Journal of Economics and Sustainable Development
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.8, No.16, 2017

The Effect of Customer Related CSR on Performance of Manufacturing Firms in Kenya

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Abstract
Due to intense competition for industrial products, markets are faced with social contestability based on environmental and health related externalities attributed to products and processes, and economic contestation from competitors. Manufacturing sector is characterized by many concerns which affect various stakeholders, who have become adept in holding companies to account for the consequences of their activities. Corporate Social Responsibility (CSR) has evolved to a managerial tool used to build a company's reputation and enhance its competitive advantage hence currently an integral part of business strategy to enhance firm performance. This article sought to determine the effect of customer relations on performance of manufacturing firms in Kenya. Descriptive survey research design was used in this study. The study population consisted of 854 manufacturing firms registered with Kenya Association of Manufacturers (KAM). The sample constituted of 202 firms selected by purposive sampling, where 112 respondents were responsive. Primary data was obtained by use of a self administered questionnaire and secondary data obtained from organizations' reports, newsletters, books, research articles and company websites. Pilot test constituted of 20 respondents, where the research instrument was tested for validity and reliability. Regression analysis was used to test the relationship between customer relations and firm performance by use of SPSS, where data was presented in descriptive and inferential statistics. The findings of the study revealed that customer relations had a positive and significant effect on performance of manufacturing firms in Kenya. The study recommends the promotion of customer relations through product information, quality assurance and customer feedback to enhance customer loyalty and firm's reputation to survive in the highly competitive market place.
Keywords: Corporate Social Responsibility (CSR), Customer Relations, Firm Performance, Manufacturing Firms, Competitive Advantage

1. Introduction

1.1 Background of the Study

The contemporary business environment has been greatly affected by dynamic turbulence and contestability highly influenced by globalization. This dynamism demands that organizations constantly review and modernize their approaches to management and keep their focus on the delivery of value. Enhanced competition requires increased efficiency and effectiveness to win the highly informed and empowered consumers who have easy access to global products and information. Firms employ various strategies for competitive advantage to outperform one another in customer satisfaction through dynamism in creativity and innovation (Faulkner & Segal-Horn, 2010; Newman, Rand, Tarp & Trikovic 2016; Pearce & Robinson, 2011).

Intense competition for industrial products pose markets with social contestability based on environmental and health related externalities attributed to the products and processes, and economic contestation from competitors. Firms use CSR to create shared value for their stakeholders and to mitigate their adverse impacts (Crifo & Forget, 2015). CSR involves economic, legal, ethical and discretionary concerns (Fadun, 2014; Galbreath, 2009) for employees, customers, community, government and other stakeholders (Fu & Shen, 2015; Popa & Salanta, 2014; Safwat, 2015; Sweeney, 2009; Tilakasiri, 2012). Organizations are often under pressure from various stakeholder groups to commit resources to CSR activities (Manyasi & Masinde, 2014; Sweeney 2009; Tilakasiri, 2012), hence a key strategy in business operations.

Manufacturing sector plays a key role in socioeconomic transformation and development (AfDB, 2014). Manufacturing firms face major challenges as environmental requirements entail radical changes in product design and production systems, to respond to severe environmental impacts caused by depletion of natural resources and creation of pollution, as increased competition from low cost countries creates a strong urge for more affordable products and enhanced performance (UNIDO, 2013, 2015). To enhance their reputation and to mitigate the risks emanating from the negative impacts of their operations, firms engage in CSR to constructively interact with various stakeholders (Carroll & Shabana, 2010; Ching, Yin, Pei, Zhi & Pei, 2015; Chung & Safdar, 2014; Fernando, 2013; Galbreath, 2009; Newman et al., 2016; Togun & Nasieku, 2015).

The manufacturing sector is the engine of economic growth and a catalyst for national development (Shen, Govindan & Shankar, 2015; Togun & Nasieku, 2015). This therefore raises global concern on the performance and impact of manufacturing firms since the pervasive growth of the manufacturing sector has resulted in depletion of natural resources and ubiquitous pollution, hence CSR used to mitigate such market imperfections (Crifo & Forget, 2015). While acquiring technology to exploit the vast resources, developing countries encounter

the risk of obsolete and harmful technologies and products, and environmental degradation due to weak regulations, frameworks, institutions, standards and indices (Ahen, 2015; Tilakasiri, 2012). Enforcement of CSR ensures that firms are accountable to stakeholders for harmonious coexistence which leads to improved firm performance and social reputation (Calabrese, Costa, Menichini, Rosati & Sanfelice, 2013).

Manufacturing sector accounts for 70% of global trade and is a driver of economic prosperity. Currently, it is globally under intense adaptive pressure through rapid technological change which leads to shortened product life cycles, introduction of new materials and advanced manufacturing techniques. A competitive manufacturing sector is central to social-economic transformation and poverty alleviation in emerging economies. In Kenya, manufacturing suffers from dependence on imported inputs, low productivity, structural and policy constraints and high cost of the factors of production (AfDB, 2014). The manufacturing sector in Kenya is core in the realization of the country's vision of becoming prosperous and globally competitive by 2030 and is the main conduit for the country's integration into regional and global markets by contributing to 10% of GDP and 12.5% of exports (Kinyanjui, 2015).

Intense market competition due to heightened domestic rivalry and globalization has adversely affected profitability among manufacturing firms in Kenya (Kinyanjui, 2015). This is further exacerbated by inefficient industrial capabilities, sub-standard and counterfeit goods and ecological impacts caused by poor waste management (GOK, 2012a). The economy is also faced with the influx of cheap goods especially from China and India (KNBS, 2016; KPMG, 2014).

The Kenyan economy is expected to grow at 10% per annum as envisaged in Kenya's Vision 2030 over-arching goal of transforming into "a newly industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment" by 2030 (Government of Kenya [GOK], 2007). Rapid industrialization in South East Asia (SEA) resulted in economic transformation with contribution to GDP increased from about 15.4% in 1970 to over 30.0% in 2012, while contribution of manufacturing sector to GDP in Kenya has stagnated at about 10% (KIPPRA, 2013).

In the contemporary business climate, firms demonstrate concern to improve indicators of organizational performance beyond the traditional financial measurements owing to pressure on businesses to deliver wider societal value (Jenkins, 2006). A balanced approach to measuring sustainable organizational performance includes financial and non financial measures (Galbreath, 2009). Triple bottom line (TBL) or sustainable balanced score card is commonly used in CSR studies to measure business performance (Freeman, Harrison, Wicks, Parmer & Colle, 2010; Njoroge, Machuki, Ongeti & Kinuu, 2015). This research sought to measure firm performance broadly in both financial and non financial perspectives.

Studies on the relationship between corporate social responsibility and firm performance in Kenya have been mainly on the service sector with scanty literature on manufacturing sector (Mwangi & Oyenje, 2013). Manufacturing sector is an important contributor to GDP and is highly espoused in Kenya Vision 2030 economic blueprint (KIPPRA, 2013). This article focused specifically on the manufacturing sector as a context for CSR and examined the value of customer relations among manufacturing firms in Kenya.

1.2 Research Objective

The study was guided by the following specific objective:

1) To determine the effect of customer relations on performance of manufacturing firms in Kenya.

1.3 Research Hypothesis

H_0: Customer relations have insignificant effect on performance of manufacturing firms in Kenya.
H_a: Customer relations have significant effect on performance of manufacturing firms in Kenya.

2 Literature Review

2.1 Theoretical Review

This section examines the theoretical foundations of the study. A theory is a set of concepts or constructs and the interrelations that are assumed to exist among them, which contains generalizations and hypothesized principles which can be scientifically tested. It provides the basis for establishing the objectives and hypotheses of the study (Mugenda & Mugenda, 2003). Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. They form the base on which research is founded by providing prior expectations (Gujarati & Porter, 2010). This study was based on stakeholder theory and social identity theory.

2.1.1 Stakeholder Theory

Stakeholder theory, posited by Freeman (1984), suggests that a firm's obligation is not only to maximize profits but also to increase stakeholder satisfaction. It recognizes that firms have obligation to a wide and integrated set of stakeholders (Harrison & Wicks, 2013; Sweeney, 2009). It posits that stakeholder relations improve firm performance and competitiveness (Tilakasiri, 2012; Yin, Rothlin, Li & Caccamo, 2013).

Stakeholders are constituents who can affect or are affected by the organization's activities (Freeman, 1984;

Sweeney, 2009). They contribute to the firm's wealth-creating capacity and are potential beneficiaries and risk bearers (Sweeney, 2009). Firms possess both explicit (legal) and implicit (self enforcing) contracts with various constituents (Freeman, 1984). The key stakeholders in the firm's activities include; employees, suppliers, customers, media, local communities, government, NGOs and environmental activists (Freeman et al., 2010). CSR is most comprehensively studied through stakeholder theory (Chen, 2015; Sweeney, 2009; Tilakasiri, 2012). The major limitation of the stakeholder theory is that it proposes fair treatment of all stakeholders, which conflicts with the major business profitability objective as progressed by Friedman (1984) (Weiss, 2008, cited in Tilakasiri, 2012). The major strength of this theory is that it imposes responsibility on firms beyond regulatory requirement which assures firm's long term success and sustainability (Mele, 2008, cited in Tilakasiri, 2012).

2.1.2 Social Identity Theory

Social Identity theory (SIT) was developed by Tajfel and Turner in 1985 (Ashforth & Mael, 1989, cited in Ching et al., 2015). It defines the conduct of a firm in ensuring its stakeholders' welfare is safeguarded by having an environment that is conducive. SIT proposes that individual's view of themselves is influenced by their membership of social organizations, which influence customer and employee loyalty. SIT has been extensively used to explain consumer and employee management. Organizational reputation attracts stakeholders to identify with the organization which guarantees employee and customer loyalty and satisfaction. This reduces the costs involved in employee and customer attraction and retention. The weakness of this theory is that firm reputation must first be formed to elicit employee and customer loyalty (Ching et al., 2015).

2.1.3 Theoretical Reconciliation

Theories on CSR coalesce into two schools of thought; economic approach and social approach. The economic approach advances Friedman's capitalist theory that the business of business is business in that businesses must be prudently managed to maximize profits (Friedman, 1970, cited in Sweeney, 2009). Adoption of CSR constrains a firm in the competition for survival (Jensen, 2002, cited in Sweeney, 2009). The social approach advances Freeman's social theory that society gives the mandate in that it provides the factors of production and also conducive business environment required for business to thrive. It recognizes that businesses do not exist in a vacuum. It is therefore prudent for business to be strategically sensitive to its stakeholders as it pursues profitability ambitions for sustained competitive advantage (Freeman, 1984; Sweeney, 2009). This study adopted a combination of the economic and social approaches.

2.2 Empirical Review

2.2.1 Customer Relations

The customer is a key stakeholder for any company and the attraction and loyalty of customers has significant influence on corporate performance (Tilakasiri, 2012). Consumer perceptions that a company is socially responsible are associated with a higher level of trust in its products. This ultimately leads to increased sales and customer loyalty (Sweeney, 2009; Tilakasiri, 2012). Alongside the traditional factors that mattered most to consumers; quality, value for money and financial performance, consumers are increasingly interested in the social behaviour of a firm (Newman et al., 2016; Vogel, 2005a, 2005b). Consumers care about the social and environmental conditions under which products and services are produced, and express preference for trusted products (Faulkner & Segal-Horn, 2010; Pedersen, 2015; Sweeney, 2009; Tilakasiri, 2012).

Consumer information on products and services is very critical for customer loyalty, about the safe and responsible use of products (Orange, 2013). Producers are obliged to inform the users of their products about dangers that can ensue during correct operation or foreseeable misuse of the product and warn them accordingly, through manuals and warning stickers (Ibrahim, 2014). Consumer pressure includes the expectation that companies will produce safe products and provide more consumer information, after sales service and consumer protection. Organizations need to be aware of these consumer demands and integrate them into their business strategy (Tilakasiri, 2012).

Several scholars have proposed various competitive strategies for businesses geared towards customer satisfaction. These usually span quality, cost leadership, product differentiation, customer focus, speed, ICT adoption, and electronic (e) business adoption (Odoom, 2015). Quality has two sides: conformance to specification (the supplier view) and conformance to expectation (the customer side). The latter is strategic in that a variety of particularities coalesce to conform to the customer expectations (Cruz & Ramos, 2015; Yin et al., 2013). Customer stakeholder responsibility best practice involves ensuring product quality and service excellence in terms of sustainable product and technology, and timely customer feedback (Yin et al., 2013).

Brand image and reputation is higher in companies that implement CSR practices than in those that do not (Jenkins, 2006; Nzulwa, 2013). Customers develop perceptions on firms through product use, service interactions and expectations, and CSR initiatives which impact on customer satisfaction (Galbreath, 2009). Concern for corporate values, image, reputation, and brand is often reported as a key reason for adopting CSR (Carroll & Shabana, 2010; Pedersen, 2015). CSR helps customers to have an improved view of a firm's brand and reputation (Cruz & Ramos, 2015). CSR functions in similar ways as advertising does, increasing demand for

products and services and reducing consumer price sensitivity/elasticity (Pedersen, 2015).

The government is expected to create an enabling environment for business performance through legal standards and policy frameworks (Tilakasiri, 2012). This is done through enforcement of regulations by government agencies and also through firm's self regulation (Pedersen, 2015). Government regulations mandate social responsibility reporting, where firms are required to disclose social and environmental merits in their annual reports (Porter & Kramer, 2006) and enforce production quality standards, environment protection, labour standards, and adoption of efficient technologies (Fu & Shen, 2015; Mwangi & Oyenje, 2013; Yin et al., 2013). Scholars have argued that CSR can mitigate the likelihood of negative regulatory, legislative or fiscal action (Cheng, Ioannou & Serafeim, 2015).

Following heightened environmentalism in the marketplace, companies go beyond the regulatory requirements to achieve cost savings and value chain efficiencies (GIZ, 2013; McWilliams, Siegel & Wright, 2006; Pearce & Robinson, 2011; Yin et al., 2013). According to Sweeney (2009), environmental sensitivity impacts positively on financial performance of a firm because it drives down operating costs by exploiting ecological efficiencies by reducing waste, conserving energy and reusing material, and creates competitive advantage as there exists a large and growing segment of consumers with preference to environmentally friendly products and practices (Sweeney, 2009).

Government regulations mandate firms to report CSR activities in annual reports, in line with regional and global CSR ratings and rankings. However, most corporate response has been cosmetic for public relations and media campaigns, rather than strategic (Porter & Kramer, 2006). Many companies use CSR as a way of window-dressing to pre-empt the regulation in areas such as environmental pollution by extraction and manufacturing firms and public health by tobacco and alcohol industries (Nyamute, 2013). In recent years many companies embrace CSR and publish CSR reports alongside their annual reports. However, such reports usually do not represent an accurate reflection of reality because companies over-report on CSR by enhancing their reputation to attract gains expected from socially responsible behavior such as improved customer and employee loyalty. Other companies communicate CSR but fail to practice it (Sweeney, 2009).

Regulations trigger innovations that eventually lower the total cost of a product and improve its value. Legislation creates pressure that motivates companies to innovate, for example the EU's tough emission standards that have put pressure on the global car industry to redesign engines, exhausts and fuel economy and innovations in hybrid electric/gasoline and hydrogen engines that create competitive advantage and environmental benefits (Porter & Kramer, 2006). Legislation enforced innovation guides policy makers, business leaders and environmentalists to focus on the dynamic opportunities for enhanced productivity benefits (Morara, 2013; Vogel, 2005a, 2005b).

2.2.2 Firm Performance

Firm performance refers to tangible results that reflect the company's economic, social and environmental relation with stakeholders (Chen, 2015; Tilakasiri, 2012). According to Atikiya (2015), firm performance is classified into archival data and perceived performance. Archival data involves financial performance derived from the company repository, while perceived firm performance involves the use of perceptions about the company's performance. This study preferred perceived indicators to measure firm performance because the archival data is mainly considered confidential. In the current volatile market, financial based measures of firm performance are no longer sufficient, hence the use of both the financial and non financial measures. Non financial measures enhance a firm's competitiveness by providing additional information that indirectly reflects the strengths and weaknesses of business operations (Ahmad & Zabri, 2016; Ali, Mukulu, Kihoro & Nzulwa, 2016).

According to Lawrence and Weber (2011) and Pearce and Robinson (2011), the balanced scorecard and triple bottom line are the common firm performance measures that comprise both the financial and non financial measures. The balanced scorecard introduced by Kaplan and Norton is based on four perspectives comprising the financial, customer, internal business processes and employee learning and growth. The triple bottom line refers to reporting that includes financial, social and environmental results. This study adopted the use of financial and non financial measures.

2.3 Research Gaps

Many studies have focused on the relationship between CSR and financial firm performance (Fu & Shen, 2015; Mwangi & Oyenje, 2013; Talikasiri, 2009). However, contemporary studies have considered balanced firm performance or TBL, with financial and non financial measures, which provides broader and more comprehensive results (Ching et al., 2015; Cruz & Ramos, 2015; Dilling, 2011; Fadun, 2014; Galbreath, 2009; Hilson, 2014; Popa & Salanta, 2014; Saeidi, Sofian, Saeidi, Saeidi & Saaeidi, 2014; Safwat, 2015; Sweeney, 2009; Tizro, Khaksar & Siavooshi, 2015; Yin et al., 2013). This study sought to analyze firm performance in terms of financial and non financial measures to capture the emerging social and environmental concerns.

Different constructs have been used in CSR studies. Some studies have used Carroll's model; economic,

legal, ethical and discretionary (Fadun, 2014; Galbreath, 2009; Tizro et al., 2015), while others have used stakeholders. However, Carroll's model fails to capture the multiple stakeholder concerns characterizing business operations. Consequently, contemporary studies have adopted multiple stakeholder constructs in CSR operationalization (Ching et al., 2015; Fu & Shen, 2015; Popa & Salanta, 2014; Safwat, 2015; Sweeney, 2009; Tilakasiri, 2012; Yin et al., 2013). This study operationalized CSR in customer relations.

CSR studies have focused on various sectors of the economy. Ching et al. (2015) did a study on service firms in Malaysia. Galbreath (2009) did a study on manufacturing and service sectors in Australia. Fu and Shen (2015) did a study on food processing firms in China, while Tizro et al. (2015) did a study on cement industries in Iran. This research focuses on the manufacturing sector in Kenya. This emanates from its strategic economic importance in tandem with Kenya's Vision 2030 plan and its social and ecological impacts.

3. Research Methodology

3.1 Introduction

This chapter describes the research design, the population, the type of data to be collected, sampling frame, sample and sampling technique, data collection instrument, data collection procedure, pilot test, validity and reliability of the instrument, data analysis and presentation, and hypothesis testing techniques. Research methodology explains the research approach, design and associated methods of data collection and analysis. It outlines the steps involved in conducting the study, provides criteria for obtaining authentic results and provides the formula for replication studies (Ibrahim, 2014; Kothari, 2004; Mugenda & Mugenda, 2003).

3.2 Research Design

Research design is the plan and the procedures for research that entails the broad assumptions and detailed methods of data collection and analysis (Ibrahim, 2014; Saunders, Lewis & Thornhill, 2012). It is the conceptual structure within which research is conducted. It is the blueprint for collection, measurement and analysis of data (Kothari, 2004). It entails the methods of data collection, analysis and interpretations that translate the approach into practice (Ibrahim, 2014).

This study adopted descriptive survey research design which is a fact finding enquiry that explains phenomena as they exist at that moment in time (Fadun, 2014; Ibrahim, 2014; Kothari, 2004; Mwangi & Oyenje, 2013). Survey involves asking structured questions to a representative cross section of the population at a single point in time. The survey may be mailed to respondents, conducted over the phone, electronically or involve a face to face meeting with the respondent (Sweeney, 2009). Descriptive survey methodology was used as it is an inexpensive yet a quick way of collecting data from the target population. It is also an efficient and accurate method of accessing and assessing information about the target population (Ching et al., 2015; Fadun, 2014).

Cross sectional data was obtained from respondents by use of a questionnaire. Cross sectional data studies a phenomenon at a specific time and the data collected only once (Ching et al., 2015; Gujarati & Porter, 2010; Nzulwa, 2013). Secondary data was obtained from annual reports, newsletters, books, articles and company websites. Data consisted of both qualitative and quantitative data, where qualitative data was transformed into quantitative data for analysis. Quantitative approach facilitates examination and explanation of the relationship between variables and is easy to replicate (Fadun, 2014; Sasaka, Namusonge & Sakwa, 2014), hence was suitable for this study.

3.3 Target Population

The population is the universe of all items with common observable characteristics (Kothari, 2004; Mugenda & Mugenda, 2003). The study population was made up of all manufacturing firms registered with KAM. Data on KAM directory (2015) provided 853 registered members, stratified in 14 sectors as follows; 1) building, mining & construction, 2) chemical & allied, 3) energy, electrical & electronics, 4) food & beverages, 5) leather & footwear, 6) metal & allied, 7) motor vehicle & accessories, 8) paper & board, 9) pharmaceutical & medical equipment, 10) plastics & rubber, 11) fresh produce, 12) service and consultancy, 13) textile & apparels, and 14) timber, wood & furniture. It is also stratified into 8 geographical regions; 1) Athi River, 2) Central Kenya, 3) Coast, 4) Eldoret, 5) Nairobi & surrounding, 6) Naivasha, 7) Nakuru, and 8) Nyanza/Western.

Target population is the entire list of items on which the researcher wishes to generalize the study findings (Kothari, 2004; Mugenda & Mugenda, 2003). The target population was purposively and conveniently sampled to consist of 2 out of the 8 regional strata, Athi River and Nairobi, which constitute of 641 manufacturing firms in all stratified 14 sectors. The choice of this target population was based on the fact that majority (80%) of the firms registered with KAM are located in Nairobi and surrounding area (KAM, 2015) and that the region has a fair blend of all manufacturing sectors. Targeted respondents (units of observation) were the managers in charge of CSR.

3.4 Sampling Frame

Sampling frame is the entire list of all the items from which the sample is drawn and should be a good representative of the population (Kothari, 2004; Mugenda & Mugenda, 2003). The sampling frame for this study was the list of 427 manufacturing firms in the KAM directory (2015) in Athi River and Nairobi in 10 out of the stratified 14 sectors, purposively selected to capture the interest of the study based on their adoption of CSR strategy, processing and value addition operations and their economic, social and environmental impact. The selected sectors included; 1) building, mining & construction, 2) chemical & allied, 3) energy, electrical & electronics, 4) food & beverages, 5) leather & footwear, 6) metal & allied, 7) motor vehicle & accessories, 8) paper & board, 9) pharmaceutical & medical equipment, and 10) plastics & rubber.

3.5 Sample and Sampling Technique

A sample is a carefully selected subgroup that is representative of the population on which inference about the aggregate is made (Kothari, 2004). Sampling helps to reduce research costs and provides greater accuracy, flexibility and speed (Ching et al., 2015; Kothari, 2004). The sample size should be optimal to fulfill the requirements of efficiency, representativeness, reliability and flexibility. The sample size is determined from considerations such as nature and size of population, sample size of similar studies, published tables, equations and software calculations (Israel, 2009).

For regression analysis, a sizeable sample is required, about 200 – 500 (Israel, 2009). Large samples guarantee stable estimators (Sweeney, 2009). From published tables (Israel, 2009), a sample from a target population of 427 at 5% level of significance requires a sample size of 205. Sweeney (2009) recommends a sample size of 100 – 200. Using formula (Kothari, 2004), a sample size of 202 respondents was obtained and used for the study. The sample of the study was selected using purposive sampling method. Purposive (judgemental) sampling is a non probability technique used to pick items with the required characteristics (Kothari, 2004). From the sampling frame of 427 firms, a sample size of 202 firms was purposively selected in corroboration with the study by Hilson (2014), Ibrahim (2014) and Yin et al. (2013).

3.6 Data Collection Instrument

The type of data collection method depends on the nature of the study. The most common methods used include questionnaire, interview schedule, observation checklist and focus groups. Self administered questionnaire is the most common data collection method for primary data and is ideal for big enquiries. The questionnaire consists of a set of structured questions which are delivered to respondents to fill and return. This technique is less costly and less time consuming since the questionnaires can be easily distributed to a large number of dispersed respondents, is free from interviewer bias, can reach difficult respondents and is ideal for quantitative survey. However, it is subject to low response rate, interpretation ambiguity, respondent bias and insincerity, and delay in response (Kothari, 2004).

This study adopted the use of a self administered questionnaire. A five point likert scale was used in most of the survey questions to obtain respondents' perception about the construct alongside few open and close ended questions. Likert scale is an ordinal scale that gauges perception on the extent of an attribute (Kothari, 2004) and was used to gauge from very high, high, moderate, low, to very low.

3.7 Data Collection Procedure

The researcher made prior contacts, through email and telephone, to all firms selected for the study to seek prior authority and consent from the respondents to participate in the study. This correspondence introduced the researcher and explained the nature, purpose and significance of the study with a promise to uphold ethics and to share the key findings. The self administered questionnaire was emailed and delivered to the respondents who would fill and send back by email and through drop and pick. Secondary data was obtained from company websites and records to complement the survey primary data. Key findings of the study were shared with the participant respondents upon successful conclusion of the study.

3.8 Pilot Test

A pilot test is a small scale replica of the actual survey and it is carried out before the actual survey is undertaken. Test pilot of the questionnaire is done on respondents who are as similar as possible to those in the main enquiry. The size of the pilot study is often dependent on the time and financial resources available for the study and for most studies there should be a minimum of ten (10) respondents (Saunders et al., 2012). The pilot is used to test the efficiency and adequacy of the questionnaire (Sweeney, 2009). Mugenda and Mugenda (2003) provides for 1 to 10% of the sample size, hence, based on 10% of the sample size, twenty (20) pilot cases were considered in this study. This guided in making corrections and modifications to the questionnaire to make it most suitable for the study by removing any form of ambiguity and making the questions clear, precise and straightforward.

3.8.1 Validity of the Research Instrument

Validity refers to the extent to which an empirical measure adequately reflects the concept under consideration (Babbie, 2010). It refers to how accurately the data obtained in the study represents the study variables (Mugenda & Mugenda, 2003).This refers to the sharpness of the research instrument. There are three types of validity; content (face) validity, construct validity and criterion related validity. The study utilized content and construct validities. Content (face) validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. Its measure is primarily judgemental based on how much the instrument represents the concept under study (Kothari, 2004). Content validity was tested and achieved through expert input, and also through adoption of questionnaire used in prior studies including Chen (2015), Ching et al. (2015), Sweeney (2009) and Tilakasiri (2012). Construct validity is a measure of the degree to which an instrument results conform to predicted correlations and other theoretical propositions (Kothari, 2004). This was realized by anchoring the study to theoretical expectations.

3.8.2 Reliability of the Research Instrument

Reliability test is used to obtain stability and consistency of measurement where replication obtains same results over different circumstances if same method is used (Ching et al., 2015). It is a measure of the degree to which a research instrument yields consistent results for repeated trials (Kothari, 2004; Mugenda & Mugenda, 2003). Survey items are reliable and consistent if the Cronbach's alpha value is more than 0.70 (Ching et al., 2015). Reliability test was conducted by use of Cronbach's alpha.

3.9 Data Analysis

3.9.1 Descriptive Analysis

Descriptive statistics show the summary of variable measurements presented in terms of central tendency, variability, frequency distribution (dispersion) and symmetry (normality). Central tendency measures include the mode, mean and median. Variability is expressed in terms of range, variance and standard deviation, while frequency distribution is expressed in terms of tables, graphs, bar charts and percentages, and symmetry is denoted by skewness and kurtosis (Kothari, 2004; Mugenda & Mugenda, 2003).

3.9.2 Inferential Analysis

Inferential statistics draw inference about population based on sample results by either parametric or non parametric techniques. They generalize the results from sample to population. Inferential statistics are classified into parametric (distribution) and non parametric (distribution free) techniques. Parametric techniques make assumptions about the population data, such as normality, large sample size, and population parameters such as mean and variance, as opposed to non parametric techniques. Parametric tests include correlation, regression, t, z, and F tests. Non parametric tests include sign, Wilcoxon, Mann Whitney (U), Kruskal-Wallis (H) and Chi square tests (Kothari, 2004).

From SPSS regression output, various parametric statistics were analyzed. The coefficient of correlation (r^2) and F statistic were used to test the strength of the relationship between the independent variable and the dependent variable at 5% level of significance. The t – test was used to test the strength/significance of the independent/predictor variable. If the p-value is less than 0.05, the relationship between IV and DV is significant and vice versa (Gujarati & Porter, 2010). The model coefficient (estimator) was used to assess the magnitude, direction and significance of the relationship.

3.9.3 Measurement of Variables

The independent variable in this study is CSR operationalized through customer relations with other factors held constant. Customer relations include; product information, quality assurance, customer care and feedback. Prior expectation is that the greater the customer relations, the higher the firm performance.

The dependent variable is firm performance which was operationalized through sustainable balanced score card also called the triple bottom line (economic, social and environmental measures) which takes into effect financial and non financial measures. The DV constructs include; perceived financial measures, customer satisfaction, internal process, and employee development. Perceived financial measure gauged the relative profitability and market share since explicit measures based on revenue would be considered confidential. Customer satisfaction tested the customer satisfaction index, internal processes tested plant efficiency, and employee development tested employee job satisfaction index.

3.9.4 Statistical Model

Regression analysis using SPSS was used to test the relationship between customer related CSR (independent variable) and firm performance (dependent variable). The relationship was explained by the following regression model;

i) $Y = B_0 + B_1X_1 + e$

Where: Y- Firm performance (Financial and non financial measures), B_0 - Constant, and B_1 – Customer relations coefficient. e – Error term stands for all other factors that are not considered in the study but have influence on the response (Gujarati & Porter, 2010). X is the corresponding independent variable.

3.9.5 Hypothesis Testing

Hypothesis is a formal question that the researcher intends to resolve. It is a proposition set forth as an explanation for the occurrence of some specific phenomena asserted as a provisional conjecture to guide investigation and accepted as highly probable in the light of established facts (Kothari, 2004). This research sought to test the hypothesis based on the objective of the study. Hypothesis test offers support to the sample for generalization to be made (Fadun, 2014; Sasaka et al., 2014; Sweeney, 2009).

From the regression results, the t values and the corresponding p values were used to test the statistical significance of the independent variable, based on 5% level of significance (95% confidence level; $\alpha = 0.05$). When the p value is less than the level of significance, the null hypothesis (H_0 - that the variable has no effect) is rejected and if equal or greater, do not reject H_0. This is symbolically denoted as: $p < \alpha$ (level of significance): Reject H_0, and if $p \geq \alpha$: Do not reject H_0. Once the decision to reject or not reject null hypothesis was made, inference was drawn on the relationship and statistical significance.

4. Research Findings and Discussion

4.1 Response Rate

Response rate is the total number of responses divided by the total number in the sample. Response rate depends on the data collection method and the nature of respondents. For most academic studies involving top management, a response rate of approximately 35 per cent is reasonable (Saunders et al., 2012). The researcher conducted a pilot test to validate the research instrument with 20 manufacturing firms selected randomly from the sample population. This resulted in response from 10 respondents hence response rate of 50%. The questionnaire was amended to make it more resourceful and responsive. The target sample for the study was 202 managers. From the survey, only 112 respondents were responsive, hence a response rate of 55%, which was considered appropriate for the study.

4.2 Pilot Test

4.2.1 Reliability Analysis

Reliability is a measure of the degree to which a research instrument yields consistent results for repeated trials (Kothari, 2004; Mugenda & Mugenda, 2003). Survey items are reliable and consistent if the Cronbach's alpha value is more than 0.70 (Ching et al., 2015). Cronbach's alpha was used to test the internal reliability of the research instrument. As shown in Table 4.1, all the constructs were significant with alpha values (0.792 and 0.835) above the 0.7 threshold.

Table 4.1: Reliability Coefficients of the Study Variables

Variable	Number of Items	Cronbach's Alpha	Comments
Customer Relations	8	0.792	Accepted
Firm Performance	14	0.835	Accepted

4.2.2 Validity of the Research Instrument

Validity refers to the extent to which an empirical measure adequately reflects the concept under consideration (Babbie, 2010). It refers to how accurately the data obtained in the study represents the study variables (Mugenda & Mugenda, 2003). It is the extent to which data collection methods accurately measure what they were intended to measure (Saunders et al., 2012). This refers to the sharpness of the research instrument.

Content (face) validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. Its measure is primarily judgemental based on how much the instrument represents the concept under study (Kothari, 2004). Content validity was tested and achieved through expert input, and also through adoption of questionnaires used in prior studies including Chen (2015), Ching et al. (2015), Sweeney (2009) and Tilakasiri (2012). Construct validity is a measure of the degree to which an instrument results conform to predicted correlations and other theoretical propositions (Kothari, 2004). This was ensured by anchoring the study to theoretical expectations based on underlying theories and empirical review.

The researcher received 10 responses for the pilot study which helped to validate the research instrument. In the course of the pilot study, ambiguous issues were addressed to maintain the original intention of the research instrument. This involved wide consultations with the respondents, supervisors and experts for guidance.

4.3 Normality Test

As revealed by the results of normality test in Table 4.2, the skewness of the variables was -0.480 and 0.238 while the kurtosis was -0.222 and -0.633. Since the skewness for normally distributed data ranges between -1 and 1 and kurtosis ranges between -2 and 2, the data was found to be normally distributed. Therefore the data was considered as parametric.

Table 4.2: Normality Test

Variable	Skewness	Kurtosis	Comments
Customer Relations	-0.480	-0.222	Accepted
Performance	0.238	-0.633	Accepted

4.4 Inferential Analysis

From the model summary in Table 4.3, the coefficient of correlation, $r^2 = 0.492$, which denotes that other factors held constant, 49.2% of the variation in firm performance is explained by customer relations. This correlation is fairly weak at 0.492, which means that there are other factors to consider in the model for adequacy.

Table 4.3: Customer Relations Simple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.492	.487	5.45895

a. Predictors: (Constant), X_1

From the ANOVA summary in Table 4.4, the F statistic is 106.523. Because the corresponding p-value = 0.000, ($p < 0.05$ for 5% level of significance) the null hypothesis, H_0 is rejected and inference drawn that statistically the explanatory variable, customer relations has significant effect on firm performance.

Table 4.4: Customer Relations Simple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3174.399	1	3174.399	106.523	.000[b]
	Residual	3278.021	110	29.800		
	Total	6452.420	111			

a. Dependent Variable: Y

b. Predictors: (Constant), X_1

From the coefficients in Table 4.5, $B_0 = 12.217$ and $B_1 = 0.989$, therefore;

$\hat{Y} = 12.217 + 0.989X_1$: Estimate of the econometric model.

If customer relations index increase by 1 unit, other factors held constant, firm performance is expected to increase on average by 0.989 units. The coefficient for customer relations is statistically significant since the p-value = 0.000, at 5% level of significance.

Table 4.5: Customer Relations Simple Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	12.217	3.424		3.568	.001	5.432	19.003
X_1	.989	.096	.701	10.321	.000	.799	1.179

a. Dependent Variable: Y

4.5 Descriptive Analysis

4.5.1 Customer Relations

Prior studies have shown customer relations as a significant indicator of firm performance (Ching et al., 2015; Newman et al., 2016; Sweeney, 2009; Tilakasiri, 2012). The present study considered the aspects of customer relations to include: Product information, product quality, value, feedback, customer engagement, complaints, reputation and loyalty. The study found that firms exercise very highly product quality (4.69), product information (4.67), product value (4.50), highly customer feedback (3.94) and customer complaints (3.71), and on medium rating customer involvement (3.42), firm reputation (3.18) and customer loyalty (3.08).

The study found that firms implement ISO quality management system to enable continual improvement of their processes (53.6%), quality assurance (16.1%) and customer loyalty (6.3%). Other firms (24.1%) were not ISO certified. The findings by Ching et al. (2015) found that ISO certified firms are more competitive in customer satisfaction than those that are not certified.

To enhance customer capacity in the acceptance and use of products, many firms (65.2%) combine product information with some training on the product use, others only product information (28.6%) and others only some training on the product use (1.8%). A minority (6.3%) do not undertake any customer capacity enhancement activity. The study found that firms enhance customer satisfaction through product information and training on product use which corroborates with the study by Tilakasiri (2012).

4.5.2 Firm Performance

Several parameters were used to measure firm performance in this study averaged for the last five years. Based on the mean, the study findings showed that majority of the firms had high level of profitability (3.68), medium level of expenditure on CSR (2.61), medium level of market share (3.28), high level of customer satisfaction

(3.54), very low levels of pollution (1.10), highly used the latest manufacturing technology (4.17), highly innovative and creative (3.93), medium level of employee satisfaction (3.37), and medium level of staff training expenditure (3.01). Majority of the firms reported medium level of positive impact from their engagement in CSR activities. Many of the firms in this study recorded a medium market share (3.30) of 41 to 60%, high plant efficiency (3.60) of 61 to 80%, high customer satisfaction (3.61) of 61 to 80% and medium level of employee satisfaction (3.42) of 41 to 60%.

On overall, majority of the firms that had involvement in CSR activities showed enhanced firm performance. This supports the findings by Carrol and Shabana (2010), Chen (2015), Ching et al. (2015), Chung and Safdar (2014), Harrison and Wicks (2013), Newman et al. (2016), Safwat (2015), Tilakasiri (2012), and Togun and Nasieku (2015) who contend that involvement in CSR activities enables firms to be more competitive which significantly and positively correlates with firm performance. This study established that involvement in customer related CSR activities enhanced performance of manufacturing firms in Kenya.

4.6 Hypothesis Testing

The study predicted a positive relationship between customer relations and firm performance. Inferential statistics were used to test the relationship at 5% level of significance. The significance of the relationship was based on the p value such that the null hypothesis was rejected in support of the alternative hypothesis whenever the p value was less than 0.05, and the converse applies.

H_0: Customer relations have insignificant effect on performance of manufacturing firms in Kenya.

This research found a positive relationship between customer relations and firm performance with a standardized coefficient of 0.989. This meant that a unit increase in customer relations index led to an increase in manufacturing firm performance index by 0.989. The relationship is also significant with p value = 0.000 (since $p<0.05$), hence the null hypothesis was rejected in support of the alternative hypothesis. This study concluded that customer relations, other factors held constant, have significant effect on performance of manufacturing firms in Kenya.

This study is in agreement with many authors (Fu & Shen, 2015; Sweeney, 2009; Tilakasiri, 2012) that customer relations have statistically significant effect on firm performance. Customer satisfaction enhances customer loyalty, reduced price elasticity, insulation of current customers from competitive forces, lower costs of future transactions, lower costs of attracting new customers, and enhanced reputation (Tilakasiri, 2012). Customer relations define the firm's ethical and ecological practices, consumer information, and quality assurance (Sweeney, 2009). This study supports the stakeholder theory and social identity theory in that CSR improves customer loyalty by supporting consumer interests in social and environmental issues (Palmer, 2012).

5. Summary, Conclusion and Recommendations

5.1 Summary

This research found a positive relationship between customer relations and firm performance. This meant that an increase in customer relations index led to an increase in manufacturing firm performance. Customer relations increase customer satisfaction which provides enhanced customer loyalty and enhanced reputation which attracts and retains customers to the company products.

5.2 Conclusion

Customer relations impact firm performance through product information, quality, value, feed back, customer engagement and complaints handling. The findings indicated that the performance of manufacturing firms increased with increase in customer relations. This creates competitive advantage for the firm through enhanced firm reputation and customer loyalty in support of the stakeholder and social identity theories.

5.3 Recommendations

This study recommends that manufacturing firms need to offer the much required customer support in terms of product information, quality assurance, and handling customer feedback. Considering the highly competitive market place, firms need to be clearly visible and provide the best offering to the customer to ensure customer satisfaction for enhanced customer loyalty and firm's reputation through safe products and processes.

This study recommends that firms maintain friendly business-customer relations through self regulation on ethical practices in addition to compliance to enforcement through government regulation. This would promote production quality standards, environmental protection, labour standards, and the adoption of efficient technologies, which would offer sustained competitive advantage. Such relations would protect the firm's stakeholders hence enabling the firm to enhance social and economic performance, and maintain high reputation which would counter the fierce competition waged by the influx of cheap imports, counterfeit and contraband products emanating from globalization, free markets and unscrupulous business practices.

5.4 Areas for Further Research

This study used cross sectional data obtained from respondents by use of a self administered questionnaire. Cross sectional data observes a phenomenon at a specific time and the data collected only once (Ching et al., 2015; Gujarati & Porter, 2010; Nzulwa, 2013). It is ideal for managing resource constraints. Time series data is collected over a period of time and pooled data combines elements of time series and cross sectional data. Panel, longitudinal or micropanel data is a special type of pooled data where the same unit is surveyed over time (Gujarati & Porter, 2010; Tilakasiri, 2012). This research recommends the collection of time series data for future CSR studies because as a strategy, CSR takes effect over time.

This study considered the manufacturing sector owing to its strategic role in the economy and the adverse impact of manufacturing operations. This study recommends further research on other sectors of the economy, which have exhibited significant CSR investments, especially the service sector including banking, insurance, hospitality, health, education, and telecommunication sectors. Study may also be extended to state corporations to monitor how the government embraces CSR. Publicly listed firms on the Nairobi Securities Exchange could be considered for further studies because according to Kalunda (2012), they have more information disclosed to the general public compared to other firms.

Further studies can also consider the unit of observation to consist of the customers themselves rather than the managers of firms. This would ensure first hand accurate data from the stakeholder perspective since the perception of the managers tend to portray only the positive image of the organization. Future research can use interview data collection method as opposed to the self administered questionnaire. This would enhance the response rate, eliminate response bias and ambiguity, and overcome delays in data collection.

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