

# Effect of Government Policy in Corporate Social Responsibility Projects on the Performance of Mobile Phone Service Providers in Kenya

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**Abstract:** The purpose of this research was to determine the effect of government policy in corporate social responsibility projects on the performance of mobile phone service providers in Kenya. The study adopted a descriptive research design. The study had a target population of all the 262 staff in the corporate social responsibility department at Safaricom. The sample size of the study was 156 respondents. The study used both primary and secondary data. Primary data was collected. Descriptive data analysis was employed in analyzing the data presented in the study. Ultimately, the research findings that good government policy corporate profit in companies for them to undertake CSR and community involvement in CSR activities was directed towards making appropriate recommendations for restructuring the CSR projects and practices, not only by the mobile phone service providers but also by all the corporate players in Kenya, towards making them more responsive to business needs of the corporations while enhancing their products and services amongst the population. In conclusion, CSR projects needs the joint participation of key stakeholders like the company, government and community for its CSR project performance.

**Keywords:** Government Policies, Corporate Social Responsibility, Performance.

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## 1. INTRODUCTION

Project performance management is an ongoing review of the efficiency and importance of a given project. The performance of companies, such as mobile phone service providers, is without doubt one of the most important challenges of our time and the immediate future. Companies are integrating ideas of project performance in their marketing, corporate communications, annual reports and in their actions. It is for that reason inevitable that project performance will find its way to project management methodologies and practices (Hodgson & Cicmil 2006). A Corporate Social responsibility (CSR) is an essential topic that is receiving growing attention from organizations because greatly associated with good corporate governance (OECD, 2004). From this publication and through the research that has followed beyond, the true definition of what CSR entails has been greatly debated (Moon & Matten, 2008). Moura-Leite and Padgett (2011) discuss how the focus of CSR has shifted from acknowledgement of social interest to having become an imperative part of many companies overall strategic approach. The term CSR was first coined in the 1950s and it gained extraordinary attention in management studies in the 1970s. Predominantly, the actions under the umbrella of CSR fall into three categories: economic growth, ecological balance and social progress. Corporate social responsibility (CSR) has been identified as an effective management tool to reinforce the organization's performance through an enhanced image in a stakeholder's mind and also because of their conscientious behaviour toward society and environment (Orlitzky, Schmidt & Rynes, 2003). Corporate social responsibility goes beyond charity and requires that a socially responsible company take into full account their impact on all stakeholders and on the environment when making decisions. CSR requires organizations to balance the needs of all stakeholders with their need to make a profit and reward their shareholders adequately (Atachi, 2005). In these times of taut competition, potential customers who have difficulty in choosing from among competing products buy from the companies they most respect based on their social

responsiveness. Current business activities and future business strategy ought to define the organization's key involvements with its stakeholders, (Makau, 2006).

According to Grant (2005) in the case of CSR, the literature indicates two schools of thought that predominantly debate and describe business primary activity as profit maximization or business society interaction for the welfare of society. However, the construct has been related to many aspects of a business, such as stakeholder expectations, increasing social performance and compliance with government regulations. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not. Competitive strategies can lead to high organizational performance, customer satisfaction and increased competitiveness in the face of other rival businesses. However, achieving good performance and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with notable principles and characteristics in order to persistently adjust to change. Critics of CSR will attribute other business motives, which the companies would dispute. For example, some people believe that CSR programmes are often undertaken in an attempt to divert the public from the ethical questions posed by their core operations.. This is done through carrying out activities that impact on government, customers, suppliers, employees, shareholders, communities and the environment. (Maplecroft, 2004).

## **2. STATEMENT OF THE PROBLEM**

Corporate social responsibilities have gained prominence among many companies today. This is a far cry from the doctrine of Friedman (1970), which states that the one and only sole social responsibility of a business is oblige to the wills of its shareholders and increase its profits within the boundaries of laws and business ethics. Companies have engaged themselves in various forms of corporate social responsibilities including financial donations, scholarships, community development, environmental conservation and cleanup and material donations. However, the persistent question is whether companies improve their performance by participating in corporate social activities. It has been alluded that the main concern of the entity I how to forge forward and increase in size. Either ways it is true to suffice that companies do not operate without interacting with the societal. To the least it should give back to the society through various ways. CSR affects the ways in which companies earn their money (Thompson *et al.*, 1995). Few studies that have been done centered on generalized areas like the Nairobi Stock Exchange and Portfolio performance. Mulwa (2001), Kiarie (1997) studied managers' attitudes towards corporate social responsibility in selected Kenyan companies. Kamau (2001) investigated the awareness of the social responsibility concept among managers in Kenyan firms and concluded that there was indeed awareness but lack of positive implementation of the concept. Kubai and Waiganjo (2014) studied the relationship between strategic corporate social responsibility and competitive advantage of commercial banks and found that CSR contributed to brand image, customer perception and stakeholder involvement. Muriuki (2008) studied corporate social responsibility link to strategy among mobile telephone service providers and Mbogoh (2014) studied challenges of implementing corporate social responsibility strategies by commercial banks in Kenya. The research that had been done on the relationship between CSR and financial performance was thus scanty. A knowledge gap therefore existed. Evidently therefore, there is a need to extend the line in these studies to the mobile phone industry in Kenya. This study will seek to establish the effect of government policy in corporate social responsibility projects on the performance of mobile phone service providers in Kenya.

## **3. LITERATURE REVIEW**

Government policy statement is a declaration of a government's political activities, plans and intentions relating to a concrete cause or, at the assumption of office, an entire legislative session. In certain countries they are announced by the head of government or a minister of the parliament (Karlsson, 2006). According to Clark and Master (2012) CSR activities can be taken through consumer pressure not necessarily due to government requirements. Thus, ideally the government may require corporates to give back to the society. This is due to the fact that the corporates obtain the resources from the society. Labour is got from people and equally the natural environment provides other resources. It is true to suffice that organisations do not work in remote environments. Firms work and interact with the society on day to day basis. It is for this reason that, it is crucial for them to evaluate ways they can appreciate the society by giving them a portion of their earnings in kind. CSR is one of corporation's responsibilities to its stakeholder and also a voluntary contribution by corporation to sustainable development (Crane and Matten, 2007). Corporate social responsibility may also be referred to as "corporate citizenship". In this case, therefore the companies need to show acts of good citizenship. The state expects the citizens; both persons and individuals to practice in a manner that the whole society benefits. Perhaps, this is the reason why institutions do engage in corporate social activities. It is important to mention that these

activities may not have financial impact in the short run but may have a positive public image of the company. This study will seek to establish how the CSR projects as a result of government policy affect the performance of the mobile phone service providers.

#### 4. RESEARCH METHODOLOGY

This study adopted a descriptive research design. The target population of the study composed of all 262 staff member of Safaricom is divided into 4 categories. In terms of population, there were top management and middle level managers and support staff with difference in experience and therefore stratified random sampling method was be best suited for this research because the population was heterogeneous. At this stage, one could support the percentage using other authors who quoted a lower percentage. A questionnaire consisting of both closed ended and open ended questions were used to collect data. Descriptive statistics was presented in frequency tables, graphs and histograms.

#### 5. FINDINGS

The study sought to establish the extent to which the respondents agreed on the Statements on effect government policy and performance CSR projects. Table 1 shows four item questions that represent perceived level of effect government policy and performance CSR projects. The responses were tabulated and analyzed using mean and standard deviation on a likert scale ranging from 1-5. In the likert scale where 5 represented strongly agree and 1 represented strongly disagree (Likert, 1932).

**Table 1 Government Policy and performance of CSR Projects**

Statement	1 %	2 %	3 %	4 %	5 %	Mean	Std. Dev
The government gives tax incentives to the CSR projects hence are able to sustain themselves thereby saving the company money to fund them once they are operational	3	10	7	33	47	3.9	1.1192
Government Policies influences CSR projects well-being hence saves the company hence improving the performance of the company	1	0	20	30	46	4.05	1.099
Government should take over management of the completed CSR by the mobile phone service providers.	7	23	30	23	17	3.5	1.3572
The Government should encourage people to consume products of the companies that participates in CSR projects.	17	7	26	33	16	3.75	1.11803
The Government should make a national policy to govern CSR projects of companies.	10	7	23	27	33	3.85	1.03999

The finding revealed that on statement Government Policies influences CSR projects well-being hence saves the company hence improving the performance of the company with a standard deviation of 1.099 and a mean of 4.05 followed closely by statement that the government gives tax incentives to the CSR projects hence are able to sustain themselves thereby saving the company money to fund them once they are operational is strongly agreeable, with a standard deviation of 1.1192 and a mean of 3.9. This is followed closely by the statement that the government should make a national policy to govern CSR projects of companies. With majority of respondent is strongly agreeable, with a standard deviation of 1.03999 and a mean of 3.85. The Statement on the Government should encourage people to consume products of the companies that participates in CSR projects and Government should take over management of the completed CSR by the mobile phone service providers had the lowest mean of 3.5 and 3.7 respectively. A question was posed on the government gives tax incentives to the CSR projects hence are able to sustain themselves thereby saving the company money to fund them once they are operational. 3% of the respondents strongly disagree 10% Disagreed 7% were undecided, 33% agreed and 46% strongly agreed. The results showed that the companies had a massive support for the idea that the government should give tax incentives as a means of enhancing their CSR projects sustainability, with only about 19% having a contrary opinion. The government then would greatly influence the companies ‘implementations and subsequent performance of CSR projects. On whether the Government should encourage people to consume products of the companies that participates in CSR projects, 1% of the respondents strongly disagreed, 20 % were undecided, 30% agreed and 46% strongly agreed. From the results a higher percentage (76%) of the respondents had the opinion that government policies had an influence on CSR projects sustainability. This then indicated that the companies not only had the

government policies as a guideline in the undertaking of CSR projects, the policies also had a great effect on the performance of these projects. A question was also posed on whether Government should take over management of the completed CSR projects by the mobile phone service providers in order to enhance their sustainability. The responses were as follows: 7% of the respondents strongly disagreed 23 % Disagreed 30 % were undecided, 23% agreed and 17% strongly agreed. On whether the Government should encourage people to consume products of the companies that participate in CSR: 17% of the respondents strongly disagreed, 7% Disagreed, 27% were undecided, 33% agreed and 16% strongly agreed. The results here indicated that the higher percentage of the respondents (49%) had the view that encourage people to consume products of the companies that participates in CSR The government then would greatly influence the companies' implementations and subsequent sustainability of CSR projects. The respondents were asked whether the Government should make a national policy to govern CSR projects of companies the responses were as follows: 10% of the respondents strongly disagreed another 7% Disagreed, 23 % were undecided, 27% agreed and 33 % strongly agreed. The results indicated that the majority of the respondent (50%) had the view that the government should

Government should make a national policy to govern CSR projects of companies. This means that the government has a major influence on what the companies offer to the society. The potential government role of whether to create the opportunities/enable business to opt for the business case for CSR or create the environment for business to realize the potentials of seeking legitimacy directly from the firm's stakeholders rather than shareholders alone will encourage and promote the social responsibility of business in the society (Bitcha *et al.*, 2004). A normal distribution is not skewed and is defined to have a coefficient of kurtosis. Jarque-Bera formalizes this by testing the residuals for normality and testing whether the coefficient of skewedness and kurtosis are zero and three respectively (Brooks 2008). The study used Jarque-Berra's statistic to determine whether the sample data have the skewedness and kurtosis matching a normal distribution. It is a test based on residuals of the least squares regression model. For normal distribution JB statistics is expected to be zero (Gujarati, 2007). In this study JB statistics values were: government policy (skewedness 0.196, kurtosis 0.623); corporate profit (skewedness 0.196, kurtosis 0.623), and community involvement (skewedness 0.196, kurtosis 0.623). Thus, the JB is very close to zero and that the variables are very close to normal distribution. This implies that the research variables are normally distributed.

**Table 2 Results of Normality Diagnostic Test**

Variable	Descriptive Statistical	Statistical Values	Std. Error	Comment
Government policy	Skewedness	.196	.36124	Normally distributed
	Kurtosis	.623		Normally distributed

**Multi-collinearity Test**

Multi-collinearity is a problem in multiple regressions that develops when one or more of the independent variables are highly correlated with one or more of the other independent variables. If an independent variable is an exact linear combination of the other independent variables, then we say the model suffers from perfect collinearity, and it cannot be estimated by OLS (Brooks 2008). Failure to account for perfect multicollinearity results into determining regression coefficients and infinite standard errors while existence of imperfect multi-collinearity results into large standard errors. Large standard errors affect the precision and accuracy of rejection or failure to reject the null hypothesis. During estimation, the problem is not lack of multi-collinearity but rather its severity. According to Gujarati (2004), the standard statistical method for testing data for multi-collinearity is analyzing the explanatory variables correlation coefficients (CC); condition index (CI) and variance inflation factor (VIF). Therefore in this study, to determine multi-collinearity variance inflation factors (VIF) and tolerance were used. For tolerance, values of less than 0.1 suggest multi-collinearity while for values of VIF that exceed 10 are often regarded as indicating multi-collinearity.

**Table 3 Multicollinearity Test**

Variables	Collinearity Statistics	
	Tolerance	VIF
Government policy	0.940	1.064

The findings indicated that Government Policies influences CSR projects performance. The finding revealed that on statement Government Policies influences CSR projects well-being hence saves the company hence improving the performance of the company with a standard deviation of 1.099 and a mean of 4.05 followed closely by statement that

the government gives tax incentives to the CSR projects hence are able to sustain themselves thereby saving the company money to fund them once they are operational is strongly agreeable, with a standard deviation of 1.1192 and a mean of 3.9. This is followed closely by the statement that the government should make a national policy to govern CSR projects of companies with majority of respondent is strongly agreeable, with a standard deviation of 1.03999 and a mean of 3.85. The Statement on the Government should encourage people to consume products of the companies that participates in CSR projects and Government should take over management of the completed CSR by the mobile phone service providers had the lowest mean of 3.5 and 3.7 respectively

## 6. CONCLUSION AND RECOMMENDATION

Government policies would impact on the statutory on which the CSR projects are undertaken. On the other hand, no company would be undertaking CSR projects when it is in financial problems, hence profits are of necessity for companies to deal in CSR projects. Income tax act provides that the income of an institution, body of persons, or irrevocable trust, of a public character established solely for the purposes of the relief of the poverty or distress of the public, or for the advancement of religion or education is exempt from tax if it accrues in Kenya (Income Tax Act, Cap 470). Despite the in depth coverage of this research and its findings, there still exists a gap that future researchers could explore. The concept of CSR has been widely discussed and others think that the cost of undertaking CSR is always marked up to the products and services hence making them expensive. This they argue beats the purpose of CSR. Government policies in regards to CSR project Safaricom management should have structure company policy on CSR projects with government policy and employed the accordingly to support CSR initiatives. There is need for the government to leverage on expenditure on CSR projects sustainability by providing adequate opportunities for training project management staff to be able to acquire specialized competencies such as leadership, change management, communication, negotiating, team building, decision making, and problem solving with the vision to realize a more positive influence in the economy. There is need for the project managers and other relevant stakeholders to effectively control resource management by analyzing resource efficient usage and implementation on a regular basis and it is crucial that a cost benefit analysis be of great value too so that corrective action can be taken before the situation gets worse.

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