaration on human rights

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CHAPTER ONE

1.0 Background of the Study

Corporate Social Responsibility (CSR) means that companies integrate social and environmental concerns in their business operations and in their interaction with business relevant groups on a voluntary basis. Social Responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization, or an individual has a responsibility to society. Social responsibility is voluntary; it is about going above and beyond what is called for by the law (Legal Responsibility).

In the United States, Corporate Social Responsibility emerged around 1950, struggled for acceptance during the 1960s and 1970s and in the 1980s President Ronald Regan recognized it as something of great importance and was then taken up as corporate faith. The values and ethics that support CSR are embodied in corporate culture itself but must be discovered and managed with the professional help of management experts, scientists and business ethics philosophers. The range of these values and ethical precepts are global in scope but are reducible to sets of universally agreed moral principles, what might be a matter of social concern in the western world therefore may not be a concern in many developing countries experienced in Africa and Asia. Since then, businesses in the world are attempting to identify their place and role in the sustainable development trajectory. This would involve investing in socially and environmentally responsible activities.

Brookside Dairy is a private company founded in 1993 following the deregulation of the dairy sector in the early 1990s. Based in Ruiru, about 20 kilometers from Nairobi, Brookside produces superior quality milk, sourced from 80,000 suppliers. 7% of these are commercial farmers and the remainder are small scale producers.

Benefits to local communities in the form of health education programmes, funding for

school, church and road building projects, as well as sponsorship of the local football team.

Brookside-sponsored training field days attended by up to 6,000 local farmers at a time to help spread best-practice in livestock management and provide networking opportunities for smallholders, many of whom are geographically isolated.

The expanding business provides linkages between rural and urban economies and a sustainable route out of poverty for many.

Every business entity has its stakeholders and its impacts on society, both positive and negative. The concept of corporate social responsibility (CSR), broadly defined as the overall contribution of a business to sustainable development (SD); should therefore be equally valid for large and small enterprises. Kenya is the most industrially developed country in East Africa, but it has not yet produced results to match its potential. Manufacturing is based largely on processing imported goods, although the government supports the development of export oriented industries. Major industries include agricultural processing, publishing and printing, and the manufacture of textiles and clothing, cement, tires, batteries, paper, ceramics, and leather goods. The manufacturing sector now comprises of more than 700 established enterprises and employs directly over, 218,000 persons as at the year 2000, and hence it is one that requires to be socially responsible. Firms such as the EPZ have in the past been accused of being socially irresponsible to the environment and the workers in Kenya and globally, wallmart has been under scrutiny for more than five years because of allegations that their suppliers operate sweat shops that overwork and underpay their employees. The extent to which corporate social responsibility has on the growth of an industry is that when a firm or an industry is viewed in the public eye as a human right offender or one that does not involve itself in social responsibility will generally lose clients and hence profits, or is it so?

The manufacturing sector of Kenya has improved at a rate of 5.5% each year since 2003, and supports our economy by contributing 6.9% of the GDP. The growth in this sector has been attributed to the policy framework set up by the government that controls the manufacturer's activities. Critics have attributed this growth to other factors and impressed that the policies

on the manufacturers will make Kenya a no manufacturer go-zone if the trend continues (Economic survey, 2007).

1.2 Statement of the Problem

It is apparent that in today's business practice, Corporate Social Responsibility (CSR) is practised in many multinational organizations strategic planning process. The reasons or drive behind social responsibility towards human and environmental responsibility is still questionable whether based on genuine interest or have underlining ulterior motives. Corporations are fundamentally entities that are responsible for generating a product and or service to gain profits to satisfy shareholders (Prof Malloy, 2000, pg.59). Critics of CSR will attribute other business motives, which the companies would dispute. For example, some believe that CSR programmes are often undertaken in an effort to distract the public from the ethical questions posed by their core operations. Some that have been accused of this motivation include British American Tobacco (BAT) which produces major CSR reports and the petroleum giant BP which is well known for its high profile advertising campaigns on environmental aspects of their operations.

This research looked at the various benefits that may come out of involving the industry or individuals that affect the growth of industries in Kenya, in the process of social responsibility while not negating from the fact that the involvement in this activities may hinder a company's/industry's main profit maximization goal. To this effect the research looked into companies that have involved themselves in social responsibility and study their growth and performance before their involvement and after their involvement in corporate social responsibility.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to document the role of corporate social responsibility in the manufacturing industry in Kenya on the growth of the industry.

1.3.1 Specific Objectives

To document on Kenya's manufacturing industry's ways of giving back to the society

To establish the effects of involving or not involving an industry into social responsibility

To identify the policy framework set up to protect the environment, society, customers and workers in all its aspects from large and small enterprises.

1.4 Research Question

What is the meaning of corporate social responsibility in regard to the manufacturing industry in Kenya?

How is Kenya's manufacturing industry involved in social responsibility?

What are the advantages and disadvantages of social responsibility from a manufacturer's point of view?

What has the government and other players involved in environmental issues done to provide security to the environment?

1.5 Significance of the Study

The importance of the study was to ensure that various categories of people benefit from the study. These include:-

Large manufacturing industries in all areas that will understand the benefits and demerits of CSR and therefore be able to implement activities aimed at giving back to the society.

Business students who are studying the same area who will gain more information that has been researched on.

Interested researchers who are researching in the area of corporate social responsibility.

1.6 Scope and delimitation of the study

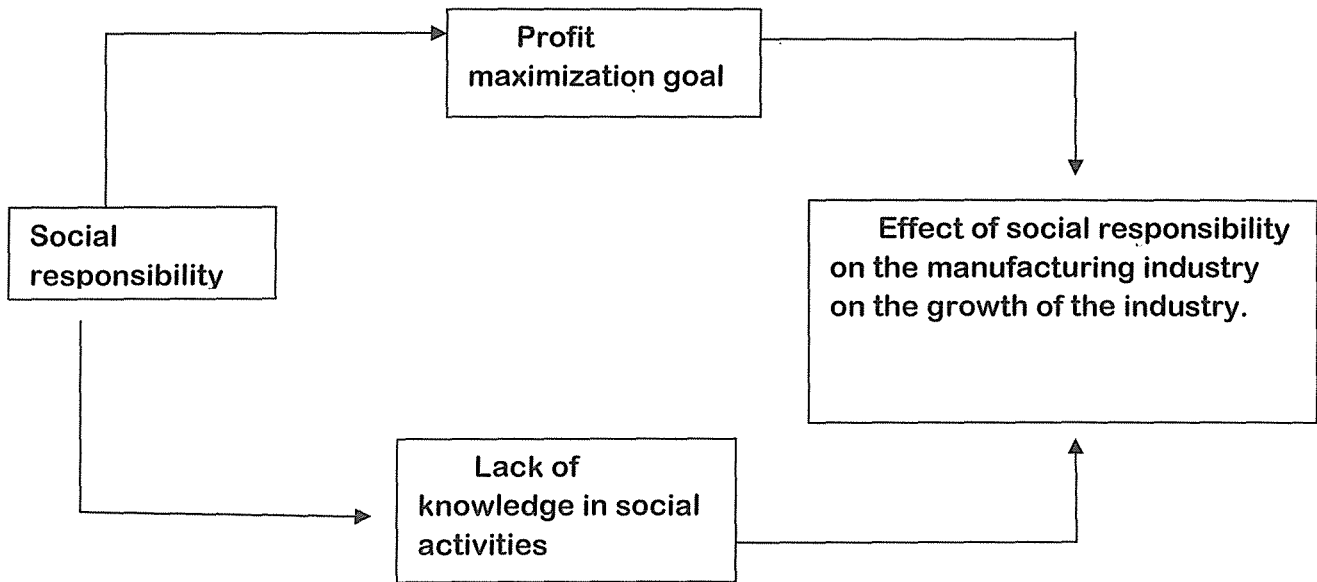
The research was based on Brookside Dairy Kenya, ways of social responsibility and involved the researcher in analysis of reports and articles, interviewing of workers. The researcher looked at policies made by the government and tried to establish whether these policies play a role in the growth of the companies and in greater extent in the whole economy. Since the manufacturing industry is a large industry having variations of about 15 types, the researcher dwell on companies Ruiru area, so as to reduce the distance hindrances.

1.7 Conceptual Framework of the Study

The objectives put up by the researcher can be modeled in to a conceptual framework as follows

INDEPENDENT VARIABLE

DEPENDENT VARIABLE



Source (Author, 2009)

1.8 Explanation

1.8.1 Lack of Knowledge on social activities vs Social responsibility

In January 1999 the UN Secretary-General Kofi Annan challenged world business leaders to embrace and enact the United Nations Global Compact. The Compact seeks support for nine principles of human rights, labor and environmental sustainability as they apply to business practices and public policy. The lack of this knowledge on this global compact may hinder the involvement of a company in social responsibility.

1.8.2 Politics of Industry vs Social Responsibility

Many industries in Kenya are managed through teleconferences and many managers do not have a clear overview of the effects of their industry's actions and this may hinder the acceptance of social responsibility into the culture of the company or factory.

1.8.2 Profit maximization goal vs Social Responsibility

A firm's prior goals and strategies may be hard to change, such as maximizing profits, making it hard to replace with using the profits for philanthropy.

1.8.3 Policy Framework vs Social Responsibility

The overriding purpose of the NEMA was to provide the policy framework for unified legislation to deal with environmental protection in Kenya, such as the water Act. A big concern in the process is that in Kenya, environmental matters are seen simply as add-ons and that there is a wide disparity between policy statements and action taken.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter involves a systematic process of identification, location and analysis of documents containing information related to the role of corporate social responsibility in the manufacturing industry in general and Brookside Dairy in particular. The researcher made a number of links that arise from the literature.

2.1.2 Theoretical Review

The theoretical review that includes the history of the study and extent of previous research on the area of CSR was divided into the following headings:

2.1.3 Social Responsibility Activities

It is now recognized that poverty reduction and sustainable development will not be achieved through government action alone. Policy makers are paying increasing attention to the potential contribution of the private sector to such policy objectives. The concept of corporate social responsibility (CSR) is sometimes used as shorthand for businesses' contribution to sustainable development. A number of core development issues are already central to the international CSR agenda including labour standards, human rights, education, health, child labour, conflict and environmental impacts Mumo Kivuitu, (2006). According to the KHRC report, (2007), most of the social injustices by industries are on the basic human rights and in order to create a vibrant social movement for sustained social transformation driven by values of human rights, democracy and social justice in Kenya the country must be ready to do the following: -

- i. Stimulating communities to maximize their organizing capabilities by strengthening their own organizations and building both horizontal and vertical federations for the claiming, promotion and protection of human rights.

- ii. Working with communities at their own level on what they perceive as their entitlements and issues or concerns of value to them, and strive to hold human rights violators (state and non-state) accountable through appropriate use of legal and extra-legal means.
- iii. A framework of well coordinated advocacy initiatives at local, national, regional and global level as the situation may demand.

For a very long time human rights activists have led their debate solely on the moral footing of human rights. Indeed the Universal Declaration on Human Rights (UDHR) -seen as a moral code- has widely influenced this approach. It is, however, now apparent that human rights work also requires technical understanding of violations of the complex cycle of human barrier to enjoyment of human rights. In pursuit of this, the KHRC has invested in building the capacity of the communities to conceptualize and relate their experience of deprivation to the language of rights. This has also been linked with critical skills that enable and facilitate the communities to engage and claim their rights.

According to Charter, (2007) the most relevant sections from a CSR perspective are those on:

- i. Code of conduct
- ii. Whistleblowing
- iii. Employment
- iv. Health and safety
- v. Environmental
- vi. Risk management
- vii. Business continuity planning and disaster recovery

Employees must comply with and act in accordance with the provisions of the Code of conduct and the Whistleblowing policy that have been laid down by the company. The Chief Executive is responsible for ensuring that the sections of the manual covering employment, health and safety and environmental matters are regularly updated. The Head of Risk Management is responsible for ensuring that sections of the manual relating to risk management and business continuity planning are updated and has been delegated

responsibility for preparing monthly performance reports on health and safety, and quarterly reports on environmental matters, for submission to the Executive Committee and the Board. According to charter another serious element in social responsibility is the issue of health and explains that the importance of health and safety has been emphasized by ensuring that performance and progress on improvement actions are considered as a formal agenda item at meetings of senior management and at Board meetings of all manufacturing companies in the US. Any injury that results in lost time is reported to senior managers and to the Head of Risk Management. In addition, the Head of Risk Management prepares a monthly report on overall health and safety performance for senior management and the Board. Each industry has its own environmental, health and safety committee, and health and safety resources are also deployed at major manufacturing sites. Safety is considered to be a key part of the manufacturing initiative and improvements in safety should be made.

According to Muathe SMA, (2004) Market-oriented CSR activities target at the customers and, on the other hand, at business partners or suppliers. Respective initiatives include

- i. Activities to improve the quality or safety of products
- ii. Provision of voluntary services to the clients
- iii. Fair pricing
- iv. Ethical advertising
- v. Paying suppliers or business partners without delay
- vi. Contracting local partners
- vii. Driving standards through the supply chain
- viii. Supporting the establishment of local or regional business alliances

A good example of a market oriented approach to social responsibility according to Muathe SMA, (2004) is that of eko-expert, a small company in Finland having developed a unique technology to reuse the building insulations that otherwise would be dumped when buildings are renovated or pulled down. This technology results in an economic advantage for the customers through the savings in insulation expenses. So, for example, by renovating six

apartment buildings savings of about \$35,000 for the construction company could be realized, resulting in cheaper prices for the residents in the buildings.

CSR activities targeted at the society or community may refer to

- i. Social or labour market integration at community level
- ii. Improvement of the local infrastructure
- iii. Cash or in-kind donations to local community institutions (e.g. schools, hospitals, environmental groups, cultural organizations, leisure and sports clubs etc.)
- iv. Support of the society in a wider sense (e.g. population of developing countries)

It is apparent that in today's business practice, CSR is entwined in many multinational organizations strategic planning process. The reasons or drive behind social responsibility towards human and environmental responsibility is still questionable whether based on genuine interest or have underlining ulterior motives. Corporations are fundamentally entities that are responsible for generating a product and or service to gain profits to satisfy shareholders (Prof Malloy, 2000, pg. 59). As Milton Friedman believes, there is no place for social responsibility as a business function. However a business still comprises people those posses both the humanistic and naturalistic view points. The humanistic view is that a deteriorating environment and planet is of no relevance in sustaining human life let alone a business. The naturalistic view is where we draw the line between exploiting our natural resources and destroying our fauna and flora for the sake of profiteering and sustainability (Grace and Cohen 2005 p.144). The need to create an ideal scenario that is "pareto efficient" may be the main reasons such mediators are there to adjudicate. Influence from the population, government and competitors are possible forces that can destabilize an organization should its motives or unethical processes become clear. Legal structures in place are created to ensure international borders are not left exposed to multimillion dollar organizations' self interest. Stringent laws and penalties are governed by legal bodies such as the International Court of Justice that are capable of sanctioning non abiding organizations (ICJ 2007).

CSR has been an issue of some debate. There are some people who claim that Corporate Social Responsibility cherry-picks the good activities a company is involved with and ignores the others, thus 'greenwashing' their image as a socially or environmentally responsible company. There are some other people who argue that it inhibits free markets

2.1.4 Politics of Kenya's Manufacturing Industry on Social Responsibility

Another plausible driver of CSR is by independent mediators to ensure that corporate goals don't harm or disadvantage anyone or environment. This remark supported by Friedman feels demonstrates that governments themselves should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves without disadvantage or degradation. In many instances separate organizational bodies are established to administer the workings of fair-trading on a local and global front. The issues surrounding government regulations pose some problems; the first, regulation in itself is unable to cover every aspect of detail in a corporation's process. This leads to the argument and interpretation of the law and the debatable "grey areas" Sacconi (2004). General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. They continue to argue via the legal process on the decisions of liability, while the cleanup remains stagnant. Sullivan & Schiafo, (2005). The second issue is the financial burden this places on an economy if such a corporation contributed significantly to the nation's economy. This view shared by Bulkeley, who identifies the Australian Federal Governments actions to not comply with Kyoto in 1997, on the concerns of economic loss and national interest especially relating to the energy and resources industries. Signing the Kyoto pact would have caused significant economic losses than any other OECD nation (Bulkeley 2001, pg 436). The Bush administration is another government body, who is opposed to regulatory measures along with resistance from many big US businesses who think alike. The burden and inconvenience to stakeholder are unjustified (Fialka, 2006).

Another example of political interference in social responsibility is given by a report by Amnesty International that claimed the Cambodian government is actively involved in the

unlawful and forcible evictions of thousands of poor people to take land for commercial development with 150,000 Cambodians across the country now living at risk of being evicted. The victims, the report said, have been ejected from their homes and land with little or no advance notice, no access to adequate alternative housing and no recourse to justice. Interior Ministry spokesman Khieu Sopheak, said the Cambodian government respects human rights and if it did not, it would have expelled Amnesty representatives from Cambodia already.

At the beginning of 2003 workers went on strike in the EPZs in Nairobi and Athi River. With a new government in place they were optimistic that conditions would improve if their concerns were pushed forward. Amongst other issues they demonstrated against subsistence wages, sexual harassment, summary dismissals and poor health and safety standards. At the time even freedom of association was limited and the unions not recognized. The Minister of Trade described the strike as a 'barbaric act of hooliganism' and with no legal backing, the Central Organization of Trade Unions (COTU) distanced itself from the strike. Without a definite forum to address their industrial disputes many workers were dismissed for taking part in the strike. Conditions remained unchanged and new workers employed. After some time many of the initial workers were reinstated although those who had joined a union were not considered. One worker described his experience: 'I was selected by the workers to represent them, a thing that was not appreciated by the management. I knew a lot so, I was restricted from associating with fellow workmates....all leaders were put on one line... and we were told not to talk to one another'. After the strikes when he reapplied, his application was rejected and he has also been denied outstanding pay. Following the strike the government called for freedom of association but by the beginning of 2004 only eight companies had accepted trade unions in the EPZs (KHRC, Manufacturing Poverty, 2007).

Since independence was achieved in 1963, Kenya's economy has contained both privately owned and state-run enterprises. Most of the country's business is in private hands (with a large amount of foreign investment), but the government also shapes the country's economic development through various regulatory powers and "parastatals," or enterprises that it partly or wholly owns. The aim of this policy is to achieve economic growth and stability, generate

employment, and maximize foreign earnings by achieving high levels of agricultural exports while substituting domestically produced goods for those that have been imported. For a decade after independence this policy showed great promise as rising wages, employment, and government revenue provided the means for expanding health services, education, transportation, and communication. But problems that arose with the rise of global oil prices in 1973 have been aggravated by periodic drought and accelerating population growth, and Kenya's economy has been unable to maintain a favorable balance of trade while addressing the problems of chronic poverty and growing unemployment. The country's ability to industrialize has been hampered by, among other factors, limited domestic purchasing power, shrinking government budgets, increased external and internal debt, poor infrastructure, and massive governmental corruption and mismanagement.

2.1.5 Profit Maximisation Goal effect on Social Responsibility

There are major challenges in today's corporate arena that impose limitations to the growth and potential profits of an organization. Government restriction, tariffs, globalization, environmentally sensitive areas and exploitation are problems that are costing millions of dollars for organization. It may be apparent that in some cases, ethical implications are simply a costly hindrance that potentially forces businesses to finding alternative means to shift viewpoints. It is certainly a potential strategic tactic to gain public support to sustain a competitive advantage. There is no doubting that social contributions provides a subconscious level of advertising that suggest that profit targeting may be the purpose and questions the ethical marketing techniques (Fry, Keim, Miener 1986,pg.105) Globalization is certainly making it difficult for competition and many organizations are merging/acquiring other businesses with competitive and alternative core competencies. This not only prolongs sustainability but enables transition to other business landscapes that are subject to or limited in terms of complex cultural differences and laws. The ability to claim on one hand, to support communities in need of assistance and development, while on the other hand, providing jobs and opportunity for third world employees that virtually earn \$1.00 if that, for every \$100 dollars profited. Further to this, employment conditions are far worse compared to an average workplace of a 1st world nation (The Corporation 2006) The implications

could be further interrogated to suggest that somewhere in a corporate home nation, employees of that nation would have lost their jobs to lower paid workers in a foreign land.

Mallen baker, (2003) notes that for many companies such as the manufacturing giant of the US, Deere & Co the main reason for existence is maximizing profits and many companies will negotiate unfair deals with their suppliers, workers and societies that host them. He continues to say that Deere & Co is now the most successful business in the world, so will be little inclined to hear arguments that it needs to consider its own sacred cows. But it is woefully behind the trend where responsibility follows power, and this has led to a system that is now having consequences well beyond what originally could have been thought possible.

The KHRC in a report say that in 2003 the total turnover was 15,801 million Kenyan Shillings (KSh), a 5 fold increase from 1999. The exports valued KSh 13,273 million and the total domestic expenditure was KSh 5,085 million. The sector has recorded profits and been labeled as one of the fasted growth areas in Kenya. But what is the reality for the workers? From the point of view of the KHRC, the EPZ do not pay their workers their value of employment and do not offer benefits to their workers in the same way that they benefit from them.

From Henry G, (2005) point of view Corporations really care little for the welfare of workers or the environment, and given the opportunity will move production to sweatshops in less well regulated countries. Companies do not pay the full costs of their impact. For example the costs of cleaning pollution often fall on society in general. As a result profits of corporations are enhanced at the expense of social or ecological welfare. Milton Friedman, a critic of social responsibility believes that corporation's principal purpose is to maximize returns to its shareholders, while obeying the laws of the countries within which it works. Friedman argued that only people can have responsibilities. Because of this, moderate critics would suggest that CSR activity is most effective in achieving social or environmental outcomes when there is a direct link to profit. This approach to CSR requires that the resources applied to CSR activities must have at least as good a return as that that these

resources could generate if applied anywhere else. This analysis drastically narrows the possible scope of CSR activities.

2.1.6 Policy Formation dealing with Social Responsibility

Kenya has several policy reforms underway. The policy discussion arising from this analysis is intended to preserve the momentum of ongoing reforms, while also making additional suggestions to raise productivity. Five major areas are addressed quality of labor, access to finance, improvements in infrastructure, solutions to corruption and crime and improvements in the public-private dialogue (World Bank report, 2007).

The Kenya law on restrictive trade practices is intended to cover a very wide area. It covers acts intended to reduce or eliminate the participation of legal and natural persons in economic activities. It embraces trade agreements, trade associations, refusal and discrimination in supply, predatory trade practices, collusive tendering and collusive bidding at auction sales.

Offended persons can complain to the Commission or the Commission may initiate an investigation *ex proprio motu*. The Commission has wide powers including powers to require the offending persons to cease and desist. This is done through Consent Agreements which the Commissioner is required to Gazette. Where there are no Consent Agreements, a hearing is held after which the Minister makes requisite orders. The orders to desist may require the offender to take positive steps to assist existing or potential suppliers, competitors or customers, in order to compensate for the past effects of the offending practices.

A person against whom a Ministerial Order is made has a right to appeal to the Restrictive Trade Practices Tribunal and eventually to the High Court (Peter M. Njoroge, 2007).

Peter M. Njoroge, (2007) is of the view that the Kenya experience has been that most people against whom complaints are made tend to reach some sort of an agreement with the complainants. At that point most complainants just vanish into thin air. They thus make the investigation process very difficult. We should however not be surprised. Businesses by

nature are selfish and will see no point in wasting more money and time when the desired result has been achieved.

To the extent that the suspected offenders desist from continuing to break the law, we can outline that the mere existence of a competition Authority, to which complaints are made, is beneficial to the economy. Even without completing investigations, the Competition Authority, through fortuitous defaults brought about by recalcitrant Complainants, has been performing an important role in prohibiting Restrictive Trade Practices.

Regarding investigations initiated *ex proprio motu* by the Commission, the Kenyan experience is that even where the suspected offenders deny wrong-doing, the offensive practices cease. The surveillance function of the Competition Authority is, thus, beneficial to the national economy.

The labour rights project of the Kenya Human Rights Commission is aimed at reforming domestic labour laws to ensure that workers' rights are protected and promoted. The Kenya Human Rights Commission works through a local network – Workers Rights Alert – whose membership comprise workers' leaders, human rights activists, to ensure that workers' representatives and neighborhood communities have an opportunity promote social corporate responsibility.

Among other activities, the Workers Rights Alert:

- i. Monitor corporate conduct to ensure that domestic labour law adhere to internally agreed standards on labour matters
- ii. Engage investors in constructive dialogue to promote corporate conduct and good neighborliness
- iii. Ensure that workers' representative constructively engage with Trade Unions to increases the collective Bargain

Currently, KHRC has focused on the Horticultural industry and the Export Processing Zones KHCR report (2007). The KHRC believes that for EPZs to fully achieve their economic and

social potential, governments should have a clear and comprehensive industrial and investment strategy, consistent with the need to promote economic development and respect for fundamental workers' rights. While EPZs have been a major source of employment creation as seen above, in particular for women, labour relations and human resource development remain two of the most neglected areas. Human resource development is one of the key elements in improving the social and labour conditions in EPZs. Sound labour-management relations are essential to the success of EPZs. Free, strong and representative workers' organizations have a major role to play in building workplace relations conducive to improvements in working conditions and increases in productivity and competitiveness. Governments should promote tripartite consultations as an effective means of developing sound labour relations policies and practices in EPZs.

According to an article by the Kenya Human Rights Commission (KHRC) one factor contributing to the mis-treatment of workers is that they are afforded very little protection under the main legal instruments. AGOA demands the protection of workers' rights but does so without the mechanisms for effective enforcement. The EPZ Act refers to workers in relation to their numbers and stipulates that EPZs must keep records on the number and ranking of employees. It is however silent on the rights of workers. In addition certain Kenyan laws have been exempted from application in the EPZs. For example there was a ministerial exemption regarding the Factories Act therefore avoiding the possibility of a factory inspection. This was only reversed in May 2003 but at the time of writing it was unclear as to whether inspectors have been allowed into the EPZs. Recently there have been further changes in the law that adds to the insecurity faced by workers. Of particular concern is the introduction of retrenchment. This allows employees to be laid off with at the discretion of their employer with no minimum financial compensation and no union involvement.

2.2 Criticism of the Theories

Kenya has never applied contingency trade remedies (anti-dumping, countervailing and safeguard measures). Awareness of the non-compliance of Kenya's legislation on anti-dumping and countervailing measures, and on intellectual property, with the relevant WTO Agreements has led to an ongoing amendment process. Kenya has no specific legislation on safeguard measures. It retained the right to use the transitional safeguard mechanism of Article 6.1 of the WTO Agreement on Textiles and Clothing. Kenya is a member of the Common Market for Eastern and Southern Africa (COMESA), the East African Co-operation (EAC), the Organization of African Unity (OAU), and the Inter Governmental Authority on Development (IGAD). Trade policy formulation is the responsibility of several Ministries, which constitute the Cabinet's Economic Sub-committee, and the Central Bank. However, recommendations can be made by two inter-ministerial and consultative committees, which include the private sector. No independent bodies review and assess trade policies in Kenya. Trade policy is implemented mainly by the Ministry of Tourism, Trade and Industry.

After independence, Kenya relied on the import substitution of consumer goods, but due to lack of incentives to foster the production of capital and intermediate goods, a greater demand for foreign exchange for import substitution was needed compared to other sectors. The import substitution policy was biased towards protection of domestic industries at the expense of their competitiveness, which in turn enabled manufacturers to make profits even in cases of under utilized capacities. Kenyan manufacturers thus became inward oriented and failed to venture into international markets. The Government then had to change from this policy of import substitution to export promotion in order to acquire more foreign exchange resources, and increase employment and productivity. This policies by the government put an upward pressure on local industries and also foreign investors for more market share and overall profits, this in turn forces the various layers in the manufacturing industry to make cost cutting strategies such underpaying casual workers, not giving health and safety benefits to workers and cutting the cost on philanthropy which means that the environment is then diminished.

According to the KHRC report,(2007) the KHRC identifies that conduct of some corporate infringe human rights and they opt to monitor this corporate, engage investors in dialogue as well as make sure that workers are part of unions, in my own opinion the body is a legislative body that can be able to lobby for legislative solutions in the trade and industry policy by introducing amendments that not only deal with rights of human in the constitution but also look into basic necessities such as pollution and wages and salaries which many corporate tend to overlook since they are not under the constitution.

Parliament is the principle custodian of public interest in Kenya and it creates both the institutional and legislative frameworks for the promotion and protection of public interest. The Kenya Flower Council as one of the institutional parts of the parliament has very much tried in making a fair-trade code of conduct into a law and this has streamlined various flower growing companies to act responsibly to the environment and their workers. In the case of the EPZ, Export Processing Zones are coordinated by the Export Processing Zones Authority (EPZA). Enterprises operating in export processing zones in Kenya enjoy the following benefits: 10 years tax holiday and a float 25% tax for the next 10 years; exemption from all withholding taxes on dividends and other payments to non-residents during the first 10 years; exemption from import duties on machinery raw materials and intermediate inputs; no restriction on management or technical arrangement; exemption from stamp duty; and exemption from VAT and operate on one license only. In my own opinion Responsibility lies with various sectors. It is up to consumers and shareholders to demand ethical working conditions and for parent companies to ensure that international standards are met at all stages of the supply chain. This includes implementing realistic deadlines so that subsidiary companies are not forced to cut corners and contract out. The Kenyan government must ensure that national and international standards are met and that trans-national agreements benefit both the investor and the local economy. Finally it is essential that workers and civil society organizations monitor the situation and inform themselves of their rights and duties. Only in this way can changes be implemented that break the cycle of poverty and irresponsible profit maximization.

According to Milton Friedman, the element of CSR is basically to improve profits, in my opinion there is need to focus at the basic areas of CSR functionality that include; health and safety in the workplace; environmental benefits from an organization; employment independence and freedom of expression; community involvement as well as a suitable supply chain. If these elements are not focused upon then business will be conducted/transacted in an adhoc manner where ethics and human respect shall be neglected. The element of sustainable development comes into effect in a situation of social responsibility in that a good and fair economic environment in the present will acceptably give birth to a good environment in the future.

2.3 Knowledge Gap

In reviewing the theoretical literature the researcher found out a number of research gaps to be filled, this include, the disadvantages of the CSR to the environment, society, employees and customers have not been explained, the merits of the CSR on the manufacturers point of view have also not been clearly elaborated. What has been explained are only the advantages of the CSR to the environment, society, employees, suppliers and customers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the following: - research design, target population, sampling design and procedures, data collection instruments and procedures, and data presentation and analysis methods.

3.2 Research Design

The researcher used a basic approach to design that is conducted to expand the boundaries of knowledge itself or to verify the accessibility of a given theory. The approach uses the exploratory design, according to (Perry, 1995, pg.63) "Time and research constraints, necessitate the choice of only one major research methodology which is best suited to the problem research".

Exploratory research is usually conducted in an initial stage of the research process to primarily determine:

The dimensions of the research problem,

Setting priorities and follow up actions, selection of the best of the alternative research methods available,

The discovery of new ideas and contribution to the body of knowledge.

Exploratory studies are conducted when the nature of the problem is not clear with the expectation that further research would be necessary to yield conclusive evidence. The method helps to crystallize a problem and identify information needs for future research (Zikmund, 1997).

3.3 TARGET POPULATION

Target population was the workers of Brookside Dairy Kenya who made a maximum of two hundred (200) respondents that a researcher interviewed. The study was carried out at Brookside Dairy Kenya, main office, at Ruiru

3.4 SAMPLING DESIGN AND PROCEDURES

Sampling design comprises of sampling techniques and sampling size

3.4.1 SAMPLING TECHNIQUE

This are methods used to select the required sample size, they include: -probability sampling and non probability sampling. The researcher in this case chooses probability sampling which is based on random selection of respondents. The researcher further selected the simple random technique which ensured that each member of the population had an equal chance of being constituted in the sample.

3.4.2 SAMPLE SIZE

This is a subset of the population selected to participate in the research study. The researcher did not use the entire population in the study rather he selected a smaller sample. This was as a result of lowering cost, improving quality of the study, increasing speed of data collection and accuracy of data. The total population was 500 workers and the sample population of 200 workers.

Table 2: sample size (workers in the company)

Population Size	Sample Size	Percentage
500	200	12%

3.5 DATA COLLECTION INSTRUMENTS AND PROCEDURES

3.5.1 DATA COLLECTION INSTRUMENTS

The researcher used both primary and secondary data. Secondary data is data which is obtained from documents and records through review; this data is readily available in terms of cost and time. On the other hand primary data is data collected from direct outcomes of events or the records of eyewitnesses, its validity is new however it's expensive and time consuming.

The researcher collected data using both closed and open ended questions so as to give room to the respondents' views and observations.

3.5.2 RESEARCH PROCEDURES

The researcher used questionnaires with both open ended and closed questions administered through face to face interview with the respondents. This made it easier for the researcher to control answers, clarify some issues, get facial expressions, create a good rapport with the respondents, and probe the respondents to give more information.

3.6 DATA ANALYSIS METHODS

There are two types of data analysis methods, qualitative and quantitative techniques. Qualitative research provides insights and understanding, while quantitative research tries to generalize those insights to a population. The researcher uses both. The results was then grouped into various groups and presented in pie charts and graphs

CHAPTER FOUR

DATA ANALYSIS

4.1. INTRODUCTION

In this chapter data obtained from the questionnaires was examined, analyzed and a presentation of the finding was done.

4.2. ANALYSIS OF BACKGROUND INFORMATION

The study was meant to elicit information that would help to understand the role of corporate social responsibility in the growth of manufacturing industry in Kenya. A total of 200 questionnaires were administered to the respondents, 5 questionnaires were not fully answered and so not cleared but 195 questionnaires were cleared and analysed by the researcher. The questionnaires formed a basis for analysis and interpretation of data.

4.2.1. Quantitative analysis

Table 1: Age of Respondent

Age	No of respondents	Percentages
Below 20 yrs	0	0
21-30	55	28.5
31-40	85	43.0
41-50	55	28.5
50 and above	0	0
Total	195	100

(Source Survey)

Summary of findings

From the table above the researcher wanted to establish the age of the respondents, it was found out that most of the respondents were between the ages of 31-40 years old.

Table 2: **Sex of Respondent**

Sex	No. of Respondent	Percentage
Male	156	80%
Female	39	20%
Total	195	100%

(Source Survey)

Summary of findings

According to the above analysis the researcher established that 20% of the respondents were male and 80% were female.

Table 3: **Marital Status of Respondent**

Marital Status	No. of Respondent	Percentage
Married	167	85.7
Single	28	14.3
Total	195	100

(Source Survey)

Summary of findings

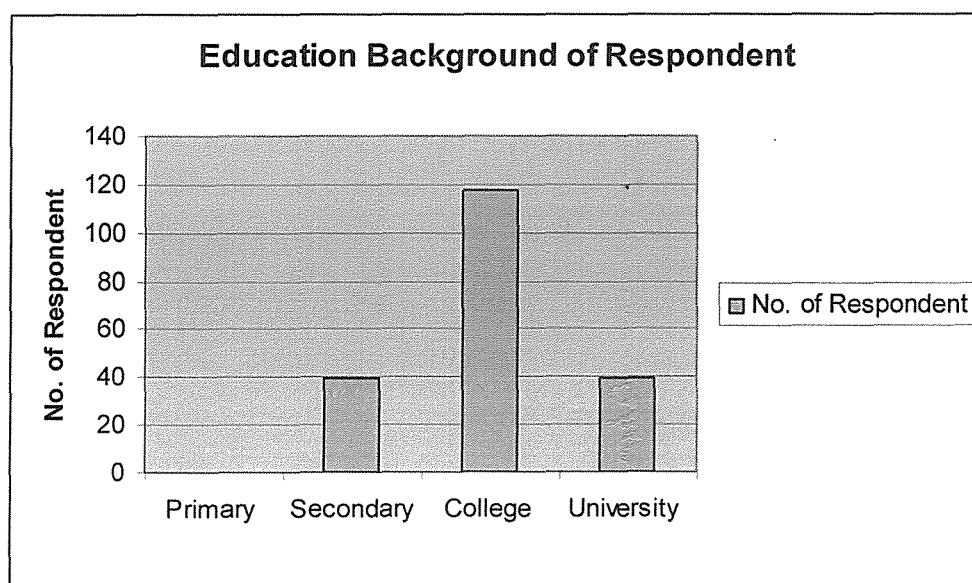
From the responses majority of the respondents, 85.7% were married and 14.3% were single.

Table: 4 Educational Background of Respondent

Educational background	No of respondents	Percentages
Primary	0	0
Secondary	39	20%
College	117	60%
university	39	20%
Total	195	100%

(Source Survey)

Figure 1: Bar graph Representation



(Source Survey)

Summary of findings

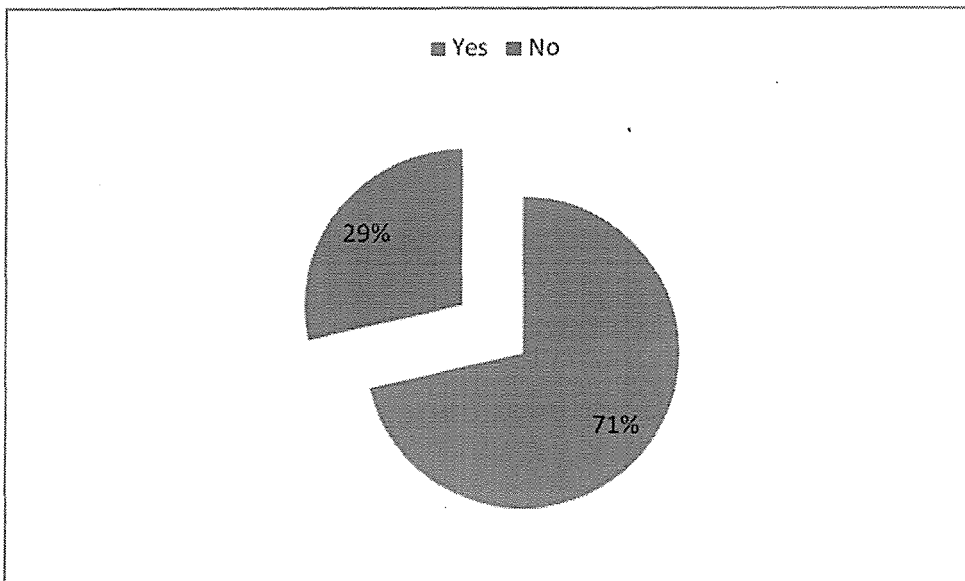
From the table and bar graph above the researcher established that 60% of the respondents were college graduates, 20% (A) level graduates and another 20% university graduates.

Table 6: Importance of Corporate social Responsibility

Importance of CSR	No. of Respondent	Percentage
Yes	139	71.4
No	56	28.6
Total	195	100

(Source Survey)

Figure 3: Importance of CSR



(Source Survey)

Summary of Findings

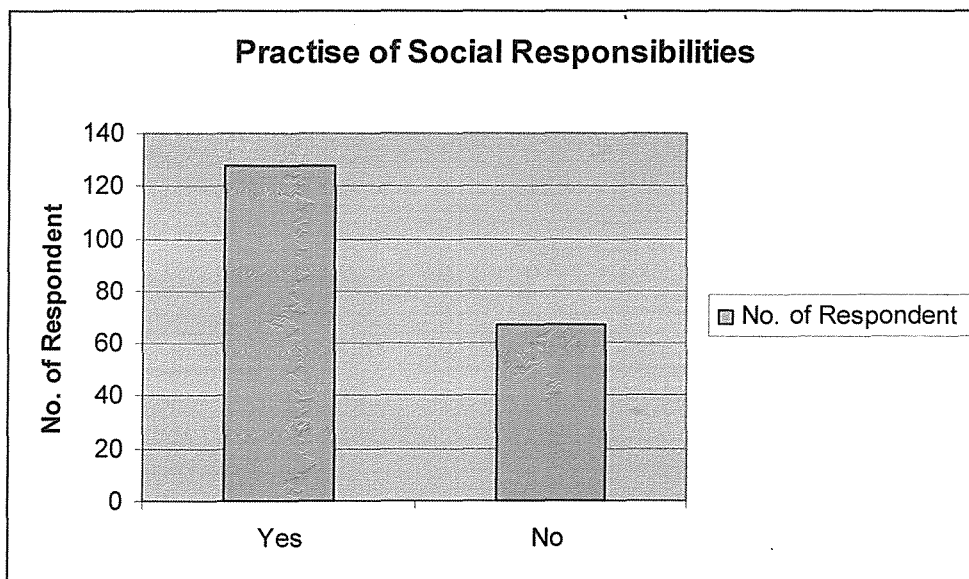
When the respondents were asked whether they thought Corporate Social responsibility was important in all aspects of business and social life majority (71%) said that it was important, while a smaller 29% did not agree on the importance of CSR.

Table 7: Practice of Corporate Social Responsibility

Practice of CSR	No. of Respondent	Percentage
Yes	128	65.7
No	67	34.3
Total	195	100

(Source Survey)

Figure 4: Practice of Corporate Responsibility



(Source Survey)

Summary of Findings

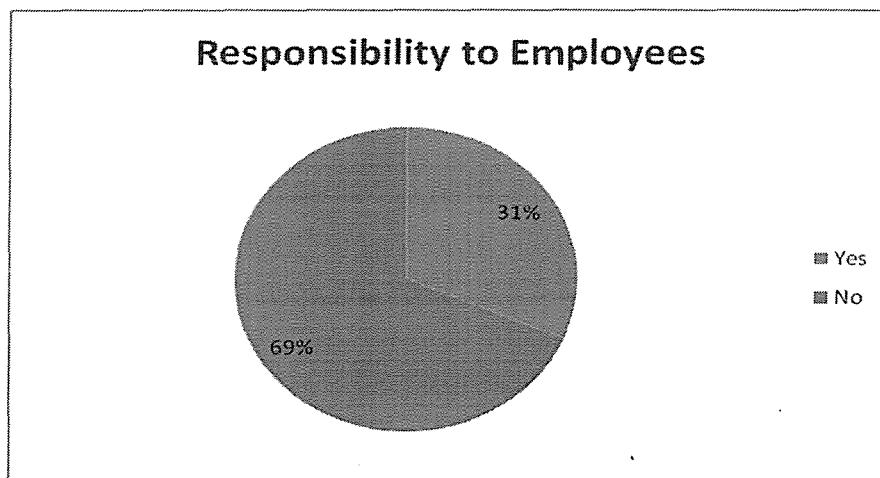
The respondents were asked whether the companies they worked for practiced corporate social responsibility in any aspect. 66% of the respondents said their companies did practice corporate responsibility in different ways while 34% of the respondents' companies did not involve themselves in any form of social responsibility according to them.

Table 8: Responsibility to Employees

Companies' responsibility to employees	No. of Respondent	Percentage
Yes	61	31.4
No	134	68.6
Total	195	100

(Source Survey)

Figure 5: Responsibility to Employees



(Source Survey)

Summary of Findings

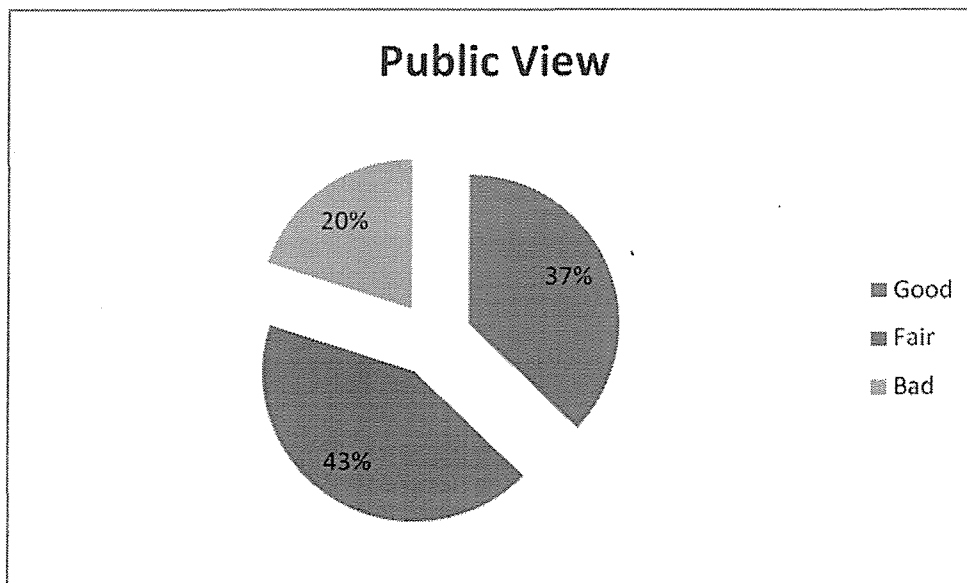
The respondents were asked if they thought their companies practiced responsible employment on them and 31% of the respondents thought that the companies they worked in were responsible to them while a whopping 69% said they did not think their respectful employers were responsible to them as employees.

Table 9: Public View of the Company

Public view on respondents company	No. of Respondent	Percentage
Good	72	37
Fair	84	43
Bad	39	20
Total	195	100

(Source Survey)

Figure 6: Public View on the Company



(Source Survey)

Summary of Findings

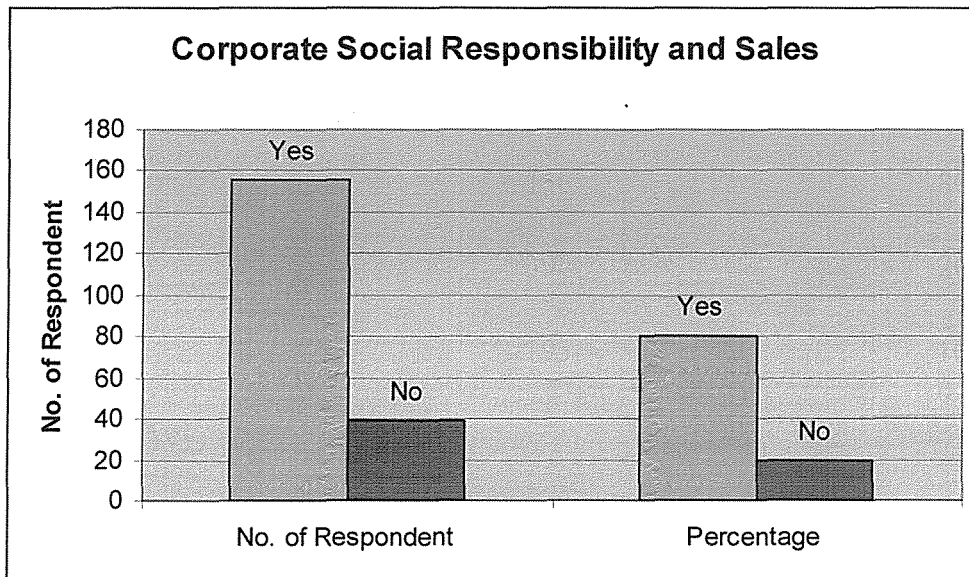
The respondents were then asked what view they thought the public had of their respectful work places. 20% of the respondents said they thought the public view of their companies to be bad, 43% of the respondents said the public had a fair view of their workplaces and a 37% of the respondents thought the public to have a good public view of their respectful companies

Table 10: CSR and Sales

Effect on Sale	No. of Respondent	Percentage
Yes	156	80
No	39	20
Total	195	100

(Source Survey)

Figure 7: Corporate Social Responsibility and sales



(Source Survey)

Summary of the Findings

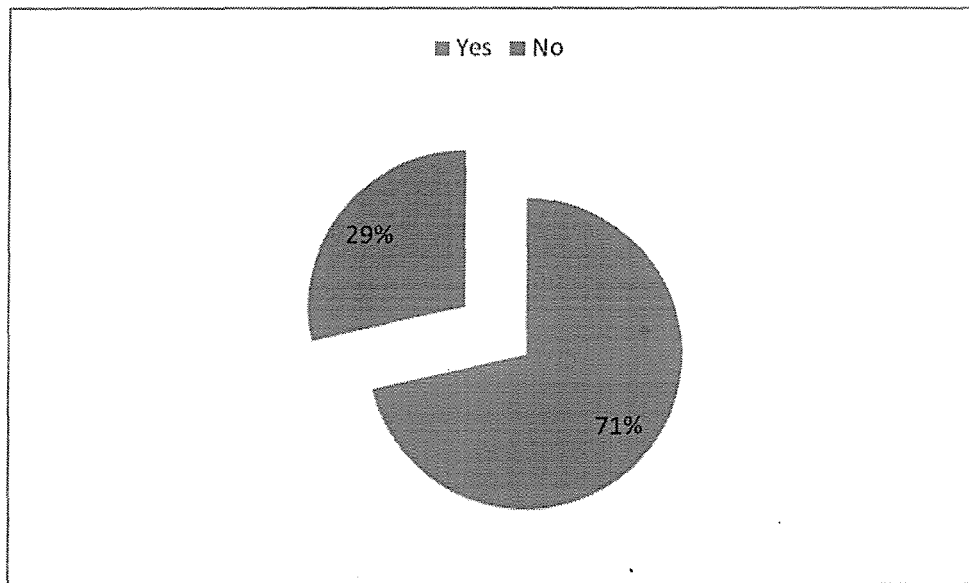
The respondents were asked for their opinion on the impact of CSR activities on the sales and a majority of them i.e. 80% implicating that it affects the sales the company makes and 20% saying that it makes no difference. Out of the respondents asked this, 91% said that CSR activities increase the sales of the company while 9% said it reduces the sales of the company.

Table 11: Customer Satisfaction

Customers satisfaction	No. of Respondent	Percentage
Yes	139	71.4%
No	56	28.6%
Total	195	100%

(Source Survey)

Figure 8: Customer Satisfaction



(Source Survey)

Summary of Findings

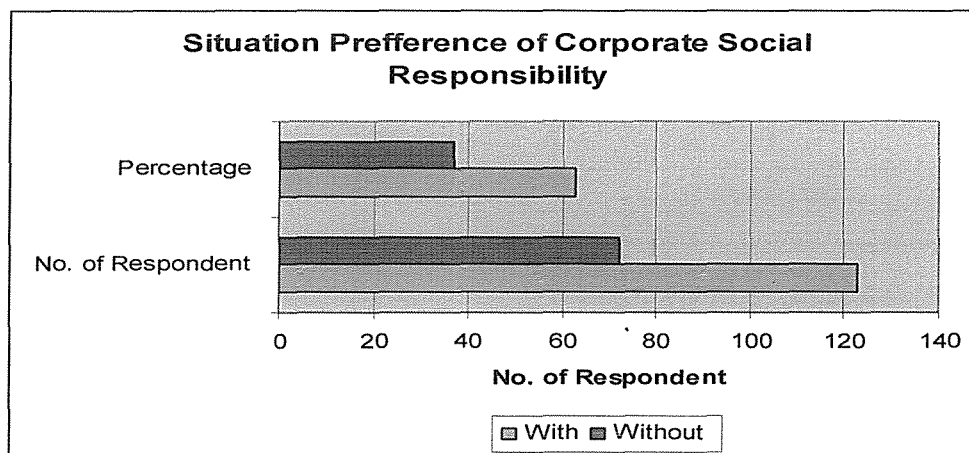
When the respondents were asked whether the customers or clients they dealt with were satisfied with their services, 71% said they were satisfied and further explained that in terms of their products and services the companies they worked for produced efficiently, supplied without delay, did not increase prices unfairly and that complaints were looked into in a good way that satisfied the clients and customers. 29% of the respondents explained that their customers and clients were not satisfied and said that their complaints were not met, consistency in product quality was not present and that the products were seen as not worth the price.

Table 13: CSR and Profitability

Situation Preferred	No. of Respondent	Percentage
With	123	62.9
Without	72	37.1
Total	195	100

(Source Survey)

Figure 10: CSR and Profitability



(Source Survey)

Summary of the Findings

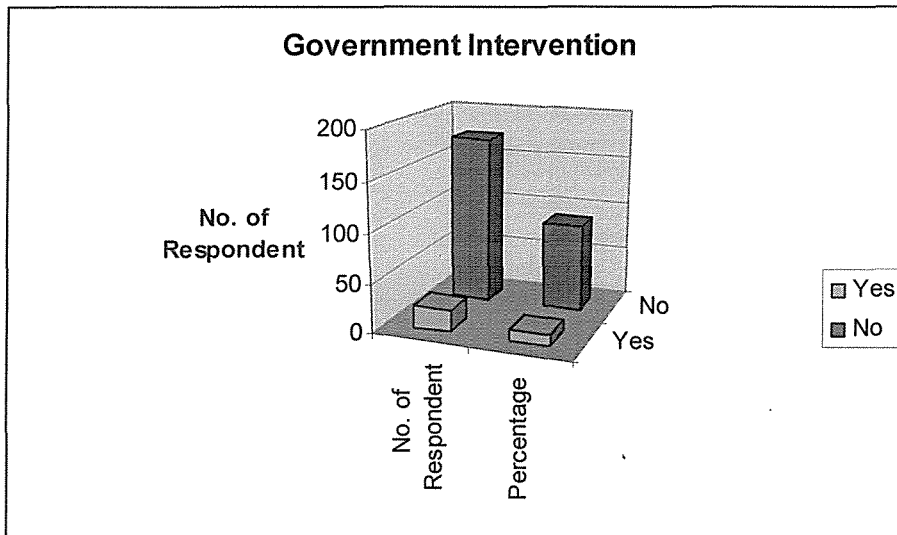
The respondents were asked whether the companies would be profitable with or without CSR and 63% said it made the companies more profitable while 37% of the respondents thought their companies would be more profitable without CSR.

Table 15: **Government intervention**

Government intervention	No. of Respondent	Percentage
Yes	22	11.5
No	173	88.5
Total	195	100

(Source Survey)

Figure 11: **Government Intervention**



(Source survey)

Summary of Findings

The respondents were asked whether the government was doing enough in its policy introduction to ensure that employees were secure and their rights were being upheld, a majority of the respondents (89%) said no, explaining that the government was not

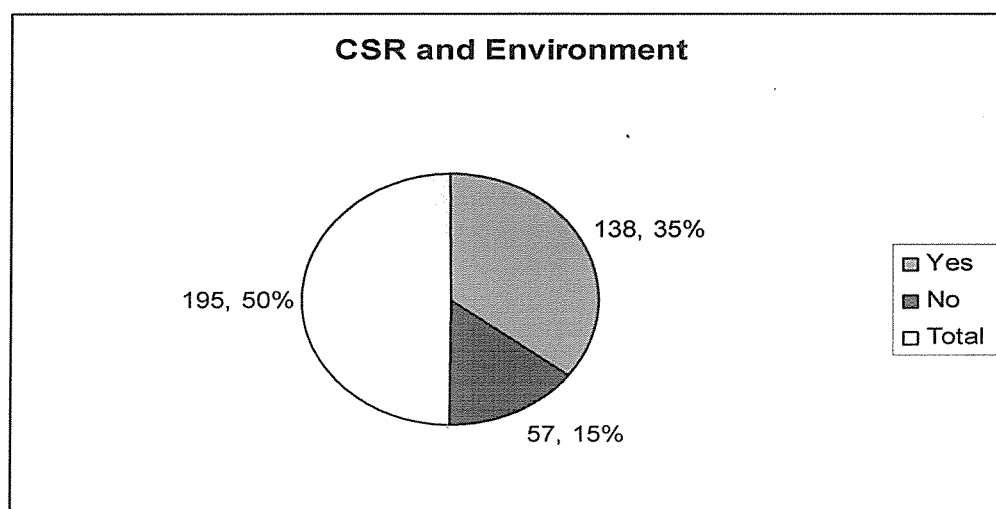
intervening into employees security while a 11% of the respondents said yes to the questions meaning that the government was intervening.

Table 16: CSR and Environment

Responsibility of Companies	No. of Respondent	Percentage
Yes	138	71
No	57	29
Total	195	100

(Source Survey)

Figure 13: CSR and Environment



(Source Survey)

Summary of Findings

The respondents were then asked whether companies should be held responsible for the environment and 71% agreed that the companies should be held responsible for the pollution and degradation of the environment while 29% thought it was not the companies' full fault and that it was not necessary to hold them responsible for the environment.

4.2.2 Specific Analysis

From the analysis made from answers from the open ended questions, most respondents thought of corporate social responsibility as an exercise by a company that is done to improve their image in the public scene, either in sporting events, making donations to various projects and giving to clients through lotteries and other activities, their answers reflected the ideas by critics of corporate responsibility such as Henry and Milton Friedman, that corporate social responsibility is only aimed at creating an impression so as to increase profits. Some respondents though understood the main benefit that came from their company giving back to society, they explained that it helped the society to build itself and develop in all areas such as water and energy security because their companies had projects that dealt with the issues, they also explained that sporting events, donations, free medical checkups, projects and employee remuneration were activities practiced by their company as corporate social responsibility.

The respondents when asked on the issue of employees being recognized by their respectful company, a majority said that they worked hard for their employers but in terms of remuneration there was no pressure on the company to do much. Most respondents explained that they do not get the attention and gratitude they deserve from the company even though they were the driving force behind the company survival. Some respondents said they were lucky that the company gave them allowances and end year appraisals as well as employee parties which applied as social responsibility to employees and these respondents explained they were comfortable in their working areas.

On the issue of customer satisfaction, the respondents said that most customers/clients were happy with the products and services they got from the company, they explained that there were little complaints made by the customers/clients and those complaints made were addressed in a hurry. The company being profit initiated gave much attention to customers and does anything possible to keep them happy. Company entertain clients to free products,

give advice on use of their products, and improve the societies that their clients/customers live in and it goes as far as retaining the healthy standards of the environment through company cleanups and days when employees together with the community work in projects that add value to the society.

CHAPTER FIVE

5.0 SUMMARY AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of the summary of findings, answers to research questions, the conclusion and researcher's recommendations.

5.2 Summary of Findings

The main objective of the study was to understand the role of corporate social responsibility in the manufacturing industry in Kenya. The specific objectives of this study included:

To gain understanding on Kenya's manufacturing industry's ways of giving back to the society

To establish the effects of involving or not involving an industry into social responsibility

To identify the policy framework set up to protect the environment, in aspect of large enterprises.

Social responsibility was defined as a business function involved in giving back to humanity and the environment surrounding the corporate. CSR activities targeted at the society or community may refer to:

social and/or labour market integration at community level

improvement of the local infrastructure

cash or in-kind donations to local community institutions (e.g. schools, hospitals, environmental groups, cultural organizations, leisure and sports clubs etc.)

support of the society in a wider sense (e.g. population of developing countries)

Kenyan manufacturers were the main item of research in the study and it was found that many manufacturers have been under the scrutiny of trade unions and human rights organizations for their lack of social responsibility to the environment and mostly, to their

employees. Other companies in Kenya apply the principle of social responsibility but at its minimal mainly dealing with giving insurance to their employees and at times giving donations to community projects, it was found that a small percentage of companies in the Kenyan manufacturing industry apply in full the CSR activities implied above.

Corporates that apply CSR activity find it most effective in achieving social or environmental outcomes when there is a direct link to profit. Many companies in the manufacturing industry approach CSR requiring that the resources applied to CSR activities must have at least as good a return as that when these resources could generate if applied anywhere else.

The labour rights project of the Kenya Human Rights Commission is aimed at reforming domestic labour laws to ensure that workers' rights are protected and promoted, among other activities, the Workers Rights Alert:

Monitor corporate conduct to ensure that domestic labour law adhere to internally agreed standards on labour matters

Engage investors in constructive dialogue to promote corporate conduct and good neighborliness

Ensure that workers' representative constructively engage with Trade Unions to increase the collective Bargain.

Answers to Research Questions

What is the meaning of corporate social responsibility in regard to the manufacturing industry in Kenya?

According to the respondents who received and responded to the questionnaires, corporate social responsibility in Kenya's manufacturing industry was an activity done to increase public image so as to increase their profits.

How is Kenya's manufacturing industry involved in social responsibility?

The research findings to this research question was that many companies in the industry involved themselves in sporting events, making donations to various projects and giving to

clients through lotteries and other activities, free medical checkups, running their own community projects and employee remuneration. The researcher also found that some companies such as the Brookside dairy have started cleaning the effects of their pollution.

What are the advantages and disadvantages of social responsibility from a manufacturer's point of view?

The respondents explained the advantages of CSR as

Increased yield from satisfied employees

Reduced delays in production and supplies

Satisfied clients who become loyal to the companies' products

The disadvantage of involving a company in CSR is that there are reduced profits.

What has the government and other players involved in environmental issues done to provide security to the environment?

The research findings show that the government of Kenya has a law against restrictive trade activities and through the Kenya Human rights and the central organization of trade unions ensures that companies are doing what is expected in terms of catering for their employees and laws on environmental degradation that carry severe penalties as well as working through the green belt movement to ensure the environment is not misused by companies in the manufacturing industry.

5.3 Conclusion

Based on the research findings and answers to research questions, the researcher made the conclusion that corporate social responsibility is an important aspect to the manufacturing industry in Kenya, to the manufacturing companies, their employees, society and the environment. Government and companies as well have not yet impressed in the application of CSR in Kenya and thus the poor living standards of many employees in companies in the manufacturing industry and the environmental degradation high in the country.

5.4 Recommendations

The researcher recommends that more study be undertaken into the impediments of a robust CSR policy in Kenya, that the government come up with hard lying policies that protect the rights of employees and implement this policies fairly through the manufacturing industry, the researcher also recommends that the manufacturing industry recognize employee unions.

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Appendix

QUESTIONNAIRE

This questionnaire is part of a research carried out to understand the role of corporate social responsibility in the manufacturing industry in Kenya and on the growth of the industry. You have been chosen as a participant for the research and your honest responses will be highly appreciated.

Note: the responses you will give to the questions asked will specifically be used for academic purposes and no other purpose. Thank you.

PART ONE

1. Name

2. Age below 20 31-40 above 50

 21-30 41-50

3. Sex Male Female

5. Educational background

 Primary secondary

 College University

PART TWO

6. Do you understand the term corporate social responsibility?

Yes No

7. According to you, do you think it is important?

Yes No

8. Does the company you work in exercise social responsibility?

Yes No

9. As an employee, do you think the company you work for is responsible to you?

Yes No

10. What do you think is the public view of the company you work in?

Good Fair

Bad

11. Do you think that the engagement in CSR activities affects the sales of the company you work in?

Yes No

11. Does the involvement in CSR increase or decrease the sales your company makes?

Increase Decrease

12. Do you think that your customers/clients are satisfied with your services and products?

Yes No

Explain.....
.....
.....
.....
.....
.....

13. In terms of profitability, do you think the company you work at is better off with or without CSR?

With Without

14. Are there any complaints about your employers' activities from the society at large?

Yes No

15. Does the government have enough policies to guarantee your security as an employee in your organization?

Yes No

16. Do you know the government laws and regulations concerning employees and corporate social responsibility?

Yes No

17. In your own opinion do you think that companies should be held responsible for their effects on the environment?

Yes No

18. In your own words, what do you think is expected to improve the exercise of corporate social responsibility in the Kenyan manufacturing industry?.....

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