



## THE INFLUENCE OF STAKEHOLDER'S COLLABORATION ON SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY ON MANUFACTURING COMPANIES AFFILIATED TO KENYA ASSOCIATION OF MANUFACTURERS IN MOMBASA COUNTY, KENYA

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### ABSTRACT

The study was focused on examining the influence of stakeholder's collaboration on sustainable corporate responsibility on manufacturing companies affiliated to Kenya Association of Manufacturers in Mombasa County, Kenya. On stakeholder's collaboration practice the correlation results showed that there was a strong positive correlation at 48.1% to sustainable CSR in companies affiliated to Kenya Association of Manufacturers in Mombasa County in Kenya. Regression results showed that the t value was  $-1.272$   $p = 0.211$ . The findings of this study are consistent with the stakeholder theory, which postulates that a firm needs to take cognizant of the various stakeholder interests. The customer is influenced by the firm's ethical and ecological practices, consumer information, and quality assurance. This study also supports the social identity theory in that CSR improves customer loyalty by supporting consumer interests. The study results showed that t values were  $-1.272$  which was below the threshold required of 2.0. Therefore, null hypothesis that stakeholder's collaboration practice has no significant influence on sustainable Corporate Social Responsibility of manufacturing companies affiliated to Kenya association of manufacturers in Mombasa County, Kenya was accepted. Thus, from the findings it was concluded that stakeholder's collaboration practice has no significant influence on sustainable Corporate Social Responsibility of manufacturing companies affiliated to Kenya association of manufacturers in Mombasa County, Kenya. The study recommends that manufacturing companies should involve many stakeholders as possible to undertake corporate social responsibilities that as self-sustaining and a going concern.

**Key words:** Corporate Social Responsibility, Stakeholder's Collaborations Practice, Sustainable CSR

### 1.0 BACKGROUND OF THE STUDY

CSR is today more discussed than ever. A larger and larger share of companies in Kenya and other Western countries currently have well developed CSR policies and programs. The impact of CSR in the business world grows larger all the time even though its existence has been relatively short. During all these years, CSR has been a heavily discussed topic by many

researchers and businessmen who have both criticized and given it praise. Even though CSR historically has been subjected to much criticism, more and more evidence has appeared which supports CSR. More theories have been developed which support a correlation between CSR and positive outcomes for the firm (Carroll & Shabana 2018). One of those articles supporting this correlation, which has gained the most attention during the last few years has been Porter and Kramer's (2002) "The competitive advantage of corporate philanthropy" in which the authors argue for the integration of CSR in the company's strategies, with the intention to improve the business context in which the company is active.

Barnett (2017) has also argued on the basis of stakeholder theory; that the outcome of CSR depends upon what kind of CSR investments are made and the timing of these investments. He argues that CSR does not have a direct influence on financial performance but an indirect influence through the relationship with a company's stakeholders. Also, Carroll & Shabana (2018) emphasize a higher involvement from the stakeholders, as well as argue that CSR is not always profitable but needs to be contextualized just as Barnett (2017) have done.

In alliances related to CSR the organizations combine resources, skills and knowledge from a wide range of stakeholders (Murray, Haynes & Hudson, 2017). Consequently, interaction among stakeholders is important since it establishes a common vision of CSR which makes alliances with industry players a good way to realize CSR initiatives (Hakala, 2017). Ideally, Collaboration should take the form of co-creation in order to strengthen relationships and at the same time ensure that CSR adds value to all the stakeholders (Dentoni, *et al*, 2015). Stakeholder management provides the common link between corporate competitiveness, corporate responsibility and sustainability which involves participation, dialogue and involvement because when stakeholders understand why things are done as they are, they will act according to the model that the company sets. (Dobele, Westberg, Steel and Flowers, 2018).

## **2.0 STATEMENT OF THE PROBLEM**

One of the most popular approaches to CSR is stakeholder management; however, some research has questioned the legitimacy of a stakeholder model. Most companies in earlier research have to a high degree focused on the stakeholders who are closest to the core business, which creates a situation where the opinions of those who ought to benefit from the CSR activities are often neglected. (Gjerdrum Pedersen 2011).

The stakeholder model which Donaldson & Preston (1995) developed has so far received little appreciation among real-life managers, however, most firms have gone beyond what Donaldson & Preston (1995) call the input-output model which mainly focuses on maximizing the output. Reality lies somewhere in between these two extremes and during the data collection we have tried to understand how different stakeholders influence a firm's CSR policies, the firms' point of view on this issue, and how they interpret their relationship with different stakeholders.

More research is needed on the relationship between companies and its stakeholders. These actors often have the same goals; however, because of the ambiguity of CSR and shortcomings in the relationships between these two, they often oppose each other. To increase the effectiveness of the CSR activities a higher understanding between companies and stakeholders

is needed; this study intends to describe how companies view their own CSR activities and how they view their relationship with their stakeholders.

**3.0 OBJECTIVE OF THE STUDY**

To examine the influence of stakeholder’s collaboration practice on sustainable corporate social responsibility on manufacturing companies affiliated to Kenya Association of Manufacturers in Mombasa county, Kenya.

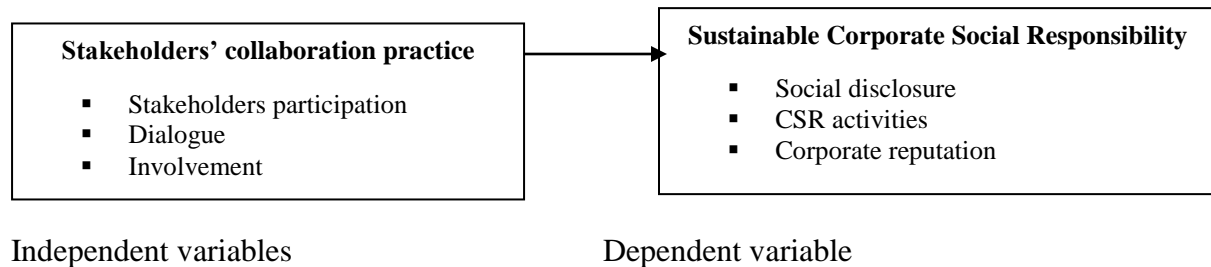
**4.0 HYPOTHESIS**

**H<sub>01</sub>:** Stakeholders’ collaboration practice has no significant influence on sustainable Corporate Social Responsibility of manufacturing companies affiliated to Kenya association of manufacturers in Mombasa County, Kenya.

**5.0 Literature Review**

**5.1 Theoretical Literature**

**6.0 Conceptual Framework**



**Figure 1: Conceptual Framework**

**7.0 Research Methodology**

According to Bryman and Bell (2018), a deductive research approach should require quantitative research methods. However, he also mentions that a deductive research approach should not disqualify the possibility of using qualitative research methods. Quantitative and qualitative research methods are two different strategies when it comes to data collection and research and they both have advantages and disadvantages in different situations. Bryman and Bell (2018) acknowledge that there are no clear boundaries between when to use qualitative or quantitative research methods. He also mentions, as an example, that qualitative research is connected with an “interpreting view” where the researchers, for example, emphasize a single person's interpretation of his or her social reality, while in quantitative research the researchers will use a more traditional scientific approach, where much of the research is built upon a quantization of the collection and analysis of the data.

**7.1 Research Design**

This study adopted a cross-sectional survey research design aimed at collecting large number of quantitative and qualitative data to establish the influence of the strategic management practices on sustainable CSR in manufacturing companies in Mombasa County whose key study variables are corporate governance practice, Stakeholders’ collaboration practice, organization culture and strategic leadership. According to Cooper and Schindler, (2013) a cross-sectional survey research

design overcomes time and budget constraints and assists in to providing explanation. The Survey method has advantages of being cost effective, employs an easier method of data collection and enables the researcher to have a much larger sample size hence enhancing the accuracy of the conclusions (Simba et al., 2015 ;Sasaka, et al.,2017).

## 7.2 Target Population

Kothari and Garg (2018) describe a population as the entire group of people or items of interest with a common observable attribute that a researcher wishes to investigate. According to Sekaran, (2010) a target population is all the members of a given group to which the investigation is related and within the reach of the study. Currently there are 553 manufacturing firms in Kenya that are registered members of Kenya Association of Manufacturers (KAM) according to the KAM Directory (2017).

## 7.2 Sample Size

As per recommendation of several authors (Cooper & Schinder, 2018) as cited in Busienei, (2013) the sector or strata sample size is determined through the formula below ;

$$N = \frac{Z^2 pq}{d^2}$$

Source: Busienei, (2013)

Where:

N = the desired sample size (if the target population is greater than 10,000)

p = the proportion in the target population estimated to have characteristics being measured. This is placed at 90% (0.9)

q= (1-p). The proportion in the target population estimated not to have characteristics being measured (1-0.9) = 0.1

d = The level of statistical significance set. For this study this is placed at 0.05

Z = The standard normal variant at the required confidence level. In this study, this is placed at 95% level of confidence.

Sample size for population with more than 10,000 units is obtained as below:-

$$n = \frac{Z^2 pq}{d^2}$$

$$n = \frac{(1.96)^2 (0.9) (0.1)}{(0.05)^2} = 138.2976$$

n= 138 sample size for target population greater than 10,000.

In current study, the target population is less than 10,000 (73) therefore, calculating the final sample estimate (nf) requires the following formula

$$n_f = \frac{n}{1 + \frac{n}{N}}$$

Where:

$n_f$  = The desired sample size ( when the population is less than 10,000)

n = The desired sample size (when the population is more than 10,000)

N = The estimated of the target population size (73 in this study).

Applying the formula yields the following results

$$n_f = \frac{138}{1 + \frac{138}{73}} = \frac{138}{1 + 1.890} = 47.75$$

From above computation, the appropriate sample size for this study is 48 manufacturing firms. This figure is 65.75% of the target population (73) which is acceptable since its at least 10% of the population in the study.

### 7.3 Data Analysis

The questionnaires were edited for completeness and consistency to ensure that respondents have completed them as required. The collected data was coded and entered into the statistical package for social sciences (SPSS) version 25 to create a data sheet that was used for analysis. The preliminary analysis of the data collected involved calculating the mean and standard deviation scores for all items in the questionnaire hence descriptive statistics such as means, and standard deviations was used to describe the characteristics of collected data.

#### 7.3.1 Diagnostic Tests

The collected data was tested for normality using skewness and kurtosis for variables of this study to determine the distribution curve. It is noted that when the values of skewness and kurtosis are equal to zero, the distribution is a perfect match to a normal distribution and it is accepted that the distribution approximates that of a normal distribution when the value of skewness is within  $\pm 2.00$  of their respective standard errors for significance of 95% and the value of kurtosis is within  $\pm 3.00$  of their respective standard errors of significance of 95% (Bryman & Bell, 2018; Hair *et al.* 2010). Next, homoscedasticity will be determined through Bartlett's test. Homoscedasticity is determined through Bartlett's test and can also be determined through correlation analysis where the statistics for correlation is Pearson's correlation, and test based on statistical significance Sekaran, (2018) to test the assumption that all variables have equal variances (Bryman & Bell, 2018). Testing for linearity will be carried out on all the variables based on p-plot. The linearity among the variables is determined by the closeness the plots are to the linear line (Bryman & Bell, 2018). Finally, multicollinearity will be determined by the level of variance inflating factor (VIF) and tolerance. Ideally, the level of VIF should be less than 10 while the level of tolerance should be greater than 0.1, to exhibit low levels of multicollinearity (Bryman & Bell, 2018; Cooper & Schindler, 2018).

#### 7.3.2 Inferential Analysis

Inferential analyses were employed for the main study included the Pearson's product moment correlation, analysis of variance (ANOVA) and multiple regression analyses. Multiple regression analyses will be used to establish the relationships among the study variables, while the Pearson's product moment correlation was used to reflect the degree of linear relationship between two variables and determine the strength of the linear relationship between the variables, and one-way ANOVA will be employed to determine the significance of the relationship.

##### a) Correlation Analysis

Correlation coefficients was calculated to observe the strength of the association. A series of multiple regression analysis (standard and step wise) was used because they provide estimates of net effects and explanatory power. Analysis of variance (ANOVA) was used to test the

significance of the model.  $R^2$  was used in this research to measure the extent of goodness of fit of the regression model.

### b) Regression Analysis

Multiple regression analysis was conducted using financial performance of state corporations in Kenya as the dependent variable, and the four independent variables namely cash flow control, risk assessment, physical control and information and communication: and auditing control as the moderating variable. The five hypotheses were tested at 95% confidence level. The data was presented using tables, pie charts, and bar charts for the purpose of giving a pictorial view of the results.

### 7.3.3 Model Specification

A series of multiple regression analysis (standard and step wise) will be used because they provide estimates of net effects and explanatory power. Analysis of variance (ANOVA) was used to test the significance of the model.  $R^2$  will be used in this research to measure the extent of goodness of fit of the regression model. The estimation model to be applied is multiple regression analysis as shown below.

$$FP = \beta_0 + \beta_1 MC + \varepsilon \dots\dots\dots 1$$

**Where;**

**FP**= Sustainable CSR (Measured by Return on Assets)

**$\beta_0$** = Constant

**$\beta_1$** , = Regression coefficient

## 8.0 FINDINGS

### 8.1 Descriptive Results

The second objective was to examine the influence of stakeholder's collaboration practice on sustainable corporate social responsibility in companies affiliated to Kenya Association of Manufacturers in Mombasa County Kenya. The statement that we engage in joint tasks with other stakeholders had a mean score of 3.81 and a standard deviation of 1.401. The statement that there is knowledge exchange between the organizations and stake holders had a mean score of 3.95 and a standard deviation of 1.708. The statement that we participate in CSR capacity development, workshops and conferences with other organizations had a mean score of 4.07 and a standard deviation of 1.177. The statement that external parties have a role in the execution of CSR activities and projects had a mean score of 3.74 and a standard deviation of 1.308. The statement that there is stakeholder's participation during the CSR strategy formulation and there is stakeholder's participation in decision making had a mean score of 3.60 respective and a standard deviation of 1.594 and 1.835, respectively. The statement that there is stakeholder's participation in the implementation of the CSR had a mean score of 3.98 and a standard deviation of 1.024. The statement that the organization encourages the contribution of external stakeholder had a mean score of 3.76 and a standard deviation of 1.559. The statement that external parties participate in the defining of the CSR had a mean score of 3.36 and a standard deviation of 0.983. The statement there is sharing of expertise and learning resources between the partner organizations had a mean score of 3.83 and a standard deviation of 1.666. The statement that there is internal cooperation with key stakeholders had a mean score of 3.26 and a

standard deviation of 1.547. The statement that there is transparency during CSR implementation with stakeholders had a mean score of 4.21 and standard deviation of 1.200.

This results concur with Ching *et al.* (2015) and Tilkasiri (2012) identified employee-related CSR activities to comprise: Training and development; health and development; equal and impartial employment policies; trade union development; provision of welfare facilities such as transport, insurance, sporting activities, organizing functions, day-care and preschool for children; formal recruitment, promotion and firing system; rewards and financial benefits; improved communication and consultation; grievance handling procedure; and counselling programmes.

**Table 1. Descriptive Results**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
We engage in joint tasks with other stakeholders.	92	1	5	3.81	1.401
There is knowledge exchange between the organizations and stakeholders.	92	1	5	3.95	1.780
We participate in CSR capacity development, workshops, and conferences with other organizations.	92	1	5	4.07	1.177
External parties have a role in the execution of CSR activities and projects.	92	1	5	3.74	1.308
There is stakeholder's participation during the CSR strategy formulation	92	1	5	3.60	1.594
There is stakeholder's participation in decision making.	92	1	5	3.60	1.835
There is stakeholder's participation in the implementation of the CSR.	92	1	5	3.98	1.024
The organization encourages the contribution of external stakeholder.	92	1	5	3.76	1.559
External parties participate in the defining of the CSR.	92	1	5	3.36	0.983
There is sharing of expertise and learning resources between the partner organizations.	92	1	5	3.83	1.666
There is internal cooperation with key stakeholders.	92	1	5	3.26	1.547
There is transparency during CSR implementation with stakeholders	92	1	5	4.21	1.200

### 8.2 Stakeholder's Collaboration Practice Correlation Results

Correlation analysis was used to establish the strength and nature of the relationship between stakeholder's collaborations practices measures and sustainable CSR in companies affiliated to Kenya Association in Mombasa County, Kenya. The Pearson correlation coefficient was generated at 0.01 significance level (2-tailed). The output indicates a strong positive relationship between stakeholder's collaborations practices measures and sustainable CSR in companies affiliated to Kenya Association of Manufacturers in Mombasa County,  $p = 0.000$ . The  $p$ -value  $< 0.01$ , significant at 0.01 level as the correlation matrix indicates.

**Table 2 Stakeholder's Collaboration Practice Correlation Results**

		Sustainable CSR	Stakeholders Collaboration Practice
Sustainable CSR	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	42	
Stakeholder's Collaboration Practice	Pearson Correlation	.481**	1
	Sig. (2-tailed)	.001	
	N	42	42

### 8.3 Stakeholder's Collaboration Goodness-of-fit Model Results

The results on Table 3 showed that stakeholder's collaboration practices measures had explanatory power on the stakeholder's collaboration practices as it accounted for 23.2% of its variability (R Square = 0.232) on Model 1, hence the model is a good fit for the data. This implies that there is a moderate positive relationship between stakeholder's collaboration practices and sustainable CSR in companies affiliated to Kenya Association of Manufacturers.

**Table 3 Stakeholder's Collaboration Goodness-of-fit Model Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.481 <sup>a</sup>	.232	.212	4.18503

a. Predictors: (Constant), Stakeholders Collaboration Practice

### 8.4 Stakeholder's Collaboration ANOVA Results

Table 4 presents the analysis of variance of the study on stakeholder's collaboration practice measures. The results reveal that a significant relationship exists between stakeholder's collaboration practices and sustainable CSR of companies affiliated to Kenya Association of Manufacturers in Mombasa County in Kenya. ( $F = 12.062$ ,  $p = 0.001$ ) as indicated Table 4.



**Table 4 Stakeholder's Collaboration ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	211.255	1	211.255	12.062	.001 <sup>b</sup>
	Residual	700.578	40	17.514		
	Total	911.833	41			

a. Dependent Variable: Sustainable CSR

b. Predictors: (Constant), Stakeholders Collaboration Practice

### 8.5 Regression Results for Stakeholder's Collaboration Practice

To establish the influence of stakeholder's collaboration practices measures, that is stakeholder's participation, dialogue and involvement of sustainable CSR in Mombasa County.

H02: There is no significant influence of stakeholder's collaboration practices on sustainable CSR in companies affiliated to Kenya Association of Manufacturers in Mombasa County, Kenya.

**Table 5 Regression Results for Stakeholder's Collaboration Practices**

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	3.241	6.251		.518	.607
	Stakeholders Collaboration Practice	.527	.152	.481	3.473	.001

a. Dependent Variable: Sustainable CSR

$$Y = 3.241 + 0.527 X_1$$

Where;

Y = the dependent variable (Sustainable CSR)

X<sub>1</sub> = Stakeholder's Collaboration Practice

The regression equation above established that taking all factors into account (Sustainable CSR) constant at zero sustainable CSR in companies affiliated to Kenya Association of Manufacturers in Mombasa County, Kenya will be 0.534. The findings presented also showed that taking all other independent variables at zero, a unit increase in stakeholder's collaboration practice would lead to a 0.527 increase in the scores of sustainable CSR in companies affiliated to Kenya Association of Manufacturers in Mombasa County.

## 9.0 CONCLUSION AND RECOMMENDATION

### 9.1 Conclusion

The study results showed that t values were -1.272 which was below the threshold required of 2.0. Therefore, null hypothesis that stakeholder's collaboration practice has no significant influence on sustainable Corporate Social Responsibility of manufacturing companies affiliated to Kenya association of manufacturers in Mombasa County, Kenya was accepted. Thus, from the findings it was concluded that stakeholder's collaboration practice has no significant influence on

sustainable Corporate Social Responsibility of manufacturing companies affiliated to Kenya association of manufacturers in Mombasa County, Kenya.

## 9.2 RECOMMENDATION

That manufacturing companies should involve many stakeholders as possible to undertake corporate social responsibilities that as self-sustaining and a going concern.

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