International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Stakeholder Participation and Corporate Social Responsibility (CSR) in Kenya: A Case Study of Mumias Sugar Company Limited.

David Ochieng Okoth,

Regional Coordinator - Coast Region, Management University of Africa, Nairobi, Kenya.
Email: dokoth1@gmail.com

ABSTRACT

Background: Corporate Social Responsibility (CSR) is the deliberate inclusion of public interest into corporate decision-making that is the core business of the company or firm, and the honoring of a triple bottom line: people, planet and profit

Aim: The study examined to what extend the benefits that accrue from engaging in corporate social responsibility to a company improve, when stakeholders are actively involved in the selection, design and implementation of such CSR projects.

Setting: The research evaluated the approaches that were being used by Mumias Sugar Company MSC in delivering Corporate Social Investment (CSI) to the community and what benefits the company was getting from such investment.

Methods: The study adopted a descriptive research design and targeted farmers and staff contracted by Mumias Sugar Company (MSC).

Results: From the results, the areas that have benefitted include education, health and sanitation, entrepreneurship and income generation environment and disaster risk reduction and recovery.

Conclusion: It its envisaged that the findings and recommendations from the study will help MSC and other corporates engaged in CSR to come up with proper plans and approaches that will enhance their benefits related to engagement in CSR.

Key words: Corporate Social Responsibility, Corporate Governance, Stakeholder Participation.

1.1Background of the Study

Corporate Social Responsibility CSR is becoming increasingly relevant in today's business. CSR is the deliberate inclusion of public interest into corporate decision-making that is the core business of the company or firm, and the honoring of a triple bottom line: people, planet and profit (Nasser, 2011).This statement means that CSR is not a forced initiative. It should be an initiative that is part of the day to day processes and decisions that a firm or company undertakes and not a stand-alone or an add-on function.

Several companies have adopted CSR as 'something that everybody else is doing so lets us do it'. This means that CSR can only be done when that extra fund is available. "As firms grapple with a brutal economic downturn, they are taking a long, hard look at the resources they devote to everything from supporting charities to making their activities carbon-neutral. That is hardly surprising: cutting back on CSR, or "sustainability" as it is sometimes known, would seem to be a quick and relatively painless way to save money. Cassandras who felt many CSR initiatives were little more than publicity stunts in the first place predicted that they would perish as soon as the economy fell off a cliff".(The Economist , *2009*).

In the past few years, corporates have embraced CSR as never before (Bindra, 2009). "Firms were falling over themselves to show how committed they were to the community around them, splurging large sums on various do-good initiatives that, on the face of it, had nothing to do with the business of the company'

It is however prudent that CSR be made as a core part of the company business. It should be able to be measured especially in terms of the benefits that accrue to it. To improve on these benefits Organizational Social Responsibility Approach OSRA has been proposed. The OSRA that is becoming more widely accepted is a community-based development approach. In OSRA corporations work with local communities to better themselves, (Nasser, 2011). Working with local communities and other partners in the selecting and implementation of CSR projects ensures that there is community ownership leading to sustainability of such projects.

1.1.1 Corporate Social Responsibility In Kenya

Initially, Corporate Social Responsibility CSR was viewed as free goodies given to communities by organizations making a lot of profits from the community. This is however not true from the current understanding. Corporate Social Responsibility in Kenya is gaining popularity among most business enterprises and companies as a prerequisite for good corporate leadership and governance as well as sustained operation and profitability. To implement CSR effectively Organizations require implementing partners for their CSR programs since the activities are often not within the company's core competence. This has motivated organizations to form foundations. Many organizations such as the Mumias Sugar Company, Equity Bank, Kenya Commercial Bank (KCB), Safaricom and the East African Breweries among others have formed foundations to help them implement their respective CSR programs. Besides corporate foundations, organizations recognize the need to have community implementing partners. Communities have therefore formed their own structures to partner with organizations in their implementation of CSR projects and programs. Such structures include non-governmental organizations (NGOs), community based organizations (CBOs), women, youth and self-help groups, special interest groups such as environmental, HIV/AIDS, town management committees, School management boards and village development committees.

Corporate Social Responsibility in Kenya has therefore grown beyond being seen as free goodies. It has become an effort by organizations to deploy their resources in a way that helps the organizations build a mutually productive and sustainable business relationship between them and the communities with which they do business. Organizations now believe that if well implemented, CSR is a win-win initiative for both the organization and the CSR beneficiaries.

1.1.2 Profile of Mumias Sugar Company

In 1967, the Government of Kenya commissioned Booker Agriculture and Technical services to do a feasibility study on the viability of growing sugarcane in Mumias and then initiate a pilot project. At the time, the Mumias area was underdeveloped, land utilization was poor as farmers grew food crops on small areas for subsistence only, while the rest of the land was purely for grazing. The relative remoteness of the area and poor communication prevented the development of an active market economy.

However, owing to the fact that land adjudication had been carried out and farmers had freehold title to their land, this favoured the proposed sugarcane project of which studies had returned a clean bill of health.

It was possible to establish a viable sugar scheme at Mumias with the Factory supplied by cane from both the Nucleus Estate and the indigenous Out-grower farmers. The Government accepted the findings and on July 1, 1971 incorporated Mumias Sugar Company as the body to implement the Project. The Government was to hold majority shares (71%) and minority interests held by the Commonwealth Development Corporation (17%), Kenya Commercial Finance Company (5%), Booker McConnel (4%) and the East African Development Bank (3%).

The major objectives of establishing Mumias Sugar Company were to: Provide a source of cash income for farmers; Create job opportunities since there was no major industrial undertaking in the area at the time; Curb rural-urban migration; Reduce overdependence on importation and aim for self-sufficiency in sugar production; The Company was also expected to operate on a commercial basis and make profits.

From the time it was incorporated, the company has continued to invest in projects that promote the welfare of the community within which it operates. There has been considerable amount of money put in education, health, roads and other infrastructure. In 2012, the company found it necessary to form a foundation, Mumias Sugar Foundation, which was then given the mandate to implement the company’s CSR programs. The objectives of forming the foundation were outlined as: To ensure CSR is run efficiently and effectively and community activities that are driven by commercial gain are separate from hose that principally target to benefit the community; To ensure a focal point for community investment partnerships and joint programmes with other organizations in the region; Allow for fundraising for enhanced support and value to the community; To enable employees engage themselves in community support programmes and initiatives there by build cohesion and individual social contribution. The objective of this study was to determine how using effective stakeholder engagement approaches in the selection and implementation of CSR projects may lead to more benefits accruing to both the company and the community. The specific objectives for the study were: to determine how stakeholder participation in project selection enhances effectiveness of CSR initiatives; to analyze the effects of the Company CSR awareness among stakeholders on customer loyalty; and, to measure the extent to which CSR becomes effective when stakeholders participate in project evaluation

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 TBL Theory

The term ʹSustainable development’ (SD) has been in use since 1980s; “Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs” World Commission on Environment and Development (1987). In the UN Brundtland report, it is regularly agreed that SD requires “a convergence and harmony between three pillars of economic development, social equity, and environmental protection”

The use of Triple Bottom Line TBL is another illustration of how companies have moved from looking at only the Profits as a motivation of their activities towards considering the other key factors of People and Planet. Triple bottom line (abbreviated as TBL or 3BL) is an accounting framework with three parts: social, environmental (or ecological) and financial. These three divisions are also called the three Ps: people, planet and profit, or the "three pillars of sustainability". Interest in triple bottom line accounting has been growing in both for-profit, non-profit and government sectors. Many organizations have adopted the TBL framework to evaluate their performance in a broader context. The term was coined by John Elkington in 1994. Below is a graphic illustration of the relationship between the three pillars

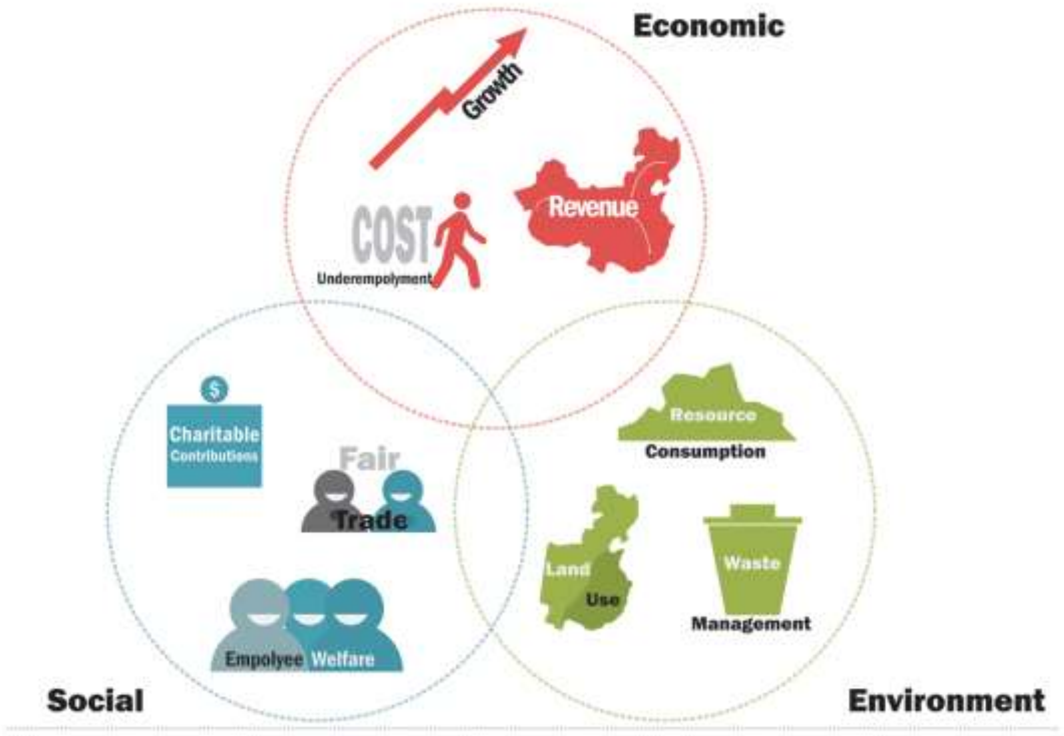

Figure 2.1 Diagram illustrating the Triple Bottom Line Theory

Source: (Elkington, 1994)

It is therefore true that there should be a balance between ventures that bring about profits and those that benefit the society.

In setting up Mumias Sugar Foundation which is a charitable organization being used by the company to deliver CSI projects to the community, MSC outlined the following objectives for the foundation (MSC Website 2013)

1. To ensure CSR is run efficiently and effectively and community activities that are driven by commercial gain are separate from those that principally target to benefit the community.
2. To ensure a focal point for community investment partnerships and joint programmes with other organizations in the region Allow for fundraising for enhanced support and value to the community
3. To enable employees engage themselves in community support programmes and initiatives there by build cohesion and individual social contribution.

Looking at the first objective, the company had plans to separate activities geared towards profits like repairing of roads for cane transportation from those that are entirely towards charity like construction of classrooms for schools. It is however wrong to define CSR with this separation in mind. CSR should be looked as an Economic venture (Profits) that takes care of Environment (Planet) and the Society (People) around it. When the three are looked at in isolation, then the motivation of doing CSR is lost.

In his article *How sincere is your company CSR Programme* , Bindra (2009), asserts that, companies do not need to engage in fake piety or take their activities way out of their core arenas to be seen to be engaging in CSR. Rather good companies can fulfil this just by being good companies: by producing quality products, by paying fair wages, by paying all their taxes, by not polluting the environment. He argues that companies which separate CSR from their core business only do this for public relations - PR purposes. He adds that such companies will have significance absence in CSR during times of economic recess. This indeed is true, good CSR practices demand that the benefits to the Profits, People and Planet should all come from one common activity that is done in such a way to benefit all the three.

There is therefore emerging consensus that the definition of CSR is first, beyond philanthropy to more integrated approaches in the mainstream business for a leading company. CSR is moving from the corporate margins to the mainstream, to cover not only philanthropy, but also how a company manages the totality of its impact and contribution to society. Secondly, beyond public relations to greater accountability and stakeholders' engagement, CSR is moving from assertions of corporate performance in one way communication to greater accountability and transparency by stakeholders through other forms of stakeholders' engagement that includes, but goes beyond public reporting and finally goes beyond legal compliance and greater clarity of principles and values.

The purpose of this study will therefore be to provide the needed link between the three pillars by ensuring that all stakeholders are actively involved in identification and implementation of CSR project to allow the companies reap the desired benefits of their investments.

2.1.2 Stakeholder Theory

Stakeholder theory as it has evolved—or unfolded—in recent years has begun to focus attention on the importance of the relationships that companies have with stakeholders, relationships that go well beyond those that companies naturally have with shareholders Andriof and Sandra (2002). Generally, attentions on stakeholder theory have moved away from an entirely corporate-centered focus in which stakeholders are viewed as subjects to be managed towards more of a network-based, relational and process-oriented view of company–stakeholder engagement, where at least there is consideration of mutuality, interdependence and power. Evaluating the unfolding stakeholder relationships, and in particular emerging processes for stakeholder engagement, can best be understood by beginning to integrate corporate social responsibility, stakeholder and strategic relationship theories.

In general, stakeholders are becoming integral part of the entire process of corporate management. This theory therefore emphasizes the need for firms to place the importance of external stakeholders on the same level as internal stakeholders.

The theory as propounded by Freeman (2010) and others, is the mirror image of corporate social responsibility. The theory prioritizes the community rather than the business. It lists and describes those individuals and groups who will be affected by (or affect) the business's actions and then analyzes the legitimate claims these stakeholders have on the business?" "What rights do they have with respect to the company's actions?" and "What kind of responsibilities and obligations can they justifiably impose on a particular business?" In a single sentence, stakeholder theory affirms that those whose lives are touched by a corporation hold a right and obligation to participate in directing it.

Based on general expectations, when Mumias Sugar Company factory produces industrial waste, a CSR perspective attaches a responsibility directly to the company owners to dispose of the waste safely. By contrast, a stakeholder theorist begins with those living in the surrounding community for example around River Nzoia, who may find their environment poisoned, and begins to talk about business ethics by insisting that they have a right to clean air and water. Therefore, they are stakeholders in the company and their voices must contribute to corporate decisions. It is true that they may own no stock, but they have a moral claim to participate in the decision-making process. This is a very important point. At least in theoretical form, those affected by a company's actions actually become something like shareholders and owners. Because they're touched by a company's actions, they have a right to participate in managing it.

Who are the stakeholders surrounding companies? The answer depends on the particular business, but the list can be quite extensive. In the case of Mumias Sugar Company, the stakeholders include: Company owners, whether a private individual or shareholders; Company workers; Customers and potential customers of the company; Suppliers and potential suppliers to the company; Everyone living in the sugarcane belt who may be affected by contamination from workplace operations; Creditors whose money or loaned goods are mixed into the company's actions; The Kenya Central and County Government entities involved in regulation and taxation; Local businesses that cater to company employees (restaurants where workers have lunch, grocery stores where employee families shop, and similar); Other companies in the same line of work competing for market share; and, Other companies that may find themselves subjected to new and potentially burdensome regulations because of contamination at MSC factory

The first five on the list—shareholders, workers, customers, suppliers, and community—may be cited as the five cardinal stakeholders.

In broad definitions all human and animal life and even plant life make up stakeholders of every business entity that affects the environment in one way or the other. It is in this in mind that Kyoto Protocol (1997) was signed. Under the Protocol, 37 industrialized countries and the European Community have committed to reducing their emissions by an average of 5% against 1990 levels over the five-year period 2008-2012. This was in an effort to ensure that the less developed nations who contribute less to global pollution do not suffer adversely from the activities of the industrialized nations who contribute immensely to carbon emissions.

In practical terms, however, a strict stakeholder theory—one insistently bestowing the power to make ethical claims on anyone affected by a company's action—would be inoperable. There would be no end to simply figuring out whose rights needed to be accounted for. Realistically, the stakeholders surrounding a business should be defined as those tangibly affected by the company's action. There ought to be an unbroken line that you can follow from a corporate decision to an individual's life (Brusseau, 2011).

Once a discrete set of stakeholders surrounding an enterprise has been located, stakeholder ethics may begin. The purpose of the firm, underneath this theory, is to maximize profit on a collective bottom line, with profit defined not as money but as human welfare. The collective bottom line is the summed effect of a company's actions on all stakeholders. Company managers, that means, are primarily charged not with representing the interests of shareholders (the owners of the company) but with the more social task of coordinating the interests of all stakeholders, balancing them in the case of conflict and maximizing the sum of benefits over the medium and long term. Corporate directors, in other words, spend part of the day just conventional directors, thus: explaining to board members and shareholders how it is that the current plans will boost profits. They spend other parts of the day, however, talking with other stakeholders about their interests: they ask for input from local environmentalists about how pollution could be limited, they seek advice from consumers about how product safety could be improved and so on. At every turn, stakeholders are treated (to some extent) like shareholders, as people whose interests need to be served and whose voices carry real force.

In many cases transparency is an important value for those promoting stakeholder ethics. The reasoning is simple: if you are going to let every stakeholder actively participate in a corporation's decision making, then those stakeholders need to have a good idea about what is going on. In the case of Mumias Sugar Company, for example, it's important to see that a stakeholder theory would not necessarily and immediately have acted to prohibit the dumping of toxins into the River Nzoia. Instead, the theory demands that all those who may be affected know what's being dumped in the river, what the risks are to people and the environment, and what the costs are of taking the steps necessary to dispose of the chemical runoff more permanently and safely.

What's certain is that stakeholder theory obligates corporate directors to appeal to all sides and balance everyone's interests and welfare in the name of maximizing benefits across the spectrum of those whose lives are touched by the business.

2.2 Empirical literature

2.2.1 Stakeholder participation in project selection

Stakeholder engagement has been argued to be one of the key pillars in sustainable community development. A stakeholder is generally defined as "one who is involved in or affected by a course of action." In the case of companies involved in CSR, stakeholders are made up of all those groups represented in the illustration below. (Freeman, 1984)

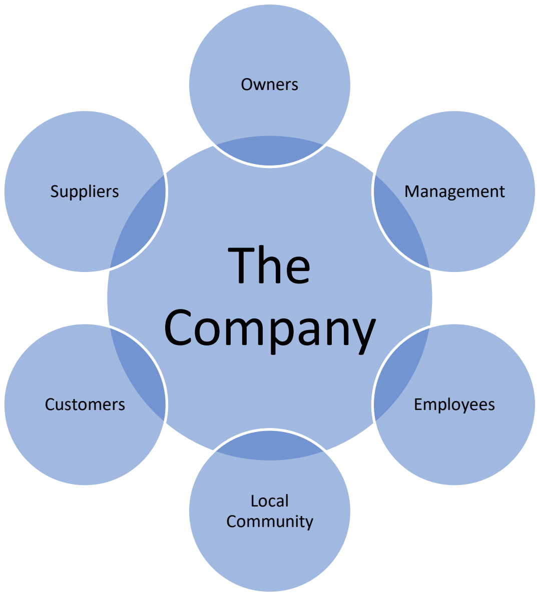

Figure 2.2: Diagram showing Freeman's different levels of stakeholders

Source: (Freeman, 1984)

In the above illustration, Owners, Management and Employees constitute the internal stakeholders where as Local Community, Customers and Suppliers are part of the external stakeholders. In the selection of community projects to be implemented under the CSR program, all these stakeholders are important. Freeman however argues that the external stakeholders and particularly the local community are very key in the selection of such projects.

Lord and Mathews (2010), in their article 'Stakeholder engagement in environmentally sensitive economic development projects', assert that, the process of engaging stakeholders should have a clear plan. The plan should involve formation of a task team, carrying out a situational analysis, stakeholder identification, stakeholder mapping, stakeholder engagement and stakeholder logging. These processes ensure that the stakeholder is actively engaged in the process of identification of the needs, prioritization of the same and the selection of projects to be implemented.

2.2.2. Stakeholder awareness of company CSR initiatives

A company that creates awareness of its CSR initiatives to the public is more likely to enjoy more support from the community members. Azlan Amran et al (2013) in their article appearing in the *Kajian Malaysia journal* made four propositions.

P1: A public sector that actively organizes CSR awareness programs for the community would result in a community with better CSR skills

P2: A community with high CSR awareness will result in better CSR practices of the firms

P3: A community with high CSR awareness will lead to more localized CSR practices and programs

P3: A firm that empowers the community through dialogue would achieve better firm performance

These propositions underpin the need for organizations to ensure that the public is aware about their CSR initiatives. Media can be used as one possible channel in creating awareness of the community. Simple yet meaningful messages, if properly designed, will possibly attract the local communities' interest in understanding the concept and, eventually, increasing its knowledge about its rights. In Kenya for example, Equity Bank has attracted immense attention from the public because of their bursary scheme *wings to fly.* Tuskys Supermarket has had a considerable growth in the recent past partly because of their engagement in community social projects. It is important for companies to use the current available means including social media to inform the public about their CSR programs.

It is argued in academic and professional writing that CSR orientated organizations benefit from a series of tangible and intangible benefits, when stakeholders are informed of their orientation (Bowd and Harris 2006). Corporations have reacted to these calls and this belief in a business case and are implementing CSR programmes or corporate change to bring about new corporate mindsets, and are in turn communicating the results of these programmes. However, in order to be able to effectively communicate, it is necessary that organizations clearly understand the concept of CSR, Both from a managerial perspective and homogeneous and individual stakeholder perspective

2.2.3 Stakeholder participation in project evaluation

Stakeholders should be part of not only the project selection, design and implementation, but also monitoring and evaluation. This therefore means that the stakeholders should be part of setting up the goals and objectives of the projects so as to help them monitor and evaluate the success of the projects measured against the set goals.

Cummings, (1997) proposes that participatory approach methods are important in the life cycle of any project. Many activities could be described as participation by the beneficiary group: completing a questionnaire, taking part in a focus group, or responding to key informant interviews to name a few. However, a true participatory project might be described as one initiated and owned by the project beneficiaries. The initiation and ownership of activities would also apply to any monitoring or evaluation done by the project. In this sense, a participatory project or program contributes to the empowerment of the individuals involved in the program.

Indeed, a community is likely to attach greater value to a project and in return appreciate the donor more if the project is seen to be meeting certain objectives that were put together with the participation of such a community. The advocacy of participation as a strategy can be described as an attempt to counter a weakness of the traditional top-down or technocratic approaches to development. Some of the worst sins of the technocratic approach included a belief in the wisdom of the expert as the main source of knowledge and an implicit assumption by many that peasant farmers and other beneficiaries in the population at large could not contribute to the solution of technical or production problems. The participatory approach valued the input of the beneficiary and became associated with increasing respect for, and incorporation of, indigenous knowledge or beneficiary knowledge in all aspects of a program or project.

World Vision international proposes a model of Learning through Evaluation Accountability and Planning LEAP as a way of ensuring community participation at all levels of a project life cycle. This model puts a lot of emphasis on ‘learning’ through the project life cycle. A learning organization continuously adapts. People shift from being fragmented, competitive and reactive, to become systemic, co-operative and creative. This goes beyond individual change to include commitment to societal changes within the organization (World Vision International, 2007). Monitoring and evaluation therefore becomes a key component of every process.

The World Vision model is based on 5 Principles

LEAP’s foundational principles are: (World Vision International, 2007).

1. Systematic inquiry

Good program management (design, monitoring and evaluation) reduces the risk that a program will not succeed. The program’s manager is ultimately responsible for ensuring that accurate and credible information is the basis for program management findings, recommendations and actions.

Systematic, data-based inquiry seeks to produce accurate and credible evidence enabling partners to explore, understand, interpret and critique all aspects of the program management process and products.

2. Competence

Competency and capability of staff and partners involved in design, monitoring and evaluation are considered during program design, and regularly assessed during implementation.

Competent programming staff members possess knowledge, abilities; skills and experience appropriate to complete design, monitoring and evaluation tasks assigned. This means that National Offices and partners need to carefully examine the issue of competence in determining the number and range of sectorial interventions in a particular program or project.

Capable staff members continually strive to extend and develop their competencies. This means that the organization provides an appropriate range of resources for ongoing professional development of staff in design, monitoring and evaluation competency.

Simple, practical tools and methods are appropriately developed to allow any program partner to participate in design, monitoring and evaluation activities.

Integrity and honesty

All people involved with program management ensure the honesty and integrity of the entire management process. They shall negotiate honestly and thoroughly with partners regarding tasks, limitations, scope, costs, and uses of products. They shall keep partners informed of all changes in agreed-upon plans. All participants must determine and disclose their own interests and those of other partners, in the conduct and outcomes of program management. People involved with program management do not misrepresent procedures, data or findings. They shall seek feedback on the accuracy of data and findings from partners. They correct or refute substantial misuses of design, monitoring and evaluation work by other people.

4. Participation

Design, monitoring and evaluation explicitly include participation by all partners.

Partners include, but are not limited to, children and their families, local communities and their organizations, local and national governments, local faith-based organizations, businesses, National Office staff (field and support), and donors (including private sponsors, corporations and foundations, bilateral and multilateral agencies).

Design, monitoring and evaluation activities are an opportunity to build capacity among program partners. Programming staff (including non-WV evaluators) respect confidentiality of personal information disclosed by respondents. They obtain informed consent from respondents for the uses to which data will be put.

Programming staff seek to maximize the benefits and reduce unnecessary harms to people as a consequence of reporting negative findings, provided this does not compromise the integrity of the findings.

Programming staff communicate evaluation findings in ways that clearly respect partners ‘dignity and security.

5. Respecting the interests of partners and the public

Programming staff articulate and take into account diversity of interests and values, and consider broad assumptions, implications and potential side effects of whatever is being evaluated. Program managers allow all relevant partners to access evaluative information. They maintain a balance in meeting different evaluation needs of partner groups, and negotiate conflicts among them. They serve the public interest by considering society as a whole in planning and implementing an evaluation, not just partner interests.

2.3 Conceptual Framework

The study will seek to determine how the various levels of stakeholder participation enhance the effectiveness of CSR initiatives. Independent variables in this study will be participation in project selection, awareness of existence of Company CSR initiatives and participation in project evaluation**.**

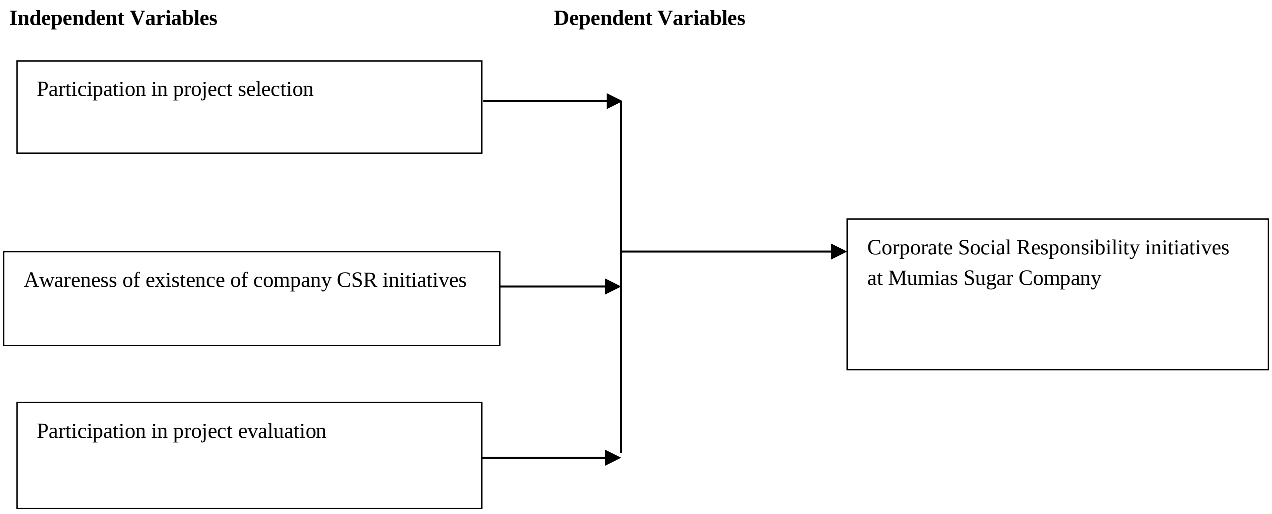

Figure 2.3: Conceptual framework

Community participation in project selection and design has a positive influence on the rate at which the project is likely to meet its objectives. Although this is a common practice employed by NGOs, the same practice when applied by business entities in their CSR projects will likely yield the same results.

It is prudent therefore for companies like MSC to increase the participation of the benefiting communities in the identification, prioritization and selection of CSR projects to ensure effectiveness of the CSR programs.

Awareness of existence of company CSR initiatives by the community has been seen as a motivation for the community to provide support to the activities of the company. Companies whose CSR activities are known and appreciated by the public attract more attention than those not known to engage in CSR. Community participation in the monitoring and evaluation of CSR projects will have a positive impact on the success of the projects and by extension, will increase the appeal of the company in the eyes of the public.

3.0 RESEARCH METHODOLOGY

The study adopted both qualitative and quantitative techniques of research. Brian White (2002) defines qualitative research as a descriptive non numerical way to collect and interpret information. This method is supported because it treats every phenomenon as being unique from the other. On the other hand quantitative method also referred to as scientific method is a descriptive numerical method based on collection of facts and observable phenomenon used to deduce laws and establish relationships Brian White (2002).

The study focussed on 106 field staff and 106 farmers representatives (Area Leaders) working in the 106 sub-locations that make up the area with farms contracted by Mumias Sugar Company. It narrowed to farmers residing in areas that have directly benefited from CSR initiatives carried out by Mumias Sugar Company within the last 5 years. This population was important for this study in assessing how the approaches used by MSC in CSR work have motivated them to continue partnering with the company in sugarcane farming.

The sampling frame for this study was all the list of all the area leaders (farmers) and Supervisors (staff) within the MSC scheme which is available within the company. The research also took into account the list of all staff employed to implement CSR activities

Mumias sugar belt is divided into 106 locations. Each location is manned by one staff with a title of Field Supervisor. Each location also has a farmer representative referred to as Area Leader. Using purposive sampling, all the 106 Area leaders and 106 Field Supervisors constituted the target population. With a total population of 212 of staff and farmers who were assumed to have almost similar characteristics a simple formula for calculation of sample size was used, Yamane (1967). This was based on a level of precision of 0.06 or 6%, Israel (1992)

$$n = \frac{N}{1 + N(e)^2}$$

Where “n” is the sample size, “N” is the population size, and “e” is the level of precision.

$$n = \frac{212}{1 + 212(.06)^2} = 120.23 \text{ Rounded off to 120 Respondents}$$

Both primary and secondary data were used for this study. The primary data was collected through a semi-structured questionnaire (Tan et al, 2008). According to Tan et al (2008) questionnaires are appropriate for survey research because of a number of reasons:

(i) A large coverage of the population in short time at minimum cost,

(ii) Allows respondents ample time on questionnaire to avoid hasty responses, and

(iii) It ensures uniformity and flexibility.

The questionnaire had both open ended and closed ended questions and was administered by the researcher whose main duty included soliciting for information relating to Corporate Social Responsibility strategies and with four research assistants, two targeting farmers and the other two for staff. Research assistants were given some short training lasting four hours on how to conduct the interviews; this was particularly in regard to how the questions should be asked related to community participation and effective CSR. This ensured that there was some degree of consistency in the type of information gathered. The research assistants recruited were college students with a social science degree residing in the area; able to speak in a local dialect and who understand the area quite well. Structured interviews were used to source information from the MSC CSR staff who were the key-informants used in this study because they were deemed to be knowledgeable on the issues under study and were either responsible or executed them personally..

Data analysis was both qualitative and quantitative in nature. The statistical package for social sciences (SPSS) was used to analyze quantitative data in the structured questionnaires. Before the analysis, a codebook will was prepared for the various quantitative variables centered on the numbering system of the questionnaires. For ease of referencing, all questionnaires were numbered shortly before the data collection was done. In an effort to ensure the correct code is entered for each variable, all the quantitative variables were arranged chronologically. By using the questionnaire number and the coded variable number, it was easy to rectify and identify mistakes performed during the data entry. Data cleaning was then done where it was deemed necessary.

After confirming that all data was correctly entered, descriptive statistics was used to analyze quantitative data. Descriptive statistics included percentages, measures of central tendencies (mean) and frequency distribution. The data was then be presented in graphs and tables. Qualitative data was thematically coded and then statistically analyzed. Content analysis was used to analyze data that was qualitative in nature.

4.0 DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Stakeholders participation in project selection and how it affects the effectiveness of CSR initiatives

The first objective of the study was to determine how stakeholder's participation in project selection enhances effectiveness of CSR initiatives. The results indicate that Mumias Sugar Company has supported community welfare project in their location. The study further established from the respondents the areas their locations have benefitted. From the results, the areas that have benefitted include education, health and sanitation, entrepreneurship and income generation environment and disaster risk reduction and recovery. The study further established that its Mumias Sugar Company staff that decides on the project to be funded. Table below demonstrates the respondents view on community participation in the selection, design and implementation of CSR projects.

Table 1.0: Mean and standard deviation of community participation in the selection, design and implementation of CSR projects

Descriptive Statistics of community participation in selection, design and implementation		
	Mean	S.D
Community participation enhances community ownership	3.3059	0.19708
Community participation promotes learning	3.3562	0.29803
Community participation may delay project completion	1.3836	0.10314
Community participation is only relevant if the project beneficiaries are contributing parts of funds	1.6758	0.19064
Community participation may reduce dependency syndrome	3.7127	0.2331
Community participation may compromise the quality of projects	3.8901	0.1274
Community participation may increase the cost of the projects	3.6778	0.1322
Overall mean/standard deviation	**3.0003**	**0.18308**

The respondents were asked whether they were in agreement that stakeholder's participation in project selection enhances effectiveness of CSR initiatives. They were rated on the five (5) point Likert scale ranging from 1= strongly disagree, 2= disagree, 3=neither agree nor disagree, 4= agree, 5=strongly agree.

The respondents view was that; community participation enhances community ownership had a mean of 3.3059 and standard deviation of 0.19708, community participation promotes learning had a mean of 3.3562 and standard deviation of 0.29803, community participation may delay project completion had a mean of 1.6758 and standard deviation of 0.19064, community participation may reduce dependency syndrome had a mean of 3.7127 and standard deviation of 0.2331, community participation may compromise the quality of quality of projects had a mean of 3.8901 and standard deviation of 0.1274 while the last statement on community participation may increase the cost of the project had a mean of 3.6778 and standard deviation of 0.1322. The overall mean of the questions was 3.0003 while the overall standard deviation (SD) was 0.18308. This therefore implies that the respondents are in agreement that stakeholder's participation in project selection enhances effectiveness of CSR initiatives.

4.2 Awareness of existence of company CSR initiatives

The second objective of the study was to analyze the effects of the Company CSR awareness among stakeholders on customer loyalty. The respondents indicated that Mumias Sugar Company normally contributes towards the community welfare. The respondents further indicated that the company involves in education, health and sanitation, entrepreneurship, environment and disaster risk reduction and recovery. Majority of the respondents indicated that MSC creates the awareness of the projects it implements through farmer meetings.

Majority of the respondents further indicated that the information on CSR initiatives can easily be delivered to the farmers through the farmer meetings. The study further established from the respondents their levels of agreement ranging from strongly disagree to strongly agree. The questions were asked and the respondents were to score strongly disagree (1), disagree (2), undecided or neutral (3), agree (4) and strongly agree (5).

The results were as shown in table 2.0 below

Table 2.0 Descriptive statistics of CSR initiatives

Descriptive Statistics of CSR initiatives		
	Mean	S.D
Community awareness of MSC CSR programs may improve the company profile	3.8631	0.3871
Products from companies that engage in CSR attract more buyers	3.9123	0.2104

Farmers are likely to supply more cane to a company that invests in community projects	4.0012	0.2104
Informing the public about CSR work may be interpreted to mean fraudulent advertising	1.2385	0.3211
Overall mean/standard deviation	**3.254**	**0.2823**

From the results the question on community awareness of MSC CSR programs may improve the company profile had a mean of 3.8631 and standard deviation of 0.3871, the second question on products from companies that engage in CSR attract more buyers had a mean of 3.9123 and standard deviation of 0.2104, the third question farmers are likely to supply more cane to a company that invest in community projects had a mean of 4.0012 and standard deviation of 0.2104, while the question on informing the public about CSR work may be interpreted to mean fraudulent advertising had a mean of 1.2385, with standard deviation of 0.2823. From the results, since the overall mean was 3.254 and standard deviation of 0.2823. Given that their views on CSR initiatives was ranging between 3 and 4, implying that the respondents agree with the positive statements on CSR initiatives and customer loyalty.

4.3 The extent to which CSR becomes effective when stakeholders participate in project evaluation

The last objective of the study was to measure the extent to which CSR becomes effective when stakeholders participate in project evaluation. From the results, 90% of the respondents agreed that MSC encourage community members to actively participate in CSR project monitoring and evaluation. On the other hand, 70% of the respondents agreed that they have ever participated actively in MSC CSR project monitoring and evaluation.

Table 3.0: Project monitoring and evaluation

Descriptive Statistics of setting goals and objectives	Mean	S.D
MSC works closely with farmers in setting goals and objectives for all CSR projects	3.2133	0.2141
MSC farmers are empowered with skills of monitoring and evaluating CSR projects	3.2127	0.1208
Farmers participation in CSR project monitoring and evaluation will enhance the quality of the project	3.2917	0.10471
Involving farmers/ community in monitoring and evaluation may encourage leakages of company confidential information	2.0172	0.21748
Joint monitoring and evaluation of CSR project is likely to cause friction between the company and the community	1.2391	0.32167
Overall mean/standard deviation	**2.5948**	**0.1958**

The first question on whether MSC works closely with farmers in setting goals and objectives for all CSR projects had a mean of 3.2133 and standard deviation of 0.2141, MSC farmers are empowered with skills of monitoring and evaluating CSR projects had a mean of 3.2127 with standard deviation of 0.1208, farmers participation in CSR project monitoring and evaluation will enhance the quality of the project had a mean of 3.2917 with standard deviation of 0.10471, involving farmers/ community in monitoring and evaluation may encourage leakages of company confidential information had a mean of 2.0172 and standard deviation of 0.21748 while the last question joint monitoring and evaluation of CSR project is likely to cause friction between the company and the community had a mean of 1.2391 and standard deviation of 0.32167. This therefore implies that the respondents are in agreement that joint monitoring and evaluation of CSR project is likely to improve CSR initiatives.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concludes that there is a positive significant relationship between stakeholders' participation and the effectiveness of Corporate Social Responsibility measured on the basis of the benefits that accrue to both Mumias Sugar Company and the community. This is supported by most stakeholders interviewed who asserted that community ownership is enhanced when stakeholders are given a chance to participate in the selection of CSR projects to be implemented. It is evident from the findings however that, most of the CSR projects implemented by Mumias Sugar company are selected by the MSC staff with little or no community participation. MSC does not therefore engage stakeholders in the selection of CSR projects. Instead, stakeholders are treated as mere beneficiaries or recipients. The stakeholders are treated as being in a needy case and ready to receive any offer given by the all-knowing donor.

The study further concludes that awareness of a company CSR initiative improves its profile among its key stakeholders. According to this study, Mumias Sugar Company Corporate image can be enhanced if the stakeholders are made aware of the company's investment in community welfare projects. Most of those interviewed mentioned that farmers meetings were the most used media for creating awareness of MSC CSR activities. It is evident as observed from interviews with CSR staff that quite a number of farmers have remained committed to MSC because they have information about the CSR interventions in their areas. The Project Officer of Mumias Sugar Foundation observed that, more farmers have been recruited in Teso North of Busia

County as a result of classrooms constructed in a school in that area by the company. The company has increased the awareness of the community about this support through branding of the classrooms and school signposts in the company colors, logos and names.

Lastly, the study concludes that, there is a positive correlation between stakeholder participation in CSR project monitoring and evaluation and the quality of the CSR projects. However from interviews conducted with MSC staff involved in CSR, all of them agreed that the company has not put in place a mechanism of enhancing the capacity of community members to participate in CSR project monitoring and evaluation. Therefore although most of the stakeholders indicated that they participated in monitoring and evaluation, this study can conclude that they are not well equipped to provide quality monitoring and evaluation of the projects. The quality of the projects measured in terms of their impact on customer loyalty has been wanting. It was observed from staff interviewed that farmers enjoying the benefits of the projects implemented by the company still sell their cane to competing millers.

5.2 Recommendations

The study recommends that Mumias Sugar Company and other corporates involved in CSR should ensure that the stakeholders are actively involved in the selection of projects to be implemented. The fact that most of respondents indicated that MSC staff played the key roles in selection of projects could imply that some of the projects implemented were not necessarily the priority of the community members. It may point to the reason why currently Mumias Sugar Company is facing stiff competition from other new millers who have recently entered the market yet Mumias Sugar Company has been doing a lot of community welfare projects and services for more than 40 years. Involving the community will help the company be endeared more to stakeholders.

Mumias Sugar Company and other corporates involved in CSR should ensure that they report what they are doing for the sake of creating awareness to the stakeholders. Apart from mainly using the farmers meetings to communicate their CSR activities as captured in the research findings, MSC could also take advantage of the expanding media space especially social media to try and reach out to a wider audience. Farmers are not the only stakeholders. Use of media houses and social media to communicate CSR will enhance the coverage of more attention. Serious thoughts should also be directed to structured way of CSR reporting as proposed in ISO 26000 and GRI guidance on reporting. (GRI – Global Reporting Initiative; 2011)

Finally this study recommends that MSC should design a structured and predictable way of involving stakeholders in monitoring and evaluation of CSR projects. A lot of emphasis needs to be placed on ensuring that the community members involved in monitoring and evaluation of CSR projects have their capacities developed in simple monitoring and evaluation techniques

5.3 Suggestions for further research

This study sought to establish the effect of stakeholder's participation on corporate social responsibility in Mumias Sugar Company. Being a case study, the findings of this study cannot be generalized to the entire sugar industry or all other corporates in Kenya. The study recommends a similar study in all areas served by sugar factories in Kenya. Similar studies could also be extended to other corporate entities involved in CSR work.

6.0 REFERENCES

Amran, A., Zain, M. M., Sulaiman, M., Sarker, T., & Ooi, S. K. (2013). Empowering society for better corporate social responsibility (CSR): The case of Malaysia. *Kajian Malaysia*, *31*(1), 57.

Andriof, J., Rahman, S. S., Waddock, S., & Husted, B. (2002). Introduction. *Journal of Corporate Citizenship*, *2002*(6), 16-18.

Bindra, Sunny (2009 June 1): *How sincere is your company CSR Programme*, Daily Nation.

Bowd, R., Bowd, L., & Harris, P. (2006) *Communicating corporate social responsibility: an exploratory case study of a major UK retail centre*. *Journal of Public Affairs (14723891)*, *6*(2), 147-155. doi:10.1002/pa.220

Brusseau, J. (2011). *The business ethics workshop*.

Cummings, F. H. (1997). Role of participation in the evaluation and implementation of development projects. *Knowledge & Policy*, *10*(1-2), 24-33.

Elkington John Available at http://en.wikipedia.org/wiki/John_Elkington.

Family Health International (2002) *Qualitative Research Methods:* A Data Collector's Field Guide

GRI – Global Reporting Initiative (2011) How to use the GRI Guidelines in conjunction with ISO 26000;

Infotrack East Africa. Available at http://www.infotrackea.co.ke/articles/index.php?option=com_content&view=category&layout=blog&id=46&Itemid=56

Freeman, R. Edward (2010): *Strategic Management: A Stakeholder Approach.* Boston: Pitman.

Lord, L and Mathews, H (2010): *Stakeholder Engagement in Environmentally Sensitive Economic Development Projects*

Mumias Sugar Company Ltd website. Available at http://www.mumias-sugar.com/index.php?page=mumias-and-farmers

Nasser Fegh-hi Farahmand (2011): *Social Responsibility of Organizational Management* Islamic Azad University, Tabriz, Iran

Protocol, Kyoto. (1997). United Nations framework convention on climate change. *Kyoto Protocol, Kyoto*, *19*.

Tripple Bottom Line Graphics Available at http://commons.wikimedia.org/wiki/File:Triple_Bottom_Line_graphic.jpg#mediaviewer/File:Triple_Bottom_Line_graphic.

The Economist (2009) available at http://www.economist.com/node/13649304

World Commission on Environment and Development.(1987). *Our Common Future*. The Oxford University Press, Oxford.

World Vision International(2007):*LEAP- Learning through Evaluation, Accountability and Planning*, Washington DC, World Vision International, LEAP Team; pp8 – 10