European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.6, No.31, 2014

Analysis of the Effects of Corporate Social Responsibility on Product Extensions: A Survey of Listed Companies in Kenya

ALI HASSAN KHAMAH

KABARAK UNIVERSITY-KENYA

E-MAIL ADDRESS: *mwakhamah@gmail.com*

ABSTRACT

Corporate Social Responsibility (CSR) is one of the strongest public relations' tool and a very common used marketing strategy by many companies to get in touch with their publics. Implementation of CSR dimensions and at the same time enhancing product extensions into the market is an essential component in any business prosperity. The study was conducted among listed companies in Kenya, because various sectors of businesses are represented. The study was based on the theory of Carroll's four-part model of CSR. Despite the fact that CSR is frequently employed in many organizations, how they capture the aspect of product penetration deep into the intended markets is not known; or whether CSR dimensions are just being carried out to the public to entice them and that is all. The findings revealed that there is a weak linear relationship between CSR dimensions and product extension with a 2% influence. This means that CSR activities can help product extension into the market but no single item can be depended upon, unless combined amongst CSR dimensions and/or mixed with the other strategies like, sales promotion, personal selling and direct marketing among others.
***Key words**: Corporate Social Responsibility Dimensions; Product extensions and Listed Companies.*

1.1 Introduction

Undoubtedly, Corporate Social responsibility (CSR) is a technique which has been and still to date much used in many organizations to communicate with the public indirectly about the existence of a certain firm and its products and/or services being offered. In most cases CSR is carried out as way to show gratitude to the community by giving back. CSR, therefore, is a marketing concept often used globally and in Kenya is no exception by many organizations to engage in a philanthropic work by giving back to the community to be seen as a good neighbour by the immediate community next to the organization in question. Quite often than not, CSR has been implemented in many organizations majorly to help the society and not the companies necessarily benefiting from the exercise; but only to enhance favourable view of the public (clients or customers) towards that particular firm (Kotler and Armstrong 2008).

Globally, with businesses focusing on generating profits, sustainability was not a popular concern among companies up until recently. Now, in an era of globalization, multinational corporations (those that conduct business in more than one country) and local businesses are no longer able to conduct destructive and unethical practices, such as polluting the environment, without attracting negative feedback from the general public (Jatana and Crowther 2007). With increased media attention, pressure from non-governmental organizations, and rapid global information sharing, there is a surging demand from civil society, consumers, governments, and others for corporations to conduct sustainable business practices (Barkin 2002). In addition, in order to attract and retain employees and customers, companies are beginning to realize the importance of being ethical while running their daily operations. The corporate response has often meant an adoption of 'a new consciousness', and this has been known as Corporate Social Responsibility (CSR) since the 1970s (Kotler and Keller 2006).

Sorsa (2008) argues that in any case, companies are now expected to perform well in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Some examples of CSR are safe working conditions for employees, environmental stewardship, and contributions to community groups and charities. Moser and Miller (2001) further reveal that the problem is that many companies that claim to be socially responsible often do not live up to such a standard. Because CSR is becoming more commonplace among corporations, there are concerns that some companies promote an image of CSR whether or not they have a true strategy in place and the results to show for. Accountability and transparency are key to conducting business in a responsible manner (Kapoor and Sandhu 2010).

Africa, for example, the Nigerian government is busy with legislation which, if passed, will make it mandatory for companies to pay 3.5% of their gross profit to corporate social responsibility initiatives (Idemudia 2011). The proposed Corporate Social Responsibility Bill allows for a great deal of state meddling in companies' affairs and suggests onerous punishments for noncompliance, including hefty fines. CSR is generally viewed as the building of schools, clinics, soccer pitches, offering bursaries and others (Ite 2004). These ad hoc interventions just feed the view that such spending is window dressing for exploitative business behaviour that produces outrageous profits. But many budgets are significant and could be harnessed more meaningfully for development and growth in collaborative engagement between government and companies.

In Kenya today CSR is well practiced but not as regulated in Nigeria. There are a variety of organizations doing businesses, ranging from product-oriented marketing and service-oriented marketing. The notable companies that have come out strongly in this initiative of "giving back to the society" are Kenya Airways, Safaricom, Airtel, Kenya Power (KP), East African Breweries Limited (EABL), Kenya Television Networks (KTN), Nation Television (NTV), Co-operative Bank, Equity Bank, Coca Cola, Brookside, New Kenya Cooperative Creameries (KCC), to mention but a few. All these companies and many others operating in the country in one way or another, do practice CSR. Hence, the area of CSR has been chosen because is so rich, current, on going and challenging. In one way or another, organizations are involved in the CSR as they continue to exist in the business. If so, what are their goals and objectives of doing so? Are they doing it for sake of doing it or for the purposes of profiting the organization as well? If it is for the purposes of the later, then how best and ethically can it be carried out, to the sense that both parties (a Company and customers) can benefit from the concept.

In looking at CSR growth, the changing scenario of business across the world due to globalization has instigated governments to regulate business and develop policies compliant to this emerging situation. These policies target traditional corporate performance variables such as environmental performance, working conditions and marketing ethics etc. (Butler 2006). According to its promoters globalization is promoting democracy as well as economic growth. Companies can work with local communities for sustainable development programs by conveying clear values and principles, and accepting responsibility for workplaces and workplace conduct, companies cannot only build trust and mutual understanding with stakeholders; they can also support the role of governments (Ant 2008). As for its detractors, globalization can be contained by encouraging CSR as a foil for runaway commercialism and exploitative business practices. This is a rare convergence in support of CSR from completely opposing perspectives. Customers can be both from businesses or consumers.

There is increasing awareness among business leaders in the developed economies that practicing corporate responsibility affects their corporate reputation and brand image. Demand for disclosure has increased over time from the customers, investors, regulators, and community groups, environmental activists, trading partners which have resulted in a variety of social audits that explains the social performance of an organization (Choi and Grey 2008). NGO's have also played a major role in turning the spotlight on the corporate practices creating pressure for the non-compliant organization and boosting the activities of the organization practicing or planning the CSR strategy (Cavett-Goodwin 2007). Also there has been a rapid growth in the 'CSR industry' of consultants and accounting firms who are driving the social reporting trend, while representing that the driving force actually comes from the organization's stakeholders. Companies that base their business decisions on profit margins alone and ignore their impact on stakeholders can pay a heavy price in both the court of public opinion and the stock markets (Branco and Rodrigues 2006).

A surprising number of companies already regard corporate social responsibility as a platform for growth and differentiation. This is because over two-thirds (68%) of the business leaders surveyed are focusing on CSR activities to create new revenue streams. While over half (54%) believe that their companies' CSR activities are already giving them an advantage over their top competitors. When aligned with business objectives, companies are beginning to see that CSR can bring competitive differentiation, permission to enter new markets, and favorable positioning in the talent wars Pohle and Hittner (2011).

From the foregoing discussions, therefore, there is no doubt that CSR is a world wide accepted concept in business today mainly used for building company image to the target markets and potential customers as well. But what is not known is whether if it (CSR) can be used as well by organizations to build on their brand equity as they continue practicing it, or has it become a "fashion" that each and every firm wants to be seen practicing it (CSR) without a focused objective in mind? The understanding of it (CSR) among the practitioners is also a major concern of this study.

1.1.1 Corporate Social Responsibility

Corporate social responsibility is based on the shareholder theory of the firm, which contends that companies are not managed purely in the interests of their shareholders alone. Rather, there is a range of groups (shareholders) that have a legitimate interest in the company as well. Following this theory a stakeholder of a company is an individual or group that either is harmed by or benefits, from the company or whose rights can be violated, or have to be respected, by the company. Other groups, besides shareholders who typically would be considered stakeholders, are communities associated with the company employees, customers of the company's products and suppliers. The key point is that stakeholder theory holds that the company has obligations not only to shareholders but to other parties that are affected by its activities (Jobber 2007).
It argued that strategy without tactics is the slowest route to victory; tactics without strategy is the noise before defeat (Baker 2000). Hence, marketing Strategy is something that helps companies achieve marketing objectives. Marketing objectives help achieve corporate objectives and corporate objectives aim to achieve a competitive advantage over rival organizations. Marketing strategy is all about how to achieve marketing objectives, marketing tactics is how to implement strategies, and administration holds the whole thing together.

Generally, CSR is understood to be the way organizations integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the organization to create wealth and improve society they reside in. Actually it is continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of workforce and their families as well as of the local community and society at large (Soch and Sandhu 2008).

It can be deduced, therefore, that CSR has major role to play in enhancing brand equity of a given firm. This is so because is one among many marketing strategies that organizations can adopt, if well put in place can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. This actually is every organization's dream and goal to remain in business forever. Therefore, what matters here is how to make a good use of it (CSR) to attain the brand equity or benefits accrued as a result of a good strategy put in place.

1.1.3 Nairobi Stock Exchange (NSE)

In Kenya, dealing in shares and stocks started in the 1920's when the country was still a British colony. However the market was not formal as there did not exist any rules and regulations to govern stock broking activities. Trading took place on a 'gentleman's agreement.' Standard commissions were charged with clients being obligated to honour their contractual commitments of making good delivery, and settling relevant costs. At that time, stock broking was a sideline business conducted by accountants, auctioneers, estate agents and lawyers who met to exchange prices over a cup of coffee. Because these firms were engaged in other areas of specialization, the need for association did not arise (www.nse.co.ke 2011).

In 1954 the Nairobi Stock Exchange was constituted as a voluntary association of stockbrokers registered under the Societies Act. Since Africans and Asians were not permitted to trade in securities, until after the attainment of independence in 1963, the business of dealing in shares was confined to the resident European community. At the dawn of independence, stock market activity slumped, due to uncertainty about the future of independent Kenya (www.nse.co.ke 2011).

In 1988 saw the first privatization through the NSE, of the successful sale of a 20% government stake in Kenya Commercial Bank. The sale left the Government of Kenya and affiliated institutions retaining 80% ownership of the bank. Notably, on February 18, 1994 the NSE 20-Share Index recorded an all-record high of 5030 points. The NSE was rated by the International Finance Corporation (IFC) as the best performing market in the world with a return of 179% in dollar terms. The NSE also moved to more spacious premises at the Nation Centre in July 1994, setting up a computerized delivery and settlement system (DASS). For the first time since the formation of the Nairobi Stock Exchange, the number of stockbrokers increased with the licensing of 8 new brokers (www.nse.co.ke 2011).

In 1996, the largest share issue in the history of NSE, the privatization of Kenya Airways, came to the market. Having sold a 26% stake to KLM, the Government of Kenya proceeded to offer 235,423,896 shares (51% of the fully paid and issued shares of Kshs. 5.00 each) to the public at Kshs. 11.25 per share. More than 110,000 shareholders acquired a stake in the airline and the Government of Kenya reduced its stake from 74% to 23%. The Kenya Airways Privatization team was awarded the World Bank Award for Excellence for 1996 for being a model success story in the divestiture of state-owned enterprises. On Monday 11 September 2006 live trading on the automated trading systems of the Nairobi Stock Exchange was implemented (www.nse.co.ke 2011).

1.1.4 Study Objectives

The general objective of the study was to establish the effects of different CSR dimensions used in enhancing brand equity in Organizations in today's competitive marketing environment. Hence, the specific objective guiding the study was;

i. To determine the effect of CSR dimensions on product extensions in the market among listed companies.

1.1.5 Study Hypotheses

i. There is no significance difference of various CSR dimensions affecting on product extensions among listed companies.

2.1 Literature Review

2.1.1 Arguments For and Against Corporate Social Responsibility

There are arguments for and against CSR programmes that have been presented by various people and according to (Foster et al, 2009) remarks that according to economists it was manager's responsibility to generate profits for their shareholders. To act in any other way was a betrayal of their special responsibility. They saw addressing social problems as being the province of government no company managers. Economists did not believe, therefore, that managers should spend other people's money on some perceived social benefit, and thought that to do so was misguided.

A further support comes from (Eisingerich et al 2011) regarding financial issues of CSR asserted that a corporation's core responsibility is to increase shareholders' value and not to be responsible for societal issues, whereas Bryer (2010) argued that a corporation can maximize its company value only by voluntarily taking actions on external issues, specifically pollution. Ever since, many researchers have strived to enhance the understanding of the CSR effects on financial performance. Three general schools of thought exist for this issue: positive, negative, or no relationship between CSR and a firm's financial performance.

The other criticism is that CSR is too costly. Hence, the spending of company's money brings with it the lost opportunity to spend the money on other priorities, such as Research and Development (R&D) **(**Sorsa, 2008). CSR also encourages consumer cynicism, that is, many consumers regard CSR initiatives as little more than Public relations exercises (Moore, 2001). Furthermore, CSR is a form of risk management in that there are real penalties for companies that are not environmentally or socially responsible. For instance, media criticisms of such companies as Nike that they involve child labour in the developed countries can harm as being perceived as irresponsible (Moser and Miller 2001).

Foster et al (2009) further asserts that apart from those criticisms discussed earlier, there are also arguments for that CSR leads to enhanced brand or corporate image and reputation. A strong reputation in environmental and social responsibility can help a company build trust and enhance the image of its brands (Barrientos and smith 2007). Also if a company is moving to a new area or new market, or enhancing a new site such as distribution centre, store or factory, it helps to be seen as trustworthy and a 'good neighbour' (Kotler and Keller 2006).

Prieto-Carron et al **(**2006); Lee and Park (2010) and Perry and Singh (2002) hold that CSR increases organizations ability to attract and retain employees, that is, many employees are attracted to employers who are active in social issues. Finally, CSR improves access to capital-organizations that are committed to CSR have access to socially responsible investment (SRI), whereby investors take into account considerations such as a company's environmental and socially responsible activities (Paul 2010). Currently the strengths of the arguments for CSR programmes are driving companies increasingly towards the adoption of socially and environmentally responsible strategies (Moser and Miller 2001).

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits (Akpan 2006). Critics argue that CSR distracts from the fundamental economic role of businesses (Amalric 2004) and (Anderson and Bieniaszewska 2005); others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Corporate Social Responsibility has been redefined throughout the years. However, it essentially titled to aid to an organization's mission as well as a guide to what the company stands for and will uphold to its consumers (Blowfield and Frynas, 2005), (Barrientos, 2008), (Arora and Puranik, 2004) and (Barkin, 2002).

Many firms have introduced customer relationship marketing programs to optimize customer interactions. Some marketing observers encourage firms to formally define and manage the value of their customers (Biggs and ward 2004). The concept of customer equity can be useful in that regard. Although customer equity can be calculated in different ways, one definition of customer equity is in terms of “the sum of lifetime values of all customers” (Solomon 2009). Customer lifetime value (CLV) is affected by revenue and cost considerations related to customer acquisition, retention, and cross-selling. Several different concepts and approaches have been put forth that are relevant to the topic of customer equity (Leone et al, 2006) and (Barrientos, 2008).

It is further argued by (Lee and Park, 2010 and Bond, 2008) that social responsibility of corporations should be monitored by the state, not corporations whose fundamental principals are the interests of their owners, employees and customers, not society as a whole. In this view, a CSR practice by a corporation is a waste of resources i.e., practicing CSR is not a way to maximize resources, because the issue lies outside corporate responsibility but within government purview. Finally, the third group of researchers has not found any particular relationship between CSR and a firm’s financial performance. However, they found no particular impact of CSR on risk-adjusted stock return (Biggs and Ward, 2004).

Active debates regarding financial issues of CSR asserted by (Cappellin and Giuliani 2004), (Christensen and Murphy 2004), (Blowfield 2004) and (Barrientos and Smith 2007) that a corporation’s core responsibility is to increase shareholders’ value and not to be responsible for societal issues, whereas others argued that a corporation can maximize its company value only by voluntarily taking actions on external issues, specifically pollution.

Ever since, many researchers have strived to enhance the understanding of the CSR effects on financial performance. Three general schools of thought exist for this issue: positive, negative, or no relationship between CSR and a firm’s financial performance. The first group of researchers argued that a positive impact of CSR on a company’s financial performance has its basis on social impact theory (Chaudhry and Krishnan 2007) and (Kapoor and Sandhu). The group asserted that companies can create better brand images, improve employee retention, and maintain continuous positive relationships with government entities for their non-owner stakeholders by participating in socially responsible activities. In contrast, the second group of researchers has found negative effects of CSR on companies’ financial performance (Mohr and Webb 2005). For instance, some found a negative relationship between CSR and stock price changes. Thus, this second group of researchers argued that when corporate strategies take into consideration CSR, not solely based on financial performance, there are negative effects on the company’s value performance (Amalric 2004)

Unfortunately, understanding CSR impact on development is not only crucial for theoretical advancement but also critical for the daily lives of the intended beneficiary of CSR practices in Africa. Hence, addressing this problem is key to the advancement of Southern perspectives to CSR. It is important to note that some significant efforts have been made with regard to measuring the impact of CSR on sustainable development as highlighted in works such as (Mohr and Webb 2005; Moore 2001 and Smith, 2003) and the multiple approaches that have been suggested.

There is therefore the need to not only explore the ramifications of inadequacies for CSR practices but also ways to strengthen governmental institutions as well as the specific collaborative strategies civil societies can adopt to enhance government capacities (Idemudia 2011). The need to engage with the role of government in developing countries also stem from the fact that ‘if we are to develop a truly comprehensive theory of corporate social responsibility, we must also develop a theory for determining the appropriate reciprocal responsibility that exist among corporate stakeholders’ (Idemudia 2011) and (Ite 2004).

2.1.2 Effects of CSR on Product Extension

When doing business, branding or product awareness among customers and potential customers is very imperative. Armstrong and Kotler (2009) remark that a powerful brand has high brand equity; Brand equity is the positive differential effect that knowing the brand name has on customer response to the product or service. It is a measure of brand's ability to capture consumer preference and loyalty. Whereas (Prieto-Carron et al 2006) assert that brands vary in the amount of power and value they hold in the marketplace.

Industrial marketers now increasingly recognize the value of branding; yet, how to achieve industrial brand equity is still unclear. Some researchers have investigated the components of brand equity in industrial markets (Michell et al 2001). It is widely recognized that industrial companies benefit from investing in branding to reap the benefits of brand equity (Van Riel et al 2005).

According to (Lai et al 2010) CSR and corporate reputation have positive effects on industrial brand equity and brand performance. Corporate reputation and industrial brand equity also have partial mediating effects on the relationship between CSR and brand performance (Almaric 2004). From these revelations, therefore, CSR can only achieve to create brand or product penetration or awareness among its target markets if it is done with clear objectives to pursue that particular path, or else everything could be in vain. Hence, focus should be maintained throughout the CSR implementation period in the organizations.

2.1.4 Basic Marketing Strategies

Baker (2000) and Kotler and Keller (2006) argue that at a very simple level we can isolate three basic marketing strategies: First, an undifferentiated strategy which exists when the supplier offers the same or undifferentiated product to all persons or organizations believed to have a demand for a product of that type. Second, a differentiated strategy exists where the supplier seeks to supply a modified version of the basic product to each of the major sub-groups which comprise the basic market. Armstrong and Kotler (2009) maintain that in doing so the marketer will develop a different marketing mix in terms of the product's characteristics, its price, promotion and distribution, although attempts will often be made to standardize on one or more of these factors in the interest of scale economies. Such differentiation is only possible for very large firms which can achieve a sufficient volume in each of the segments to remain competitive. For the smaller producer selects one of the major market segments and concentrates all his efforts upon it. As demand begins to decline due to competition from new or substitute goods, so the maintenance of a concentrated or differentiated strategy may become uneconomic and suppliers may revert to an undifferentiated strategy. This is the same view held by (Baker 2000).

From the above arguments it is clear that the firm's selection of a marketing strategy will influence and affect everything which it does. To this extent then marketing strategy and corporate strategy are inextricably interlinked. Thus marketers have to make maximum use of them in order to get desirable results for prosperity of the firms.

2.1.5 Brand Equity Measurement Perspectives

According to Leone et al (2006) maintained that there are at least three perspectives from which to view brand equity or measure it. One way to measure brand equity is to determine the price premium that a brand commands over a generic product. For example, if consumers are willing to pay $100 more for a branded television over the same unbranded television, this premium provides important information about the value of the brand. However, expenses such as promotional costs must be taken into account when using this method to measure brand equity.

A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer. Furthermore, appropriate brand extensions can enhance the core brand. However, the value of brand extensions is more difficult to quantify than are direct financial measures of brand equity.

It is also argued that a strong brand increases the consumer's attitude strength toward the product associated with the brand. Attitude strength is built by experience with a product. This importance of actual experience by the customer implies that trial samples are more effective than advertising in the early stages of building a strong brand. The consumer's awareness and associations lead to perceived quality, inferred attributes, and eventually, brand loyalty (O'Connor 2010).

Solomon (2009) and Armstrong and Kotler (2009) assert many firms have introduced customer relationship marketing programs to optimize customer interactions. Some marketing observers encourage firms to formally define and manage the value of their customers. The concept of customer equity can be useful in that regard. Although customer equity can be calculated in different ways, one definition of customer equity is in terms of "the sum of lifetime values of all customers". Customer lifetime value (CLV) is affected by revenue and cost considerations related to customer acquisition, retention, and cross-selling. Several different concepts and approaches have been put forth those are relevant to the topic of customer equity.

3.1 Methodology

The study adopted a cross-sectional survey research design, whereby information was gathered on a population at a single point in time because a pre-determined set of questions was used to elicit a pre-formulated set of feelings and answers from the respondents based on the objectives of the study. The main objective of this type of design was to obtain insight into the relationships between variables and new ideas relating to the research problem. Furthermore, the design was to capture the feelings of a large target audience for easy generalization of results. This type of study was ideal because (Antoni and Portale 2010); (Kapoor and Sandhu 2010) and (Chaudhry and Krishnan 2007) used it in their studies and got desirable results. Hence, the study was conducted in Nairobi among quoted or listed companies in Nairobi Stock Exchange (NSE). It was conducted here because Nairobi is the business and financial hub of Kenya and East Africa. This was highlighted by the number of companies and organizations headquartered in the city.

The population of study consisted of all quoted or listed companies in NSE who number fifty two (52) (NSE Website 2011) (refer to appendix 5). These companies were chosen because all sectors of companies are very well represented ranging from agriculture, commercial and services, telecommunication and technology, automobiles and accessories, banking, insurance, investment, manufacturing and allied, construction and allied and energy and allied. Hence, this gave a well balanced representative of the target population sample. Hence, the respondents of the study were the 52 company personnel who were in charge of CSR practices.

Given the nature of the target population, the study adopted a census technique, whereby all companies listed in the NSE were involved in the study. Hence this formed a sample frame for the study of 52 personnel in the listed companies who were directly in charge of CSR practices. These company personnel were preferred because were the most suitable to give the much needed information for this study. Since the firms in the NSE were of different sectors, stratified sampling was further employed whereby each sector was treated differently as stratum to see the effect of the CSR in each segment and later was combined to see the general overview.

The study used primary data collected using questionnaires, which had both unstructured (open-ended) and structured (closed-ended) questions. The open-ended questions wee used to elicit the respondents' feelings towards the subject under investigation, while the closed-ended were employed to limit the respondents on giving their answers in precise manner. In some instances, personal interviews were used to supplement on the questionnaire more especially to elicit more responses on the subject matter. The survey instruments were self administered on the basis of drop and pick-up later for a period of three (3) days. This was done in order to give enough time to the respondents to work on the questionnaires appropriately.

In testing the hypotheses, the study employed Multiple Linear Regression Analysis (MLRA) to examine the effect of CSR strategies on brand equity. The reason for using this statistical tool was that other researchers have used it before, for instance, (Kapoor and Sandhu 2010) and (Chaudhry and Krishnan 2007). Therefore, it was a reliable test to adopt for the study. Hence, the formula for this was;

$$y_i = ß_0 + ß_1 + ß_2 + ß_3 + ß_4 + ß_5 + ß_6 + \varepsilon$$

That is:

$$y_i\,(BE) = ß_0 CI + ß_1 HR + ß_2 EC + ß_3 RD + ß_4 SR + ß_5\, PCCR + ß_6 CSRDI + \varepsilon$$

Where:

y_i	Brand Equity (value of dependent variable)
$ß_0$	Community Involvement
$ß_1$	Human Resources e.g. retirement fund benefit plans
$ß_2$	Environmental Contribution

ß$_3$ Rural Development

ß$_4$ Shareholders' Relations e.g. payment of dividend to shareholders

ß$_5$ Product Contribution and Customer Relations

ß$_6$ CSR Dimensions and Items e.g. spending for the welfare of employees

ε An error term

The analysis was analyzed in two parts namely, Qualitative analysis and Quantitative analysis. This categorization was arrived at in order to deal with each element involved in the study in a much required detail.

4.1 Analysis and discussion of results

4.1.2 Product Extension/Penetration

On the part of product extension or product penetration into the market is concerned when CSR has be implemented, the findings showed that 2.2% of the respondents were of the view that a product is extended to the market, that is, it is embraced at a very low rate. Whereas none (0%) held the view that there is a low decrease of product penetration, while 34.8% of them maintained there was no change in the product penetration into the market; meaning whether one carries CSR or not things remain the same. However, majority of the managers, 54.3% held that there is a high increase of product penetration if the moment CSR has been carried out somewhere and 8.7% maintained that there is a very high increase of product extension into the market. This implies that a substantial percentage (54.3% +8.7%=63%) believe CSR has an effect on product penetration into the market if well implemented. Therefore, it is upon organizations to do it (CSR) correctly with the purpose of spearheading the penetration of the product deep into the market. By doing this, it will generate the desired results of profits realization in the long-term (see figure 1 below).

4.2.1 Establishing the Significance Difference of various CSR dimensions affecting on product extension among listed companies

The regression analysis was done to find out on the effect of various CSR strategies on product extension (PE). Hence, the regression method used was;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots\ldots. \beta_n X_n + \varepsilon$

Where; Y Product Extension (PE)

β_0 Constant variable in the regression

$\beta_1 X_1$ Independent variable in the regression

ε Error term

Hence;

$PE = \beta_0 - \beta_1 - CI - \beta_2 HR - \beta_3 DI - \beta_4 EC - \beta 5PC\&CR - \beta_6 RD - \beta_7 SR + \varepsilon$

$PE = 30.27 - 97.2CI - 10.7HR - 85.3DI - 94.5EC - 87PC\&CR - 98.3RD - 95.2SR + 21.64\varepsilon$

A significant model emerged that $F_{6,\ 46} = .874$, at P >.536 and Adjusted R square = .020. Thus significant predictor variables are missing because all the variables had negative beta scores. However, it was noted that the independent variables (CSR strategies) had a weak linear relationship with the dependent variable (product extension with a 2% influence. This finding is concurring with what (Lai et al 2010) and (Chaudhry and Krishnan, 2007) discovered in their studies (see the out put in appendix A and figure 3).

Due to this researchers rejected the null hypothesis, and accepted the alternative hypothesis that there is a significance difference in the various CSR activities on product extension among the listed companies. This means that CSR activities can help product extension into the market but no single item among the seven studied can be depended upon, unless combined amongst themselves (CSR activities) and/or mixed with the other strategies like, sales promotion, personal selling and direct marketing among others.

5.1 Conclusion

CSR is a good idea by all standards because none of the managers opposed it or was non-committal. This is a clear indication that CSR is here to stay in companies but what matters a lot is how it will continue to stay. That is, how significantly will it be done to effectively extend the product penetration into the market? Hence, practicing of CSR in a firm is a balancing act between company profits, consumer needs and societies' interests without compromising any.

6.1 Recommendations

To brand Managers: Since CSR dimensions affect product extension differently, hence brand managers can use CSR dimensions based on pressing need at the moment in order to achieve the intended objectives in the organization.

To Company Marketers and Public Relations Managers: For CSR to work very effectively and efficiently, various CSR dimensions should be integrated in order to bring out desired results to the organizations. Coordinated marketing should be highly emphasized, whereby other various marketing functions should be integrated as well such as sales promotion, brand and product management, personal selling, advertising, direct marketing and public relations and publicity. The CSR practitioners should not be too dogmatic emphasizing one CSR dimension or a few over the others.

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European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.6, No.31, 2014

FIGURES

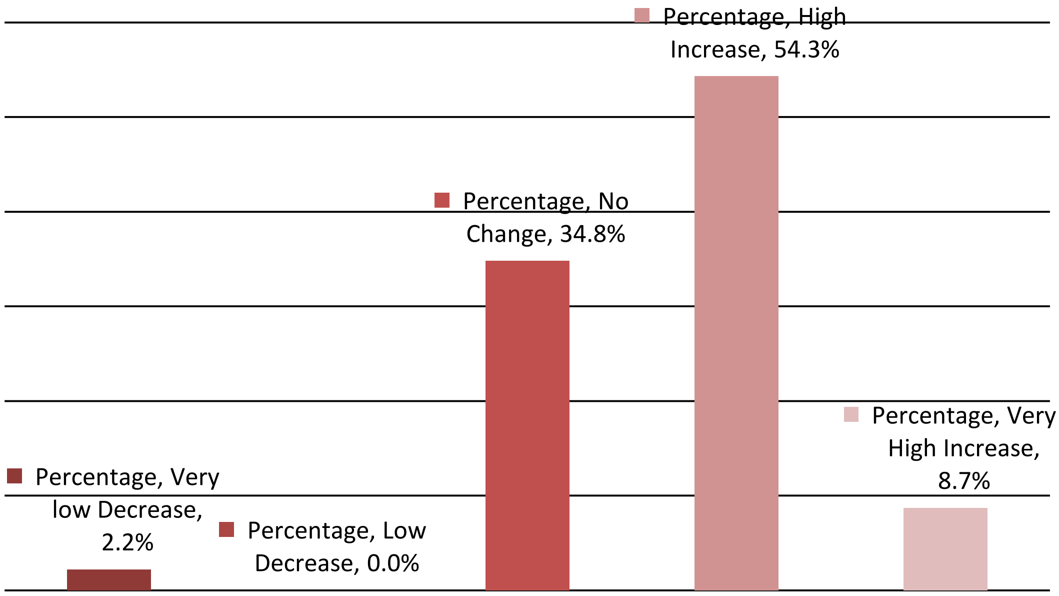

Figure 1: Product Extension/Penetration
Source: Research Data (2012)

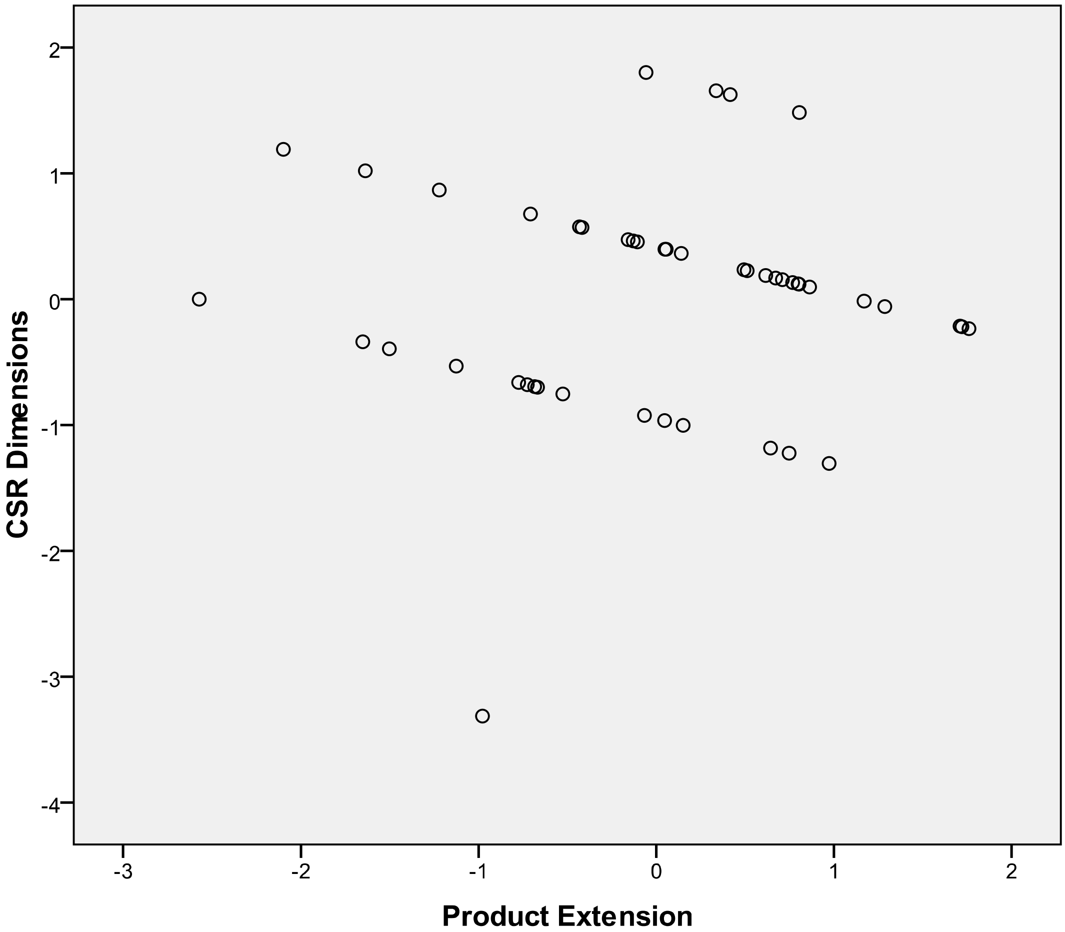

Figure 3: Scatter Plot for CSR Dimensions Vs Product Extension
Source: Research Data (2012)

APPENDIXES

APPENDIX A: OUTPUT OF HYPOTHESES TESTING

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.372[a]	.139	-.020	.73353

a. Predictors: (Constant), SR, PC & CR, RD, EC, CI, CSR D&I, HR

b. Dependent Variable: Product Extension

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.292	7	.470	.874	.536[a]
	Residual	20.447	38	.538		
	Total	23.739	45			

a. Predictors: (Constant), SR, PC & CR, RD, EC, CI, CSR D&I, HR

b. Dependent Variable: Product Extension

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	30.271	21.643		1.399	.170	-13.544	74.086					
	CI	-.972	.783	-3.061	-1.242	.222	-2.557	.612	-.150	-.198	-.187	.004	267.741
	HR	-1.052	.773	-2.641	-1.361	.182	-2.616	.513	-.088	-.216	-.205	.006	166.120
	CSR D&I	-.853	.774	-2.091	-1.102	.277	-2.419	.713	.096	-.176	-.166	.006	158.656
	EC	-.945	.768	-2.382	-1.230	.226	-2.499	.610	-.089	-.196	-.185	.006	165.348
	PC & CR	-.870	.771	-2.355	-1.128	.266	-2.430	.691	.240	-.180	-.170	.005	192.254
	RD	-.983	.780	-2.271	-1.260	.215	-2.562	.596	-.058	-.200	-.190	.007	143.314
	SR	-.952	.776	-2.840	-1.227	.227	-2.523	.619	.045	-.195	-.185	.004	236.382

a. Dependent Variable: Product Extension

Collinearity Diagnostics[a]

Model		Eigen value	Condition Index	Variance Proportions							
				(Constant)	CI	HR	CSR D&I	EC	PC & CR	RD	SR
1	1	6.659	1.000	.00	.00	.00	.00	.00	.00	.00	.00
	2	.413	4.014	.00	.00	.00	.00	.00	.00	.00	.00
	3	.399	4.088	.00	.00	.00	.00	.00	.00	.00	.00
	4	.214	5.576	.00	.00	.00	.00	.00	.00	.00	.00
	5	.140	6.893	.00	.00	.00	.00	.00	.00	.01	.00
	6	.128	7.213	.00	.00	.00	.00	.00	.00	.00	.00
	7	.047	11.851	.00	.00	.01	.01	.00	.00	.00	.00
	8	2.119E-5	560.610	1.00	1.00	.99	.99	.99	1.00	.99	1.00

a. Dependent Variable: Product Extension

APPENDIX B: CSR MEASUREMENT INSTRUMENTS

Community Development

- Money used fro opening up or contributing towards educational institutions, Aid to flood/drought/disaster victims, Construction of roads, Provision of drinking water facilities and opening up or contributing towards healthcare organizations or organizing health camps.

Human Resources

- Amount used for frequent training/development programmes for employees, Retirement fund benefit namely, gratuity, provident fund and leave encashment.

CSR Dimensions and Items

- Money spent for the welfare of employees like providing medical facilities to employees.

Environmental Contribution

- Money going for land reclamation and afforestation and rain harvesting programmes.

Product Contribution and Customer Relation

- Money used in investing in R&D for improving product quality/new product/new process development.

Rural Development

- Amount used for opening up dispensaries, hospitals or organizing medical camps in rural areas, schools/colleges in rural areas, providing safe drinking water facilities and promotion of rural income generation schemes.

Shareholders' Relations

- Amount used for regular payment of dividend to shareholders.

APPENDIX C: LISTED COMPANIES IN NSE

Agricultural

1. Eaagads Ltd
2. Kapchorua Tea Co. Ltd
3. Kakuzi
4. Limuru Tea Co. Ltd
5. Rea Vipingo Plantations Ltd
6. Sasini Ltd

Commercial and Services

1. Express Ltd
2. Kenya Airways Ltd
3. Nation Media Group
4. Standard Group Ltd
5. TPS Eastern Africa (Serena) Ltd
6. Scangroup Ltd
7. Uchumi Supermarket Ltd
8. Hutchings Biemer Ltd

Telecommunication and Technology

1. Access Kenya Group Ltd
2. Safaricom Ltd

Automobiles and Accessories

1. Car and General (K) Ltd
2. CMC Holdings Ltd
3. Sameer Africa Ltd
4. Marshalls (E.A.) Ltd

Banking

1. Barclays Bank Ltd
2. CFC Stanbic Holdings Ltd
3. Diamond Trust Bank Kenya Ltd
4. Housing Finance Co Ltd
5. Kenya Commercial Bank Ltd
6. National Bank of Kenya Ltd
7. NIC Bank Ltd
8. Standard Chartered Bank Ltd
9. Equity Bank Ltd
10. The Co-operative Bank of Kenya

Insurance

1. Jubilee Holdings Ltd
2. Pan Africa Insurance Holdings Ltd
3. Kenya Re-Insurance Corporation Ltd
4. CFC Insurance Holdings

Investment

1. City Trust Ltd
2. Olympia Capital Holdings Ltd
3. Centum Investment Co Ltd
4. Trans-Century Ltd

Manufacturing and Allied

1. B.O.C Kenya Ltd

2. British American Tobacco Kenya Ltd
3. Carbacid Investments Ltd
4. East African Breweries Ltd
5. Mumias Sugar Co. Ltd
6. Unga Group Ltd
7. Eveready East Africa Ltd
8. Kenya Orchards Ltd
9. A. Baumann CO Ltd

Construction and Allied

1. Athi River Mining
2. Bamburi Cement Ltd
3. Crown Berger Ltd
4. E.A. Cables Ltd
5. E.A. Portland Cement Ltd

Energy and Petroleum

1. KenolKobil Ltd
2. Total Kenya Ltd
3. KenGen Ltd
4. Kenya Power & Lighting Co Ltd

Source: NSE Kenya Website (2011)