

Journal of
Accounting
(JACC)



CARI
Journals

AN ASSESSMENT OF THE PRACTICE OF SOCIAL RESPONSIBILITY ACCOUNTING BY FIRMS IN KENYA: A CASE STUDY OF SAFARICOM KENYA

^{1*}J. Wahome

¹Undergraduate student: Catholic University of Eastern Africa

*Corresponding Author's Email: wahomej@yahoo.com

Abstract

Purpose: This study was an assessment of the practice of corporate social responsibility accounting by firms in Kenya in the case of Safaricom Kenya.

Methodology: A case study design was appropriate for this study. The population used in this study entailed all the 1850 employees of safaricom. Judgmental sampling was used to select the respondents i.e. 24 in number, 8 respondents from the finance department, 8 respondents from the public relations department, 4 respondents from the sales department and 4 committee members of the Safaricom foundation. Primary data was collected by the use of a questionnaire and was the main data used in the research. The data collected was analyzed by use of inferential statistics. In particular, frequency tables, averages and percentages were used. The data was then presented using tables, graphs and charts.

Results: The study findings showed that to a large extent, environmental management of the production process and environmental policy were issues reported in the safaricom CSR report. In addition, climate protection and energy eco-efficiency were reported in the safaricom CSR reports to a low extent respectively. Furthermore, its practice of CSR was driven by a genuine concern for creating shareholders wealth (business case) as well as engagement and accountability. It was also observed that another motive for practicing CSR was PR based (striving to better than competitors). However, some of the challenges facing accounting for social responsibility (social accounting) were related to verifiability requirements, comparability requirements, training requirements, standardization requirements, and quantification requirements.

Unique contribution to theory, practice and policy: The study recommended that Safaricom should maintain its trend for addressing corporate social responsibility issues and come up with measures that can be used to make social accounting in the firm to be less costly. The researcher recommended an investigative study to establish the level of usefulness of the CSR reports to various users. In addition, a correlation and a regression study explaining the relationship between CSR and firms financial performance would be in order.

Keywords: *corporate social responsibility, social accounting, motivating factors, challenges*

1.0 INTRODUCTION

Social responsibility accounting involves a set of accounting information systems that provide for the recording, collating, and reporting, via Generally Accepted Accounting Principles (GAAP), of a company's social responsibility activities. Social responsibility accounting calls for the provision by an enterprise of specified social responsibility accounting information, including data on non-financial performance, in addition to general financial accounting information. Since the word "accounting" itself encompasses the meaning of "accountability," social responsibility accounting is sometimes called "social accounting." It also covers environmental or green accounting, meaning a corporate accounting system that expresses concern for and execution of environmental protection. The definition of environmental or green accounting used by the United Nations is even broader, encompassing the green or environmental protection activities included in a country's "Green GDP" (Kang, 2006).

A company's internal social responsibility accounting information should be disclosed, by appropriate means, to external users and stakeholders, including investors, creditors, customers, suppliers, and government agencies, for use as a reference in making related decisions. Once a company's stakeholders become concerned about its social responsibility, their interaction with the company will lead naturally to the strengthening of its social responsibility activities and such activities will steadily spread from the individual company to the corporate sector as a whole.

Corporate social responsibility involves many dimensions, such as whether the enterprise treats its employees well, its protection of the environment, its attitude toward the ecology, its willingness to provide safe and reliable products, and even its very existence. A complete corporate responsibility accounting system must be able to effectively disclose both quantitative and qualitative information on all of these dimensions (Ibid).

Safaricom Limited is Kenya's current leading Mobile Telephone Operator. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc. the world's largest Telecommunication company acquired a 40% stake and management responsibility for the company. Safaricom's aim is to remain the leading Mobile Network Operator in Kenya. In order to achieve this, a strong focus has been placed on quality of service to its customers. Safaricom is and will continue implementing best practices based on Vodafone's vast international experience and Telkom Kenya's unique knowledge of the Kenyan market conditions. The result of this will ensure a superior quality of service that is customer focused and will benefit every subscriber. With its fast growing subscriber base, it now has over 1000 employees so as to keep up with this fast growing industry (www.safaricom.co.ke).

1.1 Problem Statement

Here in Kenya various companies have been noted to put a lot of funds and efforts in CSR. Examples include EABL with its Guinness academic scholarships and Project FAME academy. In addition, Equity Bank, BP SHELL, Barclays Bank with the sponsorship of needy but bright students and the construction of schools also paint a sizzling picture of CSR. The study also cannot fail to mention SAFARICOM, the most profitable institution in Kenya with its SAFARICOM foundation.

An article by Jung Pao Kang titled “*Responsibility and Profit--Corporate Social Responsibility Strategies of Taiwan Multinational Enterprises*” posted on the OECD website concluded that, many investors are not getting the disclosures they need. According to the article, this is part of the reason why a number of national governments decided to mandate environmental or sustainability reporting, like France. In the United States, the U.S. Securities and Exchange Commission (SEC) guidelines also require companies to disclose known future uncertainties and trends that may materially affect financial performance in their management discussion and analysis (MD&A) of financial reports. Much sustainability information in the United States is being reported through this. A study carried out by Pleon, Kohtes and Klewes (2005) surveyed stakeholders’ attitudes towards CSR. The findings of this study were compiled in a report entitled “*Accounting for Good: The Global Stakeholder Report 2005.*” The authors of this study concluded that CSR was Public Relations (PR) and at the same time it was not Public relations (PR). According to Pleon et al., several factors motivated firms to carry out CSR and at the same time several challenges such as lack of verifiability of reports and measurability problems were at the centre stage of social accounting practice. The researcher sought to determine the motives of CSR practice by Kenyan firms in general and SAFARICOM in particular.

1.2 Research Objectives

- i. To determine the issues of corporate social responsibility addressed by Safaricom CSR reports
- ii. To establish the motivating factors behind Social accounting at Safaricom
- iii. To investigate the challenges faced by the firms while accounting for social good.

2.0 LITERATURE REVIEW

The Safaricom Foundation is a public charitable trust duly established under the laws of Kenya by a Declaration of Trust dated 14th August 2003. Since its inception Safaricom Ltd has been at the forefront of sponsoring charitable activities and supporting worthy causes. Given the positive reception by Kenyans to Safaricom's philanthropic initiatives it was thought best by the company to follow the lead set by other subsidiaries and associate companies of the Vodafone Group by establishing a charitable foundation along the lines set by the Vodafone Group Foundation to articulate and implement its social investment policy within coherent and coordinated parameters. Although sharing a similar platform The Safaricom Foundation is entirely separate from Safaricom's commercial operations. Like other elements characteristic of Safaricom's impressive growth, the establishment of the Foundation makes Safaricom one of the first companies in Kenya to crystallize its commitment to the support of community based charitable initiatives. This is therefore testimony by Safaricom, its shareholders and investors to the long-term vision for its commitment to Kenya. It is worthwhile to note that Safaricom is one of the first 16 companies within the Group to establish a fully-fledged foundation. (www.safaricom.co.ke).

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and

their families as well as for the local community and society at large. 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. Critics argue that CSR distracts from the fundamental economic role of businesses, others argue that it is nothing more than superficial window-dressing, still others argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations (OECD, 2005).

Corporations may be influenced to adopt CSR practices by several drivers: The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CRR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand (Grace & Cohen, 2005). Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising (Fry, Keim, & Mieners, 1986) Global competition places particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.

The role among corporate stakeholders to work collectively to pressure corporations is changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing (Roux 2007). Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct its activities responsibly. Often it takes a crisis to precipitate attention to CSR.

The business case for CSR within a company will likely rest on one or more of these arguments: Human resources: A CSR programme can be seen as an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.

Risk management: Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts,

governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

Brand differentiation: In crowded marketplaces, companies strive for a unique selling proposition which can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group and The Body Shop are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

License to operate: Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity or the environment seriously, and so avoid intervention. This also applies to firms seeking to justify eye-catching profits and high levels of boardroom pay. Those operating away from their home country can make sure they stay welcome by being good corporate citizens with respect to labour standards and impacts on the environment.

Social accounting as an approach began developing in the UK in the early 1970s, when the Public Interest Research Group established Social Audit Ltd. This organization carried out, and publicized, investigations into the operations of large public companies, without necessarily gaining their permission or co-operation. Whilst lending support to consumer pressure, there is an argument that this had a negative effect on accountability, as organisations sought to ensure that sensitive information was hidden from such investigations. Globalisation has brought with it a wide realization that companies do not operate in isolation, but can have marked impacts on the environment and people at local, national and global levels. This has led to an increasing awareness of CSR, and the “triple bottom-line” of business success – measuring the business not only in its financial performance, but by its social and environmental impact as well. Traidcraft and the New Economics Foundation (NEF) pioneered a form of social accounting in the early 1990s that is voluntary in nature and rooted in engagement with stakeholders. This can assist organizations, both commercial and NGO, in understanding and improving their social impact.

Social accounting is a way of demonstrating the extent to which an organization is meeting its stated social or ethical goals. Whilst independently verified, the organisation itself owns the process of data collection and analysis and the process is driven by indicators the organisation sets in consultation with stakeholders, as opposed to being based on standards or criteria determined externally. This is balanced by the principle of benchmarking, which whilst still developing, should enable organisational comparisons where possible. Technically, the terms “social accounting” or “social audit” refer to specific parts of a process now bestowed with the much more unwieldy title of “Social and Ethical Accounting, Auditing and Reporting” (SEEAR). In practice, the shorter titles tend to be used interchangeably to refer to the entire process. Whichever title is used, the process should involve all three steps: internal data collection and analysis procedures (accounting) an independent audit of the results (auditing) a mechanism for disseminating the outcome more widely (reporting) A process that stops short of auditing and dissemination is termed a “Social Review”. One of the leading voices in the world of social accounting is ISEA - the Institute of Social and Ethical Accountability. Founded in the UK in 1996, ISEA is an international professional body committed to strengthening social responsibility and ethical behaviour of the business community and non-profit organisations.

ISEA promotes best practice in SEAR and develops standards and accreditation procedures for professionals in the field. It was ISEA that further developed the social accounting methodology first employed by Traidcraft in 1993 and launched the Accountability 1000 (AA1000) standard in 1999.

AA1000 is described as “a foundation standard”, which comprises principles and a set of process standards. In recognition of the still early stage of development that SEAR is at, AA1000 has not been positioned as a certifiable compliance based standard, but rather as a set of key principles which should “stimulate innovation above an agreed quality floor, rather than encouraging the development of a more rigid compliance oriented culture.” Focused around engagement with stakeholders, AA1000 seeks to link the defining and embedding of an organization’s values to the development of performance targets, thus tying social and ethical issues into the organization’s strategic management. Organizational learning and improvement is seen as central to the approach as is the link between organizational accountability and developing trust with stakeholders. As a process standard, rather than performance standard, AA1000 specifies the processes that an organization should follow to account for its performance, not the levels of performance the organization should achieve. The advantage of the AA1000 process is that it enables stakeholders, if the organization is willing, to highlight their concerns and informs the questions asked by the organization. These concerns might otherwise be missed by compliance based approaches where lists of criteria are pre-determined.

However in both circumstances the will of the organization to improve, not just comply, is critical. The standard is supported by an “AA1000 Framework”, which includes guidelines on key topics within the standard and a professional qualification. Details of AA1000, including a booklet that can be downloaded, can be found at www.AccountAbility.org.uk.

The ACCA has set out a number of key principles for social reporting; in addition to anything that AA1000 might say. We have seen some of this terminology in use already but here are the most important principles.

Reporting Principles: There are a number of basic principles on which social accounting is based: some of them are fairly obvious and some are a bit more complicated. In order for an accounting report to be considered as socially acceptable, it has to be **complete**. This is also a basic principle of accounting as set out by the Accounting Standards Board. Don't leave anything out! Similarly, the basic principle of **comparability** says that in order for us to be able to make sense of any accounting report, we need to be able to compare it with last year's (Journal on Social reporting, 2007)

That is, in order to see whether the company has developed - improved, grown, got worse or shrunk - we need to be able to calculate things like rates of change ratios and so on. We can't do that if we can't compare this year's accounts with last year's because they have changed the layout or headings or something. In the diagram from Accountability that we saw before, we saw the word **embedding** but we didn't define it. What embedding means is that the company must integrate social accounting and corporate social responsibility into everything that it does. Not just pretending and not just saying that it's going to do it - it must be doing it. Of course, for anyone to assess any company, its accounts must be **externally verifiable**. This means that an

outsider can go into the company and check that what they are publishing is true. An external auditor does this, for example.

The final principle must be the one of **continuous improvement**, known in business circles as kaizen these days! That is, it's not enough to be socially responsible and embedded, there must be a desire to improve at all times. To work up to and beyond the minimum, rather than simply waiting for someone else to change anything and then changing when they have to (Ibid).

The CSR concept relates closely to corporate citizenship (Bowen, 1953; Carroll, 1979; Mason, 1960), corporate social responsiveness (Ackerman and Bauer, 1976; Frederick, 1998; Strand, 1983), corporate social performance (Stanwick & Stanwick, 1998; Swanson, 1995; Wood, 1991), and stakeholder management (Donaldson and Preston, 1995; Jones, 1995). Common to these concepts is the idea that organizations should be not only concerned about making a profit but also engaged in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams et al., 2006, p. 1).

In this sense, CSR generally refers to business decision making related to ethical values, compliance with legal requirements, and respect for people, communities, and the environment. The earliest conceptualizations of CSR, developed in the 1950s, pertained to business responsibility; for example, Bowen (1953) argued that businesses have an obligation to pursue policies with desirable societal objectives and values. A quarter of a century later, Carroll (1979, p. 500) specified that organizations' obligations must "encompass the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time."

CSR is "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm [...] to accomplish social benefits along with the traditional economic gains which the firm seeks" (Davis, 1973: 313). Corporate social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations (Sethi, 1975: 62). CSR is defined as activities that "protect and improve both the welfare of society as a whole and the interest of the organization" (Davis & Blomstrom, 1975: 5). "

Corporate responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract" (Jones, 1980). "Corporate citizenship is concerned with the relationship between companies and society – both the local community, which surrounds a business and whose members interact with its employees, and the wider and increasingly worldwide community, which touches every business through its products, supply chain, dealer network, and its advertising, among other things" (McIntosh et al., 1998, p. 20). "Good corporate citizenship can be defined as understanding and managing a company's wider influences on society for the benefit of the company and society as a whole" (Marsden & Andriof, 1998, qtd. in Andriof & Marsden, 2000, p. 2). According to the World Business Council for Sustainable Development, Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Holmes & Watts, 1999, qtd. in Chand, 2006, p. 240).

Building on Carroll's (1979) work, Maignan conceptualized another version of CSR, developed an instrument to measure CSR practices, and validated the instrument in France and the United

States (Maignan, 1997; Maignan and Ferrell, 2001; Maignan et al., 1999). Her conceptualization of CSR consists of four dimensions: (1) organizations should be productive and profitable and meet the needs of consumers (economic citizenship), (2) they are compelled to work within existing legal frameworks (legal citizenship), (3) organizations must follow socially established moral standards (ethical citizenship), and (4) their voluntary corporate activities must attempt to help other people and contribute to the well-being of society (discretionary citizenship).

3.0 RESEARCH METHODOLOGY

A case study design was appropriate for this study. The population used in this study entailed all the employees of safaricom. These were 1850 as indicated by information on the prospectus released during the SAFARICOM IPO. Hence judgmental sampling was used to select the respondents i.e. 24 in number, 8 respondents from the finance department, 8 respondents from the public relations department, 4 respondents from the sales department and 4 committee members of the SAFARICOM foundation. Primary data was collected by the use of a questionnaire and was the main data used in the research. The data collected was analyzed by use of inferential statistics. In particular, frequency tables, averages and percentages were used. The data was then presented using tables, graphs and charts.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The study had a response rate of 100% i.e. 24 questionnaires were issued to the respondents and all of them were filled and data contained included and analyzed into percentages.

4.2 General Information

Findings in this study indicated that the majority of the respondents (14, 58%) were male. On the other hand, female constituted 10 (42%) of the total respondents.

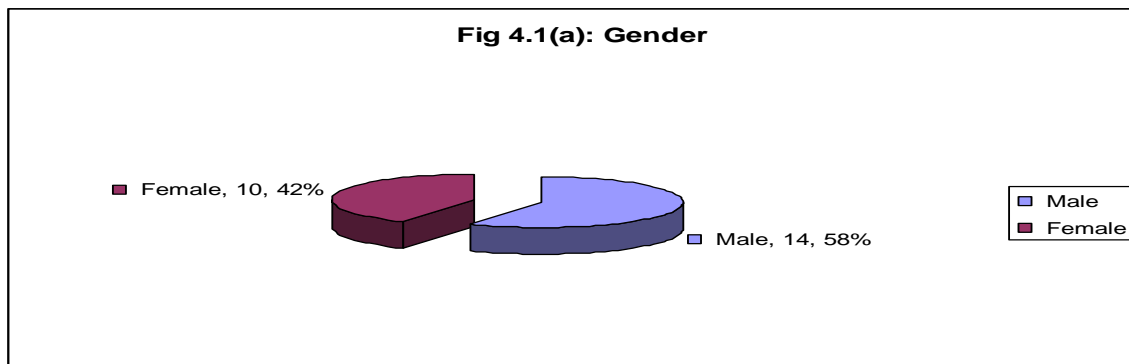


Figure 1: Gender of Respondents

The majority of the respondents (13, 54%) had university level of education. While 8,(13%) of the respondents had post graduate level of education, another 3(13%) had college of education. No other response was obtained for this variable.

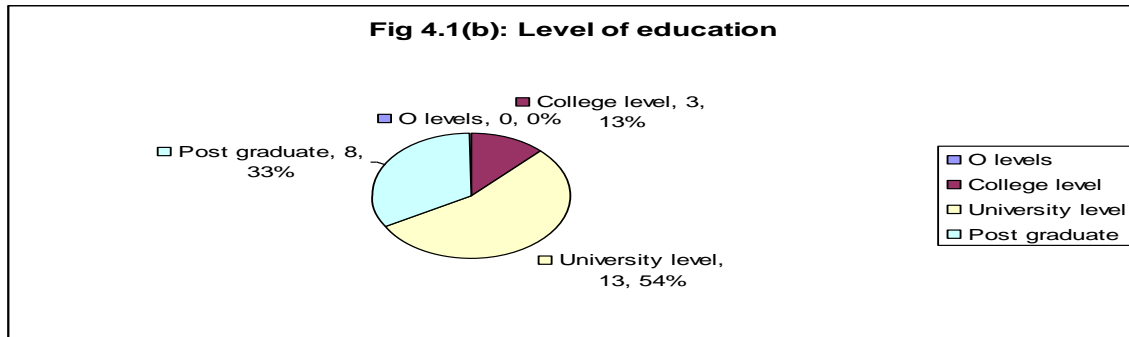


Figure 2: Level of Education

A majority of the respondents (10, 42%) indicated that they had been in the current employment for a span of one to two years. While 7(29%) indicated that they have been in the current employment for three to five years, another 5, (21%) indicated that they have been in current employment for the last five years. However, 2(8%) of the respondents were in current employment for less than one year.

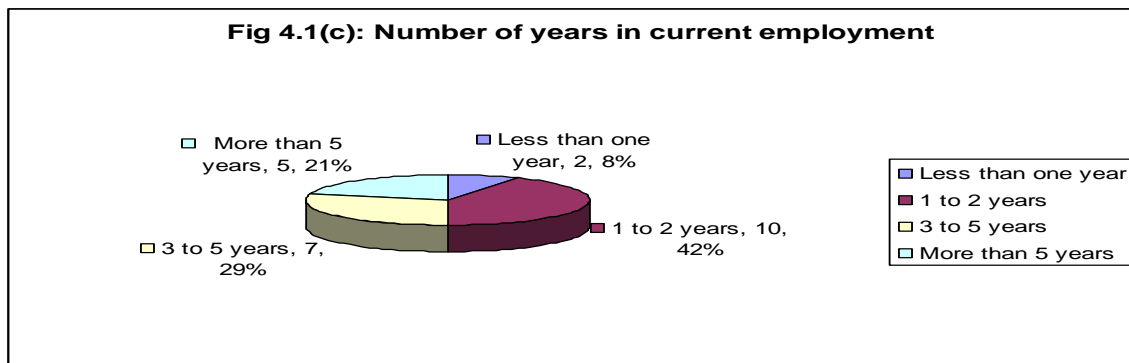


Figure 3: Number of Years in Current Employment

4.3 Issues Featuring in CSR Reports

The majority of respondents, 16 (67%), 18 (75%) indicated that to a large extent environmental management of the production process and environmental policy were issues reported in the safaricom CSR report. In particular, safaricom scratch cards are bio degradable and suppliers are encouraged to adopt production methods that are not harmful to the environment. It was also noted that the majority of the respondents, 15(63%), 11(46%) indicated that climate protection and energy eco-efficiency were reported in the safaricom CSR reports to a low extent respectively.

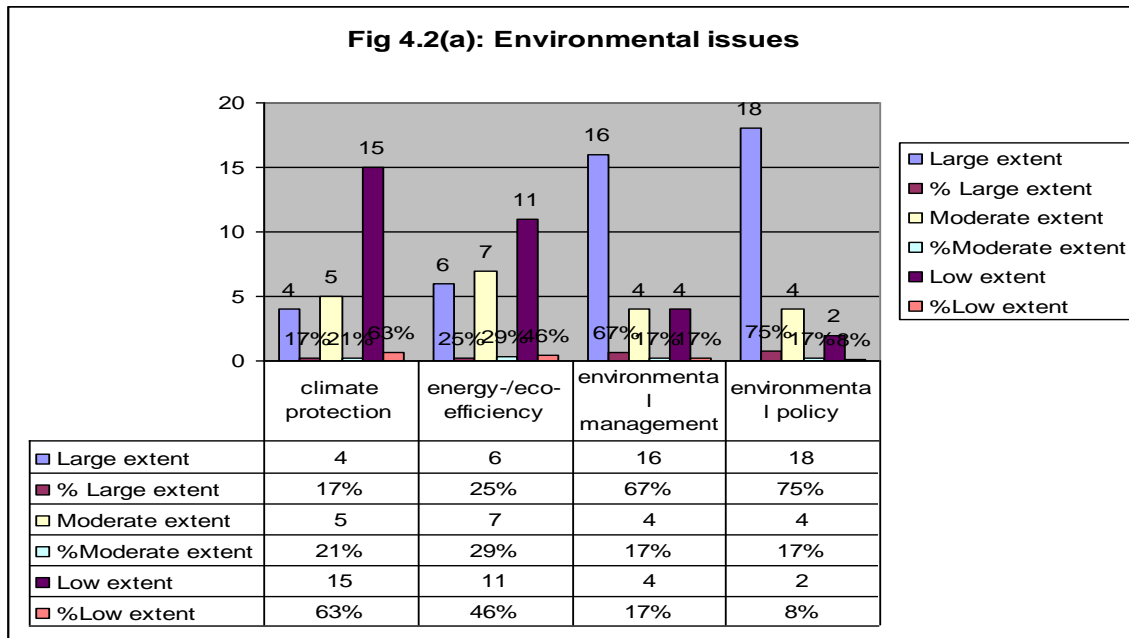


Figure 4: Environmental Issues

According to this study, the majority of respondents 20(83%), 19(79%), 22(92%) indicated that to a large extent economic issues such as business case for CSR, Risk Management and corporate governance respectively were reported in Safaricom CSR reports. However, as indicated by the majority (13, 54%), bribery and corruption was reported to a moderate extent

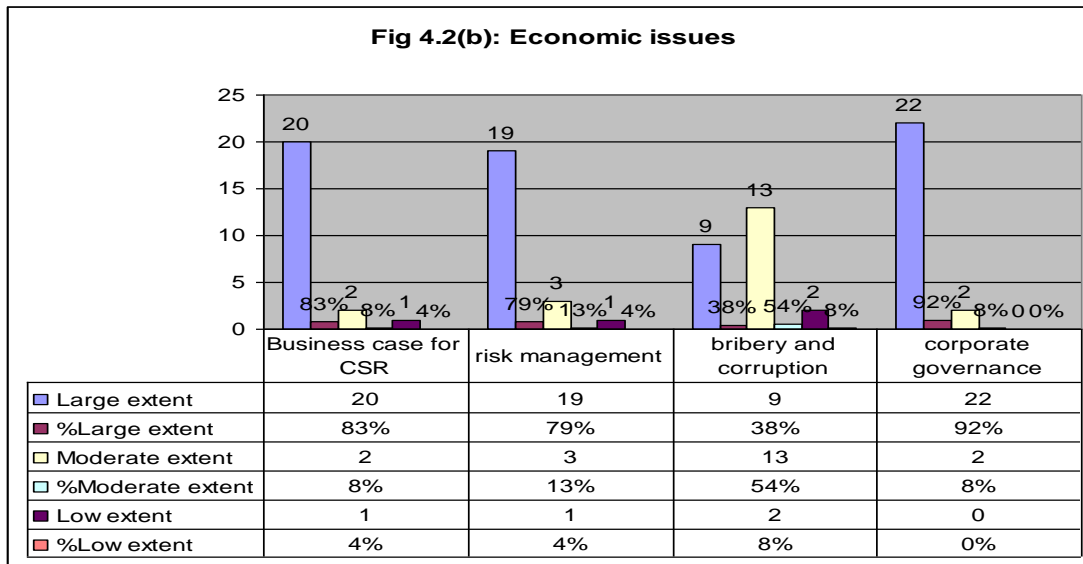


Figure 5: Economic Issues

The majority of the respondents, 14(58%), 16 (67%) indicated that to a large extent, human rights and health safety respectively were reported in Safaricom CSR reports. The reports emphasized right to a better living due to better pay and benefits as well as a proper

nonhazardous working environment which reduced the occurrence of accidents and ailments. Safaricom also reported alerts on effects of radiation emitted by telecommunication gadgets which is an element of health safety. However, the majority 12, 50% indicated that consumer protection was reported to moderate extent in Safaricom CSR reports.

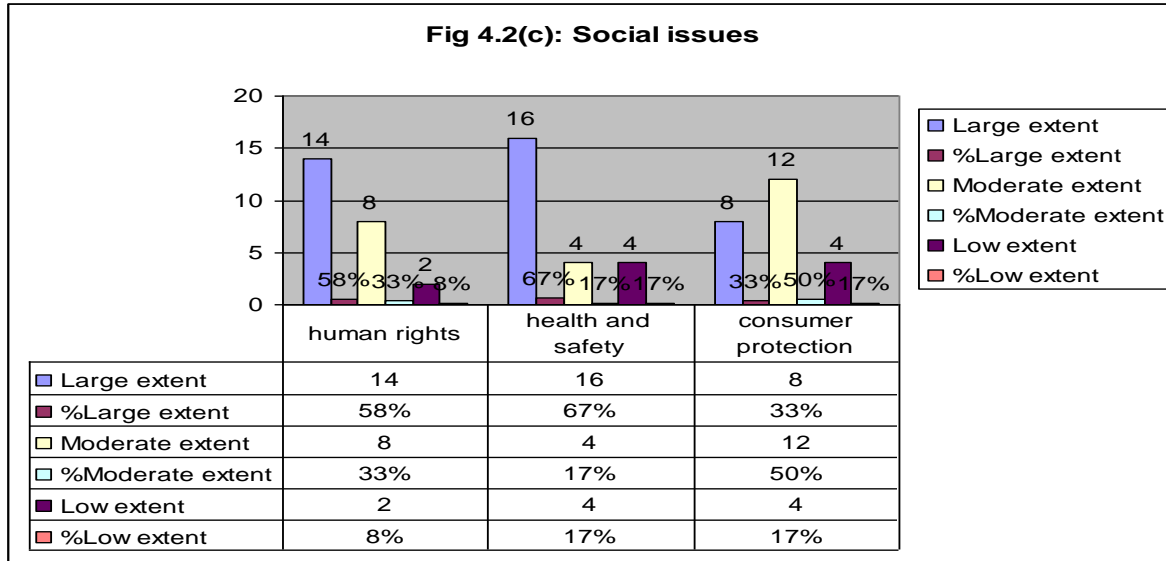


Figure 6: Social Issues

4.4 Motivating Factors for CSR Reporting

According to the majority (18, 75%) in this study, creating value to shareholders (business case) was rated as a very relevant factor to be considered when deciding on whether to practice CSR or not. While 4(17%) of the respondents rated this factor as a relevant factor, another 2(8%) rated this factor as slightly relevant. No other response on this variable was obtained.

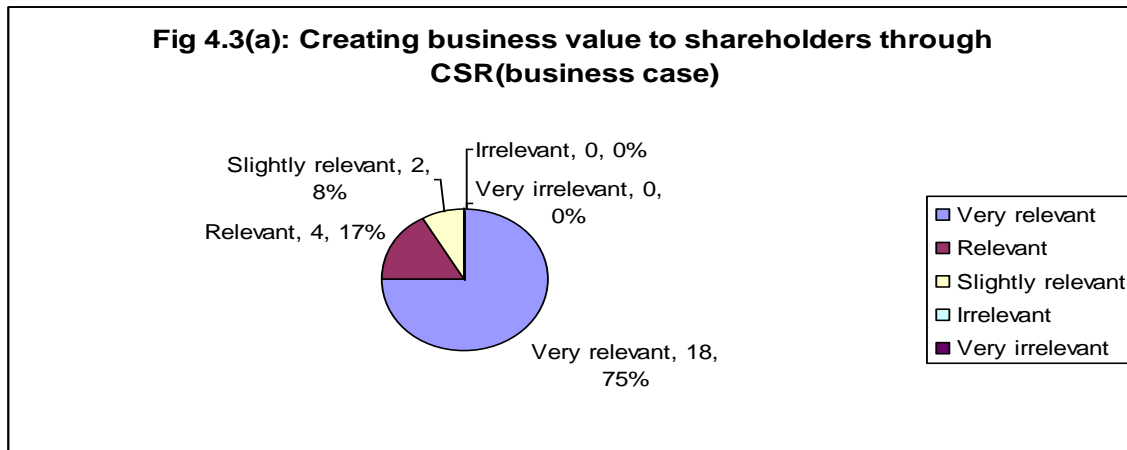


Figure 7: Creating Business Value to Shareholder through CSR (Business Case)

The majority of the respondents (15, 62%) rated engagement and accountability as a very relevant factor to be considered when deciding on practicing CSR. Meanwhile, (6, 25%) of respondents rated this factor as relevant and another 3(13%) rated this factor as slightly relevant.

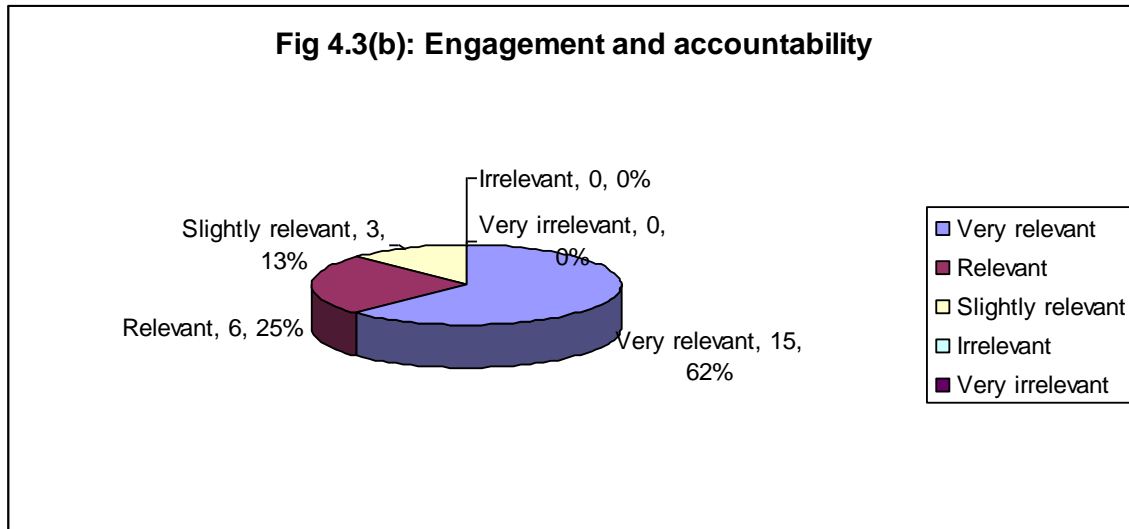


Figure 8: Engagement and Accountability

According to this study, the majority of respondents (8, 33%) rated government pressure and regulation for an environmentally driven CSR to be a slightly relevant factor to be considered when deciding to practice CSR. While 6, (25%) rated this factor as relevant, another 6(25%) rated this factor as irrelevant. Only 4(17%) rated this factor as very relevant.

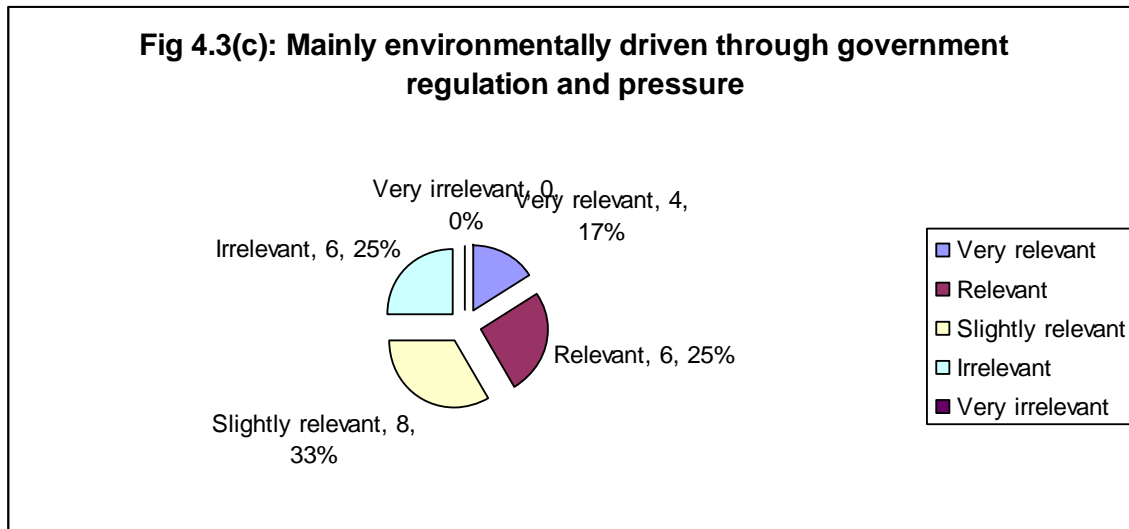


Figure 9: Mainly environmentally driven through government regulation and pressure

According to this study, the majority of respondents (10, 42%) rated PR driven and striving to be better than competitors as a relevant factor considered when practicing CSR. While 8(33%) rate

this factor as relevant another 6(25%) rated this factor to be very relevant. No other response was obtained for this variable.

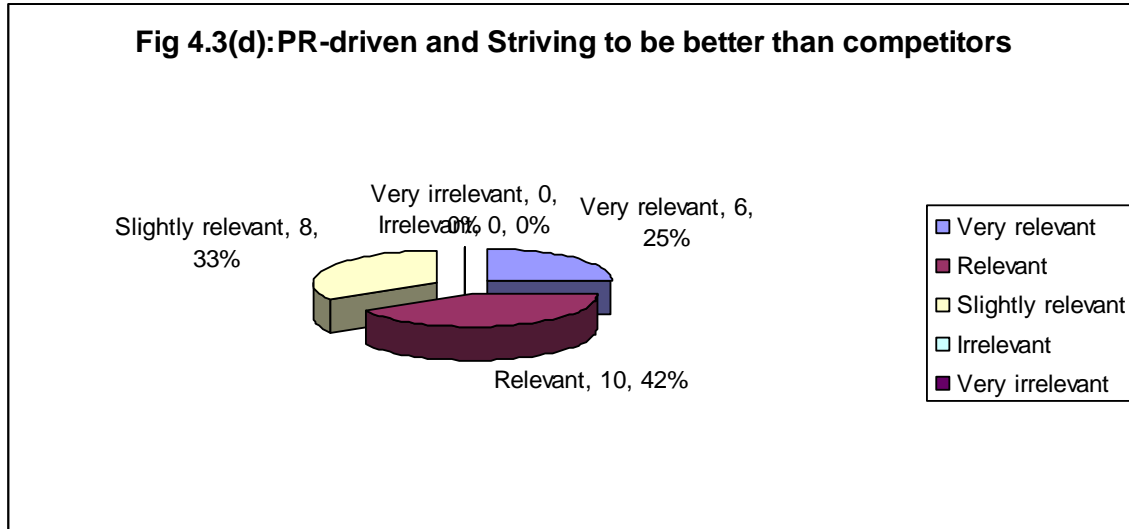


Figure 10: PR-driven and striving to be better than competitors

The majority of the respondents (14, 58%) rated “swimming with the trend” as an irrelevant factor when practicing CSR. While 5(21%) indicated that this factor was slightly relevant, another 3(13%) considered this factor to be relevant. Only 2(8%) found this factor to be very relevant.

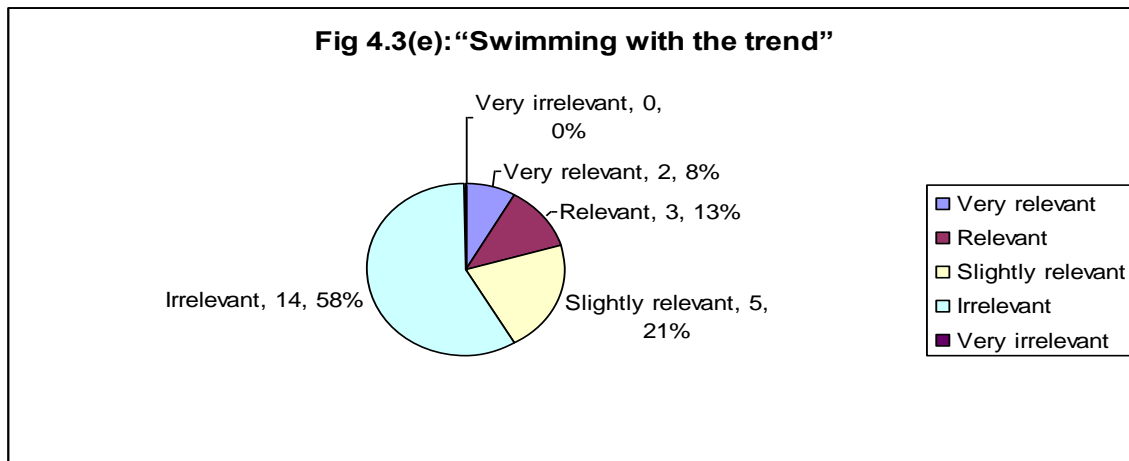


Figure 11: Swimming with the Trend

The majority of respondents 14(59%) rated securing our “license to operate” as a very relevant factor to be considered when practicing CSR. Meanwhile, 8(33%) rated the factor as relevant and 2(8%) rated the factor as slightly relevant. No other response was obtained for this variable.

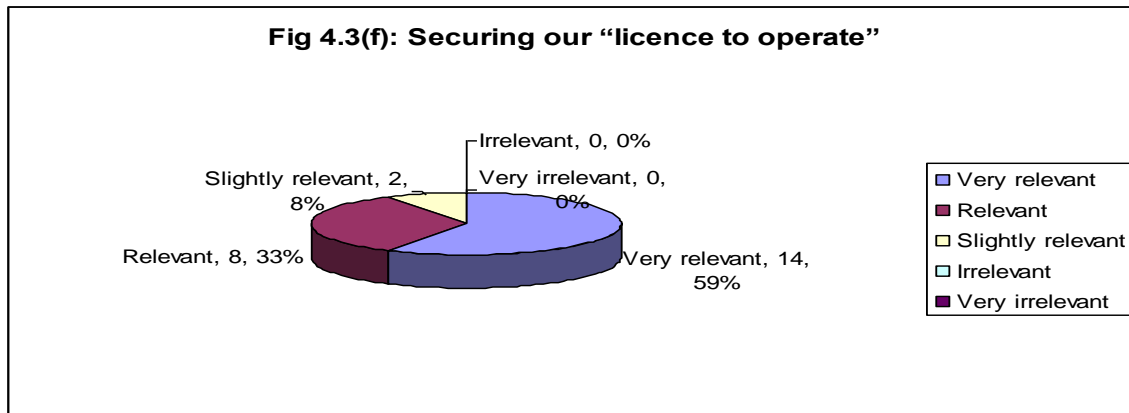


Figure 12: Securing our ‘license to operate’

4.5 Challenges facing Social Accounting

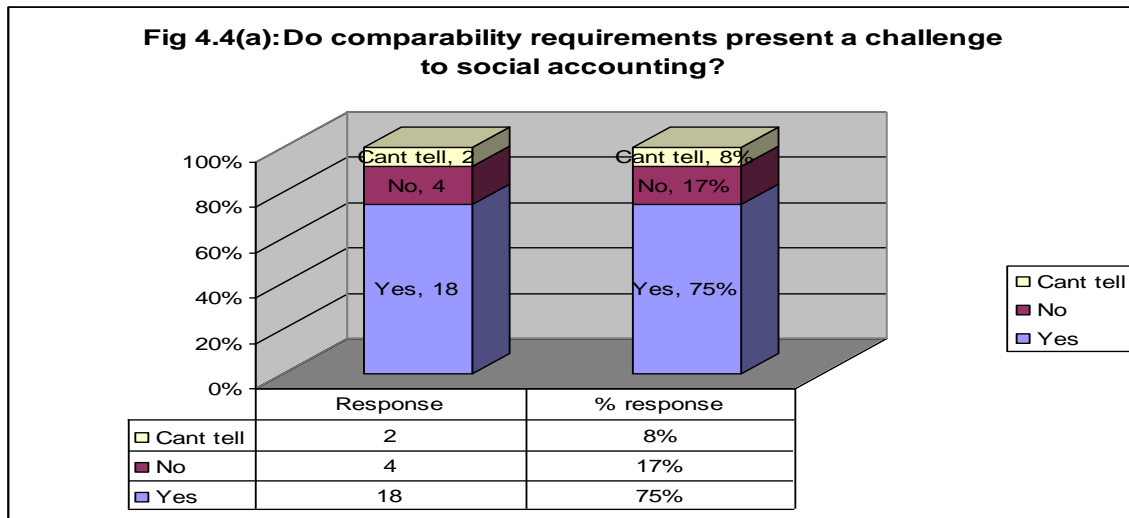


Figure 13: Comparability requirements and challenge to social accounting

Findings in this study indicated that the majority of respondents (18, 75%) agreed that comparability requirements posed a challenge to social accounting at safaricom. Consequently, a lot of effort was put in when preparing the social reports to ensure that the information could be compared with previous period information. However, 4(17%) disagreed while another 2(8%) could not make up their mind on the issue. A majority of the respondents (15, 63%) indicated that standardization of formats for reporting CSR posed challenge to social accounting. This finding agreed with literature review and findings by Pleon(2005) which indicated that standardized formats was a challenge to reporting as many activities qualified for CSR. Meanwhile, 6(25%) indicated that standardized formats did not present a challenge to social accounting. However, 3(13%) could not make up their mind on the issue.

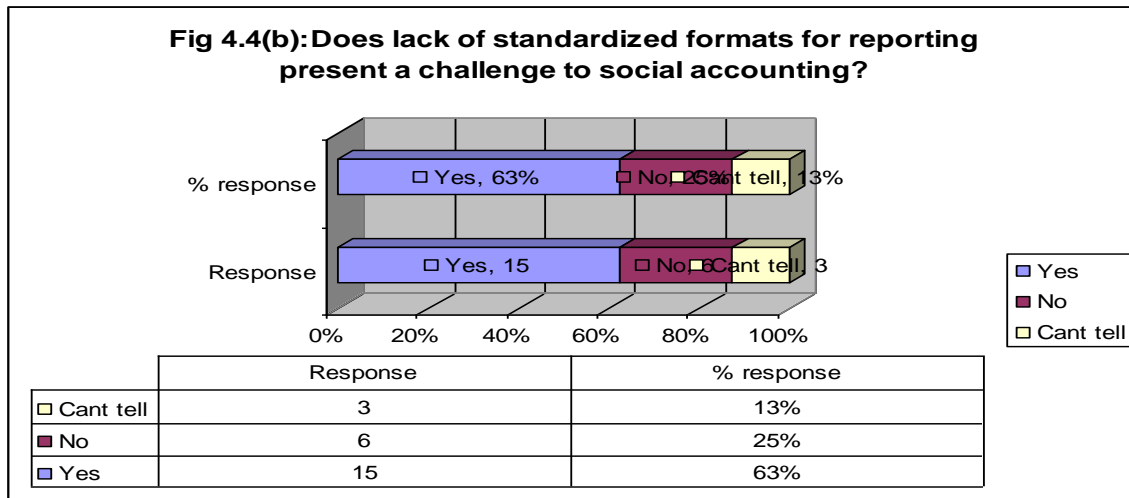


Figure 14: standardized formats for reporting and challenge to social accounting

A majority of the respondents (16, 67%) indicated that the huge diversity of activities qualifying for corporate social responsibility presented a challenge to social accounting at Safaricom. While 6(25%) indicated that this did not present a challenge to social accounting, another 2(8%) couldn't tell.

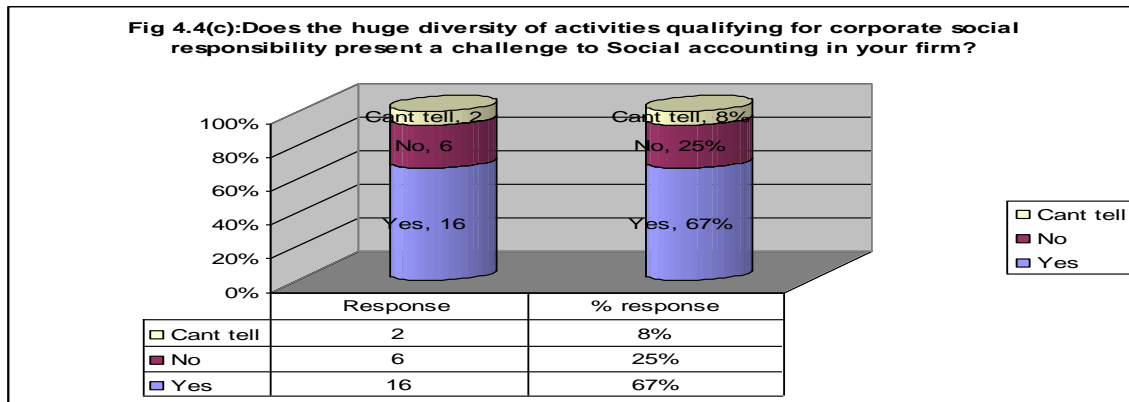


Figure 15: Diversity of activities and challenge for social accounting

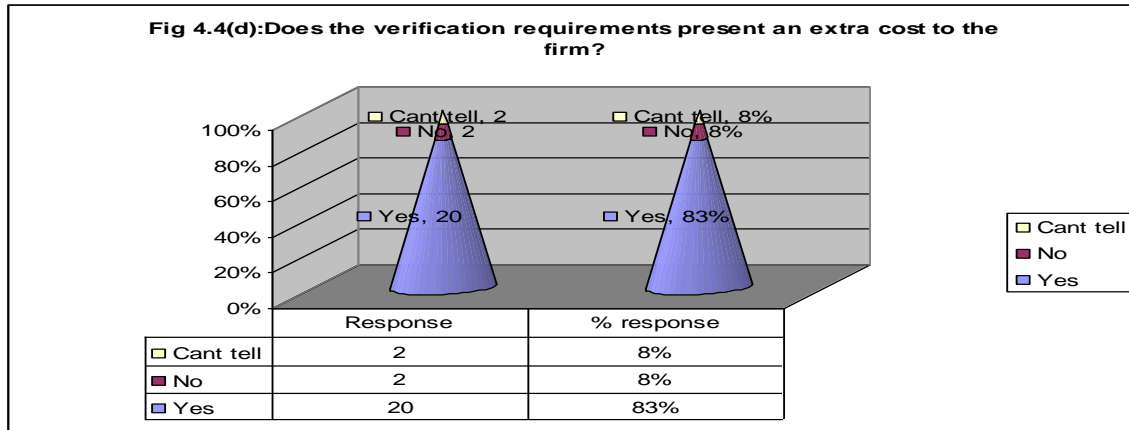


Figure 16: Verification requirements as extra cost to the firm

A majority of the respondents (20, 83%), indicated that verification requirements presented an extra cost to safaricom and hence it presented a challenge to social accounting in safaricom. While 2 (8%) indicated that it did not, another 2(8%) could not decide.

The respondents unanimously (100%) indicated that assessment and ability to quantify CSR activities presented a challenge to social accounting to safaricom. No other response was obtained for this variable.

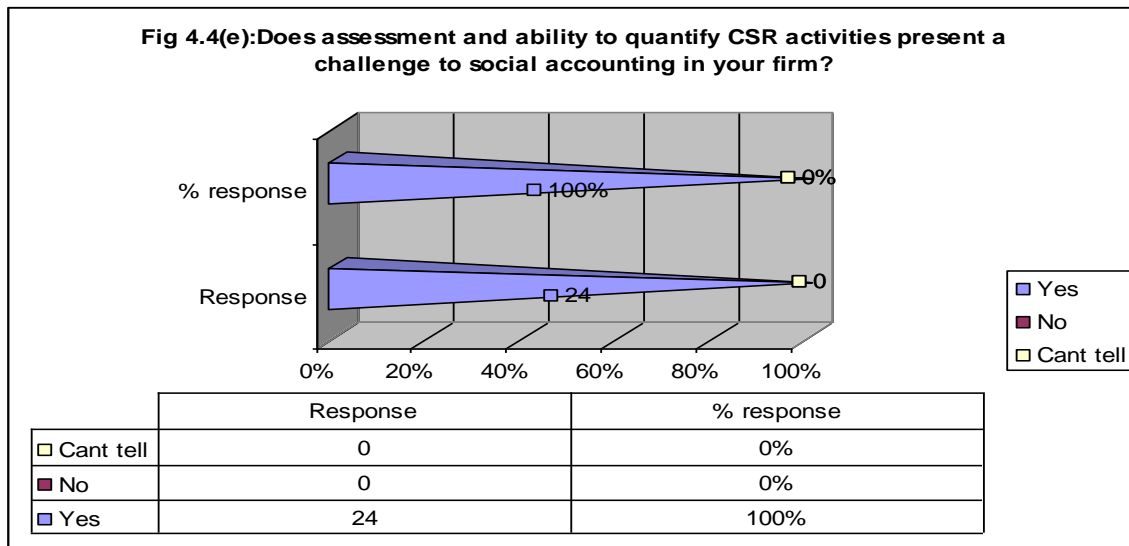


Figure 17: Assessment and ability to quantify CRS activities and challenge for social accounting

A majority of the respondents (19, 79%) indicated that little development in the accounting standards dealing with social accounting presented a challenge to social accounting at safaricom. While, 2(8%) indicated that it did not, 3(13%) could not decide on the issue.

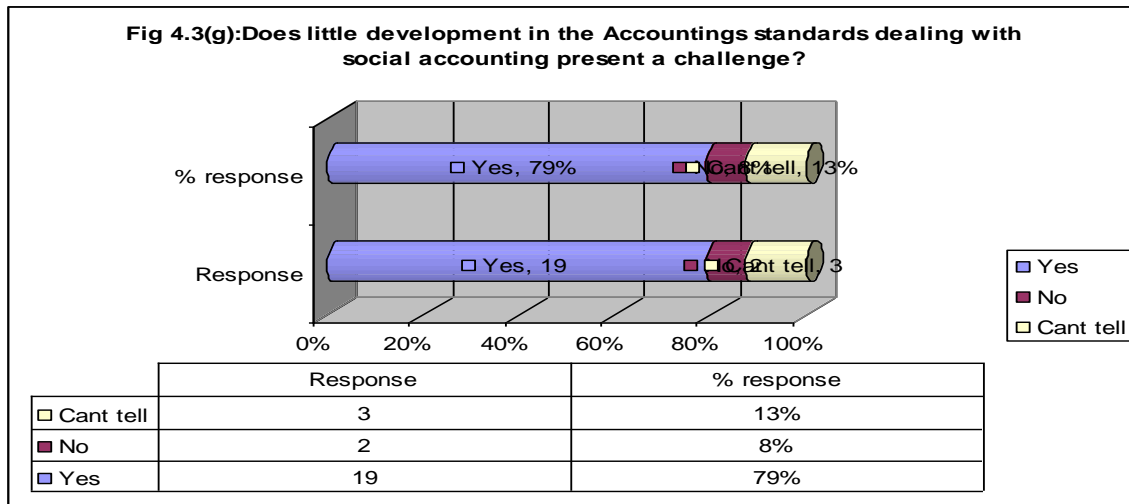


Figure 18: Development in the Accounting standards with social accounting as a challenge

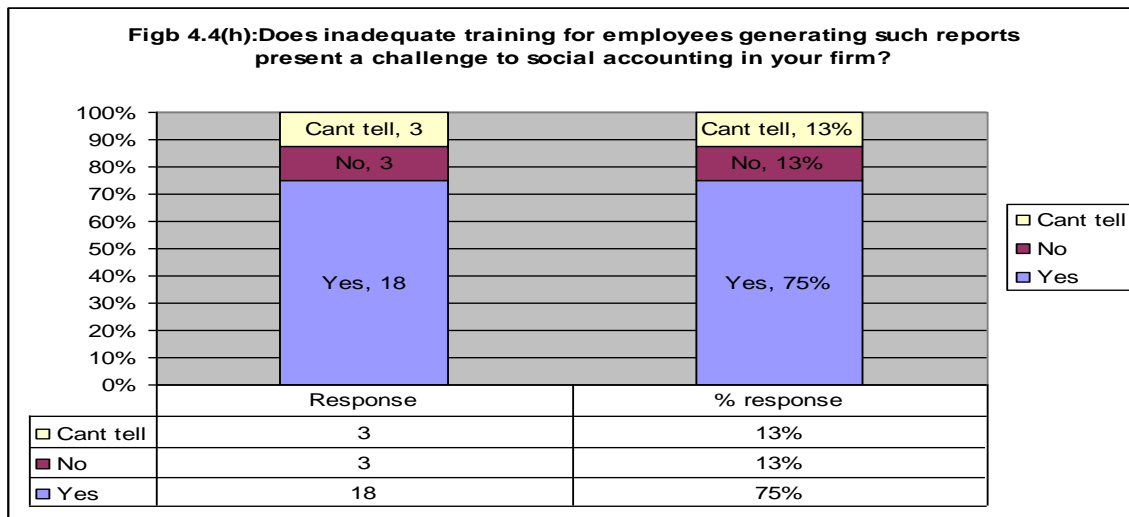


Figure 18: Inadequate training for employees generating such reports as a challenge

The majority of the respondents (18, 75%) indicated that inadequate training for employees generating such reports presented a challenge to social accounting. While 3(13%) disagreed, a further 3(13%) could not decide. The majority of the respondents (13, 54%) agreed with the statement that CSR had negative impact on short run profits of the firms. However 11 (46%) disagreed with the statement. No other response was obtained for this variable.

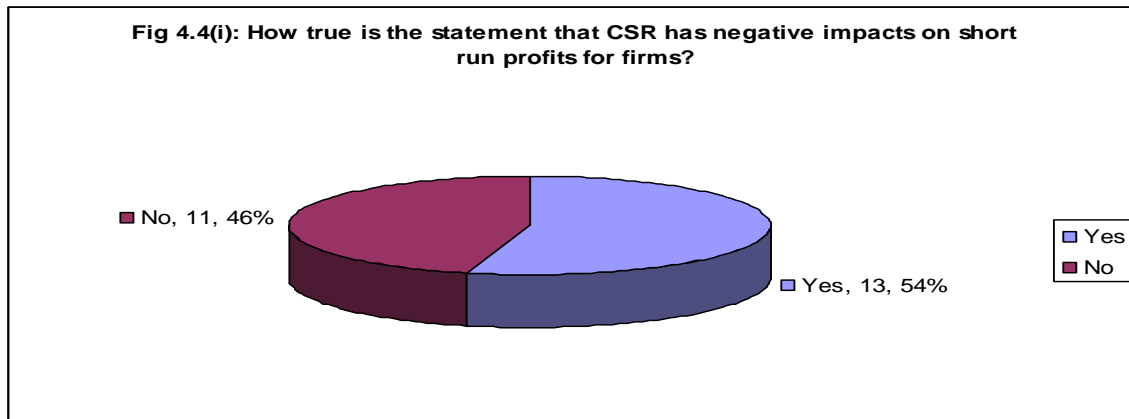


Figure 19: CRS has negative impacts on short run profits for firms

According to this study (15, 63%), the majority of the respondents indicated that the majority of stakeholders did not find CSR reports useful. However, 6(25%) of respondents indicated that a majority of stakeholders found CSR reports useful and another 3(13%) could not make up their mind on the question.

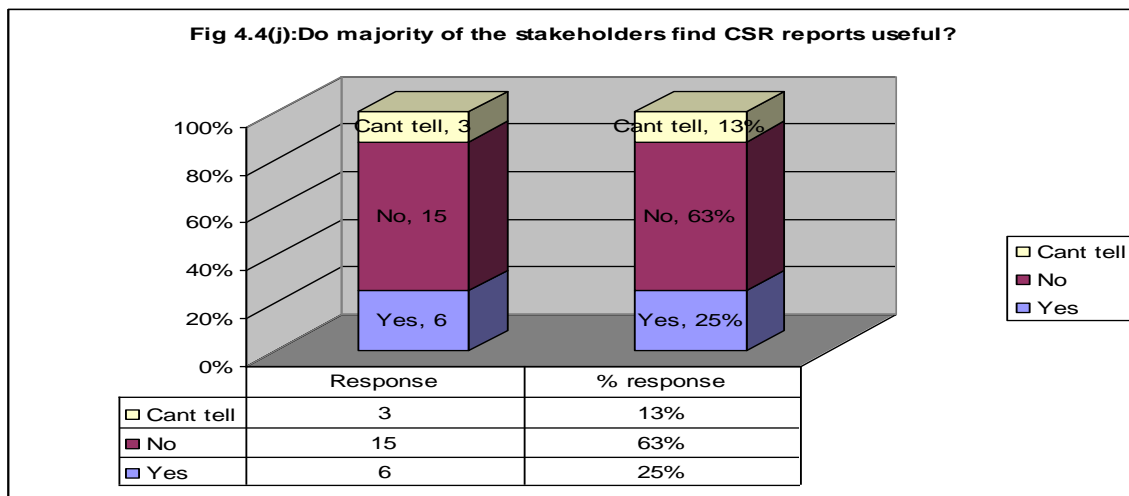


Figure 20: Do majority of the shareholders find CSR reports useful

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

To a large extent, environmental management of the production process and environmental policy were issues reported in the safaricom CSR report. In addition, climate protection and energy eco-efficiency were reported in the safaricom CSR reports to a low extent respectively. In this study, it was observed that to a large extent, economic issues such as business case for CSR, Risk Management and corporate governance respectively were reported in Safaricom CSR reports. However, bribery and corruption were reported to a moderate extent. The study indicated that to a large extent, human rights and health safety respectively were reported in Safaricom

CSR reports. However, the study also indicated that consumer protection was reported to a moderate extent in Safaricom CSR reports.

Motivating factors that were rated as very relevant by the majority included creating value to shareholders (business case), engagement and accountability, PR and striving to be better than competitors, and securing our “license to operate”. Meanwhile, government pressure and regulation for an environmentally driven CSR was rated as a slightly relevant factor to be considered when deciding to practice CSR. However, “swimming with the trend” was rated as an irrelevant factor/driver.

According to this study, challenges facing social accounting included comparability requirements, lack of standardized reporting formats, huge diversity of activities qualifying for CSR, verifiability requirements which present an extra cost to the firm, ability to assess and quantify CSR activities, little development in the accounting standards and inadequate training for staff generating CSR reports.

5.2 Conclusions

From this study, the researcher was able to conclude that safaricom addressed most of the economic, human rights and environmental issues that are supposed to be addressed in a CSR report. Furthermore, its practice of CSR was driven by a genuine concern for creating shareholders wealth (business case) as well as engagement and accountability. The researcher also observed that another motive for practicing CSR was PR based (striving to better than competitors). However, the researcher also concluded that some of the challenges facing accounting for social responsibility (social accounting) were related to verifiability requirements, comparability requirements, training requirements, standardization requirements, and quantification requirements.

5.3 Recommendations

The study recommended that Safaricom should maintain its trend for addressing corporate social responsibility issues and come up with measures that can be used to make social accounting in the firm to be less costly.

5.4 Suggestions for Further Studies

The researcher recommends an investigative study to establish the level of usefulness of the CSR reports to various users. Such users would include investors, financial consultants, and employees, the Government, NGOs such as human rights organizations, environmental bodies and consumer bodies, the general public and other parties. In addition, a correlation and a regression study explaining the relationship between CSR and firms financial performance would be in order.

REFERENCES

Ackerman, R. W., & Bauer, R. A. (1976). *Corporate social responsiveness*, Reston Publishing, Reston, VA.

- Andriof, J. (2000). Mapping the research within corporate citizenship: Concepts, evidence, and implications, *Working Paper*.
- Andriof, J., & McIntosh, M. (2001). *Perspectives on corporate citizenship*. Greenleaf Publishing, Sheffield.
- Arlow, P., & Gannon, M. J. (1982). Social responsiveness, corporate structure, and economic performance, *Academy of Management Review* 7(2), 235-241.
- Armstrong, J. S., & Overton, T. S. (1977). Estimating non-response bias in mail services, *Journal of Marketing Research*, 14(3), 396-402.
- Aupperle, K. E., Carroll, A. B., & Hatfield, J. D. (1985). An empirical examination of the relationship between corporate social responsibility and profitability, *Academy of Management Journal*, 28(2), 446-463.
- Beltz, F., Kestemont, M. P., & Strannegard, L. (1997). *International Business Environmental Barometer*, Cappelen Akademisk Forlag, Copenhagen.
- Bhattacharya, C. B., & Sen, S. (2004). Doing better at doing good: When, why, and how consumers respond to corporate social initiatives, *California Management Review*, 47(1), 9-24.
- Bowen, H. R. (1953). *Social Responsibilities of the Businessman*, Harper-Row, New York.
- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance, *Academy of Management Review* 4(4), 497-505.
- Chand, M. (2006). The relationship between corporate social performance and corporate financial performance: Industry type as a boundary condition, *The Business Review*, 5(1), 240-245.
- Clarkson, M. B. E. (1995). A stakeholder framework for analysing and evaluating corporate social performance, *Academy of Management Review*, 20(1), 92-117.
- Crane, A., & Matten, D. (2004). *Business Ethics: A European Perspective*, Oxford University Press, Oxford.

- Davidson, W. N., & Worrell, D. L. (1988). The impact of announcements of corporate illegalities on shareholder returns, *Academy of Management Journal* 31(1), 195-200.
- Davidson, W. N., & Worrell, D. L. (1990). A comparison and test of the use of accounting and stock market data in relating corporate social responsibility and financial performance, *Akron Business and Economic Review* 21, 7-19.
- Davis, K. (1973). The Case for and against business assumption of social responsibilities, *Academy of Management Journal*, 16(3), 312-22.
- Dunphy, D., Griffiths, A., & Benn, S. (2003). *Organizational change for corporate sustainability*, Routledge, London.
- Fombrun, C., & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy, *Academy of Management Journal*, 33(2), 233-258.
- Frederick, W. C. (1998). Creatures, corporations, communities, chaos, complexity: A naturological view of corporate social role, *Business and Society*, 37(4), 358-389.
- Holmes, L., & Watts, R. (1999). Making good business sense. In *The World Business Council for Sustainable Development*, Conches-Geneva.
- Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function, *Business Ethics Quarterly*, 12(2), 235-256.
- Jones, T. M. (1980). Corporate social responsibility revisited, redefined, *California Management Review*, 22(3), 59-67.
- Kotler, P., & Lee, N. (2005). *Corporate social responsibility: Doing the most good for your company and your cause*, John Wiley & Sons, Hoboken, NJ.