



The Challenges Facing The Safaricom Foundation In Aligning Corporate Social Responsibility To Corporate Strategy

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Abstract:

The general objective for this study was to establish the challenges facing the Safaricom Foundation in aligning CSR with corporate strategy. Specifically, the study sought to determine the extent to which employees are involved in employment of Corporate Social Responsibility strategies at Safaricom Foundation, to establish the determinants of the choice of Corporate Social Responsibility strategies by at Safaricom Foundation, to determine the challenges facing implementation of Corporate Social Responsibility strategies at Safaricom Foundation, to evaluate benefits derived through implementation of Corporate Social Responsibility strategies at Safaricom Foundation. The study employed a case study approach targeting strategists or the foundation personnel who have utilized CSR and strategy initiatives in Safaricom Foundation. Simple random sampling technique was used to select 70 personnel from the population which represents 20.9% of the whole population while questionnaires were administered to the respondents through a drop and pick method. The Data obtained from the field was checked. For the quantitative data, analysis of the data was done through descriptive statistics by use of frequencies and percentages and averages. Content analysis of qualitative data included text analytics and document analysis. Quantitative data was presented by use of tabulations, bar graphs and pie charts. Presentation of data also made the use of histograms. The study revealed that Safaricom, like other big firms do practice CSR by choosing its own unique activities. It is however important to involve stakeholders in carrying out social responsibility activities since it works to enhance the image of a firm. Therefore, both the new entrants and the ones already existing need to embrace corporate social responsibility in their strategies. As part of recommendation for this study, organizations should consider increasing their CSR involvement in the community since this can also be used as a marketing tool among the communities that they serve.

Key words: Challenges, Employees, Corporate Strategies, Corporate Social Responsibility, Safaricom Foundation

1.Introduction

1.1.Background To The Study

In recent years, scholars and managers have devoted greater attention to the strategic implications of corporate social responsibility (CSR). Consistent with McWilliams, Siegel & Wright (2006), we define CSR as situations where the firm goes beyond compliance and engages in 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law'. Corporate activities create both positive and negative externalities for both the society and the environment in which the corporations operate, with the social expectation that businesses should generate more positive externalities and minimize negative externalities.

This social expectation has increased in the last few decades and businesses have responded with a set of activities given the generic name of Corporate Social Responsibility (CSR). Strategic CSR refers to those set of CSR activities that help social and environmental causes as well as benefit the business, but a framework which guides CSR managers so that they can decide which CSR initiatives makes strategic sense to the firm remains elusive. By integrating CSR into core business processes and stakeholder management, organizations can achieve the ultimate goal of creating both social value and corporate value. In response to these increasingly dynamic developments in the business environments, business executives are gradually being confronted by the necessity to broaden their strategic options and are under constant pressure from employees, suppliers, community groups, NGOs, and government to increase their involvement in CSR.

By taking a strategic approach, companies can determine what activities they have the resources to devote to being socially responsible and can choose that which will strengthen their competitive advantage. By planning out CSR as part of a company's overall plan, organizations can ensure that profits and increasing shareholder value don't overshadow the need to behave ethically to their stakeholders. The current globalized world has also witnessed rising social inequalities, disparities in income, global environmental problems, and the outsourcing of increasingly skilled operations, leading to demands for protection against the repression of unregulated market forces (Levy and Kaplan, 2007). Such demands pose numerous challenges for the private sector, as businesses are under intense pressure to take responsibility for their impact on the societies in which they operate, and the environment. Moreover, the private sector is

increasingly perceived to make active and positive contributions to development of the society. This calls for responsible business practices and corporate contributions in terms of CSR (Visser, 2006).

This research will focus on investigating the challenges of aligning CSR to corporate strategy (CS) as its main theme, in the wake of the tough local telecom business and regulatory environment. It sets the context within which the research will achieve this objective by presenting the background of the study, the problem statement, the study objectives as well as the value of the study.

1.2.Statement Of The Problem

In the recent past, both scholars and policy analysts have devoted a great deal of attention to the implications of CSR policies and initiatives as well as their relation to corporate strategy (McWilliams et al, 2006; Porter and Kramer, 2006). Strategic Management in Safaricom Ltd is a function whose primary role is to ensure that the company remains focused on the long term profitability, consistently deliver results in a constantly changing environment and to optimize the resources available to obtain the highest value in the long term. Safaricom has corporate strategy and a separate corporate social responsibility (CSR) strategy.

The above studies showed that CSR awareness in firms and the activities that a firm is involved in, as well as what influences a firm's involvement in CSR are unique to various firms and industries. They present study takes cognizance of Kenyan public concern over adverse impact of businesses on society. They insufficiently address challenges affecting CSR- Strategy-Framework. This study attempts to fill this gap in literature by proposing a CSR- Strategy-Framework. This leads to the question: what are the challenges facing Safaricom Foundation in aligning CSR with corporate strategy?

1.3.Purpose Of The Study

The purpose of this study was to establish the challenges facing the Safaricom Foundation in aligning CSR with corporate strategy.

1.4.Objectives Of The Study

The study was guided by the following objectives:

- To determine the extent to which employees are involved in employment of Corporate Social Responsibility strategies at Safaricom Foundation.

- To establish the determinants of the choice of Corporate Social Responsibility strategies by at Safaricom Foundation.
- To determine the challenges facing implementation of Corporate Social Responsibility strategies at Safaricom Foundation
- To evaluate benefits derived through implementation of Corporate Social Responsibility strategies at Safaricom Foundation

1.5. Research Questions

This study was guided by the following research questions;

- To what extent are employees involved in employment of Corporate Social Responsibility strategies at Safaricom Foundation?
- What are the determinants of the choice of Corporate Social Responsibility strategies by at Safaricom Foundation?
- What are the challenges facing implementation of Corporate Social Responsibility strategies at Safaricom Foundation?
- What are the benefits derived through implementation of Corporate Social Responsibility strategies at Safaricom Foundation?

2. Significance Of The Study

The management and the cross-functional CSR/strategy teams of Safaricom Ltd will benefit from this study as it will look at the challenges of aligning CSR to corporate strategy and how to address the same and thus the company's competitiveness. The study will further assist the management in realizing the challenges related to strategic CSR and also provide important information that will be of great relevance to the management in making decisions that will help in organizing and directing employees towards efficient strategic CSR initiatives. In anticipation, the study results should generate discussions among board members and result in institution of relevant policy framework and organizational competencies for better strategic CSR practices.

Apart from the Company using the results of this study to improve on strategic CSR initiatives, especially in areas where challenges were previously experienced, other organizations and business entities, especially in the telecommunications industry can also use this document as reference material in pursuit of efficient strategic CSR

initiatives in their organizations. This concern is recognition that like many other sectors, the telecom operators are confronted with increasing complexity and business turbulence, yet strategic CSR affects their competitiveness.

The study results should enlighten the business executives on strategic CSR initiatives, for their firms' competitive positioning. By investigating the challenges to aligning CSR to CS, the study findings will enrich the discussion on CSR, corporate strategy and competitive advantage, and contribute to the existing literature on their associations. Other scholars can also use the information gathered to expound on areas not yet addressed in CSR and corporate strategy. The study's findings will act as reference material for them while replicating the study elsewhere. Furthermore, although CSR and corporate strategy literature proliferates, there is a recurring criticism that it lacks empirical support, thus weakening its validity.

3.Literature Review

Strategy is a word with many meanings and all of them are relevant and useful to those who are charged with setting strategy for their corporations, businesses, or organizations. Mintzberg (1994) argues that strategy is a plan, a pattern, a position, a perspective but can also be a ploy, a maneuver intended to outwit a competitor. Bryson (1995) defines strategy as a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it.

In aligning CSR to corporate strategy, several challenges are encountered. Some researchers asserted that this type of CSR initiatives seemingly addressing each and every social problem were neither good for business nor good for the organizations, since the initiatives were not properly aligned to business strategies. Another challenge was identified as lack of expertise to find effective and efficient solutions for social issues, thus firms were seen as wasting valuable shareholders resources (Drucker, 2001). Thus, the next emergent thought in CSR, was that CSR apart from bettering the society should make strategic sense since it was difficult to distinguish strategic CSR from the core business activities (Fukukawa and Moon, 2004). Likewise, CSR practice is shaped by internal strategic dynamics mandating that corporations focus on economic performance and managers' remuneration being tied to that performance as well as other structural pressures and perceived barriers to a more integrated employment of CSR (Adams, 2002).

Theories on corporate social responsibilities include stakeholder theories, social contracts theory, legitimacy theory, and theory of corporate image.

3.1. Stakeholder Theories

The stakeholder theory of the firm is used as a basis to analyze those groups to whom the firm should be responsible. Clarkson (1995, p. 106) defines a primary stakeholder group as “one without whose continuing participation the corporation cannot survive as a going concern” – with the primary group including “shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due” The secondary groups are defined as “those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival”.

3.2. Social Contracts Theory

Gray *et al.* (1996) describe society as “a series of social contracts between members of society and society itself”. In the context of CSR, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate.

Hence companies who adopt a view of social contracts would describe their involvement as part of “societal expectation” – however, whilst this could explain the initial motivation, it might not explain the totality of their involvement. One of the commercial benefits that was identified in the Australian study (CCPA, 2000) was described as “licence to operate” – particularly for natural resource firms.

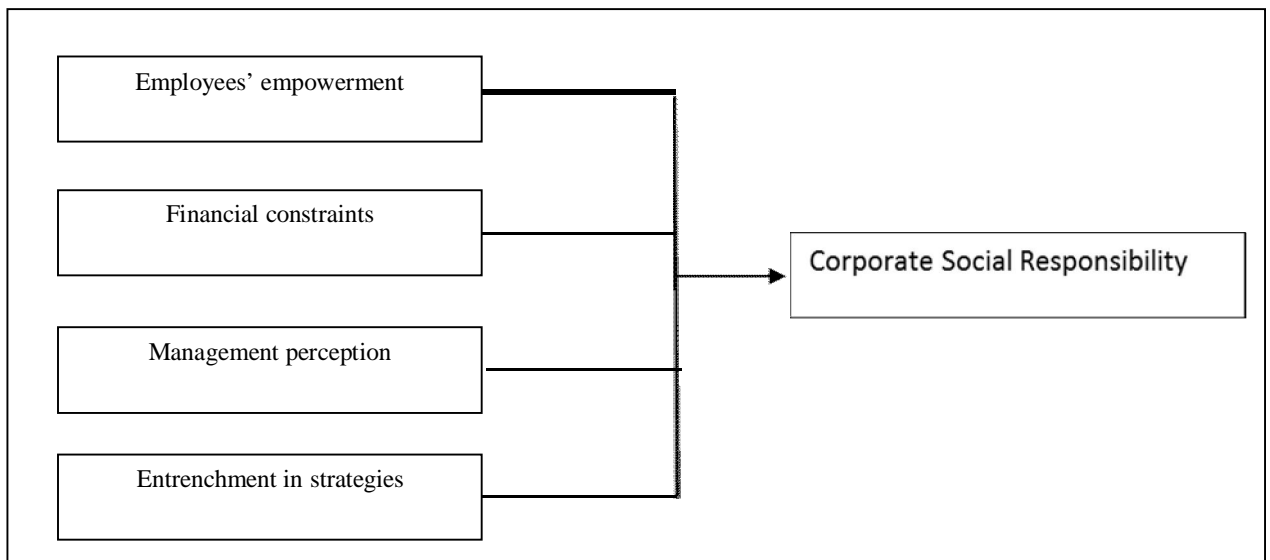
3.3. Legitimacy Theory

Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions”. Lindblom (1994) notes that legitimacy is not necessarily a beginning process for organizations to obtain legitimacy from society. She argues that an organization may employ four broad legitimating strategies when faced with different legitimating threats: Seek to educate its stakeholders about the organization’s intentions to improve that performance, seek to change the organization’s

perceptions of the event (but without changing the organization's actual performance); Distract (i.e. manipulate) attention away from the issue of concern; Seek to change external expectations about its performance.

4. Conceptual Framework

Since the 1990s, there has been an increased emphasis on aligning CSR activities to the corporate goals (McAlister & Ferrell, 2002), and companies practicing strategic CSR expect to enhance business success and long-term interests of the company. More and more, there are evidences of businesses having started engaging into CSR initiatives which are benefiting the organizations as well, i.e. strategic CSR. Conceptual framework presents variable relations. In this study, the conceptual framework presents a relationship between CSR and the dependent variables (employee empowerment; financial constraints; management perception and entrenchment of CSR in company's strategy).



Financial performance is one of the factors that determine a firm's involvement in CSR. Firms whose financial performance is weak are less likely to engage in socially responsible corporate behaviour than firms whose financial performance is strong (Margolis & Walsh, 2001). This is because firms that are less profitable have fewer resources to spare for socially responsible activities than firms that are more profitable – an argument that is often referred to as scarce resource theory (Waddock & Graves, 1997), (as cited in Campbell, 2007). It follows therefore that if firms are operating in an economic climate where for instance, inflation is high, productivity growth is low,

consumer confidence is weak and it generally appears that it will be relatively difficult for firms to turn a healthy profit in the near term, they will be less likely to behave in socially responsible ways than would otherwise be the case (Campbell, 2007). However, past studies have not entrenched CSR practices as applied in various companies. The literature is short of social responsibility initiatives become part of the way it operates its business every day, the initiatives are unlikely to catch fire and be fully effective.

5. Research Methodology

5.1. Research Design

Descriptive survey design was used.

5.2. Sampling Techniques and Sample Size

Simple random sampling technique was used to select 70 personnel from the population which represents 20.9% of the whole population. According to Norman & Fraenkel (2001), a sample size of 20% is adequate for a study and hence justifying the size for this study.

5.3. Research Instruments

This study used both primary and secondary data. Primary data was collected through interviews while secondary data involved other sources of evidence such as internal company documents and company websites. To collect the data from Safaricom Foundation Personnel who have utilized CSR and strategy initiatives in Safaricom Foundation, questionnaire was used while interview guide will be used to collect in-depth data. The researcher also conducted interviews with the head of department, Safaricom foundation, the team manager of the foundation and three managers from the strategic management functions, since their interactions constitutes the application of CSR as a strategic tool. Thus the data was of both quantitative and qualitative in nature.

6. Research Findings And Discussion

Research findings and discussions were based on the research objectives.

7.CSR and corporate strategy

According to the findings majority (95 percent) of the respondents said yes while only 5% though Safaricom do not involve in CSR. This implies that there is a wide range of CSR activities that an organization can choose to be involved in based on their policies or preferences,

CSR Activities	Greater extent	Moderate extent	Neutral	Low extent	No extent	Mean	Std Dev
Good working conditions for employees	60	28	12	-	-	4.5	0.70
Employees welfare	36	48	16	-	-	4.2	0.69
Product safety	40	32	28	-	-	4.1	0.82
Truthful advertising	48	28	20	4	-	4.2	0.89
Environmental issues	16	40	20	12	12	3.4	1.23
Community activity	44	16	24	-	16	3.7	1.43

Table 1: CSR activities adopted by the organization

There were five levels of extent to which the organizations had been involved in the activities. The five levels were greater extent which was given 5 points, moderate extent which was given 4 points and neutral which was given 3 points. Moreover, there was low extent which was given 2 points and no extent given 1 point. A mean and standard deviation were worked out for the analysis. To a greater extent, the organization was involved in good working conditions for employees with a mean of 4.5 and standard deviation of 0.70. In addition it was involved to a moderate extent in employees' welfare, product safety and truthful advertising with a mean of 4.2, 4.1, and 4.2, standard deviation of 0.69, 0.82 and 0.89 respectively. Moreover, to a neutral extent they involved in environmental issues with a mean of 3.4 and standard deviation of 1.23.



Figure 1: CSR Activities Being Part of Strategy

Majority (72 percent) of the respondents agreed that the CSR activities were part of the organization' strategy while 28 percent said they were not. Findings from the study therefore indicate that the organization have not only chosen the activities to be involved in, but they are also committed to carrying them out on a long term basis since they are entrenched in their strategy.

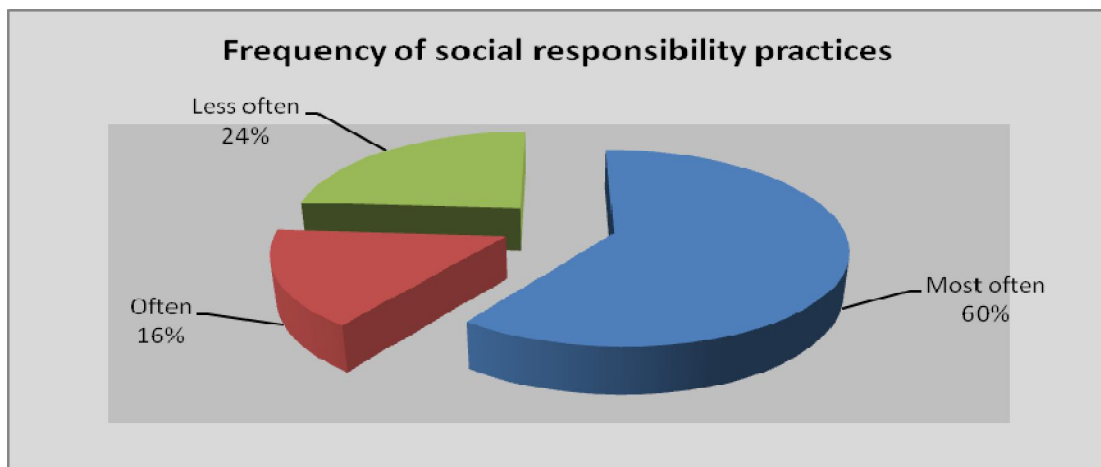


Figure 2: Frequency of social responsibility practices

Concerning, how often the CSR activities are practiced by Safaricom Foundation, majority (60 percent) practiced the CSR activities most often, 24 percent less often and 16 percent practiced often. This confirms that since corporate responsibility activities are part of strategy, then the organization is committed to ensuring that they will be done most often.

Stakeholders	Greater extent	Moderate extent	Neutral	Low extent	No extent	Mean	Std Dev
Employees	48	32	16	4	-	4.2	0.86
Other Stakeholders	12	44	40	4	-	3.6	0.74

Table 2: Stakeholders involvement in carrying out CSR activities

To a large extent the employees and stakeholders were involved in carrying out CSR activities with a mean of 4.2 and 3.6, standard deviation of 0.86 and 0.74 respectively. Results from this study therefore indicate that, employees were more involved in corporate social responsibility activities in their respective firms than other stakeholders.

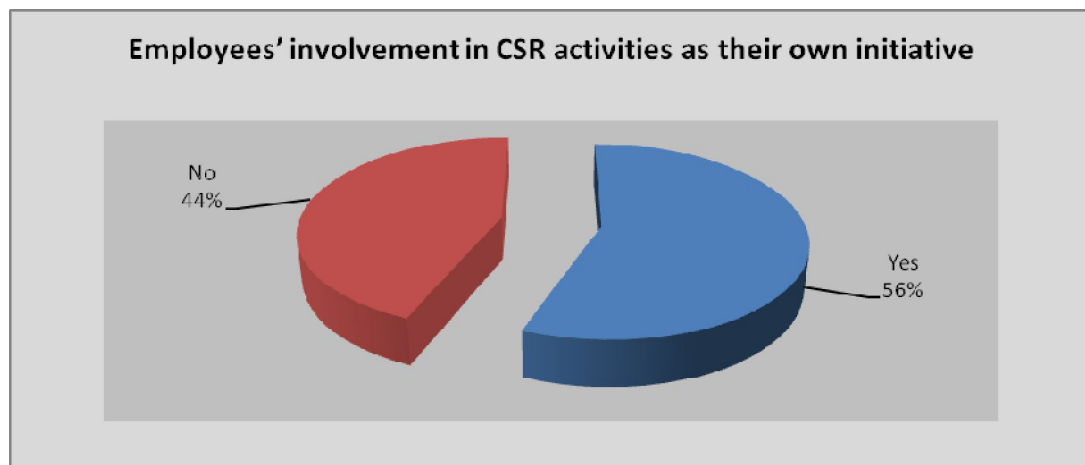


Figure 3: Employees' involvement in CSR activities as their own initiative

Figure 4.5 above illustrates whether employees are given time off to carry out CSR activities as their own initiative. According to the findings, majority (56 percent) of the organization gave the employees time off to carry out CSR activities while 44 percent did not. This indicated the commitment of Safaricom Ltd in social responsibility by involving their employees to a great extent.

Factors	Greater extent	Moderate extent	Neutral	Low extent	No extent	Mean	Std Dev
Financial performance	44	20	36	-	-	4.1	0.89
Level of competition in the industry	16	40	32	4	8	3.5	1.06
Government regulations	8	20	56	-	16	3.0	1.08
Industry regulations	8	20	48	12	12	3.0	1.06

Table 3: Factors that influence CSR activities

To a great extent, financial performance and level of competition in the industry with a mean of 4.1 and 3.5, standard deviation of 0.89 and 1.06 respectively influenced CSR activities. In addition, government regulations and industry regulations with a mean of 3.0 and 3.0, standard deviation of 1.08 and 1.06 respectively were neutral on influencing CSR activities. This is an indication that financial performance is the major factor in influencing a firm's involvement in CSR activities.

Challenges	Greater extent	Moderate extent	Neutral	Low extent	No extent	Mean	Std Dev
Financial constraints	40	20	28	4	8	3.8	1.23
Attitude of management towards CSR	8	24	36	20	12	3.0	1.11
CSR not being entrenched in the organization's strategies	16	8	32	28	16	2.8	1.26

Table 4: Challenges of implementing CSR activities

Regarding the challenges of implementing CSR activities, a five-point likert scale was used to analyze them. Financial constraint was a challenge in implementing of CSR activities to a large extent. This had a mean of 3.8 and standard deviation of 1.23. The attitude of management towards CSR and corporate social responsibility not being entrenched in the organizations' strategy to a moderate extent also paused a challenge to the implementation of CSR activities with a mean of 3.0 and 2.8, and a standard deviation of 1.11 and 1.26 respectively.

This is an indication that, financial constraint is the most prevalent challenge encountered by organizations in implementing of CSR activities. As entrenched by Margolis & Walsh, (2001) firms whose financial performance is weak are less likely to engage in socially responsible corporate behavior than firms whose financial performance is strong. This is because firms that are less profitable have fewer resources to spare for socially responsible activities than firms that are more profitable.

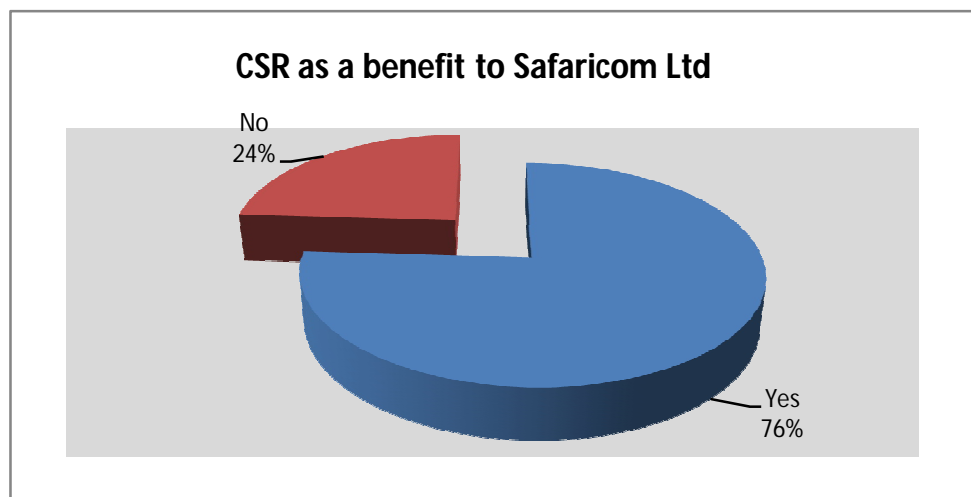


Figure 4: CSR as a benefit to Safaricom Ltd

The researcher sought to find out if the CSR activities had been of benefit to the respondents' organization, majority (76 percent) confirmed that CSR activities had been of benefit while 24 percent said that they were not of benefit. This clearly indicates that firms practicing CSR reap benefits.

Benefits	Most signifi cant	More significa nt	Signifi cant	Less significan t	Insignifi cant	Mea n	Std Dev
Improved company image	60	20	12	8	-	4.3	0.97
Increased Customers	40	16	36	8	-	3.9	1.03
Attract outstanding employees	12	40	28	20	-	3.4	0.94
Increased profitability	16	12	52	20	-	3.2	0.95
Increase in shareholders	4	4	44	20	28	2.4	1.05
Reduced legal and regulatory action by government	4	-	40	36	20	2.3	0.93
Increased foreign presence	4	20	24	28	24	2.5	1.17

Table 5: Specific benefits from CSR activities

Table 4.7 illustrates the benefits of CSR activities to the respondents' organization. From the findings, the most prevalent benefits included improved company image, increased Customers as wells as attracting outstanding employees with mean of 4.3, 3.9 and 3.4 respectively. Increased profitability is also rated at a mean of 3.2 with a standard deviation of 0.95. However, it was revealed that, CSR is less significant in reducing legal and regulatory action by government and assists very little in increasing in company's shareholders as given by mean of 2.3 and 2.4 respectively. In addition, CSR has little impact on increasing the foreign presence of a firm.

This is an indication that benefits derived by Safaricom in practicing corporate social responsibilities largely include improved company image, increased customers as wells as attracting outstanding employees. These factors generally lead to improved

profitability of a firm. As stated by Margolis & Walsh (2001), financial performance is a factor that determines a firm's involvement in CSR. However, creating corporate image remains the outstanding benefit derived by any firm which practice CSR. These firms realize that, if the needs of society are not satisfied, a firm will ultimately cease to exist because a firm operates by public consent to satisfy society's needs (Gordon *et al* 1990).

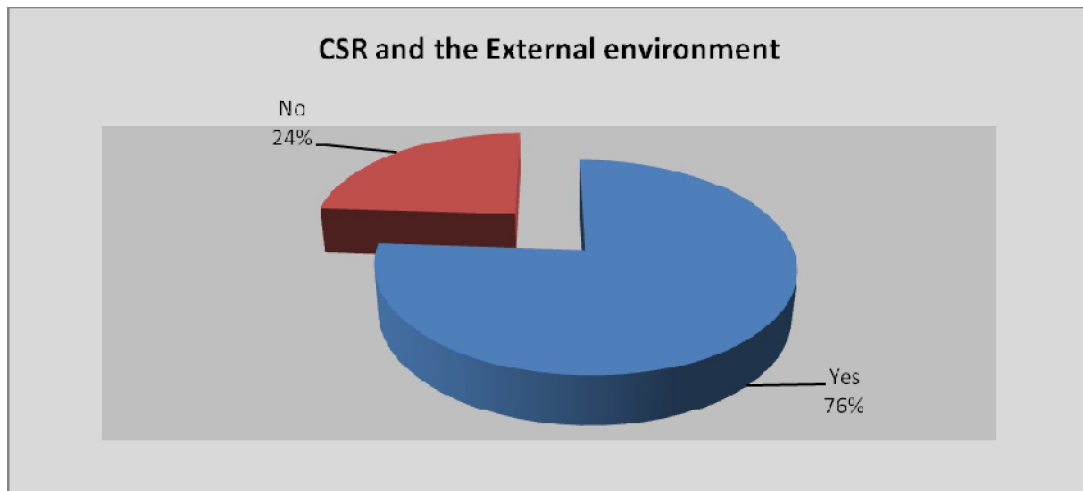


Figure 5: CSR and the External environment

Regarding if the CSR activities gave the respondents' organization a competitive advantage in the industry, majority (76 percent) of the respondents confirmed that practice of CSR gave the organization competitive advantage in the industry while 24 percent said it did not. This indicates that, CSR provided the organizations' with a competitive advantage in the industry. According to a study carried out by Okeyo (2004), competitive advantage was found to be one of the top four rationales of practicing CSR for a firm. Other rationales included the long-term strategy, high public visibility as well as response to society's needs.

8. Summary Of Findings

8.1. Conclusions

The study revealed that Safaricom, like other big firms do practice CSR by choosing its own unique activities. The range of activities the firms were involved in included good working conditions for employees, employees' welfare, product safety, truthful advertising, community activity and environmental issues. The organization however

was involved in employee and product related activities as compared to their involvement in community and environmental activities. Implementation of CSR activities in organization was largely done through employees than through other stakeholders. It is however important to involve stakeholders in carrying out social responsibility activities since it works to enhance the image of a firm.

Financial performance, the level of competition faced and state regulations were determined as the factors influencing corporate social responsibility practices adopted by organizations, in that order. Financial constraints, management attitude towards social responsibility and CSR not being entrenched in strategy were challenges mentioned in implementing CSR. 76 percent of the respondents agreed that corporate social responsibility activities had been of benefit to their organizations. This was reflected in the improved company image, increased number of customers, attracting outstanding employees and improved profitability.

9.Recommendations

For effective aligning of CSR to the Safaricom Foundations corporate strategy, this study recommends that,

- The Boards and shareholders for Safaricom Ltd should evaluate the outcomes from the Foundation's investments in order to understand if and how they positively impact the profitability of the company. This would include performing market research that examines the effects of CSR on strategic outcome for Safaricom that would be particularly informative.
- Safaricom stakeholders must perceive value in a certain CSR activity to support the firm's engagement in it. This is particularly true for the customer, a key stakeholder for any business enterprise.

Safaricom Foundation should endeavour to examine the potential customer value creation of CSR activities and align this value to the financial performance. The value enhanced should also be based on preference because each customer responds to a product, service, or corporate initiative based on her personal, subjective taste.

10.Limitations Of The Study

The researcher encountered limitation of time. Time constraint was experienced due to the nature of data that was to be collected as it needed authorization from various level of

authorities. At the same time, the different components and variables that were many in number. The researcher mitigated this problem by planning on manpower where a large team was involved in data collection.

The other limitation was that some respondents feared disclosing information on Safaricom for they feared breach of confidentiality. The researcher however assures them that the information given would be treated with high confidentiality.

Researcher also faced financial limitations as the time given for data collected demanded for more research assistants to be employed, a fact that made the budget to go higher the budgeted for. This problem was however dealt with by making arrangements to pay for the research services in installments.

11.Suggestion for Further Studies

Given the limitations and scope of this stud, the researcher recommends the following for further studies.

- A study on challenges facing the mobile phone companies aligning corporate social responsibility to corporate strategy should be carried out on an expanded population comprising all the four companies in the industry.
- For comparative purpose, this study should be carried out but based on a different context, say banking sector and compare the CSR alignment to corporate strategies in both context;
- A study on benefits of facing the Safaricom Foundation in aligning corporate social responsibility to corporate strategy should also be carried out. This would assist in marching out the benefits with the various challenges for CSR.

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