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**Kinyanjui, J. N.,<sup>1\*</sup> Juma, D.,<sup>2</sup> Njeru, A.,<sup>3</sup> & Onyango, J.<sup>4</sup>**

<sup>1\*</sup> Ph.D Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

<sup>2,3,4</sup> Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

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**ABSTRACT**

*Corporate social responsibility is a vital aspect of any business. Organizations are responsible not only for treating their stakeholders well, but also for keeping their end of the bargain with the communities they serve. Managers are legally responsible for looking after shareholder profits but are also socially responsible for minimizing socially damaging business decisions. This is their ethical and legal duty. Organizational leaders thus have a social responsibility to avoid behavior that results in improper use of the company resources. CSR activities need to be considered from a moral and ethical basis, assuming that firms self-regulate their CSR behavior and their communication of those activities. The aim of this study was to establish whether engaging in legal and ethical CSR practices would influence the performance of the Public sector institutions in Kenya. The study hypothesized that legal and ethical CSR strategies did not significantly influence performance of Public Universities in Kenya. The results showed that legal and ethical practices positively contribute to organizational performance of Public Universities. Therefore, the study recommended that increased focus on an organization's legal and ethical practices would significantly increase the performance of public sector organizations.*

**Key word:** Legal CSR, Ethical CSR, Public Universities in Kenya

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## INTRODUCTION

Singh and Singh (2013) observe that in any organization, from the top management to employees at all levels, ethics is considered as everybody's business. It is not just only achieving high levels of economic performance, but also to conduct one of business's most important social challenges, ethically. Ethics in business is nothing but the do's and don'ts by the business users in business. It is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to have priority over any human rationalization, weakness, ego, or personal faults. Sharma (2011) notes that business ethics represents the moral principles an organization uses to ensure all employees act in an acceptable manner when completing business functions. While good ethical practices in business are one of the biggest keys to any companies' success, social responsibility is another factor that is often forgotten as well. Businesses have an obligation to their communities as well, and philanthropy on the part of businesses of any size is the key to staying in the good graces of not only consumers, but also the cities and states in which the business operates.

Beverungen and Case (2011) argue that " We might find that ethics in business involves a basic dislocation relating to phenomenal experiences arising when things are out of place". A university is a part of society which aims to create new knowledge and train people to contribute to society. Almost by definition, one of the university's primary roles is providing CSR activities, e.g., academic services to society. If the university shows leadership in CSR, the brand image of the university can be enhanced among all stakeholders (Plungpongpan, Tiangsoongnern & Speece, 2016). Many higher learning institutions conduct CSR activities for the benefit of their stakeholders – including administrators, lecturers, staff, and students –

together with the community. Universities are known as places in which students can gain knowledge and experience, and are platforms to promote beneficial and healthy lifestyles to students, including exposure to and practice of good CSR (Nicolescu, 2006).

Corporate social responsibility has been seen as an activity that should be carried out by all organizations. Public universities are often seen as organizations that are not established for business purpose and thus they tend not to embrace corporate social responsibility. The fact remains that universities and other tertiary institutions need to carry out corporate social responsibilities so as to win the goodwill of their internal and external stakeholders. Most studies on corporate social responsibility are on large multi-national corporations while there are few studies in higher institutions of learning. (Ezekiel, Ruth & Emmanuel, 2013).

### Statement of the problem

Islam (2012) sees CSR not just as an activity that deals with charitable events but also deals with tools for boosting positive image of the company, employee and customer satisfaction and organizational profitability. The notion that the main forces that drove companies to adopt corporate social responsibility activities originally were linked to financial benefits but this has shifted drastically in recent years (Rapti & Medda, 2012). There has been growing attention on CSR issues in research. Aguinis and Glavas, (2012) studied the effects of government policy in corporate social responsibility projects on the performance of mobile phone service providers. Hossein, *et al.* (2012) examined the link between CSR and economic performance. Similarly Emilson (2012) assessed the relation between CSR and profitability. Skare and Golja (2012) investigated the relationship between CSR and financial performance. Swapna, (2011) investigated the role of CSR in community

development. Okeudo (2012) examined the effect of corporate social responsibility (CSR) on the society.

Locally, Kubai and Waiganjo (2014) studied the relationship between strategic corporate social responsibility and competitive advantage of commercial banks in Kenya. Mulwa (2001), Kiarie (1997) and Kweyu (1993) studied managers' attitudes towards corporate social responsibility in selected Kenyan companies. Nyoro (2015) studied CSR as a competitive strategy and its effect on performance of mobile telephone service industry. Kamau (2001) investigated the awareness of the social responsibility concept among managers in Kenyan firms. Muriuki (2008) studied CSR link to strategy among mobile telephone service providers while Mbogoh (2014) studied challenges of implementing corporate social responsibility strategies by commercial banks in Kenya. These streams of studies seem to suggest that specific CSR strategies such as community outreach activities have not been given close attention. The aim of this study was to establish whether such programs have an impact on the performance of public sector organizations.

### **Research Objective**

The aim of this study was to establish the influence of legal and ethical strategy on organizational performance of Public Universities in Kenya.

### **Research hypothesis**

Legal and ethical strategy does not significantly influence organizational performance of Public Universities in Kenya.

## **LITERATURE REVIEW**

### **Theoretical framework**

#### **The Social Exchange Theory**

Social exchange theory evolved from psychology, sociology and economics to explain human behavior

based on self-interest and choices made to accomplish personal goals. According to the proponents of social exchange theory (Homans, 1964; Blau 1964, 1967 & Emerson, 1972), the basic premise of the theory is that people make choices to maximize rewards and minimize costs. Social behavior is viewed in terms of the pursuit of rewards and the avoidance of punishment and other forms of costs.

Exchange theory is based on the premise that human behavior or social interaction is an exchange of activity, tangible and intangible (Homans, 1961), particularly of rewards and costs (Homans 1961). Rewards can be tangible (money) or intangible (attention, status, affection) so long as they are seen as having value or bringing satisfaction. Costs occur as either physical or emotional advantages or missed opportunities to gain rewards. The theory treats the exchange of benefits, notably giving others something more valuable to them than is costly to the giver, and vice versa (Homans, 1961), as the underlying basis or open secret of human behavior (Homans, 1961) and so a phenomenon permeating all social life (Coleman, 1990).

A key concept of social exchange theory is the idea of reciprocal exchange. Reciprocal exchange refers to the expectation that when people receive rewards, they respond by doing good things for others (Homan, 1974). Furthermore, reciprocal exchange involves the idea that interactions between people should remain stable. Cultural norms and laws provide parameters that guide reciprocal exchanges. In general, cultural norms and laws are upheld when large numbers of people see them as beneficial. In some circumstances, however, people may violate norms and laws when they believe the costs are too great and the rewards too small (Thibaut & Kelley, 1959). The social exchange theory is used to establish how stakeholders reciprocate to corporate social responsibility strategies adopted by the public universities in Kenya.

Social Exchange Theory is applicable in present context in relation to CSR and employees. According to the motivational processes of Social Exchange Theory and the norm of reciprocity (Homans, 1961; Blau, 1964) it explains the relationships among human resource practices, trust-in-management and employee commitment (Eisenberger *et al.*, 1990; Settoon *et al.*, 1996; Wayne *et al.*, 1997). CSR practices in an organization that focuses on the well-being of employees will create trust in the employee toward the organization and in turns, high employee commitment. A well-established stream of research rooted in Social Exchange Theory has shown that employees' commitment to the organization derives from their perceptions of the employers' commitment to and support of them (Eisenberger *et al.*, 1990; Shore & Tetrick, 1991; Shore & Wayne, 1993; Hutchison & Garstka, 1996; Settoon *et al.*, 1996; Wayne *et al.*, 1997). The research suggested that employees interpret organizational actions such as human resource practices (Settoon *et al.*, 1996; Wayne *et al.*, 1997) and the trustworthiness of management (Eisenberger *et al.*, 1990; Settoon *et al.*, 1996) as indicative of the personified organization's commitment to them. They reciprocate their perceptions accordingly in their own commitment to the organization.

Although Social Exchange Theory has generated a great deal of research, it does have its detractors and has received some serious criticisms. The first criticism is that Social Exchange Theory is not testable. One important criterion of a theory is that it should be testable and capable of being proven false. The difficulty with social exchange is that its central concepts—costs and rewards—are not clearly defined (Sabatelli & Shehan, 1993). It becomes impossible to make an operational distinction between what people value, what they perceive as rewarding, and how they behave. Rewards, values, and actions appear to be defined in terms of each other (Turner,

1978). Thus, it is impossible to find an instance when a person does not act in ways so as to obtain rewards.

When the theory argues that people do what they can to maximize rewards and then also argues that what people do is rewarding behaviour, it is difficult, if not impossible, to disentangle the two concepts. As long as Social Exchange Theory operates with these types of circular definitions, it will be untestable and, thus, unsatisfactory in terms of that criterion. However, Roloff (1981) observes that some work has been done to create lists of rewards in advance of simply observing what people do and labelling that as rewarding because people are doing it. Edna and Uriel (1974, 1976) began this work of clearly defining rewards. Further, Roloff (1981) argues that despite this problem, there has been a great deal of empirical work using Social Exchange theories.

A second problem area has to do with the conceptualization of human beings pointed by Social Exchange Theory. Many people object to this understanding of humans, asking whether people really rationally calculate the costs and rewards to be realized when engaging in a behaviour or pursuing a relationship. Social Exchange, like many theories, assumes a great deal of cognitive awareness and activity, which several researchers have questioned (Berger & Roloff, 1980). Researchers have not come to a definitive answer about how much people calculate their relational life, but this calculation probably ebbs and flows according to many factors since some people are more self-aware than others (Snyder, 1979). As researchers continue to work with this theory, they must account for these and other factors relative to the calculating nature of humans.

Critics wonder if people are really as self-interested as Social Exchange Theory assumes. Duck (1994) argues that applying a marketplace mentality to the understanding of relational life vastly misrepresents what goes on in relationships. He suggests that it is

wrong to think about personal relationships in the same way that we think about business transactions, like buying a house or a car. This suggestion relates to the ontological assumptions one brings to the theory. For some people, the analogy of the marketplace is appropriate, but for others it is not and may be highly offensive. How people evaluate the analogy depends on the ontological framework they bring to the theory.

### **Conceptual Literature**

There are three main perspective of CSR concerning the point ethical business based on social values and the stakeholders long term interest (Alpana, 2014). The most complete approach to studying culture is to address both its core and the manifestations, or values and practices (Hofstede *et al.*, 2010). Values are seen as preferences for certain behaviors or outcomes, the least conscious components that influence our actions. Organizational values are considered the core of organizational culture (Hofstede *et al.*, 2010) and they are most often the values of organizational founders and leaders (Schein, 2010). The extent to which these values can be shared is debated. One argument is that the values in an organization are not necessarily shared, but accepted. They “are labels which are communicated to employees and other stakeholders via top-down process rather than the result of participative process based on stakeholder dialogue” (Prizan, 2010:272). Others hold that the commonly discussed organizational values are not values at all, but “shared perceptions of daily practices” (Hofstede *et al.*, 2010: 348).

Individuals do not lose their personal values when they enter the organizations, but they are introduced to certain views which are more or less shared by organizational members. The views are influenced by organizational values – those that are identified as necessary to achieve the desired outcomes (Argandoña, 2003). The founder’s or leader’s values

will be accepted and integrated into the organizational culture only when organizational members observe the successful result of actions informed by values (Schein, 2010).

Values can be categorized based on many types of content. Ethical values are those most studied in association with corporate social responsibility (Trevino, Butterfield & McCabe, 1998; Crane, 2002; Joyner & Payne, 2002; Duarte, 2010; Linneluecke & Griffiths, 2010). The values often associated with CSR-respect, responsibility, honesty, fairness and integrity- are also the ones associated with healthy organizations (Lowe, 2010). The authenticity of organization’s CSR is evaluated through existence of these values within the organization. CSR values develop with “internalizing a CSR commitment and pursuing it as an end in itself” (Lim & Phillips, 2008).

The effect of corporate social responsibility on organizational commitment governance model from the shareholder to stakeholder model of governance is an introduction of a more holistic approach that paves the path for embedding CSR standards, and subsequently, CSR values. Firms with traditional profit orientation may have some of the above-noted values, but they cannot be considered CSR values without CSR becoming integrated into the company's core business and strategy. For CSR values the context is crucial, as it differentiates them from other organizational culture values (Prutina, 2009).

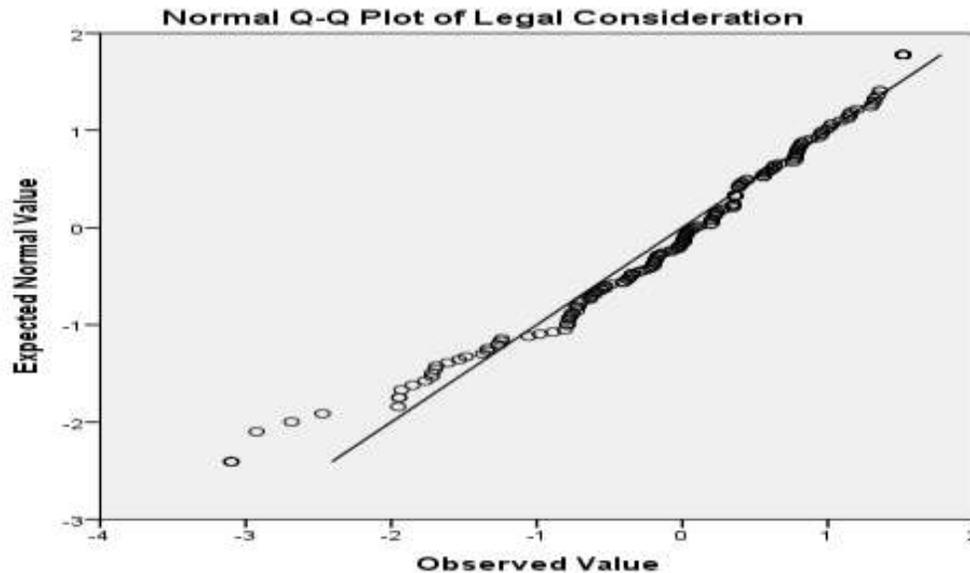
### **METHODOLOGY**

The study adopted a descriptive survey design. The targeted population constituted of the 31 Chartered Public Universities in Kenya. Out of these, five Universities were selected. A sample size of 202 participated in the study representing an 80.52 per cent response rate. The study sampled teaching and non teaching staff of the selected chartered Public Universities. Purposive sampling uses only those members of the population with the desired

information that is relevant for the study. Questionnaire was the main data collection instrument. The instrument was developed from existing literature, was piloted and tested for validity and reliability. The community outreach variable gave Cronbach results of 0.845 indicating that the instrument was reliable.

## RESULTS AND DISCUSSION

Figure 1 below illustrated the distribution of results for the ethical and legal strategy variable. The data was evenly distributed and so was used to draw inferential statistics and conclusions. As seen from the Q-Q plot, the data is evenly distributed along the line of best fit therefore establishing a normal distribution.



**Figure 1: Distribution of results for the ethical and legal strategy variable**

### Reliability and variables correlations results

A reliability analysis was carried out on the legal and ethical strategies scale comprising 6 items. Cronbach's alpha showed the questionnaire to reach acceptable reliability,  $\alpha = 0.869$ . Most items appeared to be worthy of retention, resulting in a decrease in the alpha if deleted. While reliability results showed this objective was reliable the correlation results validated this by showing that all constructs measuring same variable were well correlated. The strategies with low correlations were excluded during hypothesis testing.

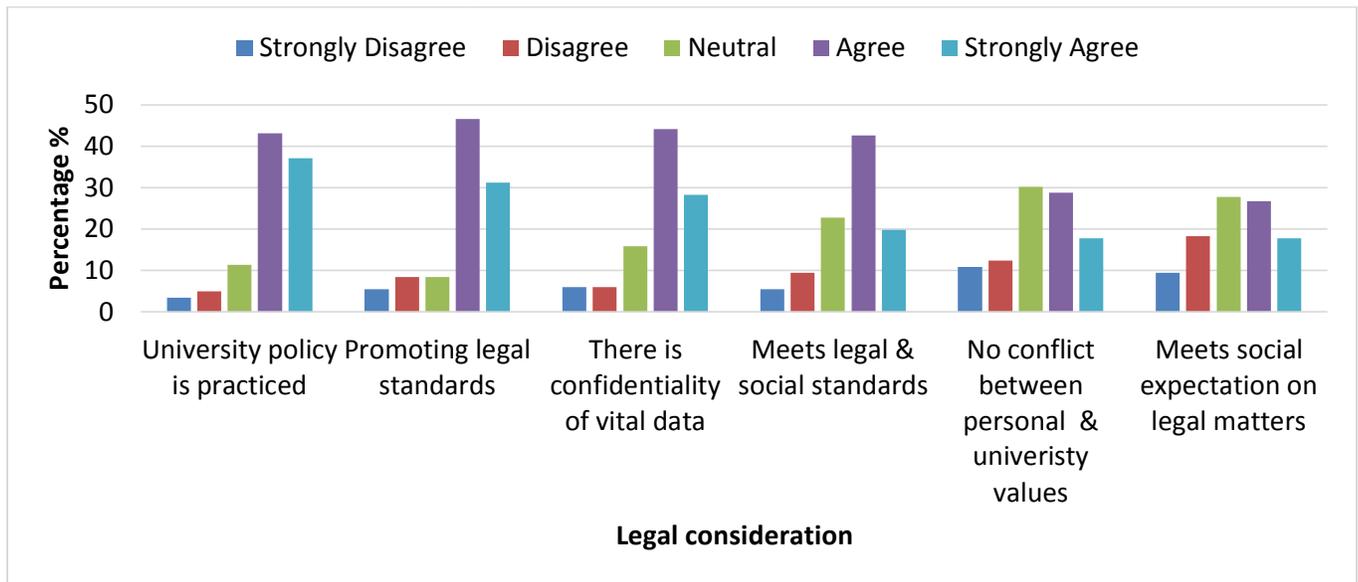
### Descriptive Results for Legal/Ethical considerations

The study wanted to establish legal and ethical strategies adopted by the universities. It was

established 80.2% agreed government control on university policy is practiced such as conducting regular audits, 77.7% agreed the university promoted the use of legal standards and behaviors such as professionalism, integrity and priority for customer service and 72.3% agreed the university has put measures to ensure confidentiality of vital information and data.

It was also identified 62.4% agreed the university meets the legal and social standards set in its operations while 46.5% agreed the employees and students do not encounter any conflict between their personal values and the university values. Finally, 44.6% of the respondents agreed the university meets the society expectations in terms of legal matters e.g. consulting them on them on matter that

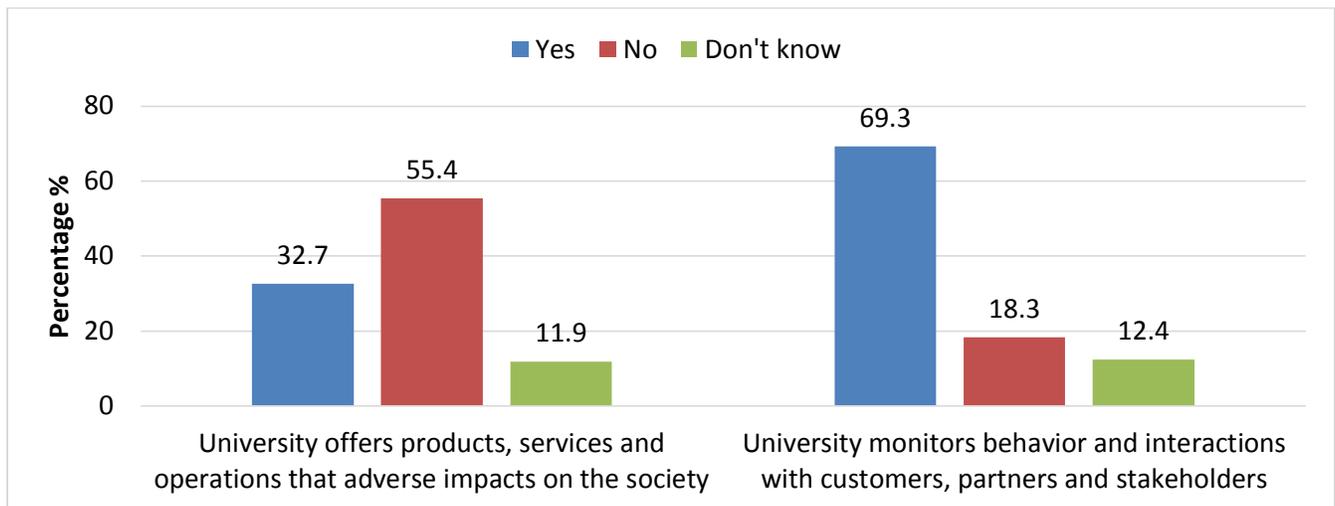
may concern them, priority in granting job members.  
opportunities to the surrounding community



**Figure 2: Legal consideration strategies**

On whether university offers products, services and operations that adverse impacts on the society 55.4% did not agreed while 32.7% agreed and 11.9% didn't know. Finally, respondents were asked whether the

university monitored behavior and interactions with customers, partners and stakeholders. Almost seventy percent (69.3%) agreed, 18.3% disagreed and 12.4% didn't know.



**Figure 3: Universities offers products and services to the society**

**Correlation analysis between legal and ethical strategies and organizational performance**

The correlation between legal and ethical strategies and organization performance found that all the

variables had a moderate correlation with organization performance. These results were presented in the table below.

**Table 1: Correlation between legal and ethical strategies and organizational performance**

	Organization performance
The university promotes the use of legal standards and behavior such as professionalism, integrity, priority for customer service	.449**
Government control on university policy is practiced such as conducting regular audits	.323**
The university meets the society expectations in terms of legal matters	.491**
The university meets the legal and social standards set in its operations	.433**
The employees and students do not encounter any conflict between their personal values and the university values	.389**
The university has put measures to ensure confidentiality of vital information and data	.352**
** . Correlation is significant at the 0.01 level (2-tailed).	

**Univariate regression of legal and ethical strategies and organizational performance**

The regression results showed a positive relationship between implementation of legal and ethical

practices and organizational performance. The results summaries were presented in table 2 below.

**Table 2: Regression of legal and ethical strategies and organizational performance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.174	.229		5.125	.000
Legal Consideration	.470	.051	.548	9.260	.000

a. Dependent Variable: Organizational performance

The study found legal and ethical strategies had value of 0.470 with a p-value of 0.000 which was less than critical a p-value of 0.05 hence the study reject the null hypothesis. This meant that legal and ethical strategies were likely to improve organizational performance of public universities in Kenya factor 0.470. The results confirmed the words of Sharma (2011) that Ethics and Social Responsibility were very important for modern businesses to possess to function productively and profitably. In a world that had been rocked by multiple corporate scandals and

environmental disasters consistently, it is essential that companies put forth the effort to regain and maintain the trust of their customers and the public in general. The results also corroborate the proposals by Goel and Ramanathan (2014) that a more dynamic and inclusive approach that surpasses the monetary valuation of the firm’s activities is required. Fulfilling the ethical norms would need to be the framework within which the firm pursues profits.

## CONCLUSIONS AND RECOMMENDATIONS

The descriptive results showed that a large percentage of respondents agreed that Public Universities had elaborate policies that guided ethical practices and legal processes. The respondents noted that there were adequate legal and ethical controls within their Universities but they lacked the goodwill to implement the same. On its part, ethical and legal

strategies would improve the performance of the organizations since a unit change in the strategies would increase performance by a value of 47%. The study recommends that public sector organizations should focus more on improvement and implementation of their legal and ethical programs to build stakeholder confidence and boost the performance of their programs.

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