

## CORPORATE SOCIAL RESPONSIBILITY AND PHILANTHROPY (A Case of Equity Bank Ltd)

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### ABSTRACT

**Purpose:** This study is an attempt to provide Kenyan decision-makers with some insights into the drivers and challenges that organizations face as they strive to implement and advance corporate social responsibility (CSR). The study was guided by the following specific objectives: (i) to examine the extent to which Corporate Social Responsibility and Philanthropy have been adopted by Equity Bank Ltd; (ii) to assess factors that influenced Equity bank's involvement in CSR activities; (iii) to evaluate the corporate social responsibility and philanthropy initiatives undertaken by Equity bank Ltd; and (iv) to investigate the value of adoption of corporate social responsibility and philanthropy in Equity Bank Ltd.

**Methods:** The current study is qualitative in nature. A case study was used to undertake the current research. The population of the study was the managers of Equity Bank Ltd based at the Head office in Nairobi, whose number stood at 25. A structured approach to collecting data was utilized. For purposes of the current study, an interview guide was used to conduct personal interviews with all the 25 Heads of departments. Since all the managers are based at the Head office, they received the questionnaires through hand delivery. In addition, personal face to face and telephone interviews were conducted with all the respondents, aided by an interview schedule. In this case the researcher was able to obtain additional information to corroborate findings from the questionnaire.

**Data analysis:** For purposes of the current study, the data was analyzed by employing descriptive statistics such as percentages, frequencies and tables. The information was presented and discussed as per the objectives and research questions of the study.

**Findings and Discussions:** The study utilized qualitative techniques in the collection of data. The study covered all the Heads of departments of Equity Bank Ltd based at the headquarters in Nairobi. All the 25 respondents were interviewed, guided by an interview schedule. The findings are based on the responses of the Heads of departments of Equity Bank Ltd are as follows:- The most striking feature of the responses to the survey is that the respondents are in near unanimity that CSR is very much a part of the domain of corporate action and that 'passive philanthropy' is no longer sufficient. A significant portion of respondents recognize CSR as the means to enhance long-term stakeholder value; CSR creates a 'feel good' factor about the company, which is increasingly instrumental in retention of talented professionals; A distinct customer preference for companies with a social conscience; The increasing expectation of shareholders that their companies be sensitive to the needs of society; One of the most important drivers of CSR identified by the survey is that good corporate citizenship and CSR initiatives are directly linked with improved brand reputation; The second most important aspect of CSR, according to the survey report, is that it provides an opportunity to improve relationships with local communities; The survey also showed that most companies do not have a systematic approach to CSR implementation and they do not commit resources for it in a planned manner. The factor hindering adoption of CSR on a wider scale is lack of comprehension and capacity to implement it; and The survey felt that industry associates have also a critical role to play in shaping of experiences and rewarding best practices. It suggested the inclusion of CSR as a subject in business schools to ensure that the managers of the future are imparted with the requisite skills and sensitivities.

**Key Words:** *Corporate Social Responsibility; Philanthropy*

### 1.0 INTRODUCTION

#### 1.1 Background of the study

Corporate social responsibility (CSR) is defined as categories of economic, legal, ethical and discretionary activities of a business entity as adapted to contribute to the values and expectations of society (Joyner & Raiborn, 2003). CSR is also the continuing commitments by any business organization whereby they emphasize the ethical elements in their management and overall organizational structure (Richardson, Welker & Hutchinson, 2003). At the same time, companies are responsible for national economic development by improving the quality of life of the whole workforce and their families as well (Richardson, Welker & Hutchinson, 2003).

Any corporation's business goal is to provide value and incentive to its shareholders. Therefore, profit-oriented corporations or organizations are not a charitable organization although sometimes it is in their direct interest to support charitable activities. Furthermore, sometimes corporations or organizations carry out certain activities that governments should undertake, although they are not government agencies. It is beneficial for the corporations to carry out such socially responsible activities. CSR involves various aspects such as economic factors, legal requirements, ethical orders and discretionary demands. In this high-tech era, business environments are susceptible to changes in these factors. In order to be a leading security service provider, each firm must be fully aware and sensitive to the impact of these factors. The effect of these factors may add to the firm's corporate image and financial performance. CSR actually portrays the image of the firm itself. It shows what the company has done to fulfill its corporate duty to ensure the firm is not only good in providing the service but also plays its roles by contributing something to the community (Richardson, Welker & Hutchinson, 2003).

Corporate philanthropy is seen as having long-term impacts on firms rather than a short-term public relation builder. Philanthropic activities could range from simple cash donations to the more complicated or truly strategic ones such as technology transfer and leveraging the firms' capabilities in support of charitable causes. There are often tradeoffs to consider before committing the firms' resources to the myriad social causes (Richardson, Welker & Hutchinson, 2003). Faced with the paradoxes between the short-term profits pressure and the more demanding CSR, these activities no doubt have provided some innovative ways to address organizational social obligations and corporate strategies. However, it remains unclear whether these creative philanthropic strategies will actually increase the quality of business environment or be the CSR minefields that entail the firms to bear greater business risks. This suggests that there must be a healthy balance between giving and receiving. Some forms of mission and operation screening on the receivers always precede prudent giving programs. Here, the faith-based CSR challenges the firms' potential innate selfishness. Receiving and giving philanthropy both are an art. By receiving, the receivers acknowledge their need for others. They prepare to let the givers to become part of them in certain areas. Often, it is only in the eyes of the receivers that the givers discover their worth. Giving diffidently and/or with hidden destructive agendas does not make the giving firms a philanthropist. Receiving without humility likewise would not make the receivers become a gracious receiver. The strategic use of philanthropy appreciates what really matters in both the acts of giving and receiving.

In order to have a good relationship with the community, the firm should do something beneficial for the community. Within the company itself, there is also a platform for social contribution especially to the employees. For example, in Equity Bank Ltd, there are a lot of privileges that have been provided to the staff such as medical treatment, advantages in communication services and increment of salary. In Kenya, a rapidly developing country, the business environment is typically characterized by powerful business enterprises, a legal environment aimed at ethical behaviors on the part of businesses, and societal expectations that businesses should be more ethical and socially responsible. Along with that, in developing countries the organizations need to be more competitive, therefore, issues of customer service and satisfaction is of great importance. Thus, in decision making processes, companies try to avoid actions that may breach any regulation or negatively impact their reputation in order to avoid consumer dissatisfaction. Based on this idea, the present study aimed at analyzing the effects of CRS on the performance of Equity Bank Ltd; identify the characteristics of the organization in its approach to CSR, and to recommend the best possible approaches. The study focused on Equity Bank Ltd head office, the respondents being the heads of departments. The study took a period of one month, commencing October 2010.

## **1.2 Statement of the problem**

Contrary to the classic view that confines business objectives to profit maximizing only limited by legal margins, a broader concept of Social Responsibility has gradually been imposed that incorporates an ethical approach to the legitimacy of the company that goes beyond complying with legislation and securing profits (Carroll, 2000). As a result of a growing involvement of ethics in the business world, traditional objectives of profit securing and shareholder satisfaction are being complemented by others related to respect for the environment and human rights that, along with philanthropic activities, make up the core of Corporate Social Responsibility. This responsibility signifies the integration of this set of concerns into the company's activities and strategies, which has brought with it a growing generalization of formal ethical commitments through codes of conduct, social audits, and adhesions to international undertakings, ethical committees, and publication of social and environmental reports and so on (Harrison & Freeman, 1999). Consequently, we can state that, according to Matten, Crane and Chapple, in many ways companies have assumed new roles, which have even led them to administer citizenship rights for individuals, since the corporation is not a citizen in itself (as individuals are) and toward the acknowledgement that the corporation administers certain aspects of citizenship for other constituencies (Matten, Crane & Chapple, 2003).

Despite this, from a scientific perspective, CSR analysis is still insufficiently developed and requires a better conceptual configuration and improved levels of knowledge in relation to the manner and degree to which these organizational actions affect CSR overall (Reich, 1998); Commission of the European Communities; Spanish Association of Accountancy, Auditing and Business Management (Harrison & Freeman, 1999). Whereas many studies have been conducted in the area of CSR, mainly focusing on the activities involved and their benefits to such stakeholders as the consumers, employees and society in general, little is known about the positive and negative effects of CSR and philanthropy on performance of the organizations involved. The study is guided by the following research questions: to what extent has Equity bank adopted Corporate Social Responsibility and Philanthropy?; what are the factors influencing Equity bank's involvement in CSR and philanthropic activities?; and what are the possible practice-oriented recommendations, mechanisms and tools that could be employed to improve the current CSR performance, reporting and verification systems and regulation?

### **1.3 Objectives of the Study**

This study is an attempt to provide Kenyan decision-makers with some insights into the drivers and challenges that organizations face as they strive to implement and advance corporate social responsibility (CSR). The study was guided by the following specific objectives: (i) to examine the extent to which Corporate Social Responsibility and Philanthropy have been adopted by Equity Bank Ltd; (ii) to assess factors that influenced Equity bank's involvement in CSR activities; (iii) to evaluate the corporate social responsibility and philanthropy initiatives undertaken by Equity bank Ltd; and (iv) to investigate the value of adoption of corporate social responsibility and philanthropy in Equity Bank Ltd.

## **2.0 METHODS**

### **2.1 Introduction**

This section describes the specific strategies that were used in data collection and analysis in order to answer the research questions. It focuses on the research design, population, sampling technique and description of the research instruments, data collection procedures and analysis of data.

### **2.3 Research Design**

According to Brown *et al*, research design provides the glue that holds the research project together. A design is used to structure the research, to show the major parts of the project - the samples or groups, measures, treatments or programs, and methods of assignment - work together to try to address the central research questions (Brown, Askew, Baker, Denvir & Millett, 2003). The current study is qualitative in nature. Brown *et al*, defined qualitative study as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. A case study was used to undertake the current research. Case studies involve collecting empirical data, generally from one or a small number of cases. It usually provides rich detail about those cases, of a predominantly qualitative nature (Yin, 2004).

### **2.4 Population of the study**

The population of the study was the managers of Equity Bank Ltd based at the Head office in Nairobi, whose number stood at 25 as at December 2010 (Equity Bank Establishment, 2010).

### **2.5 Data collection**

According to Polit and Hungher (2005), data collection is the gathering of pieces of information that are necessary for the research process. A structured approach to collecting data will be utilized.

### **2.6 Data Collection Tools**

A data collection instrument is the device used to collect data in an objective and systematic manner for the purpose of the research. Data collection instruments can be questionnaires, interview schedules, tests and available records (LoBiondo-Wood & Haber, 2002). For purposes of the current study, an interview guide was used to conduct personal interviews with all the 25 Heads of departments.

## **2.7 Data Collection Procedure**

Since all the managers are based at the Head office, they received the questionnaires through hand delivery. A letter of introduction, stating the purpose of the study was attached to each questionnaire. In addition, the researcher made telephone calls to the respective respondents to further explain the purpose of the study and set a time frame for the completion of the questionnaires. Once completed, the researcher personally collected the questionnaires from respondents. In addition, personal face to face and telephone interviews were conducted with all the respondents, aided by an interview schedule. In this case the researcher was able to obtain additional information to corroborate findings from the questionnaire.

## **2.8 Data analysis and presentation**

For purposes of the current study, the data was analyzed by employing descriptive statistics such as percentages, frequencies and tables. The information was presented and discussed as per the objectives and research questions of the study.

## **3.0 FINDINGS AND DISCUSSIONS**

### **3.1 Introduction**

The study utilized qualitative techniques in the collection of data. The study covered all the Heads of departments of Equity Bank Ltd based at the headquarters in Nairobi. All the 25 respondents were interviewed, guided by an interview schedule.

### **3.2 Findings of the study**

The findings are based on the responses of the Heads of departments of Equity Bank Ltd are as follows:- The most striking feature of the responses to the survey is that the respondents are in near unanimity that CSR is very much a part of the domain of corporate action and that 'passive philanthropy' is no longer sufficient. A significant portion of respondents recognize CSR as the means to enhance long-term stakeholder value; CSR creates a 'feel good' factor about the company, which is increasingly instrumental in retention of talented professionals; A distinct customer preference for companies with a social conscience; The increasing expectation of shareholders that their companies be sensitive to the needs of society; One of the most important drivers of CSR identified by the survey is that good corporate citizenship and CSR initiatives are directly linked with improved brand reputation; The second most important aspect of CSR, according to the survey report, is that it provides an opportunity to improve relationships with local communities; The survey also showed that most companies do not have a systematic approach to CSR implementation and they do not commit resources for it in a planned manner. The factor hindering adoption of CSR on a wider scale is lack of comprehension and capacity to implement it; and The survey felt that industry associates have also a critical role to play in shaping of experiences and rewarding best practices. It suggested the inclusion of CSR as a subject in business schools to ensure that the managers of the future are imparted with the requisite skills and sensitivities.

Further, the findings of the study indicate that the activities of Equity Bank Ltd show that in order to expand the frontiers of CSR and to pass from words to deeds, require the entrepreneurial push. Significant advances do not stem from doing the same things over and over again but finding new ways to put them into practice. For business leaders and their teams to become social entrepreneurs, seven essential roles have to be acted out: (i) The champion provides leadership for the CSR cause, creating an environment in which other members of the firm provide backing; (ii) The communicator builds the foundations and designs the strategies to apply CSR in ways that are on-going, coherent and inspiring; (iii) The creator discovers new strategies and devises new policies that help overcome obstacles and create new and effective CSR solutions; (iv) The catalyzer is the precursor and provider of the resources needed to push ahead with the CSR agenda; (v) The collaborator combines his own efforts with those of others, both within and outside the firm, to make CSR relevant and effective for all; (vi) The coordinator ensures that the synergies are captured from a multiplicity of efforts and actors; and (vii) The calculator weighs up the costs and benefits of CSR, and the rhythm at which an organization can absorb significant change. The top management of Equity Bank Ltd recognized that turning meaningfully from words to deeds in CSR represents a major and demanding challenge. They were equally clear that accepting that challenge is a leadership imperative vital to sustainable success by businesses and societies.

All of the respondents had a strong understanding of the business case for CSR, and many had realized tangible results from their CSR efforts. The business benefits identified included cost savings due to efficiency improvements, enhanced employee morale and accelerated approvals processes, among others. The study revealed that the risks of not getting involved in CSR are also clear to many respondents. These risks include loss of license to operate and expand, inability to attract quality employees and loss of brand reputation

The respondents identified a number of success factors for implementing CSR. These include: *Vision and High-Level Commitment to CSR*: All respondents interviewed recognized that having a vision and high-level commitment was necessary for transforming their organization and integrating CSR into the way they conduct business. High-level commitment provides leadership for the change process, ensures that the needed resources are made available, and that any barriers to change, such as lack of incentives or skills, are addressed; *Skills and Tools*: Most respondents identified skills and tools among the success factors of their CSR programs. Surprisingly, few explicitly identified specific tools or training programs as a means for developing the needed skills, although the company had these in place; and *Incentives, Motivational Factors and Employee Buy-In*: The findings indicate that corporate recognition programs, bonus or profit-sharing schemes and accountability systems made an important contribution to the success of their CSR efforts. Companies who view their supply chains as part of their own overall performance also use recognition programs to encourage improvement in the performance of their suppliers.

Other success factors noted by the respondents included strong stakeholder engagement programs, assigning adequate internal resources to CSR, reporting, and developing a strong business case. The companies noted a number of challenges for implementing CSR including: changing the corporate culture; developing performance measures; and, ensuring continuity of CSR programs in the face of management and staff turnovers.

## **4.0 CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 Conclusions**

The basic concepts of CSR and philanthropy are clear, regardless of loose boundaries or varying definitions. It is a context-specific, strategic, proactive, and synergistic philosophy of doing business. It means that when defining strategies, corporations need to pay attention to economic, environmental and social issues in a balanced way. The whole CSR landscape, though populated by many theories, approaches, and models, calls for each individual company to respond by developing its CSR portfolio. In the security service provision sector, the scope and relevance of CSR is broad as is the implementation and it deserves further investigation and consideration. Each year new research findings surface that adds to our understanding of the concept and the issues involved. Issues like unsustainable use of natural resources, inequitable distribution of wealth, rising corporate crime, the upsurge of anti-corporate campaigns, and increasing intra-industry competition and inter-industry threats are on the rise. This creates an audible knock on corporate boardroom doors that it is time to rethink how we sustain our economy, ecology, and society. CSR can be an answer.

### **4.2 Recommendations**

#### **4.2.1 Recommendations for Policy and Practice**

There exists a dire need to improve the quality and quantity of corporate social responsibility and philanthropy. A wide-ranging and multi-tiered awareness campaign needs to be organized in order to make the various stakeholders and businesses understand the necessity and advantages of CSR and remove any misconceptions related to it. Flowing from this improved awareness, cross-stakeholder dialogue between governments, business, civil society and academia is a necessity. A relevant and enabling CSR policy needs to be developed by Government with the involvement of all stakeholders. An effective regulatory authority is key to this strategic thrust, having the requisite capacity to implement guidelines and monitor progress. Also crucial are facilitator organizations that can help groom small and medium enterprise in building socially responsible process, and advise the larger businesses in leveraging the advantages of CSR and sharing lessons and best practices. And to come full circle another important area that needs investment in terms of money, time and education is consumer awareness, providing credible information beyond social investments and corporate citizenship initiatives.

The assumption of social responsibility represents a structural aspect in the life of the firm which, in carrying out its typical production mission, inevitably has an impact on a variety of subjects, for whom it can create or destroy value. The synergy between social actions and economic efficiency is never automatically achieved; it is instead the result of efforts where managerial professionalism and business creativity are linked for the purpose of contributing to a corporate growth that also takes into account the social groups. Based on the findings of the study, the following five principal conditions for the effectiveness of CSR measures are highly recommended: (i) the involvement of top management; (ii) the presence of a variety of CSR instruments - it is important that the individual CSR measure be part of a system of socially-oriented initiatives and behavior, which in turn is part of overall corporate strategy; (iii) the economic compatibility of the social measures to be undertaken; (iv) internal coherence and integration with corporate strategy; and (v) placing the measure within the specific national, regional, or even local context, which takes account of aspects such as history, culture, the level of social-economic development, the role of the state, etc.; this can lead to differing judgments about the CSR measure. In addition,

the Government should involve itself in developing these three aspects, creating laws and institutions to that end. The economic and functional aspect has to be tackled so that firms can fulfill their role as both economic and social agents. So far as the quality of life is concerned, social policies need to be designed that focus on individuals and recognize that they are part of the community and the nation. With respect to social investment, government needs to be able to provide.

#### 4.2.2 Recommended areas of further research

The CSR orientation represents a way of being for the firm. The key actors take this approach believing that it expresses the culture of the firm. However they often do not look at the appropriateness of the various actions but at the overall results for the firm, to which these and a variety of other actions contribute. Future research must perfect the methodologies and measurement techniques for these results and incorporate them in some sort of corporate control panel so as to systematically monitor several important indicators (including those regarding intangible resources) which are important for corporate strategy. This will allow management to develop its business system while maintaining the conditions that are compatible with growth, thereby increasing the overall long-term fitness of the firm. Future research should give attention to different *types* of CSR as well as their differential effects in fostering social change. In particular, such research should address the question of how pressures placed on firms' *types* of CSR might be contradictory. That is, the firm might be pressured to engage in a number of CSR-related activities, but also, at times, the collection of activities called for may be internally inconsistent. For example, promoting underdeveloped countries' agricultural development by donating genetically modified seeds (short-term humanitarian aid) might be in contradiction with trying to achieve long-term environmental sustainability.

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