CORPORATE SOCIAL RESPONSIBILITY AND FAIR TRADE AS DETERMINANTS OF ACTUALIZATION OF THE SOCIAL BOTTOM LINE AMONG SELECTED LISTED FIRMS IN KENYA

Kimacia Gitau.

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Full Length Research

ABSTRACT

This study intended to analyze Corporate Social Responsibility and Fair Trade as factors determining actualization of the Social Bottom line among selected listed firms in Kenya. Descriptive research design and quantitative analysis were used in the study. The study population was 448 individuals (middle level managers) from the 64 listed firms in Kenya. Using the recommended formula to calculate a desired sample size when the population is less than 10,000, the sample size for the study came to a total of 208 middle level managers from within the listed firms in Kenya. Simple random sampling technique was used to select the sample. Data was collected by use of self-administered questionnaires. Descriptive statistics including means, standard deviation and frequency distribution were used to analyze the data. In addition, the study used multiple regression analysis to assess the influence of the independent variables on the dependent variable. The study found that corporate social responsibility and fair trade are important factors in explaining the actualization of social bottom-line in organizations. Corporate social responsibility had a positive coefficient in the regression model ($\beta 1$ =.5375) and had a t-statistic was 3.513 which is significant at 5% significant level. Fair trade also had a positive coefficient in the regression model ($\beta 2$ = .0334) and a t-statistic was 2.570 which is significant at 5% significant level.

Keywords: Corporate Social Responsibility, Fair Trade, Triple Bottom Line, Social Bottom Line.

INTRODUCTION

The concept of social responsibility holds that companies should embrace their social responsibilities and not be solely focused on maximizing profits. Social responsibility entails developing businesses with a positive relationship to the society which they operate in. This relationship to the society and environment in which they operate is a critical factor in their ability to continue to operate effectively. It is also increasingly being used as a measure of their overall performance (ISO 26000, 2015).

The Social Bottom line, also known as the 'people account', pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business. It is a measure in some shape or form of how socially responsible an organization has been throughout its operations (Elkington, 1994).

Statement of the Problem

As it stands, insufficient research, if any, has been done in Kenya to analyze the importance of TBL reporting to firms in the country, and in particular, the Social bottom line. Most of the studies have been done in developed countries and the literature may not be complete if the theories are drawn from data and results derived from developed countries and applied directly to African countries. This has posed a research gap in this crucial field and hence the researcher's motivation to shed some light in this area. Adequate research and determination of the key factors that determine actualization of the SBL that would allow firms in Kenya to 'behave' in a socially responsible manner would be significant due to the benefits it will impose on the communities within which the businesses operate once businesses become socially responsible. It would allow communities to draw significantly more value from the firms operating within them as opposed to the firms operating at the expense of the communities. It will greatly serve to uplift the well being of the communities within which the businesses operate.

Purpose of the Study

The purpose of the study was to analyze the factors determining actualization the Social Bottom line among selected listed firms in Kenya.

Objectives

The specific objectives of the study were:

i. To analyze Corporate Social Responsibility as a factor determining actualization of the Social bottom line among listed firms in Kenya.
ii. To analyze Fair Trade as a factor determining actualization of the Social bottom line among listed firms in Kenya.

Research Questions

i. To what extent is Corporate Social Responsibility a factor determining actualization of the Social bottom line among listed firms in Kenya?

ii.   To what extent is Fair Trade a factor determining actualization of the Social bottom line among listed firms in Kenya?

LITERATURE REVIEW

Theoretical Review
Deontology

The theory of deontology states we are morally obligated to act in accordance with a certain set of principles and rules regardless of outcome (Kant 1788). The theory was first proposed by Kant (1788) who formulated the deontological moral theory in 1788. Unlike religious deontological theories, the rules (or maxims) in Kant's deontological theory derive from human reason. Deontology, in contrast to consequentialism, holds that some choices cannot be justified by their effects (Alexander & Moore, 2007). The theory of Deontology will impact highly on Corporate Social Responsibility and is significant to the study as it gives valuable moral insight into the nature of choices to be made to achieve a particular goal. This is fundamental towards actualizing the social bottom line.

Justice as Fairness

The theory of justice as fairness was proposed by Rawls (1971). The theory envisions a society of free citizens holding equal basic rights cooperating within an egalitarian economic system (Rawls, 1971). His account of political liberalism addresses the legitimate use of political power in a democracy, aiming to show how enduring unity may be achieved despite the diversity of worldviews that free institutions allow. It is clear that Fair Trade and actualization of the Social bottom line will be greatly influenced by the theoretical inputs of Bentham (1776), Mill (1861), Freeman (1994), (Kant 1788) and Rawls (1971).

Empirical Review

Studies have been conducted worldwide in the area of the social bottom line and its determining factors.

A study by Brown, Dillard & Marshall (2006) entitled Triple Bottom Line: A business metaphor for a social construct noted that by preparing and disseminating triple bottom line statements, an organization conveys an image of concern and sensitivity to the three dimensions of societal responsibility: economic, environmental, and social.

A study by Blanchard, D. (2012) entitled Good deeds tops for bottom line, noted that a Sirota Survey Intelligence concluded that corporate social responsibility contributes positively to a company's bottom line, as well as increasing employees' pride, their engagement in their jobs, and customer loyalty.

In a study by Porter and Kramer (2011) on Strategy and Society where they analyzed the Link between Competitive Advantage and Corporate Social Responsibility, the study noted that companies should focus on Profit, but to do this by increasing the total value creation in the

system where they operate, which means also increasing the value for other stakeholders, such as Planet and People.

A study by Norman and MacDonald (2004) titled Getting to the bottom of the "triple bottom line", it was noted that that in this light, it is also almost a truism that firms cannot be successful in the long run if they consistently disregard the interests of key stakeholders.

Corporate Social Responsibility & Actualization of SBL

Corporate social responsibility may be defined as practices of the firm which "appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001, p. 117). It may be said to be a new way to look at the relationship between business and society that does not treat corporate success and social welfare as a zero-sum game (Porter and Kramer, 2006).

A study by Dixon (2014) on Corporate Social Responsibility and the Triple Bottom Line and focused on Standardization and Brand Management in Houston, Texas, noted that when a corporation is proactive in its approach to resolving social and environmental issues in communities within the sphere of its stakeholders, and when it carries out this approach with positive cumulative effects on these communities, it can be considered to be acting socially responsible. A study by Brusseau (2011) that focused on Business Ethics holds that firms have the legal responsibility to adhere to rules and regulations and firms have the philanthropic responsibility to contribute to society's projects even when they're independent of the particular business.

A business should actively and proactively engage in effective CSR within the community through business-based social purpose, clear theory of change, quality and depth of information, concentrated effort and partnering with experts, in turn upholding the social dimension of the triple bottom line. It also plays a major role in improving the public image of the firm.
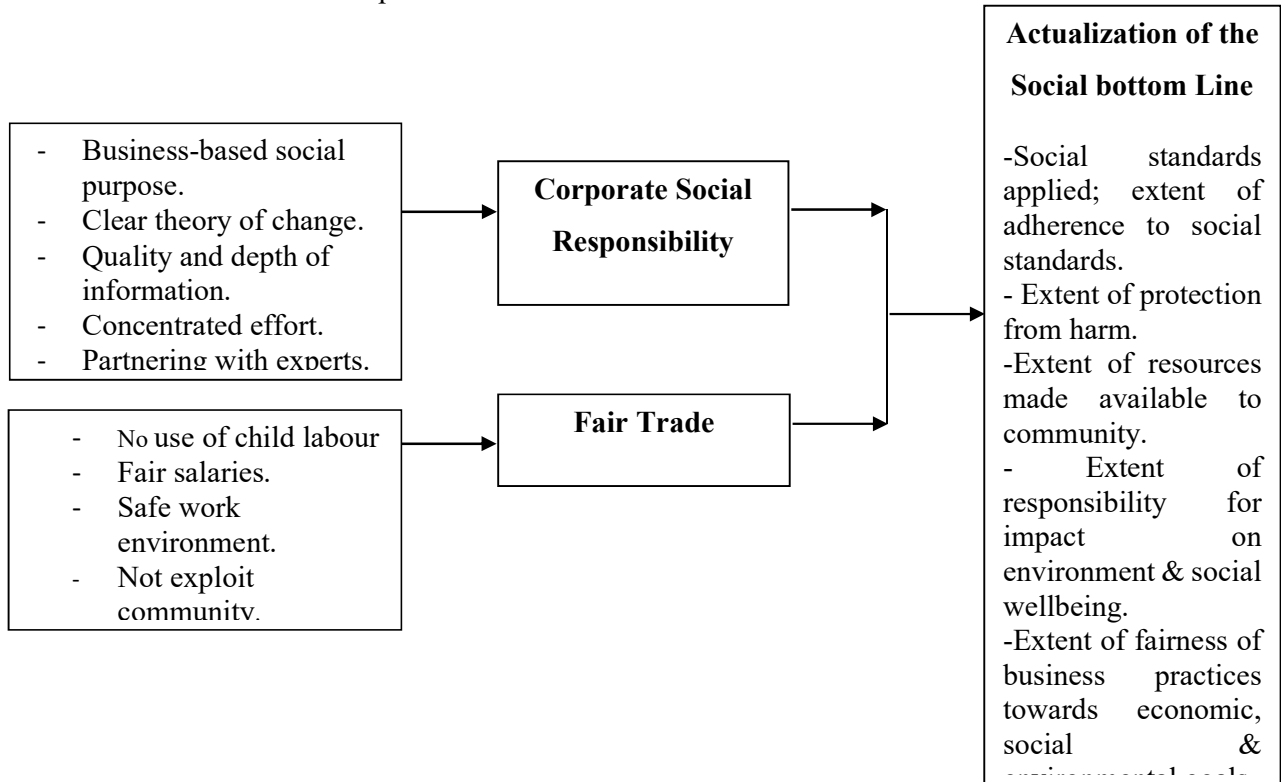
Fair Trade

Fair trade is an organized social movement whose stated goal is to help producers in developing countries achieve better trading conditions and to promote sustainability. Members of the movement advocate for the payment of higher prices to exporters, as well as higher social and environmental standards and looks to guarantee that standards are being implemented regarding working conditions, wages, child labour, and the environment (Fairtrade, 2015).

A study by Brusseau (2011) that focused on Business Ethics holds the fair trade movement fits this ethical imperative to shared opportunity and wealth.

According to a study by Stenzel (2009) on why fair trade is essential for the triple bottom line, sustainability, and free trade, one of Fair Trade's underlying principles is that it promotes sustainability. Fair Trade provides a way to stop and examine the way society conducts trade. As a result, society is more likely to see what is harmful and make choices to do things in more sustainable ways.

A business registering with and conforming to the standards of a fair trade organization will ensure that its products are sourced, manufactured and traded in an environmentally and socially fair way. A business should actively and proactively engage in Fair Trade within the community in which it operates through not using child labour, paying fair salaries, providing a safe work environment and not exploiting community in any manner, in turn upholding the social dimension of the triple bottom line.

Parameters	Independent Variables	Dependent Variable
- Business-based social purpose. - Clear theory of change. - Quality and depth of information. - Concentrated effort. - Partnering with experts.	**Corporate Social Responsibility**	**Actualization of the Social bottom Line** -Social standards applied; extent of adherence to social standards. - Extent of protection from harm. -Extent of resources made available to community. - Extent of responsibility for impact on environment & social wellbeing. -Extent of fairness of business practices towards economic, social & environmental goals
- No use of child labour - Fair salaries. - Safe work environment. - Not exploit community.	**Fair Trade**	

RESEARCH METHODOLOGY

Target Population

Management Levels	Frequency	No. of Firms	Total
Middle level managers	7	64	448
Total	7	64	448

Source: Author (2015)

The target population was a total of 448 middle level managers from within the listed firms in Kenya. The Table depicts the average number of middle level managers within the firms (frequency) which in this case is 7. It also depicts the total number of listed firms in Kenya, 64, which gives a total of 448 middle level managers which in turn forms the target population.

Sample Size

Management Levels	Study Population	Sample size
Middle level managers	448	208
Total	448	208

Source: Author (2015)

The sample size was a total of 208 middle level managers from within the listed firms in Kenya.

Data was collected by use of comprehensive questionnaires with the aim of bringing out the objectives of the research were passed out to relevant and knowledgeable individuals in the institutions indicated (middle management personnel).

The data collected was inspected and the completed questionnaire was edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The responses were tabulated accordingly. Inferential statistics and descriptive statistics including means, standard deviation and frequency distribution were used to analyze the data. In addition, the study used multiple regression analysis to assess the influence of the independent variables on the dependent variable. The factors determining actualization of the SBL can be expressed in the following function:

y fn (X_1, X_2, ε)

From the above we can derive the research model as:

$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$

Whereby:

y = Actualization of the Social Bottom Line (extent of adherence to social standards).

β_0 = constant

$\beta_1, \beta_2,$ = coefficients of CSR and Fair Trade.

X_1 = Corporate Social Responsibility.

X_2 = Fair Trade.

ε = Error term

RESULTS AND FINDINGS

Corporate Social Responsibility

The first objective of the study was to analyse corporate social responsibility as a factor determining actualization of the social bottom line among listed firms in Kenya. Facets of corporate social responsibility were listed and respondents required to indicate the extent to which the facets determine actualization of social bottom line among listed firms in Kenya. The results reveal that respondents indicated the following facets had very high extent of influence as they had a mean above 4.5: partnering with experts, quality and depth of information, clear theory of change. The respondents further indicated that 'business-based social purpose and concentrated effort had high extent of influence on bottom line actualization.

Corporate Social Responsibility on Actualization of Social Bottom Line

Facets	N	Mean
Business-based social purpose	106	4.23
Clear theory of change	106	4.70
Quality and depth of information	106	4.84
Concentrated effort	106	4.22
Partnering with experts	106	4.75

Source: Researcher (2015)

Fair Trade

The fourth objective of the study was to analyse fair trade as a factor determining actualization of the social bottom line among listed firms in Kenya. In order to achieve this, the researcher listed the facets of fair trade, where the respondents were required to indicate the extent to which they influence the actualization of social bottom line. The results show that all the facets had very high extent of influence as they all had a mean of above 4.5. These findings further indicate that the respondents viewed fair trade as key towards actualizing social bottom line in the society.

Fair Trade on Actualization of Social Bottom Line

Facet	N	Mean
Not using child labour	106	4.87
Paying of fair salaries and benefits to workers	106	5.00
Maintaining a safe work environment and tolerable working hours	106	4.95
Not otherwise exploiting a community or its labour force	106	4.97

Source: Researcher (2015)

Actualization of Social bottom-line

The study sought to establish the extent to which the surveyed firms actualized social bottom-line. First, respondents were asked to indicate the extent to which they thought their firms actualized social bottom-line. The results revealed that 46% of the respondents revealed that their firms actualized social bottom line to a high extent with 10% indicating that their firms actualized social bottom line to a very high extent.

Extent of Firm Actualization of Social Bottom Line

Extent	Frequency	Percent
Moderate extent	46	44
High extent	49	46
Very high extent	11	10
Total	**106**	**100**

Moreover, respondents were asked to indicate the extent to which their firms should actualize social bottom line. The results revealed that 95% (n = 75) of the respondents indicated that their firms should actualize social bottom line to a very high extent while 5% (n = 4) indicated that their firms should actualize social bottom line to a high extent.

Extent that Firms should Actualize Social Bottom Line

Extent	Frequency	Percent
High extent	5	5
Very high extent	101	95
Total	**106**	**100**

Further, the researcher sought to find out the standards employed by listed firms so as to ensure that they actualize social bottom line. 89% (n=94) of the respondents indicated that their firms used in-house standards, while 11% (n=12) of the respondents indicated that their firms never used any standards. These results show that most of the listed firms surveyed employed internal policies and standards to ensure that they actualized social bottom-line. None of the firms surveyed, however, employed any internationally accredited standard to ensure that they actualized social bottom-line.

Standards used to Actualize Social Bottom Line

Standard	Frequency	Percent
None	12	11
In-house standard	94	89
Internationally accredited standard	0	0
Total	**106**	**100**

Additionally, the researcher sought to find from the respondents whether the actualization of social bottom line should be made mandatory and effected through legislation as opposed to being voluntary as it was at the time of the study. The results revealed that, 47% (n=50) of the respondents indicated that actualization should be made mandatory to a very high extent, 41% (n=43) indicated to a high extent, while 12% (n=13) indicated that they should be made mandatory to a moderate extent.

Extent making Social Actualization Mandatory

Extent	Frequency	Percent
Moderate extent	13	12
High extent	43	41
Very high extent	50	47
Total	**106**	**100**

The study further sought to investigate the point at which the respondents deemed that the factors of the Social bottom line have been actualized (the point at which they would be comfortable saying the specific factor has been actualized). This provided the standard against which actualization of the factors of the SBL would be measured. The respondents indicated that corporate social responsibility (4.47), while 'fair trade (4.32)' would be deemed to have actualized at a very high extent.

Table 4.14: Actualization of Social Bottom Line

Factor	N	Mean
Corporate social responsibility	106	4.47
Fair trade	106	4.32

Correlation Results

Pearson correlation coefficients were established for all the variables with the findings as indicated in the table. Using Pearson correlation test, any value between 0 - 0.3 means weak correlation, 0.31 - 0.69 moderate correlations, and 0.7 and above means strong correlation. The results indicate that there was strong correlation between fair trade and actualization of social bottom line as it had a correlation 0.931, corporate social responsibility with a Pearson's correlation of 0.793. All the variables were significant at 5% significant level as they were all indicated by a p-value less than 0.05. This indicates that corporate social responsibility and fair trade were highly related with firms actualizing social bottom line. The correlations among the independent variables are also provided. ASBL = Actualization of social bottom-line, CSR = Corporate social responsibility, FT = Fair trade.

Correlation Matrix

		ASBL	CSR	FT
ASBL	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	106		
CSR	Pearson Correlation	.793	1	
	Sig. (2-tailed)	.001		
	N	106	106	
FT	Pearson Correlation	.931	.478	1
	Sig. (2-tailed)	.009	.009	
	N	106	106	106

Regression Results

The regression analysis was performed with the independent variables being corporate social responsibility and fair trade. The dependent variable was the actualization of social bottom line in the surveyed listed firms in Kenya.

Coefficients of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839	.704	.679	.70914

Predictors: (Constant), corporate social responsibility, fair trade.

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.290	3.383		.0857	.803
Corporate social responsibility	.5375	.153	.174	3.513	.001
Fair trade	.0334	.013	.031	2.570	.009

a. Dependent Variable: Actualization of social bottom line

The test of statistical significance of the independent variables in the model was done using t-tests. Results are as indicated in the Table. The regression model was as follows: $y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$

Y in the equation is the dependent variable (actualization of the social bottom line). $X_1 = $ Corporate Social Responsibility, $X_2 = $ Fair Trade.

SUMMARY, DISCUSSION AND FINDINGS

Summary

Corporate social responsibility

The findings were that, corporate social responsibility had a positive coefficient in the regression model ($\beta_1 = .5375$) and had a t-statistic was 3.513 which is significant at 5% significant level, indicating that an improvement in corporate social responsibility by a business within the community it operates through business-based social purpose, clear theory of change, quality and depth of information, concentrated effort and partnering with experts, will have a positive effect on the actualization of social bottom line.

Fair Trade

the findings were that all the facets to a very high extent determined actualization of the SBL as they all had a mean of above 4.5. Specifically, 'paying of fair salaries and benefits to workers had a mean of (5.00)', 'not otherwise exploiting a community or its labour force had a mean of (4.96), 'maintaining a safe work environment and tolerable working hours had a mean of (4.94)' and finally 'not using child labour had a mean of (4.87). Further the results showed that fair trade fair trade had a positive coefficient in the regression model ($\beta_2 = .0334$) indicating that it is a positive predictor for actualization. The t-statistic was 2.570 with a significant value of 0.009 less than 0.05 thus indicating that fair trade strongly determines actualization of social bottom line.

Conclusions

The main study conclusion is that there is a high correlation between all the variables under study which are Corporate Social Responsibility and Fair Trade. All the variables were statistically significant in determining actualization of social bottom-line.

Fair trade had the strongest correlation with actualization of social bottom line among the variables. The researcher further concludes that the businesses surveyed should actively and proactively engage in effective CSR within the community through business-based social purpose, clear theory of change, quality and depth of information, concentrated effort and partnering with experts, in turn upholding the social dimension of the triple bottom line.

Recommendations

Businesses should be held accountable for the social and environmental impact on the communities in which they operate. Policy-makers have a responsibility to promote CSR practices by business, as part of their role to improve social, environmental and economic conditions for the populace. Left to its own devices, the business community will not always be good corporate citizens, and that is why laws, regulations and incentives need to be

promulgated to ensure that their legitimate pursuit of profits does not come at the expense of society and the environment (Kasipillai & Rachagan, 2014). Hence the need for mandatory social bottom line measurement, monitoring and reporting. Ensuring that firms comply with mandatory sustainability reporting would be a significant incentive to ensure that firms behave in a socially responsible manner. It should be noted that measurement, monitoring and reporting of the social bottom line would be of minimal consequence without adequate legislation and penalties. Legislation pertaining to actualizing the appropriate social parameters would first have to be set outlining, among others; the minimum standards to be met by the firms, penalties for lack of compliance, a regulatory authority to enforce the legislation and ensure compliance. Once legislation has been effectively set, measurement, monitoring and regulation pertaining to the legislation can then commence.

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