

# An Institutional Analysis of Corporate Social Responsibility in Kenya

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**ABSTRACT.** There is little doubt that Corporate Social Responsibility (CSR) is now a global concept and a prominent feature of international business, with its practice localised and differing across countries. Despite the growing body of research focussing on CSR in developing countries, there is dearth research on CSR institutionalisation in African countries. Drawing on institutional theory (IT), this article examines the focus and form of CSR practice of companies in Kenya. It is evident from our findings that the nature and orientation of CSR differ across companies with operations only in Kenya and those headquartered abroad or with international operations. Significantly, firm-related drivers such as public relations and performance, as well as global institutional pressures explain the focus and form of CSR in Kenya. This article concludes that for the institutionalisation of CSR in Kenya, attention must be paid to conditions that stifle CSR uptake such as lack of government regulations, and the government's capacity and commitment to enforce regulation. The establishment of functional CSR institutions and a vibrant civil society that advance civil regulation ought to be encouraged.

**KEY WORDS:** Corporate Social Responsibility, CSR in Kenya, developing countries, institutional determinants

## Introduction

The negative consequences of globalization such as rising social inequalities, soaring disparities in income, the emergence of global environmental problems and the outsourcing of increasingly skilled operations to developing countries have led to demands for protection against the anarchy of unregulated market forces (Levy and Kaplan, 2007) and for companies to take responsibility for their impact on society (Moon and Vogel, 2008). These calls for responsible business practices, and corporate

contributions are normally framed in terms of Corporate Social Responsibility (CSR). In essence, CSR addresses the role and responsibilities of companies in society. We define CSR as the duty of the companies to the development of its stakeholders, and to the avoidance and correction of any negative consequences caused by business activities.

The notion that business has responsibilities to society is not contemporary (Bowen, 1953). It can be traced back as early as the seventeenth century, although the way in which people view and define the relationship between business and society has evolved and transformed over the years. There is little doubt that CSR is now a prominent feature of the international business agenda (Moon, 2007), and that CSR meaning, orientations, relevance and applicability vary across different country contexts (Matten and Moon, 2008). Companies across the world exhibit a variety of CSR principles, policies and practices (Baughn et al., 2007; Kusku and Zarkada-Fraser, 2004) with different levels of intensity (Welford, 2005; Maignan and Ralston, 2002). Yet, questions still linger as to what explains the similarities or differences in CSR practices across countries, why CSR practices change over time and what explains these changes.

Despite the acceptance of a context-specific relevance to CSR (Matten and Moon, 2008), there is an overwhelming dominance of western-centric research mainly focussed on developed (e.g. North America, Europe) and increasingly more transitional (e.g. India, China, Brazil) economies (see Dobers and Halme, 2009; Visser, 2008). Research focussing on developing countries remains scarce with few exceptions (see Amaeshi et al., 2006; Dobers and Halme, 2009; Hamann and Sprague, 2008; Jamali and Mirshak, 2007; Lindgreen et al., 2010; Muthuri et al., 2008). The need for focussed CSR research in

developing economies is critical particularly with the concern that current approaches to CSR, with their origin in developed countries, “may not sufficiently relate or respond to the context and circumstances encountered in developing economies” (Hamann, 2006, p. 179). As we know it, developing countries do not share the same cultural and social values, norms and priorities that underpin CSR in ‘western’ nations (Blowfield and Frynas, 2005; Jamali and Mirshak, 2007). There is some anxiety that CSR continues to “legitimize and reproduce values and perspectives that are not in the interests of developing economies or the poor and marginalized” (Blowfield and Frynas, 2005, p. 510). At a practical level, companies are also confronted with the challenges of how to balance the desire for global integration with the need for local responsiveness (Gugler and Shi, 2009).

Therefore, to begin to develop an ‘Africanised’ CSR agenda, we must first understand the institutional environment and determinants that are driving CSR practices in various African countries. A contextually relevant CSR agenda is important if we are to interrogate crucially the role and capacity of CSR to address sustainable development in Africa (Hamann, 2006; Muthuri, 2007; Visser, 2008). This article investigates how CSR is understood and implemented in Kenya. We examine what drives companies to engage in CSR, what CSR issues companies’ target and what processes are employed by companies in CSR implementation. In the findings section, we give attention to any similarities and differences between the CSR practices of international, foreign and locally owned companies, and domestic companies. This article draws on the institutional theory (IT) to explore the extent to which institutions influence the CSR orientation of companies operating in Kenya. The discussion section then presents the institutional determinants that affect the uptake and practice of CSR in Kenya. Before we introduce the theory underpinning our study, it is imperative to first highlight the country’s key features that define the context in which companies operate.

#### *The Kenyan context*

Kenya has unique economic, political, social and cultural conditions that influence corporate prac-

tices. She attained her independence from the British on the 12 December 1963 and a year later proclaimed a republic. The country occupies a total area of 580,367 square kilometres with a population of 39.02 million people. Kenya’s gross domestic product (GDP) in 2008 was US \$22.78 billion with an annual growth of 3.8% (World Bank, 2008). She has one of the largest and most advanced economies in the Greater Horn of East Africa. The main sectors of the Kenyan economy are agriculture, industry and services, contributing 4%, 27% and 69% to the GDP, respectively (World Bank, 2008). Tea and horticulture are the leading exports, and tourism is a leading foreign exchange earner.

Kenya has a relatively developed communication and transport infrastructure. She has a thriving Stock Exchange [i.e. The Nairobi Stock Exchange (NSE)] which deals in the exchange of securities issues by publicly quoted companies and the Government, and which serves as a vehicle for mobilising savings and attracting local and foreign capital inflows. The Kenyan Companies Act of 1948 defines the roles and responsibilities of directors but from a shareholder perspective; however, this is likely to change if the government enacts the draft Kenyan Companies Bill of 2007 which requires company directors to embrace an enlightened stakeholder view of the firm (Mwaura, 2007). Other notable legislation that could influence corporate social behaviour includes The Environmental Management and Coordination Act of 1999 established to provide legal and institutional framework for the management of the environment; The Factories Act of 1951 which safeguards labour rights in the industries and The Anti-Corruption and Economic Crimes Act of 2003 which requires company directors not to corrupt others with donations irrespective of their intended benefits to the company or compromise the interests of companies by accepting gifts or donations.

Although Kenya has made economic progress since 2002 coupled with a relatively well-educated labour force, the country still faces major development challenges. She is currently rated 148th on the Human Development Index rankings (UNDP, 2008). The country has a vibrant multi-party democracy and civil society. Despite the post-election violence witnessed in December 2007, Kenya maintains a relatively stable political environment; however, the unending political squabbles amongst the numerous

parties present high political risks for companies operating in the country. Kenya has consistently been placed amongst the most corrupt nations in the Transparency International Corruption Index: for example, in 2009 it scored 2.2 indicating a high perception of bribery and this earned it the 146th position out of 180 countries globally. Next, we will explain the relevance of IT to CSR research in Kenya.

### **Institutional determinants of CSR**

The question of why corporations act in socially responsible ways in different national contexts has intrigued ‘business and society’ scholars (see Campbell, 2006, 2007; Matten and Moon, 2008). Institutional theory, with its long and varied tradition in social sciences (see Scott, 2001), has been a useful theoretical lens for understanding the effects of the institutional environment on CSR behaviours of firms (Aguilera and Jackson, 2003; Campbell, 2006, 2007). IT advocates posit that organizations are substantially influenced by the institutional settings in which they operate, and as such, economic explanations such as financial performance and competition are insufficient to fully account for organisations’ CSR behaviours (Doh and Guay, 2006; Marquis et al., 2007).

The institutional environments take into account *institutions* (i.e. culture, regulation and social norms) which influence and which are influenced by actors’ interactions in a governance system. Institutions are social constructs defined as “formal rules and taken-for-granted cultural frameworks, cognitive schema, and routinized processes of reproduction; and assumes that actors are motivated more by a logic of appropriateness whereby action is constrained and enabled by cultural frames, schema, and routines.” (Campbell, 2006, p. 926). Different societal actors in the profit, non-profit and public sectors encounter, define and influence the institutional norms, values and regulations in the institutional environments they operate; and only when these actors accept a shared definition of ‘socially responsible behaviour’ can we say that institutionalisation has occurred (DiMaggio and Powell, 1983).

Institutions provide the logics of appropriateness and instrumentality for implementation and

evaluation of CSR (Sethi, 1979). They promote and sustain orderly behaviour that provides stability to society. Examples of institutional determinants for socially responsible corporate behaviour include: public and private regulation; the presence of NGOs and other independent organisations that monitor behaviour; associative behaviour amongst corporations themselves; and organised dialogues amongst corporations and their stakeholders (Campbell, 2007; Matten and Moon, 2008). These institutional determinants affect the uptake and practice of CSR, and serve to promote or temper CSR agendas. We draw on Scott’s (2001) three ‘elements’ of institutions – regulatory, normative and cognitive – to illustrate how institutions can define the nature and the extent of socially responsible corporate behaviours. We then develop three propositions suggesting that these institutional determinants could influence the focus and form of CSR practice in Kenya.

#### *Regulative (legal) systems*

Regulative elements include rules, sanctions and regulations which tend to codify socially accepted corporate behaviour. The state establishes hard regulations which act as a coercive mechanism for CSR uptake whilst industries establish ‘soft’ regulation to which their members voluntarily adhere (Campbell, 2007; Marquis et al., 2007). The capacity of the government and industry associations to monitor behaviours and enforce regulations where they exist is of crucial importance as these institutions do not always enforce regulations effectively (Matten and Moon, 2008). Governments of developing countries have been accused of refusal to enforce standards and regulations or easing business regulations relating to CSR as an inducement for foreign investment (Campbell, 2007; Moon and Vogel, 2008). Looking to Africa, such concerns are not unfounded. For example, the Kenyan government has been reluctant to impose regulations for fear of discouraging domestic investment, and such fears have mitigated the introduction and enforcement of more stringent regulations for companies (Mwaura, 2005; Opondo, 2009). In addition, inefficient legal systems and uncertain regulatory frameworks allow for different interpretations and varying degrees of compliance

(Marquis et al., 2007). In some cases, corporations “seek to control or otherwise capture regulators in ways that bend them towards the will of the corporations they are supposed to oversee” (Campbell, 2007, p. 954). Therefore, different regulatory systems can produce different forms of CSR, and it requires the active vigilance of all societal actors to ensure the effectiveness of the regulatory institutions (Moon and Vogel, 2008). This leads to our Proposition 1:

*Proposition 1:* Regulative pressures will cultivate an environment that is conducive to the adoption of CSR and shape both its focus and form.

#### *Normative (social) elements*

Normative elements are the values and social norms that define the ‘rules of the game’ – i.e. “what is right to do around here” (Marquis et al., 2007, p. 934). The normative frameworks set the standards for, and encourage conformity to, that which is deemed to be acceptable corporate behaviour (Campbell, 2006). Corporations become socialised into role-expectations (e.g. acting as ‘good corporate citizens’) to which they must conform in order to remain socially relevant (Brammer and Millington, 2004). Normative values are set by a variety of social actors including the media, institutional investors, NGOs, educational and professional associations and social movement organisations. These actors set standards for legitimate organisational practices. They validate CSR based on existing normative frameworks, exert pressure on corporations to conform to social norms, as well as encourage and influence the adoption of certain structures, practices, or procedures deemed socially responsible (Campbell, 2007; Doh and Guay, 2006; Galaskiewicz, 1997; Matten and Moon, 2008). For example, due to the perceived lack of effective regulation to protect workers, communities and the environment, NGOs have stepped into the regulatory vacuum at both a local and global level (Moon and Vogel, 2008). Therefore, companies seek to be responsive to their stakeholders needs, and in turn, these stakeholders confer both ‘social-political’ and ‘cognitive’ legitimacy to corporations that adhere to societal norms. This leads us to our Proposition 2:

*Proposition 2:* Normative pressures will cultivate an environment that is conducive to the uptake of CSR such that conformity to socially accepted norms will shape both its focus and form.

#### *Cognitive (cultural) elements*

Cognitive elements include cultural values, ideology and identity. Cognitive frameworks encompass common or shared beliefs about what constitutes responsible corporate behaviour. Managers interpret these cognitive schemas and create common definitions of socially responsible behaviour (Galaskiewicz, 1997). Corporations that conform to established cognitive frameworks exhibit behaviours that are culturally acceptable in the institutional environments in which they operate (Kostova and Zaheer, 1999). For example, as suggested by Marquis et al. (2007) corporations identify and support arts as a social issue if the local community identifies with, and values, cultural artefacts. Peer pressure is another effective means of facilitating socially responsible behaviour. Isomorphism of CSR may occur as organizations mimic the best practices of company leaders irrespective of their industry (Matten and Moon, 2008). Isomorphism can also result from the pressure exerted on companies through industry standards and codes of conducts. At the global level, this may play out in global networks, for example, the UN Global Compact is designed to leverage institutional pressures through mimicry within a ‘learning network’ (Levy and Kaplan, 2007). This leads to our Proposition 3:

*Proposition 3:* Cultural-cognitive institutional pressures will cultivate an environment conducive to the uptake of CSR such that prevailing notions of ‘best practice’ will lead to the isomorphism of CSR across companies.

Essentially, this article rests on the assumption that CSR is determined perpetuated, and regulated by institutional factors. So far, our arguments have been that the nature of CSR is shaped by contextual factors, and companies respond to different institutional pressures to remain legitimate. However, we do not discount the role of agency in the institutionalisation of CSR. We acknowledge that the

institutional context sets conditions for, but does not wholly determine CSR. Institutions provide actors with the institutionalised knowledge to help them reach a common understanding and definition of socially responsible behaviour, and subsequently corporations draw on institutions when formulating their CSR actions or even when evaluating and assigning meaning to their own and others' actions in their locations of operations. The focus of this article is on the institutional determinants of CSR in Kenya; hence the focus on the drivers, issues and processes of CSR by different companies in Kenya as explained in the next section.

## Methodology

To investigate the manifestation of CSR in Kenya, a two-stage data collection method of web content analysis and survey was employed between May and September 2008. Our key focus was to examine the focus and form that which organisations considered and reported as CSR practice. We used a non-random sampling technique to obtain a heterogeneous sample of 70 companies operating in Kenya. Our sample constituted all the 54 companies listed in the NSE. The use of company listings is well established in the literature (e.g. Chapple and Moon, 2005; Jose and Lee, 2006). Companies that are said to be 'leaders' in CSR but are not listed in the NSE such as those listed for the Company of the Year (COYA) awards<sup>1</sup> were also included in our sample. To ensure the sample was comprehensive, we

further used the snowball sampling technique. Here we capitalised on informal social networks in the Kenyan business community to identify other companies reported to implement CSR but who are not part of the NSE or listed in the COYA awards. As shown in Table I, our sample companies differ by origin,<sup>2</sup> and industry sector. We refer to the international companies headquartered outside Kenya as 'foreign international'<sup>3</sup>; those headquartered in Kenya but have operations outside Kenya as 'Kenyan international'<sup>4</sup>; and those headquartered and with operations only in Kenya are referred to as 'Domestic'.

The first data collection method employed was company website analysis, which involved gathering all published information regarding the CSR orientation of the companies. Websites are an official presentation of a company's policies and practices and are used by companies to convey their intentions and actions to their stakeholders (see Chapple and Moon, 2005). As suggested by Fukukawa and Moon (2004, p. 48), there is reason to expect companies' communication about CSR to be directly aligned with their practice in light of issues about ethics, reporting, transparency and accountability being "part and parcel of CSR".

A web search was conducted for every company in the sample. However, it emerged that some of the listed companies did not have websites. Over 75% of companies had a website, and this reduced our final sample of companies with full data set to 54. Yet, not all companies had a dedicated CSR section on their website; some companies had CSR reports available to download; and in some cases other organizational

TABLE I  
Sample by industry sector

Industry sector	Domestic	Kenyan international	Foreign international	Total
Wholesale and retail	3	4	9	16
Technology	2	0	0	2
Agriculture	3	1	2	6
Transportation	4	0	0	4
Environmentally oriented	4	6	2	12
Financial	10	4	2	16
Media	7	0	1	8
Manufacturing	0	2	1	3
Other	0	1	2	3
Total	33	18	19	70

documents containing relevant information. It is important to note that the disclosure of CSR information in Kenya is voluntary, however, that of company annual reports is a statutory requirement (see Barako et al., 2006). Thus, data from available annual reports, financial reports, codes of conduct and documents regarding corporate policies were used where relevant. All the websites were written in English.

To build a comprehensive picture of CSR for each company, an iterative procedure was delineated to identify all dimensions of each company's CSR. An a priori coding method was adopted in this research modifying those advanced by Chapple and Moon (2005) and Maignan and Ralston (2002), and drawing on the conceptualizations of CSR by Carroll (1979) and Wood (1991). Table II shows the

coding categories used to determine the CSR orientation of the companies. We scanned the websites for both explicit and implicit references to their responsibilities as a company to its stated stakeholders. Sentences and logical parts of the sentences were used as the unit of analysis in order to produce reliable and meaningful data (Milne and Adler, 1999). To ensure reliability, a third person randomly spot-checked the coding of the websites.

The second data collection technique was the survey method. The survey was developed by modifying and building on the above-mentioned existing surveys and conceptualizations of CSR. We asked respondents to tell us if their company had a CSR policy. If so, who in the company was responsible for CSR activities; which department held responsibility for CSR; how centralised or decentralised their CSR was; whether they had a CSR budget; how different stakeholders were ranked in order of their importance to the company; whether the company had a code of conduct and if this was modelled on international, national or industry standards; the motives behind their CSR; what issues the CSR policy targeted, and the CSR processes in place within the company (see Table III for questions on CSR processes).

The survey was administered via e-mail to relevant individuals identified in the company. The e-mails contained an introductory letter and a confidentiality statement. The return rate of the survey was 11%. Although this is usual for surveys, the number of responses was too small to be generalizable. In view of these data collection problems, web content analysis was considered more appropriate for the primary method and the surveys were used as a secondary method to support and validate the website findings. The information from the web content and survey was collated and analysed using descriptive statistics. As the web data were categorical rather than ordinal or scale, it did not lend itself to parametric statistical testing and we relied on non-parametric tests (Pallant, 2007). Chi-squared tests were performed to determine whether there were any patterns across industries and between companies of different country origins. Where the data violated the assumptions of the chi-squared tests, descriptive statistics were used to analyse the data and report the findings as presented in the next section.

TABLE II

CSR categories used to determine the CSR orientation of companies

Dimension of CSR	Coding categories
Type	Global Regional National None
Motivations	Value-Driven CSR Performance-Driven CSR Stakeholder-Driven CSR
Issues	Community Environment Workplace Marketplace
Processes	Philanthropy Employee Volunteering Sponsorships Partnerships Independent CSR Organizations (e.g. corporate foundations) Environmental management Stakeholder Engagement Compliance with the law Codes of conduct
Standards	International National Industry

TABLE III  
Questions on CSR processes and practices

Please indicate to what extent you agree with the following statements with reference to your CSR processes and practices:			
1 (Not at all)	2 (To a minor extent)	3 (To a moderate extent)	4 (To a major extent)
Our company is successful at maximising profits			
Our company follows strict procedures to stop any form of discrimination in the workplace			
Our company promotes diversity in the workforce			
A whistle blowing policy is in place for employees to report any misconduct at work			
We buy our products from the local community			
Our company supports employees activities in the community			
Our company complies with health and safety regulations in the workplace			
Our company has a procedure in place to respond to every customer complain			
Our company provides full and accurate information about our products and services to all our customers			
We ensure that suppliers are always paid on time			
The potential negative impact of our operations on the community are monitored			
Our company provides financial support and material to local community activities and projects (e.g. charitable donations, sponsorship)			
Our company considers potential environmental impacts when developing new products and services			
We have a functioning waste management and pollution prevention programme in place			
We improve social infrastructure and living conditions in our communities			
Our company contributes to the development of sustainable livelihoods in our communities			
Our company purchases its goods and services from the cheapest suppliers irrespective of their CSR performance			
Tax avoidance is not a CSR concern			
Our company does not have a waste recycling programme			
We have concrete measurable targets to judge our CSR practice			
We have an established method for monitoring CSR performance			
We have an established method for providing feedback to our stakeholders			
We rarely ask our stakeholders what they want and need			
We have standard procedures that we follow to determine the needs of our stakeholders			

### Findings: CSR in Kenya

To determine how CSR manifests itself in Kenya, we analysed the corporate websites, company publications and survey responses to decipher the extent to which companies practice CSR, the issues addressed, the CSR processes employed and what explains the drivers for CSR inclusion and practice of companies. These findings are summarised in Table IV and discussed below.

#### *Inclusion of CSR on websites and company publications*

The research revealed that 54 of the initial 70 companies in our sample made reference to some

dimensions or elements of social responsibilities on their website. Only 61% of domestic companies included explicit reference to CSR compared to 88.8% of the Kenyan international and 100% of foreign international companies. It is not surprising that all the foreign international companies explicitly referenced CSR as their home countries such as United Kingdom, United States of America, South Africa, for example, are global CSR leaders in their respective continents (see Doh and Guay, 2006; Maignan and Ralston, 2002; Matten and Moon, 2008; Visser, 2008). However, of the 16 companies that did not make any explicit reference to CSR, one-third of them made some reference to their economic responsibilities. Further, only 20.4% of domestic and Kenyan

TABLE IV  
CSR principles, issues and processes presented on company websites in Kenya

	Total ( <i>n</i> = 54)	Domestic ( <i>n</i> = 19)	Kenyan international ( <i>n</i> = 16)	Foreign international ( <i>n</i> = 19)
<i>CSR principles</i>				
Value-driven	32 (59.3%)	12 (63.2%)	14 (87.6%)	6 (31.6%)
Stakeholder-driven	24 (44.4%)	6 (31.6%)	0 (0.0%)	16 (84.2%)
Performance-driven	20 (37.0%)	1 (5.3%)	2 (12.5%)	17 (89.5%)
<i>CSR issues</i>				
Community	49 (90.7%)	19 (100.0%)	11 (68.8%)	18 (94.7%)
Environment	40 (74.1%)	12 (63.2%)	12 (75.0%)	16 (84.2%)
Workplace	31 (57.4%)	7 (36.8%)	9 (56.3%)	15 (78.9%)
Marketplace	27 (50.0%)	5 (26.3%)	7 (43.8%)	15 (78.9%)
<i>CSR processes</i>				
Philanthropy	47 (87.0%)	17 (89.5%)	11 (68.8%)	19 (100.0%)
Compliance with the law	24 (44.4%)	4 (21.1%)	7 (43.8%)	13 (68.4%)
Partnerships	23 (42.6%)	7 (36.8%)	5 (31.3%)	11 (57.9%)
Codes of conduct	22 (40.7%)	4 (21.1%)	6 (37.5%)	12 (63.2%)
Stakeholder engagement	20 (37.0%)	4 (21.1%)	4 (25.0%)	12 (63.2%)
Environmental management	19 (35.2%)	4 (21.1%)	4 (25.0%)	11 (57.9%)
Employee volunteering	13 (24.1%)	5 (26.3%)	3 (18.6%)	5 (26.3%)
Sponsorships	12 (22.2%)	2 (10.5%)	6 (37.5%)	4 (21.1%)
Corporate foundations	10 (18.5%)	3 (15.8%)	4 (25.0%)	2 (10.5%)
Standards and codes of conduct				
International	29 (53.7%)	8 (42.1%)	9 (56.3%)	12 (63.2%)
National	5 (9.26%)	1 (5.3%)	2 (12.5%)	2 (10.5%)
Industry	7 (13.0%)	2 (10.5%)	3 (18.6%)	2 (10.5%)

international companies addressed legal responsibilities on their website.

We observed an emerging pattern where CSR reporting was dominant in certain industries: for example, the majority of media and communications and transportation companies displayed no references to CSR which might suggest it is not a primary concern in these industries, with the exception of the only foreign international company in the industry. Companies in the technology, manufacturing, finance, wholesale/retail and other industries mentioned CSR on their website. This might suggest the inclusion of CSR could be influenced by specific industry factors or that industry peers mimic each other's CSR activities.

The survey provided a greater insight into the extent to which CSR was embedded into the

organisations. The integration of CSR principles into core business practices ranged from very centralised to very decentralised. Whereas some companies had a dedicated CSR department and manager, others delegated responsibility for CSR to different department managers such as Human Resources (HR) and Public Relations (PR), and one had no CSR delegate at all. Where the responsibility for CSR lay with the PR department, the CSR activities were ad hoc and addressed high profile social issues suggesting that CSR was implemented for risk management and reputational benefits as opposed to as a business opportunity or for moral reasons.

Our findings suggest that some companies undertake actions that address certain CSR issues but do not use the term CSR despite identifying and fulfilling their responsibilities which are consistent with

the basic tenets of CSR (see also Kivuitu and Fox, 2005). Overall, it seems that CSR as a concept is given less attention by companies operating solely within Kenya than those with headquarters in other countries. This may be reflective of the developing country context where the concept of CSR is still relatively new to the business agenda.

### *Drivers of CSR*

To explore the drivers of CSR, we employed Maignan and Ralston's (2002, p. 501) categorisation of value-driven ('as being part of the company's culture, or as an expression of its core values'), performance-driven ('an instrument to improve its financial performance and competitive posture') and stakeholder-driven ('as a response to the pressure and scrutiny of one or more stakeholder groups') motives. These correspond with positive duty, utilitarian and negative duty approaches, respectively. Our findings reveal that company motives for CSR differed: they were motivated by the desire to 'give something back' to the communities in which they operate; the need to gain and maintain legitimacy from stakeholders; and the prospect of enhancing financial performance. 59.2% of the sampled companies viewed CSR as value-driven. 63.5% of the domestic companies and 87.5% of the Kenyan international companies mentioned their CSR practice as 'the right thing to do': For example, "we believe in giving something back to the community to which we owe existence" (Car and General); and "we consider it our obligation to support and be part of the community in which we do business" (Housing Finance).

Performance-driven CSR was the least mentioned motivation by domestic companies (5.3%) and Kenyan international companies (12.5%). In contrast, 89.5% of foreign international companies use CSR to achieve performance objectives: for example, "MultiChoice Africa understands that to benefit Africa socially will help enrich the entire continent, and in the long term will benefit both MultiChoice Africa as well as all business on the continent." Such companies view CSR as a mechanism that enhances competitiveness and contributes to profit-maximisation; a concept that does not seem

to have been widely recognised by domestic and Kenyan international companies.

Stakeholder-driven CSR is demonstrated by this company statement that explicitly mentions stakeholders: "(we) ensure that our social, economic and environmental responsibilities to our stakeholders remain integral to our business. We take seriously all feedback that we receive from our stakeholders" (Pan African Insurance Holdings). Stakeholders were mentioned as key motives of CSR by 44.4% of the sampled companies. Of these, 31.6% were domestic companies and 84.2% were foreign international companies. However, none of the Kenyan international companies explicitly mentioned stakeholders as driving their CSR. Most of the companies that cited stakeholder-driven motives were those from the financial, technology and transportation sectors; therefore, suggesting that pressure exerted by stakeholders varies across industries similar findings by Brammer and Millington (2004). The survey responses lend some support to the website findings as companies claimed that their stakeholders expected them to engage in CSR.

### *CSR issues*

Corporate Social Responsibility issues were analysed using four categories: community, environment, workplace and marketplace. In comparison with the domestic and Kenyan international companies, foreign international companies demonstrated high levels of commitment to all four sets of issues as shown in Table IV. Chi-squared tests revealed that there was a significant relationship between the type of company and marketplace issues ( $\chi^2 = 10.88, p = 0.004$ ) and also between type of company and workplace issues ( $\chi^2 = 6.90, p = 0.032$ ). Of particular interest is the heavy emphasis the domestic and Kenyan international companies place on community and environmental issues but to a lesser degree on workplace and marketplace issues. Kenyan international companies did, however, address all issues (except community) more frequently than domestic companies. This pattern may be reflective of Kenyan international companies having a higher exposure to regulations, stakeholder scrutiny and the activities of other companies when operating outside of Kenya.

The issues addressed by companies are indicative of the altruistic nature of CSR practiced in Kenya. As shown in Table IV, community issues were given the highest priority (90.7%) followed by environmental issues (74.0%). The emphasis on community issues suggests that CSR is tailored to address national concerns. HIV/AIDS, health, education, and the environment were addressed by all the companies, and reflect the particularity of Kenyan socio-economic conditions. For example, there are between 1,600,000 and 1,900,000 people living with HIV/AIDS in Kenya (UNAIDS, 2008; UNDP, 2008), and the society expects companies and the government to help address the menace. 40.7% of companies provided HIV/AIDS treatment.

Protection of the environment also received significant attention. This focus could be an indication of increased global anxiety as to the state of the environment, such as the current concerns surrounding climate change and human-wildlife conflicts in Kenya. Water was a frequently mentioned environmental issue, which again suggests local responsiveness as only 57% of the population have access to improved water sources, and a mere 19% of the urban population have access to improved sanitation facilities (World Bank, 2008). Biodiversity was only mentioned by one company. Issues that received less attention or were simply overlooked included 'labour standards', 'supply chain standards', and 'fair trade' policies. Only two companies discussed fair trade even though this issue is extremely high on the CSR agenda in Western countries, especially the United Kingdom.

#### *CSR processes*

As demonstrated in Table IV, the pattern of CSR processes (e.g. partnerships, volunteering, codes of conduct, stakeholder engagement, etc.) varies across the sample. Philanthropy was the most frequently mentioned CSR process, reported by 87.0% of companies. Most of the community initiatives, such as corporate donations and employee volunteering, were one-off events rather than long-term partnerships projects strongly linked to the core competencies of the company. 42.6% of the companies mentioned partnerships with organisations such as community-based organisations, NGOs, hospitals

and other international organizations. Partnerships provided the opportunity to draw on existing social capital and develop a better understanding of stakeholder needs and design projects to suit different needs.

Only 44.4% of companies mentioned compliance with the law. Codes of conduct were adopted mostly by 40.7% of companies. These were mostly the foreign international companies (63.2%) as compared to 21.5% of the domestic and 37.5% of the Kenyan international companies. A significant proportion of companies (53.7%) comply with international environmental standards including ISO 9001:2000 and ISO 14001. Voluntary global standards such as the Global Compact, Ethical Training Initiative (ETI) and the Global Reporting Initiative (GRI) were adopted by companies across all the industries with the exception of the technology sector. However, only 13% and 9.3% of industry and national standards, respectively, were adopted by companies in the agricultural, manufacturing and wholesale/retail sectors. Companies in the agricultural sector adopted standards at all levels, and this may signal industry and stakeholder pressures to do so (see also Dolan and Opondo, 2005). Kenya is a big exporter of agricultural products which include horticulture and floriculture products. Conversely, only two companies in the financial sector and one in the media and communication sector reported the adoption of international standards.

There were some discrepancies between principles and action in the management of environmental issues. Despite the prioritization of environmental issues by 74.1% of companies, only 35.2% of companies actually discussed undertaking any environmental management practices. 57.9% of foreign international companies implemented environmental management processes as compared to 21.1% of domestic and 25.0% of Kenyan international companies who mainly address environmental issues through philanthropic donations to environmental causes, or employee volunteering in environmentally related activities.

Stakeholder influences were widely acknowledged, and stakeholders were frequently mentioned as beneficiaries of CSR activities. However, only 37.0% of our sampled companies mentioned any stakeholder engagement and dialogue processes. Again, foreign international companies displayed

higher levels of stakeholder engagement (63.2%) compared to all other companies (22.9%). As was the case for environmental management, the majority of these companies addressed their stakeholders via philanthropic activities. There were a few exceptions such as the Magadi Soda Company who reported a well-established and fully integrated community engagement deliberative process which is recognised as a 'good practice' in Kenya (see also Muthuri et al., 2008).

## **Discussion**

Our findings reinforce the notion that CSR is greatly influenced by the social, cultural, economic and political conditions of a country (Matten and Moon, 2008; Visser 2008), and differs from the findings by Lindgreen et al. (2010) showing no evidence of cultural or socioeconomic conditions influencing the extent of CSR in companies located in Malawi and Botswana – when compared with CSR practices of companies located in the USA. The institutional environments in which companies operate in Kenya certainly affect the uptake of CSR to varying degrees with certain institutional processes having more influence than others. However, there is not an overarching institutional logic to explain why companies engage in CSR. The three institutional domains – regulatory, social and cultural – collectively shape CSR in Kenya. These three 'pillars' of institutions are not independent of one another, and they iteratively shape the CSR landscape.

Campbell (2007) has noted that corporations are likely to act in socially responsible ways if there are strong and well-enforced state regulations, industry associations and private independent organizations such as NGOs who encourage, monitor, enforce rules and regulations. The regulative environment in Kenya neither serves to constrain the negative behaviour of companies nor enables CSR through the use of incentives and rewards (Opondo, 2009). Despite the existences of key legislation such as The Environmental Management and Coordination Act of 1999, The Factories Act of 1951, and The Anti-Corruption and Economic Crimes Act of 2002, the government has been reluctant to impose restrictions on companies for fear of creating an unfavourable

investment climate; and the legal system has remained slow and inefficient to prosecute corporate malpractices (Mwaura, 2005, 2007). Unlike in South Africa, there is no evidence that initiatives introduced by the Kenyan government do actually encourage CSR with few exceptions including the state-owned environmental agency: The National Environment Management Authority (NEMA), which is the principle instrument of government in the implementation of all environmental governmental policies – though it also has a long way to go. Corporate governance guidelines introduced by the Capital Markets Authority also remain unenforceable (Gathii, 2008; Barako et al., 2006). Further there is uncertainty surrounding the Kenya Companies Act and the New Draft Constitution, which seeks to make companies liable for all constitutionally protected fundamental human rights, including environmental, consumer and labour rights (Mwaura, 2007). Thus, Proposition 1 is supported to some extent.

Although the regulatory and legal framework of Kenya does not create an environment conducive to the uptake of CSR, regulatory pressures outside of Kenya do explain why different companies' CSR agendas are focussed on particular responsibilities and issues. For example, regulatory pressures in the home countries of foreign international companies account for the higher proportion of these companies mentioning legal responsibilities, workplace and market place issues than mentioned by domestic and Kenyan international companies. International codes of conduct govern companies' behaviour although locally there are no rewards or punitive measures for those who do not fully comply (Opondo, 2009). Self-regulation also appears to explain corporate responsible practices and processes, but it does not pose a great threat to the legitimacy of companies. It, therefore, appears that regulative factors alone cannot explain why companies act the way they do in Kenya. The companies exist in a seemingly homogenous regulatory institutional environment; yet, their CSR practices, reporting and accountability mechanisms differ. Hence, the role of social and cultural pressures as enabling and constraining the uptake of CSR cannot be overlooked.

CSR focus and form is very much influenced by the normative pressures arising from a myriad of stakeholders who espouse different values and

expectations that encourage the uptake of CSR activities. Therefore, we can say that Proposition 2 is supported to a greater extent. The African values of community spirit and social responsibility define the type of behaviour that is deemed appropriate for companies operating in Kenya and to remain legitimate, companies must respond to different stakeholders' needs and expectations (see Ngondi-Houghton, 2005). The dominance of philanthropic process demonstrates the importance of the local community a stakeholder group and the institutionalisation of the social norm of philanthropy in Kenya (KCDF, 2006). It would be unthinkable for corporations not to conform to these values and norms as their legitimacy would be questioned (see Muthuri et al., 2008). Furthermore, companies are increasingly aware that a healthy business depends on a healthy society and are responding to local needs arising from governance deficits in a strategic manner. These governance deficits largely arise from the limited capacity of the Kenyan government to provide adequately for her citizens. The provision of basic social welfare is often a struggle, and companies have to step into fill the void. These responses enhance companies' reputation and social standing 'as citizens' in the local community and the nation-state.

NGOs have played an important role in the institutionalisation of CSR practice in Kenya. In spite of the vibrant civil society organisation in Kenya, few NGOs address corporate-related activities but instead focus on government and governance matters as this is considered urgent with huge amounts of donor funding designated to governance-related activities. However, international NGOs such as Oxfam, Ethical Trading Initiative, and Transparency International have attracted worldwide attention regarding the supply chain, human rights, and labour conditions in Kenya. At the national level, there is increasing attention focussed on labour and human rights abuses in the export processing sector (KHRC, 2002; Opondo, 2009) and in the cut flower industry (Dolan and Opondo, 2005). These NGOs set new norms in society and create expectations amongst other stakeholders. Furthermore, international frameworks such as the ETI and GRI are responsible for institutionalising a normative climate which corporations conform to in order to remain socially relevant.

It is evident that the language of CSR (and its variants) has become institutionalized as more and more companies respond to these normative calls for more socially responsible behaviour; however, this does not seem to arise from local business school curricula and educational venues in which corporate managers participate as suggested by Campbell (2007). Kenya does not seem to have well-developed CSR institutions (or a CSR sector such as those found in developing countries like UK) to promote and monitor responsibility in the Kenyan business environment (Kivuitu and Fox, 2005; Mwaura, 2007; Opondo, 2009). However, a few of the companies are members of the UN Global Compact – Kenya and companies in these networks may mimic each other's activities. As such, social-cultural institutional determinants have triggered the development of cultural-cognitive mindsets as companies view these CSR initiatives as 'best practice' in Kenya. Therefore, Proposition 3 is supported to a large extent. Companies mimic the practices of 'leading CSR companies', their peers and competitors to maintain legitimacy and competitiveness. Mimicry further leads to homogeneity of CSR practices amongst industries and shapes the form of CSR more broadly.

## Conclusion

Companies in Kenya display different understandings and levels of commitment to CSR as demonstrated by the issues they prioritise and the range of CSR processes they employ. Evidently philanthropic responsibilities feature highly on the CSR agenda and unlike Carroll's (1991) CSR pyramid, philanthropy takes a higher priority than legal responsibilities in Kenya. The evidence from corporate reporting of their activities suggests that CSR in Kenya does not take the form of Carroll's CSR pyramid. If the pyramid was to be reordered for the Kenyan context, economic responsibilities would remain the foremost responsibility of business, followed by philanthropic responsibilities, ethical responsibilities and finally legal responsibilities resembling Visser's (2006) African pyramid. The philanthropic nature of CSR amongst the domestic and Kenyan international companies suggests that they are at the *engaged* stage in the development by

CSR practices and policies whilst the foreign international companies are at the *innovative* and *integrated* stages where the CSR issues and processes adopted are aligned to their core business strategy as discussed in Mirvis and Googins (2006) five-stage path of corporate citizenship.

The manifestation of CSR is mainly a function of normative and cultural pressures in Kenyan society, which explains the largely altruistic nature of CSR practices. CSR is primarily philanthropic, often employed on an ad hoc basis removed from the core functions of the companies. The value-driven CSR by companies operating in Africa may be attributed to the strong community mentality and the ‘ubuntu’ philosophy instilled in African societies as suggested by Amaeshi et al. (2006) and Phillips (2006). Running parallel to this traditional philanthropic understanding of CSR, however, are a selection of companies who engage in more embedded forms of CSR as a strategic response to normative and cultural-cognitive pressures. These companies are mainly foreign international companies who find themselves under increasing international pressure from civil society organisations, industry associations and home governments to take responsibility for their actions. They tend to ‘lead the way’ both in industry sectors and in the Kenyan business environments as a whole in attempts to keep up with their global competitors to maintain legitimacy and ensure their survival.

This article concludes that the uptake of CSR in Kenya is largely driven by the need to conform to social norms or mimic ‘best practice’ for legitimacy reasons. Regulatory pressures from the government

are lacking and fail to create an environment conducive to the uptake of CSR in Kenya. At present, companies learn from one another but this does not always lead to CSR that fulfils its potential. There is a need for the government to act as a driver of CSR as its influence is currently very limited. As there is no uniform pattern of CSR in Kenya, there is a need to strengthen and develop CSR institutions in Kenya to create more awareness of the potential of CSR, and for the implementation of CSR processes that benefit both business and society, for, as Charles Darwin once said, “If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin” (Darwin, 2002, p. 503).

## Notes

<sup>1</sup> The COYA awards were established in 2000 by the Kenya Institute of Management (<http://www.kim.ac.ke/coya>).

<sup>2</sup> It is beyond the scope of this study to further analyse the CSR processes, practices and strategies according to specific country of origin and country of destination of the foreign and Kenyan international companies, respectively.

<sup>3</sup> The Foreign Internationals in our sample were headquartered in the United Kingdom (9), United States of America (3), South Africa (2), France (1), Sweden (1), Switzerland (1), India (1) and Holland (1).

<sup>4</sup> For example, in Uganda, Tanzania, South Africa, Rwanda and Sudan.

## Appendix 1

Sample of companies and web resources

1	Unilever <a href="http://www.unileverea.com">www.unileverea.com</a>	36	Co-operative Bank <a href="http://www.co-opbank.co.ke">www.co-opbank.co.ke</a>
2	Barclays Bank of Kenya Ltd. <a href="http://www.barclays.com/africa/kenya">www.barclays.com/africa/kenya</a>	37	GlaxoSmithKline <a href="http://www.gsk.com">www.gsk.com</a>
3	Standard Chartered Bank Ltd. <a href="http://www.standardchartered.com/ke">www.standardchartered.com/ke</a>	38	Tetra Pak <a href="http://www.tetrapak.com">www.tetrapak.com</a>
4	British American Tobacco Kenya <a href="http://www.bataec.com">www.bataec.com</a>	39	Multichoice <a href="http://www.dstvafrica.com">www.dstvafrica.com</a>

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5	Total Kenya <a href="http://www.outremer.total.com">www.outremer.total.com</a>	40	Ogilvy PR – WPP <a href="http://www.ogilvypr.com">www.ogilvypr.com</a>
6	Crown Berger Ltd. <a href="http://www.crownberger.co.ke">www.crownberger.co.ke</a>	41	Linton Park – Eastern Produce Kenya Ltd. <a href="http://www.camelliapl.com">www.camelliapl.com</a>
7	Car and General <a href="http://www.cargen.com">www.cargen.com</a>	42	Coca Cola <a href="http://www.thecoca-colacompany.com">www.thecoca-colacompany.com</a>
8	TPS Eastern Africa – Serena <a href="http://www.serenahotels.com">www.serenahotels.com</a>	43	Nestle <a href="http://www.nestle.com">www.nestle.com</a>
9	Diamond Trust Bank of Kenya <a href="http://www.diamondtrust-bank.com">www.diamondtrust-bank.com</a>	44	Cadburys <a href="http://www.cadbury.com">www.cadbury.com</a>
10	Athi River Mining <a href="http://www.armkenya.com">www.armkenya.com</a>	45	Del Monte <a href="http://www.delmonte.com">www.delmonte.com</a>
11	East African Breweries Limited <a href="http://www.eabl.com">www.eabl.com</a>	46	Shell Kenya <a href="http://www.shell.com">www.shell.com</a>
12	Kenya Oil Co. <a href="http://www.kenolkobil.com">www.kenolkobil.com</a>	47	Kenya Pipeline <a href="http://www.kenyapipeline.com">www.kenyapipeline.com</a>
13	Bamburi Cement <a href="http://www.bamburicement.com">www.bamburicement.com</a>	48	General Electric <a href="http://www.ge.com">www.ge.com</a>
14	Kenya Commercial Bank <a href="http://www.kcbbankgroup.com">www.kcbbankgroup.com</a>	49	Kenya Reinsurance Corporation <a href="http://www.kenyare.co.ke">www.kenyare.co.ke</a>
15	B.O.C. Kenya Ltd. <a href="http://www.boc-gases.com">www.boc-gases.com</a>	50	HACO Industries <a href="http://www.haco.co.ke">www.haco.co.ke</a>
16	Sameer Ltd. <a href="http://www.sameerafrica.com">www.sameerafrica.com</a>	51	East African Cables Ltd. <a href="http://www.eacables.com">www.eacables.com</a>
17	Olympia Capital Holdings <a href="http://www.olympiacapital.com.ke">www.olympiacapital.com.ke</a>	52	Magadi Soda Company <a href="http://www.magadisoda.co.ke">www.magadisoda.co.ke</a>
18	CMC Holdings Ltd. <a href="http://www.cmcmotors.com">www.cmcmotors.com</a>	53	Eagle Africa Insurance Co. <a href="http://www.eagleafrica.co.ke">www.eagleafrica.co.ke</a>
19	Rea Vipingo Plantations <a href="http://www.reavipingo.com">www.reavipingo.com</a>	54	Kenya Tea Development Agency <a href="http://www.ktdateas.com">www.ktdateas.com</a>
20	Nation Media Group <a href="http://www.nationmedia.com">www.nationmedia.com</a>	55	Nakumatt <a href="http://www.nakumatt.net">www.nakumatt.net</a>
21	Standard Group <a href="http://www.eastandard.net">www.eastandard.net</a>	56	Kenya Ports Authority <a href="http://www.kpa.co.ke">www.kpa.co.ke</a>
22	Williamson Tea Kenya <a href="http://www.williamsontea.com">www.williamsontea.com</a>	57	Kenya Civil Aviation Authority <a href="http://www.kcaa.or.ke">www.kcaa.or.ke</a>
23	Scangroup Ltd. <a href="http://www.scangroup.biz">www.scangroup.biz</a>	58	Apex Communication <a href="http://www.prsk.co.ke">www.prsk.co.ke</a>
24	Access Kenya <a href="http://www.accesskenya.com">www.accesskenya.com</a>	59	Mabati Rolling Mills <a href="http://www.mabati.com">www.mabati.com</a>
25	Sasini <a href="http://www.sasini.co.ke">www.sasini.co.ke</a>	60	Tell ‘Em Public Relations <a href="http://www.tell-em-pr.com">www.tell-em-pr.com</a>
26	Kenya Airways <a href="http://www.kenya-airways.com">www.kenya-airways.com</a>	61	Exclamation Marketing <a href="http://www.exclamationmarketing.co.ke">www.exclamationmarketing.co.ke</a>
27	Housing Finance Company of Kenya Ltd. <a href="http://www.housing.co.ke">www.housing.co.ke</a>	62	I & M Bank <a href="http://www.imbank.com">www.imbank.com</a>
28	Equity Bank <a href="http://www.equitybank.co.ke">www.equitybank.co.ke</a>	63	Express Kenya <a href="http://www.expresskenya.com">www.expresskenya.com</a>
29	C.F.C. Bank <a href="http://www.cfcbank.co.ke">www.cfcbank.co.ke</a>	64	Safaricom <a href="http://www.safaricom.co.ke">www.safaricom.co.ke</a>

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30	National Bank of Kenya <a href="http://www.nationalbank.co.ke">www.nationalbank.co.ke</a>	65	K-rep <a href="http://www.k-repbank.com">www.k-repbank.com</a>
31	Pan Africa Insurance Holdings <a href="http://www.pan-africa.com">www.pan-africa.com</a>	66	NIC Bank <a href="http://www.nic-bank.com">www.nic-bank.com</a>
32	Ken Gen <a href="http://www.kengen.co.ke">www.kengen.co.ke</a>	67	National Hospital Insurance Fund <a href="http://www.nhif.or.ke">www.nhif.or.ke</a>
33	Eveready East Africa <a href="http://www.eveready.co.ke">www.eveready.co.ke</a>	68	Athi Water Services <a href="http://www.awsboard.go.ke">www.awsboard.go.ke</a>
34	Kenya Power and Lighting Co. <a href="http://www.kplc.co.ke">www.kplc.co.ke</a>	69	Ketepa <a href="http://www.ketepa.com">www.ketepa.com</a>
35	East Africa Portland Cement Company Limited <a href="http://www.eastafricanportland.com">www.eastafricanportland.com</a>	70	Imperial Bank <a href="http://www.imperialbank.co.ke">www.imperialbank.co.ke</a>

The first 35 companies are listed on the NSE.

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