Corporate Social Responsibility and Performance of State Corporations in Kenya: Kenya Revenue Authority

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ABSTRACT

In an effort to build reputation, increase their customer base, establish a good corporate image, and increase their performance, state corporations adopt Corporate Social Responsibility activities. Corporate Social Responsibility encompasses ethical business practices, philanthropic practices, environmental concern and stakeholder engagement. Despite the fact that Corporate Social Responsibility activities contribute a great deal to societal development, the rate and intensity of adoption of Corporate Social Responsibility programs have not been as high as in the public sector. The general objective of this study was to determine the effect of Corporate Social Responsibility on performance of state corporations, in particular, the Kenya Revenue Authority. The specific objectives of this project were; to establish the effect of ethical business practices on performance of Kenya Revenue Authority; to examine how philanthropic practices affect the performance of Kenya Revenue Authority; to determine the effect of environmental concern on performance of Kenya Revenue Authority; and to determine how stakeholder engagement affects performance in Kenya Revenue Authority. This study was anchored on three theories including the stakeholder theory, the classical theory and the strategic leadership theory. A cross-sectional descriptive survey research design was used to investigate the effect of Corporate Social Responsibility practices on performance of Kenya Revenue Authority. The target population comprised of 1329 middle level and senior managers of Kenya Revenue Authority. The sample size of 132 middle level and senior managers of Kenya Revenue Authority was selected through stratified random and simple random sampling techniques, which represented 10% of the target population. Data was collected using a likert scale-type questionnaire which was valid and reliable based on the Cronbach’s alpha coefficients that were greater than 0.70. Data analysis was done using descriptive and inferential statistics including regression and correlation and was presented in the form of tables and graphs. All the dependent variables were correlated with performance, suggesting that Corporate Social Responsibility practices are moderately correlated with performance of state corporations. The findings of the study indicated a significant relationship between the performance of Kenya Revenue Authority and ethical business practices, philanthropic practices, environmental concern, and stakeholder engagement. The model indicated that 63.6 % of the variation in the performance is explained by Corporate Social Responsibility practices, which were significant variables. In conclusion, the findings demonstrated that compliance with the laws and regulations improves performance of state corporations. This, in turn, promotes business growth, market size, and revenue generated by the state corporations. Based on these findings, the researcher recommends further research across other state corporations in different counties to widen the scope. In addition, the researcher challenges managers of state corporations to integrate Corporate Social Responsibility practices into their business models.

INTRODUCTION
The governance and performance of public sector has and continues to be under intense and close scrutiny from government regulators and the public (Beal, 2013). Similarly, citizens are also increasingly demanding for more effective and performance-oriented public sector organizations. Public sector agencies in developing countries are generally characterized by poor performance, poor quality of governance, rampant corruption, numerous accountability and transparency issues, decreased participation of relevant stakeholders, high wage bill, low productivity, and institutional bureaucracies among other organizational problems (Munduga, 2014). The organization and management of these public sector agencies seriously constrains performance, governance and management.

Addressing performance issues in public sector organizations remains to be a subject of current policy initiatives and reforms in most governments across the globe. Government reforms in both developing and developed economies aim at achieving the overarching goals of improving performance and quality of services, and ensuring good governance of public sector organizations (Waal, 2013). To resolve this, governments are implementing various intervention strategies and experimenting with scores of ideas geared towards making their public sector agencies to be more productive, improve performance and reduce costs. The search for greater productivity, improved performance and governance, enhanced accountability and stronger orientation toward service in public sector organizations is hence becoming a priority for most governments in developing countries (Miring’u & Muoria, 2011).

Organizational Performance

Organizational performance can be categorized in financial and non-financial aspects which provide information on the degree of achievement of objectives, goals and results (Mohamed, Anisa, & Rodrigues, 2013). Similarly, it can also be defined as the ability of an organization to exploit its environment by accessing and utilizing the limited resources. A review of various literature reveals that measures of organizational performance vary from financial to non-financial measures and tangibles to intangibles. However, there seems to be a high degree of consensus among researchers on key measures of organizational performance which include financial performance, non-financial performance, and operational performance (Gössling, 2011). Financial performance relates to the increase in revenue, return on assets, net profit, and other indicators which depict the financial position of the organization (Mohamed, Anisa, & Rodrigues, 2013). Non-financial measures of performance include investments for future growth such as investment in research and development, creating a competitive profile, and market development. Operational performance means enhancing quality, improving delivery performance and good measures for cost and waste reduction (Mohamed, Anisa, & Rodrigues, 2013). There are several empirical and theoretical debates on the relationship between firm performance and CSR. In particular, empirical studies on the relationship between CSR and financial performance have given rise to a lot of varied results (Capaldi, 2016).
The Concept of Corporate Social Responsibility

CSR is an ethical practice that institutions or business organizations act in a way that benefits society. It is therefore a duty that every entity operating in a given society has to carry out in a bid to maintain an amicable balance between the ecosystem and economy. There is always a trade-off that is present between economic development vis-a-vis societal welfare and environment. Social responsibility means sustaining equilibrium between these two aspects. It pertains to business organizations and everyone whose action impacts the environment (Bowen, 1953).

The concept of CSR has been abstracted in varied ways and scholars are yet to agree on a mutual definition of CSR. Saeidi et al. (2014) asserts that CSR is a contested concept with meanings varying with contexts defined differently by different people. CSR is an organization’s commitment to contribute to sustainable economic development. It also includes working with employees, the local community and society to improve their living standards (Nejati, 2010). CSR does not only focus on the activities that an organization undertakes in utilizing their profit for social and environmental development, but also the methods that it uses to earn these profits including socially responsible ventures, and transparency to its stakeholders among others. The demand for increased integration of CSR policies in business in the previous decade has been met with increased corporate contributing and reporting on socially responsible projects (Mallin, 2009).

Corporate Social Responsibility on Organizational Performance

Research studies and assessments have revealed significant results regarding the role and relevance of CSR practices in organizations. Tourani-Rad and Ingley (2011) indicated that CSR improves the performance of corporations. Undertaking CSR practices and being socially responsible can have many advantages for organizations. These include; enhancing continuous improvement, strengthening relationships with stakeholders, and encouraging innovation. It also enables the organization to attract the best industry talent as a socially responsible company, increase employee motivation, mitigate risks and enhance ability to manage stakeholder expectation (Tourani-Rad & Ingley, 2011).

Tourani-Rad and Ingley (2011) also point out that CSR practices adopted by firms may have some impact on their competitiveness and financial performance. Similarly, some research studies have also found out that CSR improves the competitive advantage of the firm (Akisik & Gal 2014). According to Akisi and Gal (2014) the growing demand of interests of the stakeholders in social performance has exerted pressure on organizations to employ social responsibility practices so as to satisfy the demands of the community and thus gain their support. On the other hand, unlike in the private sector, civil service organizations are not used to a two-way relationship with stakeholders, and that they are not as sensitive to what stakeholders (citizens) want as they should be (Mallin, 2009).

There are several barriers that inhibit the implementation of effective public policy for CSR or public sector engagement with CSR including corruption, lack of political will, and poor institutional capacity to implement policies (Boeger, Murray, & Villiers, 2008). African governments face key challenges in the context of CSR. Beal, (2013) asserts that most African
countries have weak government institutions, deficient policies and a lack of law enforcement. Therefore, it is difficult for government institutions in Africa to frame CSR beyond legal requirements (Lopez et al. 2007).

State Corporations in Kenya

State corporations in Kenya were established by the colonial government to provide the white settlers with essential services. During the colonial government, the state corporations were used as tools for excluding Africans while economically and strategically empowering the white settlers. After independence, the state corporations were used to bring equitable distribution of services and resources, solve regional imbalance, and accelerate economic balance (Government of Kenya, 2012). According to GoK (2012), the Government envisaged that the state corporations would be efficient, cost effective and profitable. Government of Kenya (2012) defines the State Corporation as a corporate body that is established by an Act of Parliament. It is a company that is incorporated under the Companies Act, whereby the government or other state corporations owns all or majority of the shares or stock (Government of Kenya, 2012). Just like in other countries, state corporations have become very useful engines of promoting development.

State corporations in Kenya are established so as to meet both commercial and social goals such as to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. The state corporations in Kenya are divided into eight broad categories as follows: public universities, financial, service corporations, commercial and manufacturing, training and research, regional development, tertiary education and training, and regulatory SCAC (State corporations Advisory Committee, 2016). Kenya Revenue Authority (KRA) falls under the financial segment.

Recent years have seen a rapid increase in the need and increased call for accountability, transparency and good corporate governance in state corporations or agencies. Although many developing countries are now increasingly embracing the concept of corporate governance, their state corporations still perform poorly and provide poor and unreliable services. The poor performance of state corporations can be attributed to incompetence gaps, labor rigidities in the market, political patronage, increased debt and inflation problems, wastage of resources, bureaucracy, fraud, employees’ and directors’ irresponsibility, ineffectiveness of watchdog institutions and poorly incentivized performance (Munduga, 2014; Miring’u & Muoria, 2011). To date, various efforts and strategies are being put in place to promote better performance and good governance of state corporations across Africa. In spite of these intervention strategies, state corporations continue to have significant governance and performance problems, a factor that has made some of them to fold up.

Statement of the Problem

Despite the fact that CSR activities contribute a great deal to societal development, the rate and intensity of adoption of CSR programs have not been as high as in the public sector. For example, in most private firms, despite their shareholder commitment approach and high tax rates, private companies have been engaging in CSR programs. Meanwhile, in the public sector where conditions seem to be favorable, state corporations have been less engaged and the governments
are always unable or unwilling to ensure that all of their citizens have access to public services through CSR activities (Boeger, Murray, & Villiers, 2008).

Levine and Haubrich (2004) assert that good performance of business organizations affects business growth. On the other hand, there is a relationship between development of a business organization and organizational characteristics including their market share, and customer base among others. For State corporations to be productive, profitable, and sustainable they must be in a position to perform well, however, as a result of the challenges they face, they find it difficult to improve service delivery and thus posing a challenge to revenue generated, their customer base, business growth and leadership competency. As a result, several State corporations have been forced to adopt strategies to curb the challenges of performance. A number of State corporations in Kenya today are focusing on branding in order to create an appealing corporate image while others have resorted to advertisement and rigorous marketing. Other state corporations have also adopted CSR for a variety of reasons, including sustainability, improve reputations and to improve their performance among others.

Earlier studies conducted by McWilliams and Siegel (2000); Hillman and Heimm (2001); Waddock and Graves (1997) focused on the relationship between CSR and profitability of the firm. Various Kenyan researchers and authors have examined CSR from different perspectives. Mutunga, (2013) explored the need to focus CSR attention not only on customers but also employees and other stakeholders in the banking sector. Murila, (2013) conducted a study on CSR awareness in a Kenyan firm. Mwaura, (2007) focused on the failure of corporate governance in state corporations and affirmed that there is a need for restructured governance in state corporations so as to improve service delivery.

The study, therefore, sought to bring these challenges in to light by assessing Corporate Social Responsibility and performance of State corporations in Kenya; a case of Kenya Revenue Authority. The rationale of this study was based on the premise that several studies had been conducted in relation to CSR; however, all these studies had not focused on CSR and performance of State corporations and therefore, there existed a research gap. This study therefore aimed at reducing the existing literature gap.

**General Objective of the Study**

To determine the effect of corporate social responsibility on performance of state corporations in Kenya; A case of Kenya Revenue Authority

**Specific Objectives**

i. To establish the effect of ethical business practices on performance of Kenya Revenue Authority.

ii. To examine how philanthropic practices affect the performance of Kenya Revenue Authority

iii. To determine the effect of environmental concern on performance of Kenya Revenue Authority

iv. To determine how stakeholder engagement affects performance in Kenya Revenue Authority
Research Questions

i. How do ethical business practices affect performance of Kenya Revenue Authority?

ii. What is the effect of philanthropic practices on performance of Kenya Revenue Authority?

iii. How does environmental concern affect the performance of Kenya Revenue Authority?

iv. What is the effect of stakeholder engagement on performance of Kenya Revenue Authority?

The Significance of the Study

The current research contributes to the growing literature on corporate social responsibility and its role in enhancing the performance of state corporations in Kenya. The findings of the current study also improve state corporation executives’ awareness of the importance of participating in CSR practices, as is the case with their counterparts in the private sector. By understanding the impact of CSR activities on the performance of state corporations, investors can be able to allocate their portfolio appropriately in order to maximize returns. Evaluating managers’ perceptions regarding CSR practices and their influence on performance will guide the corporation’s current and future decisions involving CSR. The findings of this study are invaluable to analysts and economists who wish to study the long-term implications of CSR on financial performance. This research study is invaluable to state corporations in Kenya as it enables them to take relevant measures on adoption of sustainable CSR practices. The study is also significant to the Kenyan Government in policy formulation, regulation, and management of state corporations in Kenya. Additionally, investigating the effects of CSR on the performance of state corporations has enriched discussions about CSR and contributed to existing literature and theory on this topic. Scholars can therefore, use findings from this study to address gaps in CSR that are yet to be studied.

Organization of the Study

This research project is organized in five chapters. Chapter one describes the background of the study, problem statement, the general and specific objectives of the study, research questions, significance of the study, scope, limitations and organization of the study. Chapter two comprises of theoretical, empirical and contextual review on CSR and performance and brings out the research gaps as well as the conceptual framework. Chapter three presents the research methodology that was used in carrying out the study. It includes research design, target population, sampling procedures and sample size, validity and reliability of research instrument, data collection procedures and data analysis techniques. Chapter four provides the data analysis, discussion and interpretations of findings. Chapter five focuses on summary, conclusion and recommendations.

LITERATURE REVIEW

This section focuses on the theoretical review, conceptual review, empirical review and research gap. It reviews documented scholarly works that are relevant to CSR and performance of State corporations. It also contains the conceptual framework that guides the study. This section reviews theories that the study is anchored on. It consists of the theories on CSR and performance. This section adopts three theories; stakeholder theory, classical theory and strategic leadership theory.
The classical theory was advanced by Quazi (1970). The theory is based on the classical thoughts that business of business is a business. The theory lays emphasis on potential benefits of CSR in terms of resource productivity, the organizational cost of social involvement, cost savings and product differentiation. Quazi, (2003) maintained that there is only one social responsibility of business organizations; the use of the resources to engage in activities that are designed to increase the profits of the business as long as the business stays within the regulations that are set. Therefore, business organizations should engage in their business activities without deception or fraud and adopt ethical business practices in all their endeavors.

According to this theory, the prime criteria of business organizations’ performance are economic efficiency and growth in the production of goods and services. This theory was relevant to this study as it reflected the ethical business practices that the state corporations needed to adopt which include, financial accountability, resource utilization and competent management and leadership among other ethical business practices.

The Stakeholder’s Theory
The stakeholder theory was pioneered by Freeman in 1984 and developed the theory relying on Chester Barnard's ‘inducement-contribution’ framework of 1938. The theory asserts that management must satisfy a variety of stakeholders who include; local community, employees, customers, and suppliers among other stakeholders. He further pointed out that these stakeholders have the capacity to influence the outcome of an organization and therefore it is not enough for managers to satisfy the owners of a corporation or institution only but should also seek to satisfy all the stakeholders of the organization. According to Freeman (1984), the satisfaction of superior stakeholders plays a critical role in the success of the organizations especially in a hypercompetitive environment. He further asserted that business organizations that explicitly manage their relationships with various stakeholders gain a competitive advantage.

Strategic Leadership Theory
The theory of strategic leadership was advanced by Pearce (1990). The theory seeks to explain that certain aspects of organizational leadership can influence the propensity of business organizations to indulge in CSR. Leadership is the ability of leaders to listen to their stakeholders and use their expertise as a starting point to enhance consultations among all the stakeholders and to develop processes that will articulate and enhance their own values, missions, objectives, and visions clearly but not dictate them. According to Pearce, (2008) this theory is about setting and reacting to agendas and issues, identifying challenges, and initiating change that will make improvement in the organization. Davis (2004) defines strategic leaders as those leaders that have the organizational ability to determine effective strategies for the organization; translate strategy into action and to develop strategic competencies.

Beatty and Quinn (2010) also points out that strategic leadership is a responsibility of the managers and leaders in every organization. There are many challenges in leadership that call for the best in people to bring them together in order to achieve a common objective. Waldman et al (2004) conducted a study on strategic leadership theory on CSR and found out that organizations run by CEOs who are intellectually stimulating focus more on strategic CSR than their competitors. This theory was relevant to this study because it points out that positive transformational leadership is
related to the organization’s propensity to engage in strategic CSR practices such as philanthropic, ethical business practices, environmental concern and stakeholder engagement CSR strategies that enhance organizational performance.

**Empirical Literature review**

**Ethical Business Practices and Performance**

As a result of the challenging business environment, ethical business practices have affected organizational performance and have been stressed by several scholars and leaders globally. There is a broad agreement that as a matter of corporate policy, every organization should strive to be committed in a manner that is ethically transparent.

According to Schermerhorn (1989) ethics in business organizations involves ordinary decency and it encompasses areas such as compliance with the law, reputation and accountability. According to the findings, majority of the respondents strongly agreed that compliance with laws and regulations improves performance of state corporations; however, a smaller percentage of the respondents felt that compliance with laws and regulations does not improve the performance of the State corporations. According to the findings, compliance with the laws and regulations enhanced leadership competencies of senior and middle level managers in State Corporation (Schermerhorn, 1989). This ultimately improved business growth, customer base and subsequently the revenue generated by the State corporations.

A study by Chye (2004) also evaluated how organizational ethics influences performance using the justice, re-cognitive and dissonance theory. This study involved a survey of 237 managers from companies in Singapore. Based on his findings, Chye (2004) demonstrated that leaders can utilize ethics to effectively improve organizational outcomes. Chye (2004) also indicated the presence of a significant positive correlation between ethical behavior, job satisfaction, commitment, and career success. The implications of this study is that managers in an organization can influence the support for ethical behavior and career success. In addition, employees with higher job satisfaction and commitment can improve the performance of an organization.

**Philanthropic Practices and Performance**

Corporate philanthropy involves the contributions or gifts offered by companies to charitable and social causes including culture, art, education, disaster relief, health care, and minorities. Since corporate philanthropy attracts government and stakeholder support, it is positively correlated with the corporations’ financial performance. However, Schermerhorn (1989) claimed that this relationship may vary significantly depending on the characteristics of the corporations and their working environments. Various studies have investigated the relationship between corporate philanthropy and performance in different companies in Kenya and abroad (Hategan & Curea-Pitorac, 2017; Okiro, Omoro, & Kinya, 2013; Ong’olo, 2012).

Ong’olo (2012) assessed the impact of philanthropic activities on company performance. This study found that CSR initiatives increased companies’ profitability and sales revenues.
Additionally, Ong’olo (2012) highlighted the positive association between CSR activities and the company’s market share index. Hategan and Curea-Pitorac (2017), Ong’olo (2012), and Okiro et al. (2013) also investigated the impact of the Equity Bank Wings Program, a CSR initiative, on the performance of the Bank. In addition to the Wings Program, the bank also employs and sponsors high performing and less fortunate students through university. Based on Okiro et al.’s (2013) findings, the bank’s market share has since increased considerably because of these philanthropic activities. Ong’olo (2012) highlighted the positive association between CSR activities and the company’s market share index.

Another study by Hategan and Curea-Pitorac (2017) sought to determine the association between charitable contributions and the performance and market value of Romanian companies listed in the Bucharest Stock Exchange. This study involved the use of panel data analysis of the companies between 2011 and 2016. This study revealed the financial and non-financial determinants of decision-making involving charity in the selected companies. The authors also evaluated the impact of the companies’ philanthropic activities on market value using Tobin’s Q Ratio, and performance based on ROI. Based on the findings, a significant positive relationship was found between charitable contributions and the companies’ performance and market value.

**Environmental Concern and Performance**

Aroni, (2009) conducted a research on CSR’s environmental concern and evaluated emerging trends in CSR practices adopted by Kenyan listed companies. The study focused on environmental concern and organization performance from a holistic approach, not just financial gains. He found out that good corporate practices do not only focus on giving back to society but also include avoiding practices that are considered malfeasance in nature. This greatly drives the performance of organisations.

According to Ikporukpo (2011), environment is defined as the total surroundings of external conditions within which an organization or institution operates. Environmental responsibility is the duty that an organization has to operate in a way that protects the environment (Michael, & Mark, 2012). Many institutional investors evaluate an organization’s environmental responsibility before engaging with the organization or investing in it. World Commission on Environment and Development (WCED), (2007), commissioned by the United Nations on the long-term environmental strategies asserted that environmental protection, economic development and organizational performance could be made compatible. However, there is a need for radical change in economic practices the world over in order to see tangible performance improvement.

**Conceptual framework**

According to Kombo & Tromp (2006), a conceptual framework is a research tool that guides the researcher in understanding of issues under scrutiny and to communicate the same. Figure 2.1 depicts the conceptual framework of the study.

**Independent variables**

**Corporate Social Responsibility**
RESEARCH METHODOLOGY

This chapter provides a comprehensive discussion of the methodological procedures and strategies that were used during the study. Specifically, the section covers the research design, target population, sampling design, and validity and reliability of the research instrument.

Research design

The research design is a plan for data collection, measurement, data analysis, and provides the framework for answering research questions and objectives of a given proposed study. In this study, a descriptive survey research design was utilized to explore the impact of CSR practices on the performance of state corporations in Kenya. A descriptive survey design was chosen for the current project because it is flexible and facilitates the exploration of the phenomena of interest.
A quantitative descriptive survey approach also allows for the objective comparison of different numerical variables to improve the understanding of the problem (Thomas, Silverman, & Nelson, 2015).

Descriptive survey designs are usually used to describe a phenomenon or situation in its natural form. This design can facilitate the collection and development of new knowledge and hypotheses for future studies. The rationale behind the use of a descriptive survey design in the current project was to facilitate objective description of the impact of CSR practices on the performance of state corporations. Descriptive designs also provide additional information of the target population. The researcher preferred a descriptive survey design because it facilitates the collection and reporting of data from the participants’ natural environment. The design was considered appropriate because it allowed the researcher to collect data that was used as variables for data analysis. A descriptive survey design also accorded the researcher the chance to describe the characteristics of the sample and test hypotheses. In addition, researcher does not have control of the variables in descriptive survey designs; thus, reducing the likelihood of bias.

**Distribution of Target Population**

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>80</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>1249</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1329</strong></td>
</tr>
</tbody>
</table>

**Source:** KRA report, (2016)

**Sample Size and Sampling Design**

A sample refers to a specific number of participants who are used as a representative of the entire priority population. Mugenda and Mugenda (2003) suggests that a sample of 10% - 30% is sufficient for any study and ideal for proving reliable data when selected through random sampling. This study used both the stratified random sampling and simple random sampling technique in selecting the 132 senior and middle level managers in KRA as the unit of analysis. The stratum was based on the level of management that went hand in hand expertise on CSR matters. Sampling involves the process of gathering information from a given sample to aid in decision-making and constructing conclusions (Shorten & Moorley, 2014). In quantitative research, sampling is usually aimed at collecting reliable and valid data from the target population to act as a representative of a particular population (Shorten & Moorley, 2014). Most researchers prefer to use random sampling due to the low likelihood of bias and the increased generalizability of research findings to populations (Shorten & Moorley, 2014). The researcher randomly selected the 132 senior and middle level managers that participated in the study so that all the participants had an equal opportunity to participate in the research study.

Number of employees = 1,329
Sample size \( = (10\% \text{ of Target Population}) \)
\( = (10\% \text{ of 1,329 employees}) \)
\( = 132 \text{ employees} \)

**Table 3.2. Distribution of Sample Size**

<table>
<thead>
<tr>
<th>Target population</th>
<th>Target Population</th>
<th>Sample size = 10% of target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>80</td>
<td>8</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>1249</td>
<td>124</td>
</tr>
<tr>
<td>Total</td>
<td>1329</td>
<td>132</td>
</tr>
</tbody>
</table>

*Source: Author, (2017)*

Pilot study \( = 10\% \text{ of sample size} \)
\( = 10\% \text{ of 132} \)
\( = 13 \text{ employees} \)

Employees sampled for the study = Sample size - 10% of sample size
\( = 132 - 13 \)
\( = 119 \)

**Validity and Reliability of Instrument**

**Pilot Study**
Conducting a detailed study without confirming or validating the research questions or reliability of the research instrument would lead to significant losses if the findings of the study are erroneous or haphazard (Creswell, 2014). A pilot study was carried out with an aim of validating the ability of the questionnaire to collect reliable data from the participants. The primary benefit of pilot studies is that they eliminate the use of trial and error and save the researcher a significant amount of time, money, and energy (Wright, O’Brien, Nimmon, Law, & Mylopoulos, 2016). The pilot study involved collecting data using the questionnaire from thirteen KRA managers and conducting a reliability analysis to determine the Cronbach’s alpha values for the four independent variables. Based on the pilot study, the Cronbach’s alpha values for the four independent variables were over 0.70, indicating that the questionnaire was reliable and valid for use in the current study.

**Validity**
Validity is the consistency in which a research instrument measures what it is intended to measure (Kaji, Schriger, & Green, 2014). Specifically, validity refers to the methodological consistency and accuracy of collected data (Creswell, 2014). According to Phillips, Street, and Haesler (2015), valid instruments collect data that researchers can draw reliable and reasonable conclusions by ensuring the items effectively portray the constructs of interest. Creswell stated that researchers’ perceptions of the validity of a given instrument or data can influence the findings of both quantitative and qualitative studies. In addition, validity affects the researcher’s ability to gather
data that can produce generalizable results (Kaji et al., 2014). In the current study, validity was achieved through the use of a standard questionnaire with verified reliability and trustworthiness.

The validity of the questionnaire was verified using a pilot test with a few respondents before the actual study. According to Kothari (2014), approximately 10% of a sample is sufficient for a pilot study. Therefore, a pilot study was conducted using 13 KRA employees. The sample used for the pilot study was not featured in the actual study. The pilot study enabled the researcher to know approximate time the study would take. It also assisted the researcher to know the respondents comfort in answering the questions and if there was need for modification of the research instrument.

DATA ANALYSIS, DISCUSSION AND INTERPRETATION

The purpose of the study was to evaluate corporate social responsibility and performance of state corporations in Kenya, specifically KRA. This chapter presents a comprehensive discussion of the results of the study based on the statistical analysis. The data collected focused mainly on Corporate Social Responsibility practices and performance of KRA. The project utilized a random sample of 132 senior and middle level managers in KRA and the data was presented according to the research objectives and questions.

Valid data facilitates the development of reliable conclusions by ensuring questionnaire items are designed to measure exactly what they are intended to measure (Remler & Van Ryzlin 2014). Validity was ensured by conducting a pilot study of the data collection tool which facilitated the removal of ambiguous questions. The researcher carefully planned and executed the administration of the questionnaires by designing a scale that captured the respondents’ responses appropriately. Based on the pilot study, the Cronbach’s alpha values for philanthropic practices (α = 0.74), ethical business practices (α = 0.80), stakeholder engagement (α = 0.77), and environmental concern (α = 0.71) were over 0.70, indicating that the questionnaire was reliable and valid for use in the current study.

Response Rate

The project utilized a sample of 132 senior and middle level managers in KRA 13 of whom participated in the pilot study. The remaining 119 participants account for the data analyzed in this chapter. Out of the 119 questionnaires that were distributed to the respondents in KRA, 114 questionnaires were filled and returned. This gave a response rate of 96%. Table 4.1 provides a summary of the participants’ response rate.

<table>
<thead>
<tr>
<th>Table 4.1 Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response Rate</td>
</tr>
<tr>
<td>Response</td>
</tr>
<tr>
<td>Non response</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

As shown in Table 4.1, the response rate for the current study was 96 %, which is adequate considering the 50% threshold that is recommended by Mugenda and Mugenda (2003).
Environmental Concern
The study sought to examine the impact of environmental concern on performance of State Corporation, a case study of KRA in Kenya. The respondents were therefore required to provide information on environmental protection, equity and futurity on performance of KRA. The data was collected on 114 respondents and the findings presented in Table 4.5.

Table 4.5 Environmental Concern

<table>
<thead>
<tr>
<th>Environmental Concern</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Protection</td>
<td>10 (8.8%)</td>
<td>14 (12.3%)</td>
<td>15 (13.1%)</td>
<td>36 (31.6%)</td>
<td>39 (34.2%)</td>
<td>3.70 (1.29)</td>
</tr>
<tr>
<td>Equity</td>
<td>10 (8.8%)</td>
<td>22 (19.3%)</td>
<td>19 (16.7%)</td>
<td>29 (25.4%)</td>
<td>34 (29.8%)</td>
<td>3.48 (1.33)</td>
</tr>
<tr>
<td>Futurity</td>
<td>19 (16.7%)</td>
<td>20 (17.5%)</td>
<td>16 (14%)</td>
<td>27 (23.7%)</td>
<td>32 (28.1%)</td>
<td>3.29 (1.461)</td>
</tr>
</tbody>
</table>

The majority of the respondents 34.2% (n = 39) strongly agreed that environmental protection being part of environmental concern, had an influence on the performance of KRA. About 31.6 %, (n = 36) agreed, 13.1 % (n = 15) were neutral, and 12.3 % (n = 14) disagreed while 8.8 %, (n = 10) strongly disagreed. The findings show that the majority of managers at KRA believe that the corporation’s environmental protection activities greatly contribute to its performance. From the study, it is then evident that environmental concern improves the performance of state corporations by enhancing ethical business practices, and leadership competencies which in turn improves business growth. Besides, through expeditions such as Tembea Suswa environmental concern, community awareness is enhanced which improves customer base and thus increase business growth and revenue generated. From the literature, Welford (2003) points out that sustainable development can be achieved through three connected factors which include environmental concern, equity and futurity. It is therefore evident that KRA strives to achieve improved and sustainable development through environmental concern, equity and futurity and therefore, environmental concern improves performance of KRA.

Ethical Business Practices
The study sought to examine the effect of ethical business practices on performance in KRA. The respondents were therefore required to provide information on compliance, accountability and reputation on performance of KRA. The data was collected on 114 respondents and the findings presented in Table 4.7.

Table 4.7 Ethical Business Practices

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>2 (1.8%)</td>
<td>5 (4.4%)</td>
<td>7 (6.1%)</td>
<td>49 (43.0%)</td>
<td>51 (44.7%)</td>
<td>4.246 (0.888)</td>
</tr>
</tbody>
</table>
From table 4.7, the mean compliance with regulations in terms of the number of ISO certifications affects performance was 4.246 ($SD = 0.888$). Based on the responses, approximately 44.7% ($n = 51$) of the managers strongly agreed, 43.0% ($n = 49$) agreed that compliance with regulations in terms of the number of ISO certifications affects performance. However, 6.1% ($n = 7$) of the respondents were neutral, while 4.4% ($n = 5$) and 1.8% ($n = 2$) disagreed and strongly disagreed respectively. According to the findings, majority of the respondents concurred that ethical business practices through compliance, accountability and reputation respectively affects the performance of state corporations. This means that close to half of the managers recognized compliance with regulations in relation to the number of ISO certifications clinched by KRA was a determinant of performance. The findings are consistent with Schermerhorn (1989) who found that ethical business practices through compliance, accountability and reputation affects the performance of state corporations.

The Corporation’s effort to comply with regulations and ISO certification is evident in the latest award of ISO 9001:2015 from Bureau Veritas. This shows the Corporation’s commitment and its effort to align itself with global best practices. The Corporation attained the prestigious certification, on 17th March 2017, one-and-a-half years before the deadline for certified organizations to transit to the new requirements. This award is also evidence of the Corporation’s commitment to responsibility in terms of quality management systems implementation, risk based thinking in process management, addressing complexity of KRA’s business environment and enhancing the organization’s ability to satisfy customers and its accountability to the general public.
As shown in Figure 4.1, the normality curve is bell-shaped indicating that the data was drawn from a normally distributed population. Thus, the normality assumption was met, meaning that the researcher would proceed with the regression analysis.

**SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

The problem of interest in this study was the low rate of adoption of CSR programs in the public sector despite CSR activities promoting societal development. In addition, state corporations are less engaged while the government is unwilling to ensure all citizens access public services through CSR. The primary objective of this project was to evaluate the effect of CSR practices on the performance of state corporations in Kenya. Specifically, the researcher aimed to establish the effect of ethical business practices, philanthropic practices, environmental concern, and stakeholder engagement on performance in KRA. The chapter presents a summary of the findings, discussions, conclusions and recommendations as per the objectives of the research project. The purpose of this project was to investigate the effect of corporate social responsibility on performance of state corporations in Kenya, specifically KRA. Using linear regression, the researcher modelled the relationship between performance of KRA and CSR practices including philanthropic practices, environmental concern, ethical business practices, and stakeholder engagement. Based on the findings, there was a significant positive relationship between the performance of KRA and ethical business practices, philanthropic practices, environmental concern, and stakeholder engagement. Correlation analysis was also conducted to determine the association between the four variable and performance. The Pearson’s correlation coefficients...
indicated positive correlations between performance and Ethical business practices, philanthropic practices, environmental concern, and stakeholder engagement. These findings suggested that CSR practices influence performance of state corporations in Kenya.

**Conclusion**

The following conclusions were drawn from the findings of the study: The study established that ethical business practices that include, compliance to laws and regulations, accountability and reputation of State corporations improved performance at KRA. Therefore, there is a need for state corporations to focus more on ethical business practices to improve their performance. The study also established that philanthropic practices such as charity giving and education improve the performance of state corporations. Therefore, state corporations should engage in philanthropic practices throughout the country to improve their performance. The study also established a positive relationship between environmental concern and performance of state corporations. Environmental concern is important to state corporations and the communities in which they operate as it enables them to cover for the unforeseen community complains, improves customer relations and attracts customers. Therefore, there is a need for state corporations to increase their participation in best environmental practices that promote environmental protection, equity and future sustainability of environment.

Stakeholder engagement is also another important determinant to the performance of State corporations. The study established that stakeholder engagement influences performance and therefore there is a need to improve stakeholder engagement through communicating with stakeholders in order to boost mutual respect for the communities in which the State corporations operate. The study thus established that there was a relationship between stakeholder engagement and performance of state corporations, in this case, the KRA.

**Recommendations**

Based on the findings of the study, these recommendations to improve the performance state corporations were drawn: Ethical business practices should be redesigned to overcome the challenges that inhibit the effectiveness of state corporations. The challenges faced by state corporations in improving their performance should be addressed. Philanthropic practices should also be looked at in view of financial benefits; however, there is also a need to ensure that these practices should not adversely affect the revenue generated by the State corporations.

Environmental concern programs should be rolled out, implemented and monitored by the state corporations. These programs should be customized to meet the unique needs of communities in which the State corporations operate. The environmental concern programs should be aimed at creating awareness to the communities and stakeholders on the importance of environmental sustainability and the relationship with business growth. State corporations need to develop socially oriented programs that engage clients and the community. Given the dynamics of the current business environment, there is a need for KRA to make stakeholder engagement a priority if it is to lead sustainable performance. Therefore, KRA should put in place strategies or platforms that create effective communication structures between the State Corporation and the stakeholders.

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