EFFECT OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES ON NON-FINANCIAL PERFORMANCE OF ACCOUNTING FIRMS IN KENYA: A CASE OF DELOITTE LIMITED

BY
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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters’ in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2019
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: _______________________

Esther Muthoni Wanderi (ID 650227)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: _______________________

Dr. Caren Ouma

Signed: ___________________________ Date: _______________________

Dean, Chandaria School of Business
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ABSTRACT

The general objective of this study was to establish the effect of CSR initiatives on the non-financial performance of accounting firms in Nairobi, Kenya. The study sought to determine the influence of CSR initiatives on customer satisfaction, on employee engagement, and on corporate image of one accounting firm, Deloitte Limited.

A descriptive research methodology was applied in this study. The target respondents were employees of Deloitte Limited as the basis of the population. The sampling frame applied was the categorization of the staff into the client services, and internal services departments based at the Nairobi office. A sample size of 93 staff was selected using stratified random sampling technique. A research questionnaire with structured and opened ended questions was drafted for issuance to respondents. The research questionnaire was reviewed and approved by the supervisor, and the letter of research authorization and NACOSTI research permit obtained before data collection commenced.

The data collected was analysed using descriptive statistics with the aid of SPSS version 22 and the results have been presented in form of tables and figures.

The study found that Deloitte Limited’s economic CSR initiatives had a significant and positive effect on the level of client satisfaction evidenced by 38% of the respondents who agreed and 13% who strongly agreed while only 9% of the respondents disagreed and 16% strongly disagreed with the statement. A positive and highly significant relationship of $r = .463, p > 0.01$ was noted between the effectiveness of communication of economic CSR initiatives to the company’s clients and the satisfaction of clients with the level of CSR undertaken.

The study also found that Deloitte Limited’s ethical CSR initiatives had a significant positive effect on its employees as evidenced by 43% of the respondents who agreed, and 13% who strongly agreed, while 16% of the respondents disagreed and 9% of the respondents strongly disagreed. The findings also indicated that there existed a positive relationship with a significant value of $r = .554, p = 0.000$ between the level of commitment of the company to ethical CSR and the level of satisfaction that employees found in their work.

Finally, the study found that 39% of the respondents and 26.8% of the respondents agreed and strongly agreed respectively, while 10.7% and 5% of the respondents disagreed and strongly disagreed that there was a positive relationship between CSR and corporate
image. A positive and highly significant value of $r = .632$, $p = 0.000$ was noted between the commitment by the company to social good or philanthropy regardless of the financial gain and the company’s positive image in the marketplace.

The study concluded by commending the company for its notable positive effect on employees, clients and its image through its economic, ethical and philanthropic CSR activities. Recommendations were proposed on each specific objective for additional areas of improvement that may be pursued. Further research can be done to identify other factors influencing client retention and the effect of internal versus external CSR activities on employee engagement in audit and accounting firms.
ACKNOWLEDGEMENT

My gratitude goes to the Almighty God for guiding me through the research process and granting me favor with my supervisor, my family, my friends and all the participants who took part in this research.

I take this opportunity to express my sincere gratitude to my husband, Maina Gatheru, for encouraging me and supporting me as I strived to complete the research paper. Your thoughts and ideas on how to approach each hurdle I faced has been instrumental in the success of this research paper.

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God bless you all for the role you each played in making this research paper a success.
DEDICATION

I dedicate this research study to my mum, Beatrice Wanderi, for instilling in me the virtue of discipline, dedication and hard work.
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<tr>
<td>BP</td>
<td>British Petroleum</td>
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<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>E&amp;Y</td>
<td>Ernst &amp; Young</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>ICPAK</td>
<td>Institute of Certified Public Accountants in Kenya</td>
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<tr>
<td>IRB</td>
<td>Institutional Review Board</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KPMG</td>
<td>Klynveld Peat Marwick Goerdeler</td>
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<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
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<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Technology and Innovation</td>
</tr>
<tr>
<td>PwC</td>
<td>Pricewaterhouse Coopers</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientists</td>
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<td>UN</td>
<td>United Nations</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Corporate Social Responsibility (CSR) is a global concept that has gained ground in the past century evolving from the social responsibility of businessmen in the 1950s to becoming one of the key strategic imperatives for ensuring achievement of corporate goals in the 21st Century. Globally, the negative impact of economic recession and downturns of World War two influenced the birth of CSR by businesses. The responsibility of businesses was to act in ways in line with the values of the existing society by matching the expectations of the society to the obligations of those with the power to make decisions affecting the society (Bani-Khalid & Ahmed, 2017). This has evolved to become a strategic goal for companies in the last four decades to in which firms ensure stakeholder expectations are addressed through corporate governance for the furtherance of the business or towards specific business goals or imperatives (Nikolova & Arsic, 2017).

Rangan, Chase and Karim (2015) applied a framework that looks into three concepts in which companies apply CSR that is, companies driven primarily by charitable objectives whether or not they have business benefits, companies driven primarily by the need to benefit the company’s bottom line as well as have a social and environmental effect, and companies driven primarily by the need to “fundamentally change” or enhance the ecosystem in which the business operates. In addition to this, managers are often “called upon to provide a business case” for or against CSR spending by companies (Sirsly & Lvina, 2016).

Companies taking part in CSR grew globally due to internationalization of businesses into new markets in developing countries. International businesses institutionalized and transferred CSR activities through international trade, investment and development assistance. Globalization of trade and increased expectations of consumers led to a positive effect of business operations on the environment (Park & Ghauri, 2015). Th result of this was that more and more multinational corporations (MNCs) strategically formalized and incorporated CSR activities of its companies located in developing countries as a principle of charity and to some extent as a principle of good stewardship.
Over the years, the requirement for CSR has increased not only due to economic imperatives, or internal and external stakeholder needs, but also due to environmental and regulatory requirements. Initially, CSR had been conceptualized as being at the discretion of companies to voluntarily engage in such initiatives. However, global regulatory policies such as ISO 26000 which acts as a standard for CSR for the protection of consumers and the environment among other stakeholders, have been implemented with the aim of meeting national social economic objectives. The reach of the government mandated policies in most developed countries also require companies to formally submit periodic CSR reports to promote transparency in their economic activities (Panwar, Nawani, & Pandey, 2018).

CSR by corporates comprises an economic, legal, ethical and philanthropic aspect which is the basis of societal expectations (Carroll, 2016). According to Carroll’s four component model, CSR includes the economic responsibility as the foundation and the philanthropic responsibility as the highest level that a corporate can seek to achieve; the legal and ethical responsibilities fell in between these two levels. Another study postulated that CSR activities are “more philanthropic” and performed where charity is needed and by companies willing to support such causes (Cheruiyot, 2016) and that the level of a company’s philanthropic actions is based on an ethical motivation (Carroll, 2016). With the growth of social media and freedom of mainstream media in the 21st Century, availability of real time information to stakeholders led to heightened awareness of both positive and negative business practices and this has influenced brand eminence and value of companies worldwide. Studies have found that companies based in countries where the media has more freedom, are more inclined to take part in CSR initiatives than in countries that lack media freedom (Ghoul, Guedhami, Nash, & Patel, 2019).

In 2010, British Petroleum’s Deepwater Horizon disaster in the Gulf of Mexico, which was extensively covered by global media, resulted in the destruction of marine life. This adversely affected the company’s brand and resulted in new drilling regulations by the United States Government in the year 2016. A survey on the reactions of consumers towards the company after the spillage found that local consumers based in the Florida region had more negative views than foreign consumers from other states in America, and that consumers from Florida had been concerned about the environmental risk prior to the spillage and had an expectation that the company would address and avoid such risk from materializing (Susskind, Bonn, Lawrence, & Furr, 2015).
There have been diverse and contradictory research results on the analysis of the relationship between CSR and corporate performance. Generally, one would expect that there exists a direct correlation between effective CSR and overall non-financial and financial corporate performance. However, scholars have found no correlation, positive correlation and negative correlation between CSR and a company’s financial performance.

A study on American banks found that positive correlation exists between a company’s CSR activities and financial performance (Miller, Eden, & Li, 2018). However, other researchers posit that investing money in CSR is inconsistent with the firm’s objective to maximize profits (Peng & Yang, 2014). An increase in costs due to CSR would translate in dilution of profits. This approach reflects the view of classical economists such as Friedman and Caroll who postulated that the only obligation firms have is to make profit. Friedman’s definition of CSR as the actions taken by a firm to grow its profits within specific sector guidelines gives the impression that firms that should not focus their expenditure on CSR practices.

According to Seetharam, Chetty and Naidoo (2015), CSR activities over the long term or the short term does not have a significant difference in financial performance. The research focused on the effect of announcing CSR activities to stakeholders under the socially responsible investment index of the Johannesburg Securities Exchange on the corporate financial performance in the short term and long term. Another study by Poulain-Rehm and Hirigoyen (2015) on the causal relationship between CSR and a company’s performance found that there is no influence of CSR on financial performance when measured using accounting indicators such as return on equity or return on assets. It has been postulated that when a company’s financial performance is high, managers tend to pursue their own benefits, at the cost of stakeholders, by reducing CSR spending.

It has also been suggested that when companies are not profitable, managers tend to increase their CSR activities to motivate the market and improve performance. Therefore, managers’ ultimate dilemma and challenge is the decision on the appropriate balance in utilizing corporate profits for sustainable social and environmental influence as well as for the benefit of the company’s overall core business. This means that for CSR to be embraced, it must be strategically aligned to the company’s goals and business purpose,
as well as to the needs and values of the stakeholders impacted by the company’s operations (Rangan, Chase, & Karim, 2015).

In addition to the expectations of external-stakeholders, internal-stakeholder perception of CSR initiatives has been noted to affect the financial and non-financial performance of organizations. Companies that involve employees in their CSR initiatives have been noted to experience positive employee attitude towards the authenticity of the company’s CSR initiatives and thereby positively affecting the corporate performance (Schaefer, Terlutter, & Diehl, 2018). This suggests that companies that address the needs and perception of the diverse group of stakeholders within the organization through CSR initiatives can influence organizational performance. The behavior and attitude of employees influences an organization’s decisions and performance including its responsibility towards external stakeholders/society.

Question has arisen among various scholars on whether CSR is considered as genuine when the CSR activities are performed as a strategy to increase revenue, market share or competitive positioning. (Kim, Nurunnabi, Kim, & Kim, 2018). Hakala (2015) found various reasons why businesses engage in CSR, that is, for the achievement of profits in the long term and to reduce costs, for the avoidance of bad publicity, to motivate and retain its staff, to increase customer appeal, to attract potential investors and to gain acceptance from the society. Companies also take part in CSR to create value and maximize the benefits to its stakeholders by carrying out activities such as fair employee compensation, employee safety, anti-corruption practices and encouraging innovation among others (Hakala, 2015).

Corporate performance is measurable in three ways, market-based, accounting-based, and perceptual-based measures. Market based measures rely on the market value of the company as indicated in the stock market on the assumption that shareholders are the primary stakeholders of the company where the share price determines the performance of the company. Accounting based measures focus on how optimal the company is utilizing its assets against certain criteria and applies the review of net income rations, return on equity among others to assess how competitive a company is. Perceptual based measures apply subjective conclusions from respondents based on the performance of the company when compared to other companies. This study applies perceptual based measures and focuses on employee engagement, efficiency and utilization, corporate
image, quality of products and services, level of firm innovation and customer satisfaction as measures of performance.

In the African context, not-for-profit organizations and public interest entities such as banks and listed companies, have been noted to be involved greatly in community-based CSR activities for sustainability reasons. Most of these organizations are subsidiaries of Multinational Companies ascribing to and complying with the standards set by the corresponding global offices based in developed countries (Jamali, Lunc-Thomsen, & Jeppensen, 2017). In addition, unlike in developed countries, regulatory agencies in Africa do not provide adequate capacity, if any, towards the implementation and monitoring of CSR activities by organizations (Jamali, Lunc-Thomsen, & Jeppensen, 2017). Therefore, further research is needed to uncover the underlying motivation for the involvement of companies in CSR in developing countries.

A study carried out on several companies operating in sub-Saharan Africa found that companies strongly focus their CSR initiatives on philanthropic efforts which differs greatly from the CSR approach applied by companies operating in developed countries (Kuhn, Stiglbauer, & Fifka, 2015). A study on the performance of listed companies in Nigeria found that CSR disclosures on community involvement, quality of products, customer engagement and employees greatly enhanced corporate performance, but that environmental disclosure negatively affected corporate performance (Usman & Amran, 2015). This may be attributed to the environment and/or industry in which such companies operate, as well as the lag between implementation of CSR activities and the actual realization of profits. However, a study of the listed companies in South Africa found that there is no significant difference in long term financial performance of the companies due to CSR activities (Seetharam, Chetty, & Naidoo, 2015).

In Kenya, companies operate in an economy affected by dynamic and un-predictable external and internal environmental factors such as legal, regulatory, political, competitive, social-cultural and economic factors. Political uncertainties during an election period, increased competition from new entrants, coupled by regulatory requirements are noted to increase the burden to remain competitive. Greater pressure is felt in public interest companies such as those in the telecommunications (Cheruiyot, 2016), airline (Karago, 2018), retail (Kamunye, 2017), financial services (Wachuka, 2016) and insurance (Koske, 2015) industries to take part in some level of CSR activities
to serve a wide pool of stakeholder expectations and to achieve improved corporate performance.

In the telecommunications industry in Kenya, Safaricom Limited has generated positive publicity through its CSR programs under the Safaricom Foundation flagship and has partnered with other companies locally to implement its CSR agenda in education, environment, sports, culture, among others. Safaricom has more than 17 million subscribers with a net income of Sh. 55 billion in 2018 reported 14 per cent growth from prior year. Ezenwa (2016) and Mwancha (2017) found that Safaricom Limited has enhanced its company image in the eyes of its customers through its CSR initiatives.

In the airline industry, research done on Kenya Airways Limited’s mid-level managers found that financial performance reflected the level of customer satisfaction and that there was a positive influence of CSR practices on customer satisfaction (Karago, 2018). In addition to this, the positive identification of customers to their company of choice due to the company’s involvement in CSR indicated that customers are more loyal to companies that demonstrate their willingness and ability to improve the welfare of the society in which they operate.

In the insurance industry in Kenya, employees of CIC Insurance Company Limited who are aware of the company’s CSR efforts were found to be more engaged and identified better with the company (Koske, 2015). Organizational identification by employees was negatively influenced where the company took part in CSR activities for the sole purpose of increasing its revenue or profitability. But where CSR efforts were targeted at improving the livelihood of the society, greater employee engagement was noted.

In the financial services industry in Kenya, research done on Equity Bank’s CSR programs in education, sports and health (Wachuka, 2016) found that addressing societal needs not only led to the empowerment of the needy in society but also increased the sense of satisfaction among the bank’s employees thereby positively affecting the bank’s performance. It was also noted that companies can reverse negative publicity by taking part in CSR initiatives to improve the brand image as was noted for CerioDelmonte Kenya Limited. The company, a fruit processing firm in Kenya, suffered negative publicity in 2000 for exposing its works to toxic chemicals in the course of its operations. In 2001, the company began an initiative to support workers’ rights to recover its lost glory and reaped the fruits of its endeavor in the subsequent years.
With respect to accounting firms, no research has been found investigating the effect of CSR on corporate financial and non-financial performance. In East Africa, there are four major accounting firms competing for market eminence. That is, Deloitte Limited, PwC, KPMG and E&Y. Our study focuses on Deloitte, one of the oldest and largest professional services firms in East Africa with an employee base of over 950 professionals qualified as accountants, advisers, industry specialists and experts. Deloitte’s client base includes both public and private sector clients and operates in four countries. That is, Kenya, Uganda, Tanzania and Rwanda. Deloitte seeks to deliver quality, unrivaled services to its clients.

The company takes part in corporate social and community activities to affirm its responsibility to the society and to positively influence communities. The firm’s social responsibility commitment involves partnering with not-for-profit organizations such as the Clinton Foundation in the Global Give Back Circle initiative, the government and other companies to provide sustainable solutions to the society in the face of local and global issues (Deloitte, 2019). Deloitte’s CSR initiatives are focused on education and youth, job creation, humanitarian aid, and supporting the under-privileged in society.

1.2 Statement of the Problem

Managers in corporations are in a dilemma on whether involvement in socially responsible activities leads to improved performance. Specifically, managers face a challenge in assessing the effect of CSR on a company’s non-financial performance (Humayun & Ishfaq, 2017). The value of a company is generally measured by its ability to generate financial wealth for its shareholders and any CSR initiative that does not contribute to the creation of financial wealth of a company is reckoned as a waste of corporate resources. However, non-financial indicators such as brand eminence, employee engagement, and customer satisfaction though subjective and intangible, also provide a holistic view of the effect of CSR and ultimately affect the financial performance of a company in the long run (Humayun & Ishfaq, 2017).

Majority of scholars have researched on financial performance indicators affected by the involvement of organizations in CSR (Lin, Ho, Ng, & Lee, 2017). Non-financial performance is a qualitative measure of performance and relates to the level of employee job satisfaction which in turn affects productivity, level of customer satisfaction and market presence of a company (Humayun & Ishfaq, 2017), while financial performance is
more quantitative and captures how profitable a company be measuring its rate of growth through return on investments, liquidity and cash flow movements (Wang, Bhanugopan, & Lockhart, 2015). Several studies carried out to determine whether there is a relationship between CSR and Corporate Performance have resulted in mixed results of positive, neutral or negative relationship (Lin, Ho, Ng, & Lee, 2017).

A study by Fisher (2016) on CSR rankings of companies in Africa, Asia, Europe and the Americas found that Africa and Asia had the lowest CSR ratings in the world. A study of the mining industry in Nigeria found that companies only invested in CSR practices that met the company’s bottom line, where the expected benefits surpass the perceived CSR cost (Usman & Amran, 2015). For-profit companies focus more on reducing CSR costs to increase profitability and focus less on subjective non-financial measures of organizational performance. It has been found that non-financial measures bring to the fore the effect and importance of stakeholder groups in today’s business environment unlike financial measures which are generally focused on shareholders’ returns (Obeidat, 2016).

Accounting firms in Kenya are not immune to these challenges as their focus has been, and remains, to be profitable. Unlike other companies, accounting firms face unique limitations on advertising their social initiatives due to regulatory requirements (ICPAK, 2015). No study has been identified that focuses on the effect of CSR initiatives on the performance of accounting firms in Kenya. The researcher noted that Deloitte Limited undertakes corporate social responsibility initiatives from time to time (Deloitte, 2019) but that the effect of these initiatives on the firm’s non-financial performance is yet to be explored. According to Humayun and Ishfaq (2017), non-financial performance indicators can be applied where access to financial performance measures is unavailable as was the case for Deloitte Limited whose financial information was considered confidential and inaccessible for academic research purposes. This study seeks to focus its investigation on the effect of CSR initiatives on corporate non-financial performance of accounting firms in Kenya, with a specific focus on Deloitte Limited.

1.3 General Objective

The general objective of this study was to investigate the effect of CSR initiatives on non-financial corporate performance of Deloitte Limited.
1.4 Specific Objectives

The specific objectives which the study sought to investigate were as follows;

1.4.1 To determine the effect of economic corporate social responsibility initiatives on customer satisfaction within Deloitte Limited in Kenya

1.4.2 To determine the effect of ethical corporate social responsibility initiatives on employee engagement within Deloitte Limited in Kenya

1.4.3 To establish the effect of philanthropic corporate social responsibility initiatives on corporate image within Deloitte Limited in Kenya.

1.5 Significance of the Study

By evaluating the effect of CSR initiatives on corporate non-financial performance, the results of this research will be instrumental to the following stakeholders;

1.5.1 Accounting Firms in Kenya

Although the study is limited to Deloitte Limited, one of the Big Four Audit Firms in Kenya, other accounting firms may find the results of this research useful for the evaluation of current approaches to CSR as a benchmark or strategic tool for corporate non-financial performance.

1.5.2 Institute of Certified Public Accountants in Kenya (ICPAK)

As an accounting body that regulates professional accountants, ICPAK may rely on the results of this research to re-evaluate the benchmarks and guidelines for ethical marketing and publicity practices for Professional Accountants. Depending on the outcome of the research, additional measures may be identified and implemented that will be a business enabler for accounting firms in Kenya.

1.5.3 Top level managers and corporate decision makers

The findings of this study can be used as a reference guide to analyze and determine whether CSR spending will affect non-financial performance of companies. This will ultimately aid in making the final decision for or against CSR spending.
1.5.4 Researchers and Scholars

The results of this study will build upon the existing body of knowledge. It will therefore be useful to other researchers who may rely on the findings of this research and consider carrying out further research on CSR and corporate performance with a specific focus on non-financial performance of corporates or other organizations.

1.6 Scope of the Study

The study aimed to evaluate the influence of Corporate Social Responsibility initiatives on corporate non-financial performance in Deloitte Limited, one of the Big Four accounting firms in Nairobi, Kenya. The population for sampling was derived from the company’s Nairobi office staff in client services department and internal services department. The respondents constituted of sampled staff in these two departments. The study was carried out between January 2019 and August 2019 and focused on the effect of CSR initiatives on non-financial performance of Deloitte Limited.

1.7 Definitions of Terms

1.7.1 Corporate Social Responsibility (CSR)

CSR generally refers to the alignment of business objectives to societal expectations through the commitment of funds, and performance of business operations for the interests of its stakeholders geared towards social improvement, environmental protection and respect of fundamental rights and privileges.

1.7.2 Corporate non-financial performance

Corporate non-financial performance is generally defined as the ability of a company to acquire and utilize scarce resources as expeditiously as possible in the pursuit of its operational goals and is measured by qualitative indicators. Qualitative indicators consider the tastes, perceptions, ideals, requirements and concepts of both internal and external stakeholders such as shareholders, customers, employees, government and suppliers.

1.7.3 Customer Satisfaction

Customer satisfaction relates to the level of fulfilment of customer expectations by a company with respect to its goods or services (Abbas, Gao, & Shah, 2018).
1.7.4 Employee Engagement

Employee engagement is the extent to which employees are committed to the company in which they work (Gallup, 2013).

1.7.5 Corporate Image

Corporate image is defined as a perception of the company in the minds of its stakeholders based on its products and services, and its past and prospective actions (Sirsly & Lvina, 2016).

1.7.6 Accounting Firms

Accounting firms in Kenya are professional firms involved in the provision of accounting and auditing services to other entities at a fee. These firms are locally regulated by ICPAK and internationally subject to the IESBA professional rules.

1.8 Chapter Summary

This chapter has provided a background of the study on the effect of CSR initiatives on corporate non-financial performance and the purpose and significance of the study. The chapter also outlined the research questions on which the study was based. That is, the effect of CSR initiatives on customer satisfaction, on employee engagement and on the corporate image of Deloitte Limited. Chapter two has covered the literature review to support the specific study objectives while chapter three has presented the research methodology applied in the study. Chapter four has elaborated the research results and analysis based on the three specific research objectives while chapter five has provided the summary, discussion of the findings, conclusion and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The objective of the study was to assess the effect of CSR initiatives on corporate non-financial performance of Deloitte Limited, an accounting firm in Kenya. This chapter assessed literature relating to the three research objectives of the study. That is, the effect of environmental corporate social responsibility initiatives on customer satisfaction within Deloitte Limited in Kenya, the effect of ethical corporate social responsibility initiatives on employee engagement within Deloitte Limited in Kenya and the effect of philanthropic corporate social responsibility initiatives on corporate image within Deloitte Limited in Kenya.

2.2 Effect of Economic CSR Initiatives on Customer Satisfaction

Companies are driven by the need to enhance consumer value and due to this, customer satisfaction remains a primary objective to be met. Satisfaction is a concept that explains the level of fulfilment of expectations (Abbas, Gao, & Shah, 2018). The need to determine the effect of CSR on customer satisfaction stems from the goal of companies to achieve short-term and long-term goals. These goals include but are not limited to creating sustainable value to customers to guarantee customer loyalty and customer retention (Rivera & Curras-Perez, 2016). Satisfaction is therefore considered as a relevant construct for customer appraisal.

2.2.1 Customer Voluntary Advocacy

Two classes of reactions of customers that demonstrate customer satisfaction are intentions of customers to share positive information concerning the company and to voluntarily advocate for the company’s actions or products and services including its pricing basis. Companies can influence the levels of customer satisfaction by developing positive relationships with its customers. Engaged customers become representatives of the company to third parties and uplift or enhance the company’s performance. In addition, satisfied customers are return customers who will continue to purchase the goods and services of the firm. Positive CSR action by companies elicit advocacy by customers who are compelled to be part of the success of companies that are socially and economically responsible in how they produced and sold their products and services.
Such customers project this positivity to other potential customers and stakeholders through word of mouth.

2.2.2 Positive Perception and Aligned Expectations

Customers are sensitive to the social responsibility actions of companies and in turn are obliged to be associated with companies which undertake positive social actions within the confines of responsible economies. The qualitative aspect of customer satisfaction is pegged on how engaged a customer is with the company in question (Abbas, Gao, & Shah, 2018). Customers become engaged with a company when the values of the company match the economical values of its customers. Consumers who are increasingly conscious of economic issues and whose expectations are that firms should be involved in safeguarding the market place will be positively influenced and become loyal to firms that align their CSR initiatives with their expectations.

A study by Li, Zhang and Sun (2019) on consumers’ perceptions of the CSR activities of Huawei and Apple in China found that consumers rated the most important CSR activity involved the protection of consumer privacy while the provision of credible business and product information had been rated last. This meant that safeguarding customer personal information reflected socially responsible activities by Telecommunications companies. With respect to CSR, customer trust is achieved when companies engage in CSR activities that mirror the expectation and values of customers that the economic activities undertaken are in the best interest of the stakeholders (Choi & La, 2013) Companies should revise their CSR policies to address specific customer expectations in the industry they operate. Customers who pay close attention to initiatives which benefit the society will place more value on the goods and services of firms that participate in such activities (Abdeen, Rajah, & Gaur, 2016).

The effect of CSR activities on the perception of consumers was also investigated by Shin and Thai (2014) whose study focused on 214 respondents in South Korea and found that unethical marketing behavior adversely influences consumer attitudes, satisfaction and behavioral intentions. This supports other earlier scholars who found that social norms within a company should match those of its customers for a positive relationship to exist between the company and its customers. In turn, shipping companies in Asia such as Maersk and Hanjin apply a relationship marketing tool to influence customer satisfaction and focus on ensuring that their operations are eco-friendly to avoid negatively affecting
the environment or its customer perception. In Kenya, several studies have been done to evaluate the effect of CSR on customers’ perception and expectation. A study on the effect of CSR on customers of CIC Insurance Group Limited focused on investigating whether customers identified with the organization’s CSR activities and found that the company’s involvement in CSR positively influenced the perception of customers (Koske, 2015).

2.2.3 Loyalty and Retention

Customer satisfaction is critical for the longevity of a company and in turn influences the company’s profitability owing to achieved sales targets on potential and existing clients. Therefore, customer satisfaction also considers the customers purchase intentions, organizational identification, attitudes and, trust and loyalty. Scholars therefore attribute customer satisfaction to customer loyalty and customer retention.

For a business to remain sustainable, it needs to ensure that it retains its current customers even as it seeks to increase its customer base with new clients. This agrees to Kabira (2015) who found that discontent customers will exit the firm and share their complaints with other potential or existing customers thereby threatening the growth of the company’s customer base. A study carried out on 455 customers of banking services in Pakistan to investigate the role of CSR on customer engagement and satisfaction found that CSR activities by companies had a positive effect on the behavioral outcomes in customers in terms of customer loyalty, word of mouth and customer feedback (Abbas, Gao, & Shah, 2018). The researchers also found that socially responsible companies also gave rise to loyal existing customers, a finding that has been echoed by other scholars.

Customer trust is heavily dependent on experience with the firm. These experiences provide a basis for customers to evaluate how able the firm is to meet the customer’s expectations as well as how benevolent and integral the company is in its dealings with the society and community around it. The perceived trustworthiness of a company can be built by the activities it engages in, consistent delivery of good products and services, honesty and fair treatment of stakeholders which over time becomes a critical factor in ensuring long term sustainable relationship between companies and customers.

Customer loyalty is crucial for a company’s growth and survival and emphasis is placed on retention of customers to ensure long term sustainability of the company (Osodo, 2014). In addition to this, CSR activities by firms can also lead to changes in the buying
behavior of customers through proper communication channels of the initiatives undertaken by the firm. A study on 100 students in United States International University Africa (USIU) which investigated the effect of social responsibility activities by the university on customer loyalty, found that involvement of the university in supporting the community enhanced the quality of life of the community and gained the support of its students. This indicated a positive relationship between the philanthropic CSR activities and the loyalty of customers of the university (Nyambura, 2018). Based on the respondents’ feedback, the involvement of USIU management in the CSR activities further compounded the level of loyalty by the students.

2.2.4 Effective CSR Communication

A company’s involvement in CSR initiatives may not gain the reach it anticipates without effectively communicating its undertakings to its stakeholders. As such, strategic communication of CSR initiatives to customers is imperative as a means of engaging customers and gaining their trust (Abdeen, Rajah, & Gaur, 2016). The communication channels used must be accessible to the target customers and open to welcome feedback from customers willing to engage with the firm (Chomvilailuk & Butcher, 2018). Chomvilailuk (2018) further stated that the use of third-party communication channels to expand the reach of consumers and beneficiaries of the CSR initiative is a means of enhancing the firm’s credibility.

A study of the Telecommunications Industry in Kenya by Alinoor (2016) found that communicating a firm’s CSR activities provides a channel through which firms can tap into and change a consumer’s buying behavior and satisfaction for the benefit of the firm. Therefore, strategic communication to customers is key in ensuring that customers are aware of the initiatives undertaken and the firm’s desirable stakeholder reaction is achieved (Chomvilailuk & Butcher, 2018). In addition to this, more emphasis is required in communicating the company’s CSR motives to its customers for greater buy-in.

2.2.5 Customer Preference of Product or Service Relative to Competitors

Measures of market share considers the level of consumer preference to a product in comparison with similar products sold by the company’s competitors or the number of customers of the company relative to total number of customers in the market. Scholars such as Gill (2013) found that customer satisfaction affects firm performance as it leads to increased purchase of preferred goods or services, and therefore increased market share.
The proportion of customers purchasing a specific product relative to the total number of the customers purchasing the similar product but from other sellers is a good measure of how well a company is performing (Gill, 2013).

The level of customer satisfaction and preference affects market share and is one of the most widely studied relationships by scholars (Edeling & Himme, 2018). It is therefore expected that higher market share of one company over its competitor suggests higher sales, less effort to sell more and reduced costs due to economies of scale. A company that is doing well in terms of market share will be the first to benefit from an expansion of the market and gain even greater market share as a market leader. This in turn means the company has a greater propensity for increased performance.

In the local context, a study on the use of CSR to enhance market share of supermarkets in Kisumu found a positive correlation between CSR and market share (Munyoki & Ong’olo, 2013). A study by Mwancha (2017) found that involvement in CSR positively influences the market share of Safaricom Limited in Kenya. As a result of CSR, increase in market share resulted in increase in return on investment and an increase in customer preferences for products of Safaricom Limited relative to its competitors. However, a comparative study by Ogola and Dreer (2014) on the correlation between CSR and market share of Coca Cola company in Kenya and Egypt found that the company has a larger percentage of market share in Kenya but was less motivated to spend in CSR activities in Kenya, while in Egypt, the company was actively competing with Pepsi to gain more market share and was spending higher proportion of funds in socially responsible activities in Egypt.

Ultimately, managers need to invest in CSR activities that positively influence the behavior of customers and those that result in desirable outcomes for the required stakeholders (Chomvilailuk & Butcher, 2018). Such CSR involvement will enhance the satisfaction level of customers, influence their commitment to the firm, and engender positive word of mouth, a free marketing tool for the firm to gain competitive advantage in the market and in turn improve its performance (Ashraf, Ilyas, & Tahir, 2017). Satisfied customers become advocates of the company. This provides a competitive edge for the company over its competitors when existing customers aid the company to turn potential customers into loyal customers (Ashraf, Ilyas, & Tahir, 2017). Therefore, CSR was found to have a positive effect on customer satisfaction. Customers will associate
with the company’s activities, products and services and become brand ambassadors with minimal effort on their part. Such customers will more likely point out any identified negative issues with the company’s products or services to see the company correct and improve their products and services, rather than to switch to competitors (Hseih & Chang, 2016)

2.3 Effect of Ethical CSR Initiatives on Employee Engagement

2.3.1 Employee Commitment and Productivity

Employee engagement has been defined as the extent to which employees are committed to the company in which they work. A survey done by (Gallup, 2013) found that employee engagement is a cause for concern for many companies as decreased productivity in employees result in significant loss of revenue. Commitment by employees is affected by among other factors, perceived organizational support which means that an employee finds a safe environment in which to work with no fear of retaliation or negative consequences, and is aligned to the company’s shared or core values. Where negative outcomes are anticipated, employees withdraw and disengage from work (Glavas, 2016).

According to Harris (2018), corporate culture and perception of employees at their workplace significantly affect their individual performance as well as the overall company performance. It therefore follows that employees who are engaged in their workplace will attribute positive things concerning the company in their discussions with their colleagues and potential employees. Such employees will have an intense desire to work for the organization regardless of other opportunities available in the external environment. These employees will also put greater effort in their work for the success of the business. Notably, scholars pick up the concept of employee engagement in positive light, preferring to focus on the positive results of employee engagement in an organization. Research exists in which employee attitudes have been relied upon to measure the level of employee engagement in an organization.

In a study by Nikolova and Arsic (2017), socially responsible companies achieve lower operational costs through enhanced employee engagement and productivity, enhanced brand and reputation as well as increased customer loyalty. The study also indicated that CSR activities are integrated into the business operations as a matter of policy or due to regulatory requirements to create and sustain value through competitive advantage.
Employee engagement in any given organization is a construct of job satisfaction and contentment that is brought about by increased cognitive and emotional activity at the workplace. Employees who experienced joy, interest and love in daily work activities, as a basic need, consequently experienced a broadening of their attention, cognition and action for the welfare of the organization. An engaged employee is willing to invest oneself and expend discretionary effort to help the employer succeed.

CSR in the context of employees would relate to both internal and external CSR. Internal CSR initiatives are programs focused on the individuals internal to the company through training and education, occupational health and safety as well as human rights (Harris, 2018). On the other hand, external CSR initiatives include community outreach, environmentally friendly products, among others towards the benefit of the society. Both external and internal CSR initiatives help to attract new employees, retain existing employees and help to increase employee engagement (Kim & Scullion, 2013).

2.3.2 Employee Loyalty and Retention

Employee engagement is achieved through a balance between the environment and the performance of an employee, and the performance of the organization and organization’s pursuit to create an environment at work that meets this need. Employee engagement is attitudinal and behavioral, and must have organizational purpose, employee involvement, commitment, passion, enthusiasm, focused effort, and energy in order to bring about value to the business and organizational effectiveness (Opoku-Dakwa, Chen, & Rupp, 2016).

An employee’s level of loyalty and retention in the company is dependent on three elements. These are the employees’ traits or positive views of life and work; the employees’ state or feelings of energy; and employees’ behavior or how the employee exhibits involvement in the business. Studies have set out to analyze the effect of employee engagement on corporate outcomes and found that lack of employee engagement may lead to absenteeism and employee turnover, negative behavior such as theft and fraud, and increased operational costs due to inefficiencies. Whereas, the existence of employee engagement may lead to increased satisfaction by customers, customer loyalty, increased revenue owing to increased efficiency, increased productivity and employee ability to adapt to change (Rosati, Costa, Calabrese, & Pedersen, 2018).’
Employee engagement is affected by the nature of work and leadership. This ultimately leads to job satisfaction, organizational commitment, empowerment and job involvement.

In Kenya, a study by Otieno, Waiganjo and Njeru (2015) on the effect of employee engagement on organizational performance in Kenya’s horticultural sector found that employee engagement is a major determinant of organizational performance and is motivated where there are clear policies and performance development. Atambo and Momanyi (2016) concur with the finding that low employee engagement leads to low employee productivity and ultimately loss of business. Kariuki and Makori (2015) in their study on one university in Kenya found that lack of job security and dissatisfaction at work affects the level of employee engagement and overall work performance.

2.3.3 Employee Voluntary Participation in CSR

Employer’s social responsibility activities are keenly observed by employees. The perceptions of employees of such initiatives affect the meaningfulness that employees find in their work (Caligiuri & Jiang, 2013). When employees gain meaning from their work, they become more productive and this productivity translates into efficiency and overall cost reductions to the firm. (Glavas, 2016). As a result, companies which encourage employees to voluntarily participate in their CSR programs achieve double value for the business and the employees involved. However, such involvement and perception of employees on their employer’s CSR activities is limited to the extent and consequence of the social programs undertaken (Rupp, 2018). In addition, employees yearned less for their normal annual holidays due to derived happiness from taking part in CSR activities.

A study by Rupp (2018) on found that there is a positive relationship between CSR initiatives, and employee participation in CSR initiatives on employee engagement at the workplace and that this extends across different cultures and values. This finding was echoed by Glavas (2016) that a positive and significant relationship between employee perception of CSR and employee engagement but only if the CSR programs undertaken were considered as genuine. It is therefore important for firms to effectively communicate their CSR programs to employees to create the awareness that the firm is positively influencing the society (Raub & Blunschi, 2014). Evidence exists that employee engagement is higher, not only where they perceive that the firm, they work for is a good corporate citizen, but also where its employees are actively involved in its CSR programs.
Rupp (2018) investigated the effect of CSR programs on work engagement of 673 adults from different cultural backgrounds, that is, Canada, China, France, Hong Kong, and Singapore with special focus on perceptions, moral identity, employee demographics and characteristics of the individual and the country from which they came from. The study found that individuals who were involved in CSR initiatives reported positive work engagement due to positive perceived CSR, despite their differences in cultural backgrounds. This was reported mainly for individuals who had a greater need for autonomy in deciding whether to participate in CSR or not, and that managers would be best placed to emphasize voluntary participation in existing CSR programs.

Nevertheless, employee engagement can only be sustainable where the CSR programs which the employer is involved in are meaningful and effective. Therefore, managers bear the challenge of ensuring that the CSR programs are effective (Opoku-Dakwa, Chen, & Rupp, 2018).

2.3.4 Alignment of CSR Initiatives to Employee Expectations

A survey on the expectations of the millennial generation globally indicated that potential and current employees of organizations preferred to work for organizations that are concerned about their impact and contribution to society. Companies use CSR to hire, retain, and engage employees. Companies are governed by individuals and therefore any CSR activities undertaken by companies becomes a reflection of the human side of companies, and the personal commitments of top management to positively influence the society. However, some top-level managers are compelled to contribute to the society to support the values of its employees (Rangan, Chase, & Karim, 2015).

Another study on employee engagement influenced by a firm’s CSR identified the relativity of engagement among employees. The study found that there existed employees who were detached from the firm and its CSR activities, others who were content with their own personal CSR initiatives and not those of its employers, and lastly, those who were completely involved in the employer’s CSR programs (Slack, Corlett, & Morris, 2015). A study on the hotel industry from four regions in Thailand to determine the perceived motives for engaging in CSR found that CSR enhanced employer-employee relationship by eliciting skill development, organizational belonging, and positive psychological emotions such as pride, joy and happiness in employees (Supanti, Butcher,
& Fredline, 2015). In turn, the positive emotions or reactions of employees resulted in positive orientation of potential hires as newcomers into the firm.

Increased employee engagement also fosters greater learning and development of skills and better teamwork. Impediments to employee engagement were noted to be as a result of poor communication, low or weak visibility of employer’s CSR programs, misalignment of CSR activities to firm wide objectives, and weak corporate CSR culture among others (Slack, Corlett, & Morris, 2015).

2.4 Effect of Philanthropic CSR Initiatives on Corporate Image

All stakeholders have the choice of determining their relationship with a company. A customer has the right to decide to purchase products or services of a company. An employee has the choice to work for or resign from the workplace. A supplier has the choice to decide to do business with the company. An investor has the choice to invest or divest investments in the company (Yabing, Yu, & Huang, 2018). These decisions are affected by among other things, the image of a company.

Corporate image refers to the positive attitude towards a company among its present and potential customers and other stakeholders (Maruf, 2013). Another scholar considered it simply as the perception of stakeholders on whether a company is virtuous or not virtuous (Lin-Hi & Blumberg, 2016). A major reason for companies to undertake CSR is their need to improve on the company’s image. Corporate image can also be considered as the level of attractiveness of a company to specific stakeholders based on the expectations of such stakeholders. Therefore, companies must seek to perform better than its competitors to build a good image.

Question has arisen as to whether companies can avoid practicing CSR where their reputation is already good owing to other factors such as quality of products and services, good publicity and market leadership. This is the premise on which companies choose to avoid doing bad. The assumption is that doing good will increase its reputation in the eyes of various stakeholders, while avoiding bad will help the company maintain any positive image it has (Lin-Hi & Blumberg, 2016). In addition, neglecting CSR on this premise means that the firm will save on CSR costs and therefore earn more in profits.
2.4.1 General Perception by Various Stakeholders in the Market Place

CSR initiatives can be used to influence the image of the company in the eyes of various stakeholders. Stakeholder perception of the company’s philanthropic CSR initiatives in the market place will affect their perception of the company’s image (Sirsly & Lvina, 2016). Corporate image and reputation build customer loyalty and aids in attracting new clients and investors. Five elements that constitute a company’s image i.e. corporate identity, individuality, physical environment, service offering and company personnel. Corporate image is influenced by a company’s planned or undertaken activities. Maruf (2013) found that corporate image is influenced more by a company’s philosophy, values and culture than by the corporate identity, physical environment, service offering or company’s personnel.

2.4.2 Effective CSR Communication to Stakeholders

The influence of philanthropic CSR on company image is, however, not possible without effective communication to relevant stakeholders, nor is it sustainable without the commitment and support of senior management (Sontaite-Petkeviviciene, 2015). Effective communication to stakeholders involves a deep understanding of the target audience, the expectations of such audience as well as the preferred communication preferences for effective corporate image and reputation (Lauritsen & Perks, 2013) and (Engizek, 2017).

Lauritsen and Perks (2013) carried out a study on 30 young adult consumers in the UK to explore the communication preferences of the sampled respondents based on CSR activities undertaken by firms and its effect on corporate image and reputation. The study found that interactive CSR communication is effective in improving the customers’ emotions, improving the perception of value of products and services by consumers, enhancing the knowledge of the consumers concerning the firm’s activities and maintaining the memory of the firms in the minds of the consumers. (Lauritsen & Perks, 2013).

Company CSR communication strategies have also been noted to improve performance of companies through improved corporate image and customer loyalty (Kabira, 2015). A study done on Britam Insurance Company in Kenya recommended that insurance companies should build strong competitive image in their markets through involvement in
philanthropic CSR activities in response to changes in the business environment (Kanyotu, 2017).

2.4.3. Protection of Company Image

A scholar, Beamish (2015), indicated that large corporations which also earn more in profits are highly motivated to engage in CSR due to greater public scrutiny than smaller companies. These corporations will take part in philanthropic CSR initiatives to protect their company image. Stakeholders prefer companies which are involved in CSR. Such companies were seen to be more trustworthy and reputable than those which were not involved in CSR.

Additionally, research done by Sontaite-Petkeviviciene (2015) found that CSR is a key driver in correcting loss of corporate reputation and image. Stakeholders assess the perceived risks of associating with a firm before determining the approach to take. Therefore, negative company reputation can be more conspicuous than a positive reputation (Jung & Seock, 2016). Jung and Seock investigated actual reports on American Apparel’s negative publicity and found that brand awareness and perceived quality of products and services influenced brand image and attitude and that this intensely affected consumer decision making. Therefore, any deterioration of attitude and purchase intention due to negative information about a firm will harm brand image and in turn lead to poor performance of the company. However, whichever the reason for undertaking CSR, studies have found that CSR leads to better corporate reputation.

2.4.4 General Positive Stakeholder Perception

CSR has proved to be one channel that has been employed by organizations to communicate the corporate image (Shin & Thai, 2014). Shin also found that companies that engage in CSR create a positive corporate image in the minds of their customers, suppliers and other stakeholders. Stakeholders who perceive the company as honest and reliable in turn perceive the company’s products or services as being of higher quality in comparison to other companies. A positive corporate image can sustain greater profit outcomes for a company over a period. Improved image of a firm may result in the ability of the firm to attract investors and to enhance employee commitment to the firm (Sontaite-Petkeviviciene, 2015). In addition to this, consistent improvement in CSR can aid in improving the reputation of a company over time (Sirsly & Lvina, 2016).
Furthermore, companies that begin with advanced CSR initiatives have a greater propensity to significantly grow their image in the course of time.

An investigation of retail banking customers in Turkey found that CSR influences image of a company with one key driver being overall service quality (Engizek, 2017). According to the study, CSR was also found to influence the affective commitment in customers, that is, a strong desire to maintain the customer-company relationship as a valued relationship.

Locally, research conducted by Mwancha (2017) on the effect of philanthropic CSR on the brand image of Safaricom Limited found that due to the CSR initiatives, the company enjoyed a reputable brand image which in turn increased customer and supplier loyalty and ultimately increased corporate performance. A similar study by Ezenwa (2016) matches these findings by positing that CSR aids the achievement and sustenance of a positive corporate image.

A study on Equity Bank by Wachuka (2016) found that the bank’s philanthropic CSR through sports enhanced corporate brand, reputation and image. Njeru (2016) investigated liquor retail outlets in Nairobi to determine the effects of spillover of Tusker Project Fame on these entities and found that the non-monetary outcomes of the reality show significantly correlated to goodwill for the retailers, increased stakeholders’ loyalty and improved the reputation of the retailers in the minds of its customers, suppliers, government and other stakeholders.

2.5 Chapter Summary

Chapter two reviewed the available literature sources and examined CSR, corporate non-financial performance and the measures of the same in terms of customer satisfaction, employee engagement, and corporate image. The chapter utilized empirical literature and general literature available to adequately address the three research objectives of the study. Chapter three presented the research methodology applied in the study. Chapter four has elaborated the research results and analysis based on the three specific research objectives while chapter five provided the summary, discussion of the findings, conclusion and recommendations of the study.
CHAPTER THREE

3.0. RESEARCH METHODOLOGY

3.1 Introduction

This chapter has discussed the overall research methodology applied for this study and focused on the research design, population and sampling design, data collection, research procedures and data analysis methods. Research methodology is generally defined as a framework detailing a series of actions necessary to plan the data to be analyzed (Mwancha, 2017).

3.2 Research Design

Research design is referred to as the first stage of research methodology which provides a conceptual framework within which data is collected and analyzed with the goal of addressing the research objectives stated in the study. According to Babbie (2013), several research designs are available to researchers depending on the objectives of the studies and these include exploratory, descriptive, causal, experiments, survey and case studies.

This study applied descriptive design that is qualitative in nature focusing on the attitudes and opinions of respondents to the research objectives in this study. This design investigated the characteristics and behaviors of respondents. Descriptive studies focus on studying and reporting on the current state of matters by using surveys and other fact-finding reviews. Most descriptive studies are ex-post facto by design in which a researcher obtains facts on what is happening or has happened with no control over the variables and reports on these observations as is.

Descriptive research design was applied in this study to investigate the influence of CSR initiatives on the corporate performance of Deloitte Limited. This design was appropriate because it provided the state of the matter as they are, with no control over the variables from the researcher. It described the phenomena under study, and its characteristics (Nassaji, 2015). Moreover, in descriptive studies, a researcher utilizes questionnaires or performs interviews on a sample of individuals for purposes of collecting data for analysis. Descriptive studies allowed the researcher to obtain a rich collection of qualitative data from various individuals’ attitudes, opinions, attitudes, preferences and habits. Although descriptive research utilizes qualitative data, it also examined or
analyzed the information quantitatively by use of frequencies, percentages, averages or other statistical analysis tools available (Nassaji, 2015).

3.3 Population and Sampling Design

3.3.1 Population

Population refers to the summation of all actions, persons, themes, and items in which a researcher identifies the desired characteristics that will enable him or her to meet the objectives of the research (Cooper & Schindler, 2014). In this study, the target population consisted of all 122 employees of Deloitte Limited based in the head office in Westlands, Nairobi comprising of a total of 96 client services department staff in the Audit and Advisory department; and 26 internal services department staff based in HR, Finance and administration, and IT.

The categorization of the population in this study was relevant as the two main categories of staff are those that provide services directly to the firm’s clients and those who only serve the firm in a support role. Moreover, the implementation of CSR policy in Deloitte Limited though open to all staff, was not mandatory and gave a clear perspective on the opinions of the staff members on the effect of CSR on non-financial performance of the company. Therefore, further stratification into the sub-groups was not deemed necessary for purposes of this study.

Table 3.1 Population of the Study

<table>
<thead>
<tr>
<th>Categorization</th>
<th>Number of employees</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client services department staff</td>
<td>96</td>
<td>79%</td>
</tr>
<tr>
<td>Internal services department staff</td>
<td>26</td>
<td>21%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>122</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Deloitte Limited (2019)

3.3.2 Sampling Design

Sampling design refers to the rules identified by the researcher in determining the elements from the population which was subjected to the study. It applies a representative of the population. That is, samples with a nonzero chance, known chance or probability chance of selection (Sekaran & Bougie, 2013). Sampling approaches include stratified,
simple random and cluster sampling designs. The sampling design described the sampling frame, technique and sample size to be tested.

3.3.2.1 Sampling Frame

A sampling frame is a list of the actual cases from which a sample is to be drawn. It differs from the population in the sense that it is more specific and provides more details to the researcher on the characteristics of the population targeted. In this study, the detailed list of staff members in the Nairobi office was derived from Deloitte Human Resources database and related to current staff members as at the time of performing the study. The target population was categorized broadly into two, that is, client services department staff and internal services department staff. The client services department included staff who directly provide services to the company’s clients while the internal services department included staff who are in a support role within the company and do not directly serve the company’s clients.

3.3.2.2 Sampling Technique

The sampling technique is a method applied to identify, describe and justify the specific sampling methods used. For this study, the researcher applied a probability sampling technique. A stratified random sampling approach was applied to grant potential respondents in each category a non-zero equal chance of selection and participation in the study. Probability sampling is applied where the population is finite, as was with this study. The advantage of stratified random sampling technique is that it reduces systematic errors and sampling biases (Alvi, 2016).

There exist two types of stratified sampling techniques, that is, proportionate stratified sampling where the elements in each stratum are selected relative to the proportion to the population, and disproportionate stratified sampling where an equal number of elements are selected from each stratum and the size of strata is not considered (Kumar, 2018). For this study, a proportionate stratified sampling technique was applied.

3.3.2.3 Sample Size

A sample size can be defined as a group of elements from the target population that have been selected for purposes of research or study. An element is a single entity in a population which cannot be further broken down, for instance an individual (Alvi, 2016).
Therefore, a sample becomes a representation of the target population for research purposes.

Using the stratified random sampling method, the sample size has been selected on the staff of Deloitte Limited using Yamane’s (1976) formula;

\[ S = \frac{N}{1+N_e^2} \]

Where \( SS \) = sample size required, \( N \) = Population size, and \( e \) = error margin at a confidence level of 95%.

Margin of error (e) = 5%

Therefore,

\[ SS = \frac{122}{1+122*0.05^2} \]

\[ SS = 93.4 \]

The sample size is 93 respondents.

The next step was to determine the sample size for each stratum. The study applied the proportionate stratified random sampling technique as follows:

Sample size for strata (Ss) was equal to the target population for each stratum (Ts) multiplied by the sample size (SS) and divided by the total target population (N) denoted as follows:

\[ S_s = \frac{(T_s*SS)}{N} \]

Thus, the strata sample size was as follows:

**Table 3.2 Population Sample**

<table>
<thead>
<tr>
<th>Categorization (Strata)</th>
<th>Number of employees (Ts)</th>
<th>Distribution %</th>
<th>Computation (Ts*SS)/N</th>
<th>Sample size (Ss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client services department staff</td>
<td>96</td>
<td>79</td>
<td>(96*93/122)</td>
<td>73</td>
</tr>
<tr>
<td>Internal services department staff</td>
<td>26</td>
<td>21</td>
<td>(26*93/122)</td>
<td>20</td>
</tr>
<tr>
<td>Total Target Population (N)</td>
<td><strong>122</strong></td>
<td><strong>100</strong></td>
<td><strong>(122*93/122)</strong></td>
<td><strong>93</strong></td>
</tr>
</tbody>
</table>
3.4 Data Collection Methods

Data collection methods involve the collection of primary or secondary data. Primary data collection techniques include conducting interviews, use of questionnaires and/or observation. The researcher adopted a descriptive study and relied on the use of questionnaires provided to the sampled respondents and through which data for analysis was collected (Creswell, 2013).

The data collection instrument in this case was a tailored questionnaire based on each specific research objective for the collection of primary data for analysis. The questionnaire was developed by the researcher and provided an easy administration to respondents, included open and close ended questions to facilitate the analysis of the variables, and incorporated all research objectives for relevance. The questionnaire applied the Likert scale methodology.

The Likert scale is a graduated scale that allowed the measurement of qualitative attributes such as attitudes and has been scientifically accepted and validated by scholars over the decades (Joshi, Kale, Chandel, & Pal, 2015). Attitudes are preferential ways of behavior of elements that is acquired through interactions between elements of a population. The scale used for this study is a 5-point scale with the following points; (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree (Harpe, 2015).

3.5 Research Procedures

The research process involved the design of the data collection tool, that is, the questionnaire administered to the respondents. The research questionnaire was reviewed and approved for data collection by the supervisor. The IRB letter of research authorization and NACOSTI research permit were obtained before data collection commenced.

The administration of the questionnaires to the sampled elements was issued randomly to the two sets of categories per the sampling technique. The researcher clarified the objective of the study by ensuring that the questionnaire detailed the objective and provided guidance on each section of the questionnaire. The respondents were granted 4 weeks to provide their responses in the questionnaires. The researcher collected all responses for data entry and commenced the analysis.
3.6 Data Analysis Methods

Data analysis is a process of examining data collected and interpreting it into meaningful information presented in summary, or graphically, or in the form of tables, charts or percentages (Cooper & Schindler, 2014). This study relied on a statistical package, SPSS version 22 to examine the data collected and presented the findings in form of figures and tables.

SPSS version 22 was used to synthesize the various correlation relationships. Further analysis and generalization about the study findings was done. The aim of the statistical testing procedures was to provide feedback to the research objective to investigate whether there is a relationship between CSR and non-financial performance of Deloitte Limited.

3.7 Chapter Summary

Chapter three presented the research methodology in use for the study and discussed the research design, population and sampling techniques, the data collection tools and methods to be applied as well as the data analysis methods to be applied. The next chapter presented and elaborated the research results and analysis based on the three specific research objectives, the effect of economical CSR initiatives on customer satisfaction in Deloitte Limited, the effect of ethical CSR initiatives on employee engagement in Deloitte Limited, and the effect of philanthropic CSR initiatives on the corporate image of Deloitte Limited. Chapter five provided the summary, discussion of the findings, conclusion and recommendations of the study.
CHAPTER FOUR

4.0. RESULTS AND FINDINGS

4.1 Introduction

This chapter set out the analysis and findings of the research study in line with the research methodology. The results presented the findings of the influence of CSR initiatives on non-financial performance of accounting firms in Kenya. The data was gathered exclusively by use of a questionnaire as the research instrument, which was distributed to the staff of Deloitte Limited, an accounting firm operating in Nairobi, Kenya. The researcher circulated a total of 93 questionnaires of which 56 were completed and a response rate of 60% was achieved and deemed adequate for the study.

4.2 Demographic Information of the Respondents

This section highlighted the findings of the demographic information of the participants of this research study. This was important to identify the effect of the demographic information of the respondents on their perceptions on the influence of CSR on the non-financial performance of the company they worked for.

4.2.1 Gender of the Respondents

The researcher sought to study the gender of the respondents. The results indicated that majority of the respondents were female representing 66% of the population while males were 33% as presented in Figure 4.1 below. The findings of this study were majorly influenced by the views and opinions of the female gender.

Figure 4.1 Gender of the Respondents
4.2.2 Age of the Respondents

The review of the age of the respondents found that 77% of the respondents were aged between 26-35 years. 11% of the respondents were aged less than 25 years, 11% were aged between 36-45 years and 2% were aged between 46 -55 years. None of the respondents was above 56 years old. This meant that majority of the respondents were middle-aged, and their responses may have been subject to the views and opinions shared by this age bracket. The results are illustrated in Figure 4.2 below.

![Figure 4.2 Age of the Respondents](image)

4.2.3 Education Level of the Respondents

The investigation on the highest education level of the respondents found that out of the 56 respondents, 66% held an Undergraduate Degree, 30% held a Masters’ Degree and 4% held other qualifications such as a professional certificate or diploma as the highest level of educational qualification. This means that majority of the respondents have an undergraduate degree and their responses may have been subject to the views and opinions shared by staff within this educational bracket. The results are illustrated in Figure 4.3 below.

![Figure 4.3 Highest Education Level of the Respondents](image)
4.2.4 Department of the Respondents

The findings on the analysis of the distribution of the respondents in terms of the department in which they worked indicated that 71% of the respondents worked in the client service department while 29% worked in the internal client services department. 16 out of 26 Internal client services staff and 44 out of the 96 client service department staff responded to the questionnaire. This is illustrated by Figure 4.4. below. Therefore, the study provided adequate findings based on employees who engage with external parties such as clients and suppliers.

Figure 4.4 Department of the Respondents

4.2.5 Period of Service

To determine the period the respondents have worked in the company, the findings revealed that 23 respondents have worked in the company for 1-3 years representing 41% of the total population, 14 of the respondents had worked for the company for 7-10 years and another 14 of the respondents for 4-6 years each representing 25% of the total population while 2 of the respondents had been in the organization for less than 1 year representing 4% of the total population, and 3 of the respondents had worked for the company for more than 10 years representing 5% of the respondents. The findings of this study indicated the opinion of majority of staff who had worked for the company for a period of 1 to 10 years. The results are illustrated in Figure 4.5 below.

Figure 4.5 Period of Service
4.2.6 Respondents’ CSR Awareness Level

The researcher sought to determine the awareness level of the respondents to CSR activities by the company and found that 95% of the respondents reported to be aware of the CSR activities undertaken by the company while 5% of the respondents indicated as not being aware of the CSR activities undertaken by the company. The results are illustrated in Figure 4.6 below.

![Figure 4.6 Respondents’ CSR Awareness Level](image)

4.2.7 Frequency of Company’s CSR Activities

The researcher sought to determine the frequency of CSR activities by the company. The results indicated that 34% of the respondents responded that the company undertakes quarterly CSR activities, 21% responded that the company undertakes CSR activities annually, 16% responded that the company undertakes to CSR activities by the company and 11% of the respondents reported that the company undertakes monthly CSR activities, 14% of the respondents indicated that the company undertakes other i.e. weekly CSR activities while 4% of the respondents did not provide an answer. The results are illustrated in Figure 4.7 below.

![Figure 4.7 Frequency of Company’s CSR Activities](image)
4.2.8 Respondents’ Participation in CSR Activities

The researcher sought to determine the level of participation of respondents in CSR. 66% of the respondents indicated that they take part in CSR while 34% of the respondents indicated that they do not participate in CSR activities. The results are illustrated in Figure 4.8 below.

![Figure 4.8 Respondents’ Participation in CSR Activities](image)

4.3 Effect of Economic CSR Initiatives on Customer Satisfaction

The first objective of the study sought to determine the effect of economic CSR initiatives of Deloitte Limited on customer satisfaction. Respondents provided feedback on the extent to which they agreed to the set of statements included in the questionnaire.

4.3.1 Relationship between Economic CSR and Client Satisfaction

Respondents were asked to indicate their opinion on whether there exists a positive relationship between a company’s economic CSR activities and the level of client satisfaction.

<table>
<thead>
<tr>
<th>Table 4.1 Economic CSR and Client Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>I believe there is a positive relationship</td>
</tr>
<tr>
<td>between a company’s economic CSR activities,</td>
</tr>
<tr>
<td>and client/customer satisfaction</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
The findings indicate that 38% of the respondents agreed to the statement, 13% of the respondents strongly agreed, 25% of the respondents maintained a neutral stand, while 9% of the respondents disagreed and 16% strongly disagreed with the statement. See figure 4.9 below

**Figure 4.9 Economic CSR and Client Satisfaction**

**4.3.2 Alignment of Economic CSR Initiatives with Client Expectations**

Respondents were asked to indicate whether they agreed with the statement that the economic CSR activities of the firm they worked for were aligned to customer expectations. 36% of the respondents agreed that the firm they worked for had aligned its CSR activities with its clients’ expectations, 29% disagreed with this statement, 21% remained neutral, 11% strongly disagreed while 4% strongly agreed to the statement. See figure 4.10 below.

**Figure 4.10 Alignment of Company’s Economic CSR to Client Expectations**
4.3.2.1 Client Satisfaction and Level of Company CSR Commitment

The survey sought to obtain feedback from the respondents whether the company’s clients were satisfied and content with the level of commitment in CSR by the company. 54% of the respondents remained neutral as to whether the company’s clients were satisfied and content with the level of commitment of the company in its CSR undertaking. 25% of the respondents agreed that the clients were satisfied with the level of commitment while 16% disagreed with the statement. 2% of the respondents strongly agreed while 4% strongly disagreed with this statement. See figure 4.11 below.

![Figure 4.11 Client Satisfaction with Level of CSR Commitment](image)

4.3.2.2 Positive Feedback from Clients on Company’s CSR Activities

Respondents were asked to indicate their level of agreement with the statement as to whether the company receives positive feedback from its clients on its CSR initiatives. 41% of the respondents were neutral on whether positive feedback on the company’s CSR initiatives had been received from clients, 23% and 5% agreed and strongly agreed with the statement, respectively, while 18% and 13% disagreed and strongly disagreed, respectively. See figure 4.12 below.
4.3.3 CSR Positively Influences Client Behavior

Respondents were asked to indicate their level of agreement with several statements in order to determine whether CSR initiatives of the company they worked for has influenced the clients’ behavior.

4.3.3.1 CSR Positively Influences Client Satisfaction with the Company’s Products and Services

The respondents were asked to indicate their agreement to the statement that the company’s clients were loyal and satisfied with the products and services offered by the company. 55% of the respondents indicated that they agreed with the statement, 16% of the respondents strongly agreed that the company’s clients were satisfied with the company’s products and services, while 20% remained neutral, and 4% and 5% of the respondents strongly disagreed and disagreed, respectively. Figure 4.13 illustrates these findings.
4.3.3.2 Enhanced Client Commitment and Negative Publicity

The study sought to obtain feedback from the respondents on whether the company they worked for received communication from its clients on any negative publicity with the aim of ensuring corrective action is taken. 54% agreed that clients reported negative publicity to the client with the aim of obtaining a solution, while only 9% strongly agreed with the statement. 7% and 25 disagreed and strongly disagreed respectively, while 29% remained neutral on this statement. Figure 4.14 below illustrates these findings.

![Figure 4.14 Client Commitment to Company in times of Negative Publicity](image)

4.3.4 CSR influences Clients to be Brand Ambassadors

A series of statements was included in the survey to obtain feedback from the respondents on whether CSR initiatives by the company influences clients to be voluntary ambassadors of the company.

4.3.4.1 Enhances Voluntary Advocacy of Company to Other Parties

The respondents were asked to indicate whether they agreed that the company’s clients voluntarily shared positive information with other parties about the company. 54% agreed to this statement, 38% remained neutral while 7% and 2% strongly disagreed and agreed respectively. Figure 4.15 below illustrates these findings.
4.3.4.2 Enhances Client Intention to refer the Company’s Products to Potential New Clients

The respondents were asked to indicate their level of agreement with the statement that the company’s clients will voluntarily refer the company’s products and services to potential new clients. 48% of the respondents agreed that clients readily referred the company’s products and services to potential new clients with 9% strongly agreeing to this statement. However, 2% of the respondents disagreed with the statement while 41% of the respondents remained neutral to this statement. Figure 4.16 illustrates these findings.

Figure 4.15 Client Voluntary Advocacy of Company to Other Parties

Figure 4.16 Client refers Company’s Products to Potential New Clients
4.3.5 Effect of Economic CSR on Client Retention

One statement in the questionnaire sought to determine whether respondents agreed that the company’s involvement in economic CSR initiatives influences clients’ preference to continue working with the company. 43% of the respondents remained neutral while 23% and 20% disagreed and strongly disagreed, respectively. Only 14% of the respondents agreed that economic CSR positively influences the level of client preference to continue working with the company. Figure 4.17 below illustrates the feedback received.

![Bar chart showing the feedback received on the influence of economic CSR on client retention.](image)

**Figure 4.17 Influence of Economic CSR on Client Retention**

4.4 Effect of Ethical CSR Initiatives on Employee Engagement

The second objective of the study sought to determine the effect of ethical CSR initiatives on employee engagement. Respondents provided feedback on the extent to which they agreed to the set of statements included in the questionnaire.

4.4.1 Relationship between Ethical CSR and Employee Engagement

Respondents were asked to indicate their opinion on whether there exists a positive relationship between a company’s ethical CSR activities and the level of employee engagement.
Table 4.2 Ethical CSR and Employee Engagement

<table>
<thead>
<tr>
<th>Statement</th>
<th>Scale</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe there is a positive relationship between ethical CSR and employee engagement in the firm I work for.</td>
<td>Strongly Disagree</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>56</td>
</tr>
</tbody>
</table>

The findings indicate that 42.9% of the respondents agreed to the statement, while 12.5% strongly agreed. 19.6% of the respondents remained neutral while 16.1% of the respondents disagreed with the statement, and 8.9% of the respondents strongly disagreed with the statement.

4.4.2 Employee Commitment to Company Core Values

The survey sought to determine whether respondents were committed to the company’s core values. 57% of the respondents agreed that they are committed to the company’s core values, 23% strongly agreed to the statement. 14% of the respondents remained neutral while only 4% and 2% of the respondents disagreed and strongly disagreed with the statement, respectively. Figure 4.18 illustrates the findings.

Figure 4.18 Employee Commitment to Company Core Values
### 4.4.3 Employee Satisfaction with Work in the Company

The survey further sought to determine whether employees were satisfied with their work at the company due to the involvement of the company in CSR. 34% of the respondents disagreed that they find satisfaction in their work due to the company’s involvement in CSR, while 16% strongly disagreed. 18% of the respondents agreed that they find satisfaction in their work owing to the involvement of the company in CSR, while 7% strongly agreed to the statement. However, 25% of the respondents remained neutral. See figure 4.19 below.

![Employee Satisfaction with Work](image)

**Figure 4.19 Employee Satisfaction with Work**

### 4.4.4 Employee Retention due to CSR

The researcher sought to determine whether CSR involvement by the company influenced employee retention and number of years the employees preferred to remain in the company. 43% of the respondents disagreed while 38% of the respondents strongly disagreed with the statement that the company’s involvement in CSR influenced their decision to remain in the company for a longer period. 13% of the respondents remained neutral while only 7% of the respondents agreed with the statement. As indicated in figure 4.20.
4.4.5 Employee well-being due to CSR

The study sought to determine whether the employees of the company agreed with the statement that due to its involvement in CSR, the company was concerned about the wellbeing of its employees. 34% of the respondents disagreed with this statement while 21% strongly disagreed that the company was concerned about the wellbeing of its employees owing to its involvement in CSR. 23% of the respondents agreed while 2% of the respondents strongly agreed that the company was concerned about the wellbeing of its employees. However, 20% of the respondents remained neutral. See figure 4.21 below.
4.4.6 Active Participation of Employees in CSR

The study sought to determine whether employees in the company actively participated in CSR. 54% of the respondents agreed and 7% strongly agreed that employees actively participated in CSR in the company. 13% and 9% of the respondents disagreed and strongly disagreed to the statement, respectively. However, 18% of the respondents remained neutral. See figure 4.22 below

![Figure 4.22 Active Participation of Employees in CSR](image)

4.4.7 Voluntary Advocacy to Potential Job Candidates

The survey sought to determine whether employees of the company voluntarily and actively encourage potential job candidates to submit applications to work for the company. 41% of the respondents agreed that due to the company’s involvement in CSR they would voluntarily encourage job seekers to apply to work for the company. 14% of the respondents strongly agreed that they actively encourage job seekers to apply to work for the company. 16% of the respondents disagreed while 5% strongly disagreed to the statement. However, 23% of the respondents remained neutral. See figure 4.23 below
The third objective of the study sought to determine the effect of philanthropic CSR initiatives on corporate image. The questionnaire submitted to the respondents included a set of statements whose answers were graded on a scale of 5- Strongly agree, 4- Agree, 3- Neutral, 2- Disagree, 1- Strongly Disagree. Respondents provided feedback on the extent to which they agreed to the set of statements included in the questionnaire.

### 4.5.1 Relationship between Philanthropic CSR and Corporate Image

Respondents were asked to indicate their opinion on whether there exists a positive relationship between a company’s CSR activities and corporate image. The results are tabulated in Table 4.3 below.

#### Table 4.3 Philanthropic CSR and Corporate Image

<table>
<thead>
<tr>
<th>Statement</th>
<th>Scale</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe there is a positive relationship</td>
<td></td>
<td>f   %</td>
</tr>
<tr>
<td>between philanthropic CSR, and corporate image of</td>
<td>Strongly Disagree</td>
<td>3   5</td>
</tr>
<tr>
<td>the firm.</td>
<td>Disagree</td>
<td>6   11</td>
</tr>
<tr>
<td></td>
<td>Neutral</td>
<td>10  18</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>22  39</td>
</tr>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>15  27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>56</strong> 100</td>
</tr>
</tbody>
</table>
The findings indicate that 39% of the respondents agreed to the statement, 26.8% of the respondents strongly agreed, 17.9% of the respondents maintained a neutral stand, while 10.7% of the respondents disagreed and 5% strongly disagreed that there is a positive relationship between CSR and corporate image.

4.5.2 Perception by Potential Employment Candidates

The researcher sought to find out whether the company is perceived as being a good employer by potential employees owing to its involvement in CSR. 27% of the respondents disagreed with the statement that the company they work for is considered as a good employer owing to its involvement in CSR while 18% strongly disagreed with the statement. 25% of the respondents agreed that the company is viewed as a good employer by potential candidates owing to its involvement in CSR and 2% strongly agreed to the statement. However, 29% of the respondents remained neutral to the statement. See figure 4.24 below

![Company Perception by Potential Employment Candidates](image.png)

Figure 4.24 Company Perception by Potential Employment Candidates

4.5.3 Perception by Suppliers and Clients

The researcher sought to find out whether the company is perceived as being a good business partner by its clients and suppliers owing to its involvement in CSR. 25% of the respondents disagreed with the statement while 16% strongly disagreed with the statement. 27% of the respondents agreed that the company is viewed as a good employer by potential candidates owing to its involvement in CSR and 2% strongly agreed to the statement. However, 30% of the respondents remained neutral to the statement. See figure 4.25 below
4.5.4 General Perception of the Company in the Marketplace

The researcher sought to find out whether the company is perceived as being socially and environmentally responsible in the marketplace owing to its involvement in philanthropic CSR. 43% of the respondents agreed with the statement while 2% strongly agreed with the statement. 21% of the respondents disagreed that the company is viewed as a being socially responsible in the marketplace owing to its involvement in CSR and 4% strongly disagreed to the statement. However, 30% of the respondents remained neutral to the statement. See figure 4.26 below

Figure 4.25 Company Perception by Suppliers and Clients

Figure 4.26 General Perception of the Company in the Marketplace
4.6 Correlations between the Dependent and the Independent Variables

Pearson correlation analysis was carried out to measure the strength of the linear relationship between variables.

4.6.1 Correlation with respect to Client Satisfaction, Expectations and Retention

Table 4.4 presents the results of the Pearson correlation analysis between level of effective communication of CSR to clients and alignment of CSR to client expectations, to level of client satisfaction with CSR and, client retention and loyalty to the company.

Table 4.4 Client Satisfaction, Client Expectations and Client Retention

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation</th>
<th>Sig. (1-tailed)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Client Satisfaction: Effectively communicates CSR initiatives to clients</td>
<td>.684**</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Client Satisfaction: Aligns CSR to client’s expectations</td>
<td>.563**</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Client Satisfaction: Clients are satisfied with level of CSR</td>
<td>.562**</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Client Satisfaction: Client retention and loyalty to the company</td>
<td>.684**</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (1-tailed).

The correlation analysis between the effectiveness of communication of CSR initiatives to the company’s clients and the level of client satisfaction with the level of CSR yielded a positive and highly significant value of \( r = .463, p > 0.01 \). This means that there was a positive relationship between these variables which is not by chance.

The correlation analysis between the alignment of CSR to client’s expectations and the level of client satisfaction with the level of CSR yielded a positive and highly significant value of \( r = .563, p > 0.01 \). This means that there was a positive relationship between these variables which is not by chance.

A positive and highly significant relationship has also been noted with respect to effectiveness of communication on CSR and alignment of CSR to client’s expectations; and the effectiveness of communication on CSR and client retention and loyalty to the company. That is, \( r = .560, p > 0.01 \), and \( r = .684, p > 0.01 \), respectively.
4.6.2 Correlation with respect to Employee Job Satisfaction and Employee Retention

Correlation analysis conducted to test the strength of relationship between the level of commitment of the company to CSR and the level of employee satisfaction in their work yielded a positive and significant value of $r = .554, p = 0.000$. This means that there was a positive relationship between the level of importance an employee places on the perceived committed of a company to CSR and the level of satisfaction the employees find in their job.

A significant and positive relationship was also found between effective communication of CSR to employees and the voluntary and active participation of employees in CSR activities. That is, $r = .516, p = 0.000$. This means that companies that effectively communicate their CSR strategy and activities to its employees can ensure active participation of its employees in its CSR activities. Another significant relationship was identified between effective communication of CSR to employees and employee commitment to company core values of $r = .313, p = 0.009$; The implication of this finding was that communication on CSR becomes effective where the core values of a company are aligned to its CSR strategy.

A significant relationship was identified between the level of employee commitment to the company’s core values and employee retention and low staff turnover, that is, $r = .389, p = 0.002$. The significance of this finding was that firms should remain cognizant of the likelihood of a relationship between the level of employee turn-over and their commitment to the firm’s core values. Firms may influence employee retention by ensuring that the firm’s core values are aligned to the values shared by the employees. However, the analysis between level of commitment of the company to CSR and the level of participation in CSR activities by employees yielded a negative value of $r = -.108, p>0.001$. This finding presented a unique opportunity for further investigation in Deloitte Limited to identify the reasons why a negative relationship exists with respect to the level of importance placed on CSR initiatives undertaken by the firm and the level of active and voluntary participation in CSR by the firm’s employees.
Table 4.5 Employee Job Satisfaction, Retention and Participation in CSR

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee Engagement: Level of commitment of company to CSR is important to the employee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>-0.065</td>
<td>0.554**</td>
<td>0.075</td>
<td>0.257*</td>
<td>-0.108</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.318</td>
<td>0.000</td>
<td>0.291</td>
<td>0.028</td>
<td>0.215</td>
</tr>
<tr>
<td>2. Employee Engagement: Effective communication of CSR to employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>-0.065</td>
<td>1</td>
<td>0.195</td>
<td>0.313**</td>
<td>0.175</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.318</td>
<td>0.075</td>
<td>0.009</td>
<td>0.099</td>
<td>0.000</td>
</tr>
<tr>
<td>3. Employee Engagement: Employees find satisfaction in their work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>0.554**</td>
<td>0.195</td>
<td>1</td>
<td>0.288*</td>
<td>0.545**</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.000</td>
<td>0.075</td>
<td>0.016</td>
<td>0.000</td>
<td>0.143</td>
</tr>
<tr>
<td>4. Employee Engagement: Employee commitment to company core values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>0.075</td>
<td>0.313**</td>
<td>0.288*</td>
<td>1</td>
<td>0.389**</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.291</td>
<td>0.009</td>
<td>0.016</td>
<td>0.002</td>
<td>0.009</td>
</tr>
<tr>
<td>5. Employee Engagement: Employee retention and low turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>0.257*</td>
<td>0.175</td>
<td>0.545**</td>
<td>0.389**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.028</td>
<td>0.099</td>
<td>0.000</td>
<td>0.002</td>
<td>0.001</td>
</tr>
<tr>
<td>6. Employee Engagement: Employee actively and voluntarily takes part in CSR activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>-0.108</td>
<td>0.516**</td>
<td>0.145</td>
<td>0.317**</td>
<td>0.400**</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.215</td>
<td>0.000</td>
<td>0.143</td>
<td>0.009</td>
<td>0.001</td>
</tr>
</tbody>
</table>

N = 56

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).

4.6.3 Correlation with respect to Corporate Image

Table 4.6 presents the results that were obtained when correlation analysis was computed between company’s motivation in CSR that was not for financial gain and whether the company was positively viewed in the marketplace.

A positive and significant value was found between the company’s motivation to gain brand value and the positive image in the marketplace. That is, \� r = .418, p = 0.001 \�; and \� r = .419 and p = 0.001 \�. This meant that the firm’s drive to gain brand eminence through CSR resulted in a positive image and reputation in the marketplace.

A positive and highly significant value was noted between the commitment by the company to social good regardless of the financial gain and positive image in the
marketplace. That is, \( r = .632, p = 0.000 \) and \( r = .560, p = 0.000 \). This meant that the commitment of the firm to realize social good resulted in a positive image in the marketplace.

**Table 4.6 CSR and Client Image in the Marketplace**

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Corporate Image: Company's motivation for CSR is to gain brand value</td>
<td>1.000</td>
<td>.310*</td>
<td>.270*</td>
<td>.418**</td>
<td>.419**</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>.010</td>
<td>.022</td>
<td>.001</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>2. Corporate Image: Company is considered as socially and environmentally</td>
<td>.310*</td>
<td>1.000</td>
<td>.676**</td>
<td>.632**</td>
<td>.560**</td>
</tr>
<tr>
<td>responsible in the marketplace</td>
<td>Sig. (1-tailed)</td>
<td>.010</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>3. Corporate Image: Company is committed to social good regardless of the</td>
<td>.270*</td>
<td>.676**</td>
<td>1.000</td>
<td>.583**</td>
<td>.547**</td>
</tr>
<tr>
<td>financial benefit gained</td>
<td>Sig. (1-tailed)</td>
<td>.022</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>4. Corporate Image: Company is viewed as a good employer by potential</td>
<td>.418**</td>
<td>.632**</td>
<td>.583**</td>
<td>1.000</td>
<td>.784**</td>
</tr>
<tr>
<td>candidates</td>
<td>Sig. (1-tailed)</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>5. Corporate Image: Company is viewed as a good business partner by</td>
<td>.419**</td>
<td>.560**</td>
<td>.547**</td>
<td>.784**</td>
<td>1.000</td>
</tr>
<tr>
<td>clients and suppliers</td>
<td>Sig. (1-tailed)</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>56</td>
<td>56</td>
<td>56</td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (1-tailed).
** Correlation is significant at the 0.01 level (1-tailed).

### 4.7 Chapter Summary

Findings obtained from the study have been documented in this chapter. From a sample of 93 potential respondents, only 56 respondents provided the completed questionnaire representing 60%. The researcher applied descriptive statistics to analyze the data and presented the findings in the form of bar graphs and frequency tables. The chapter showed the results of the correlation analysis between the dependent and independent variables. Chapter five provided the summary, discussion of the findings, conclusion and recommendations of the study.
CHAPTER FIVE

5.0. DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction
The researcher presented an elaboration of the findings of the research in comparison to the information captured under the literature review chapter. The researcher also provided a summary of the research findings and shared recommendations for further study on the effect of CSR initiatives on non-financial performance of accounting firms in Kenya. The conclusions of this study were drawn from the research objectives.

5.2 Summary
The objective of the study was to determine the influence of CSR initiatives on the non-financial performance of Deloitte Limited. The specific objectives that provided guidance were: to determine the effect of economic CSR initiatives on customer satisfaction of Deloitte Limited in Kenya, to determine the effect of ethical CSR initiatives on employee engagement of Deloitte Limited in Kenya and to establish the effect of philanthropic CSR initiatives on corporate image of Deloitte Limited in Kenya.

A descriptive research design that was qualitative in nature focusing on the attitudes and opinions of respondents to the research objectives in this study was applied. This design investigated the characteristics and behaviors of respondents. According to Deloitte Limited, head office staff population at the time of the study was 122 staff members. The list of staff was categorized into two main groups, those who provided services directly to other firms and those who provided support services within the company.

A random sampling technique was applied in the data collection in the form of a questionnaire survey. The sample size was determined as 93 staff members. Out of these sample size, 56 staff members completed and returned their responses within the timeline of the data collection. The data was coded in SPSS version 22 according to each variable of the research. The researcher presented the findings in the form of tables and figures and sought to identify the relationship between CSR and non-financial performance during the data analysis.

The findings of the influence of economic CSR on client satisfaction indicate that there exists a positive relationship between the level of CSR engagement by a company and the

53
level of satisfaction of the company’s clients. Thirty eight percent of respondents agreed
to the statement that there exists a positive relationship between CSR initiatives and client
satisfaction. In the evaluation of client satisfaction, the researcher focused on determining
whether the CSR initiatives by the company resulted in the clients’ intention to share
positive information about the company with other parties through voluntary advocacy. It
was found that undertaking CSR initiatives that are aligned to the client’s expectations
positively affects the level of satisfaction of the client. A demonstration of a client’s
willingness to be associated with a company undertaking positive economic CSR was
evidenced by the client’s voluntary advocacy of the company’s goods and services.

The findings of the study on the influence of CSR on employee engagement indicated that
there was a positive relationship between the level of CSR involvement and the extent to
which Deloitte’s employees are engaged and committed to the company. This was
supported by 43% and 13% of the respondents who agreed and strongly agreed that a
positive relationship exists. Employees who were engaged in their work were more
productive, loyal, happy and will support the core values of the company they work for.
This meant that such employees find satisfaction in their day to day tasks, willingly
remain as employees in the company for a longer period, take part in the company’s CSR
activities and become brand ambassadors of the company they work for.

The findings of the study on the influence of CSR on corporate image indicated that there
was a significant perception that there existed a positive relationship between CSR and
corporate image. Further, the statement on whether potential employees perceive the firm
as being a good employer reported a significant disagreement by 27% and 18% who
disagreed and strongly disagreed with the statement. It is possible that other significant
factors outweigh the positive aspects of CSR on the perception of the firm by potential
employees. The results of the respondents’ feedback with respect to clients and suppliers
found that 30% of the respondents remained neutral. However, the general perception of
the image of the firm in the marketplace by other stakeholders was that the firm was
deemed to be socially and environmentally responsible. Whether or not this general
perception may result in individual stakeholders holding a high regard of the firm with
respect to its CSR initiatives remains an area for further research.
5.3 Discussion

5.3.1 Economic CSR Initiatives and Client Satisfaction

The findings indicated that most of the respondents agreed that the company’s economic CSR was aligned with the clients’ expectations (Choi & La, 2013), and this supported the existence of a positive relationship between economic CSR and client satisfaction where such expectations were seen to be in the best interest of the client or society. The ability of a company to best match its activities with client expectations moves the company’s status from being profitable for the business’ sake to also being worthwhile on a social scale by undertaking expected socially responsible economic activities for the benefit of others (Li, Zhang, & Sun, 2019).

Most respondents also agreed that Deloitte Limited effectively communicates its’ CSR undertakings to its’ clients, and that in response to this, the company’s clients to some extent also provided some level of positive feedback to the company concerning the CSR activities undertaken. In addition to alignment of the CSR activities to client expectations, according to Abdeen, Rajah and Gaur (2016), effective communication of these CSR activities was necessary as a way of engaging clients and gaining their trust. Such communication must be accessible and allow feedback from the clients.

Further, most respondents agreed that clients were satisfied with the Deloitte Limited’s products and services and this enhanced the voluntary advocacy of the company’s activities to other parties. That is, 54% of the respondents agreed that the firm’s clients voluntarily shared positive information about the firm with other parties. This finding agreed with that of Abbas, Gao, and Shah (2018) in which CSR activities were found to positively affect the behavioural outcome of clients leading to projection of such positivity through word of mouth to other stakeholders. This was further supported by 48% of the respondents who indicated that the firm’s clients refer the firm’s products to potential new clients.

Notably, referral of company products and services was an aspect of marketing that can have the potential to increase revenue for every new client gained through referral. The results of the study also acceded to research by Chomvilailuk and Butcher (2018) that clients who were satisfied with the level of CSR by the company also referred the products and services of the company to potential new clients. Most respondents also agreed that the level of client commitment to the Deloitte Limited was noted in times of
bad publicity and that clients would instead prefer to communicate any negative information affecting the company to its’ management with the aim of seeing the matter resolved (Hseih & Chang, 2016). The study found that 54% of the respondents agreed that clients were committed to report to the firm information with the potential to result in bad publicity with the aim of seeing the matter resolved.

However, the study found that contrary to the findings of Rivera and Curras Perez (2016), majority of respondents indicated that the level of CSR involvement by the company did not influence client retention for the company studied. The study had sought to determine whether due to their satisfaction, clients chose to continue purchases the products and services of the firm. Although 55%, a significant number of respondents agreed that clients were satisfied with the firm’s products and services, the review of respondents’ feedback on whether involvement in CSR resulted in client retention indicated that only 14% of the respondents felt that client retention was influenced by CSR while a significant number of respondents remained neutral.

It was noted that 23% and 20% of the respondents disagreed and strongly disagreed to this statement, respectively. The implication of this finding was that the clients of the firm may be affected by other variables which outweigh their decision to continue as clients of the firm. Rivera and Curras Perez (2016) posit that clients who were satisfied remain as return clients willing and consistently purchasing the company’s goods and services. Pearson correlation method was used to analyze the data and the results presented in tables. This analysis measured the strength of the linear relationship between variables. It was noted that there existed a significant and positive relationship between the level of communication of CSR initiatives to the company’s clients and client satisfaction with the level of CSR undertaken by the company; between alignment of CSR to client expectations and level of client satisfaction with the level of CSR initiatives by the company; and between the effectiveness of communication on CSR with the alignment of CSR to the client’s expectations and client retention.

The most significant and positive relationship was noted between effective communication of CSR initiatives and alignment of CSR to client expectations. That is, $r = .684$, $p > 0.01$. This agreed with the findings of Choi and La (2013) and Abdeen, Rajah and Gaur (2016) that where CSR activities mirror the expectations of customers and where undertaken in their best interests, then customer trust is achieved. Further, Koske
(2015) found that a company’s involvement in CSR positively influences the perception of its customers more so through its involvement in CSR activities that are aligned to the expectations of its customers. Additionally, a significant and positive relationship was noted between the company’s alignment of its CSR activities to the expectations of the customers, and client retention and loyalty to the company. That is, $r = .606$ and $p > 0.01$. These meant that CSR activities should be effectively communicated to a company’s customers for greatest impact. The alignment of company CSR activities to the expectations of its clients yielded greater customer loyalty and trust and ultimately client retention.

### 5.3.2 Ethical CSR and Employee Engagement

In studying the influence of ethical CSR on employee engagement, the researcher found that commitment to company core values, satisfaction in assigned work, preference to continue in service for the employer, perception of genuine concern of the employees welfare by the employer, participation in CSR activities, and voluntary advocacy of the company’s activities to others were outcomes of employees who are engaged and satisfied in the company they work for. The results of this study indicate that 57% the respondents of Deloitte Limited are committed to the company’s core values and of these respondents, 54% participated in the CSR initiatives of Deloitte Limited while 30% percentage of the employees committed to the core values do not take part in CSR.

According to Caligiuri and Jiang (2013), employees are engaged when companies undertake meaningful CSR initiatives. Therefore, companies can tap into this by encouraging their staff to take part in CSR activities to positively influence their commitment to the company’s core values. Of the employees who actively take part in CSR activities, 51% agreed while 35% strongly agreed that the level of CSR commitment by Deloitte Limited was important to them, while a majority of those who did not take part in CSR activities, 53% also agreed that they too considered the level of CSR commitment by Deloitte Limited as being important to them as employees.

The findings of this study did not, however, agree with the study by Caligiuri and Jiang (2013) in which the value and meaningfulness of work that an employee derives from their employer was influenced by the employee’s perception of the company and its social programs. The findings in this study indicated that 34% of the respondents did not find satisfaction in their work due to the CSR initiatives undertaken by Deloitte Limited.
Further research is required in determining the other factors that influence job satisfaction or level of effect of CSR on job satisfaction in Deloitte Limited.

Pearson correlation method was used to analyze the data and the results presented in tables. This analysis sought to measure the strength of the linear relationship between variables. A significant and positive correlation was noted between the perceived concern for employee wellbeing by Deloitte Limited, and the level of employee satisfaction in assigned work, as well as the level of employee turnover or employee retention. However, a large percentage of the respondents, 16%, strongly disagreed that Deloitte Limited’s involvement in CSR resulted in a genuine concern on employee wellbeing.

In addition to this, the study revealed that majority of the respondents, 34% disagreed with the view that ethical CSR involvement at Deloitte Limited led to employee retention. This somewhat contradicts the findings by Kim and Scullion (2013) that existing employees are retained owing to internal and external CSR activities. Perhaps external CSR activities do not necessarily lead to internal CSR activities targeted at employees. According to Harris (2018), internal CSR initiatives include programs focused on employees such as training and development, occupational health and safety, labor rights among others influence employee wellbeing.

Kim and Scullion (2013) propose that both external and internal CSR initiatives help in retaining employees. Majority of the respondents (41%) agreed that due to the company’s involvement in CSR initiatives, employees of Deloitte Limited actively and voluntarily encourage potential job seekers to apply to work for the company. This finding supports the assertion by Supranti, Butcher and Fredline (2015) that employees who are engaged and find CSR initiatives meaningful, elicit positive emotions leading to positive alignment of potential new hires within the firm.

### 5.3.3 Philanthropic CSR and Corporate Image

The perception of a company in the mind of its stakeholders may be either positive or negative and can be affected by various factors. Positive perception of a company leads to increased loyalty and helps in influencing potential clients and financiers to engage with the company, while bad perception will lead to loss of business both existing and potential. To create a good perception of a company, most companies seek to increase their attractiveness to stakeholders through philanthropic CSR (Sirsly & Lvina, 2016).
Majority of the respondents agreed that there existed a positive relationship between philanthropic CSR activities and corporate image.

To assess this premise, respondents were asked to indicate their opinion on whether Deloitte Limited, owing to its CSR initiatives, was perceived as a good employer by job seekers. Twenty seven percent which was majority of the respondents disagreed with this statement, 29% which was a significant number of respondents chose to remain neutral concerning the statement and 25% which was a significant number of respondents agreed with the statement. According to Olorunjuwonal and Mazingi (2019) potential job candidates rely on public perception about the image of a company they wish to apply to work for due to the absence of adequate information. Therefore, the publicly accepted social performance by the company will be the basis for job seekers and often a positive image of the company can improve the perception of the company in the minds of the job seekers.

With respect to the perception of Deloitte Limited as a good business partner by suppliers and clients, 30% which were majority of the respondents remained neutral on the statement while 27% which is a significant number of respondents agreed, and 25% which is also a significant number of other respondents disagreed. While these findings did not completely agree to the study by Sontaite-Petkeviviciene (2015) in which companies involved in CSR were seen to be more trustworthy and reputable than those which were not, there may be other factors that affected the results derived in this study.

Jung and Seock (2016) pointed out that negative reputation is more conspicuous than a positive reputation as most clients and suppliers are visibly affected by brand awareness and the perceived quality of products and any negative information has a detrimental impact on client decision making. Secondly, other factors such as service quality greatly affect client perception of a company’s image (Engizek, 2017); while lack of effective communication to all stakeholders, and commitment by management on CSR activities undertaken may impact the influence of CSR on a company’s image (Sontaite-Petkeviviciene, 2015)

Finally, an assessment on the general perception of Deloitte Limited as a socially and environmentally responsible in the marketplace found that 43% which was majority of the respondents agreed with the statement with 30% which is a significant number of respondents remained neutral in their response. This finding agreed with the study by
Sirsly and Lvina (2016) in which companies used CSR to build their reputation over time and those which take part in CSR initiatives to protect their company’s image. The perception of a company’s identity, physical environment, services and company personnel coupled with CSR activities that communicated the company’s values and culture greatly influenced the image of the company in the eyes of its competitors, the government, investors, and other stakeholders (Maruf, 2013). In addition, the general perception of a socially responsible company can increase the level of attractiveness of the company and aid the company to save on CSR costs. Companies can therefore take part in good socially responsible activities avoiding any bad publicity to maintain the image of the company in the marketplace (Lin-Hi & Blumberg, 2016).

The Pearson correlation analysis was computed to test the strength between the company’s motivation in CSR that was not for financial gain and whether the company was positively viewed in the marketplace. A positive and significant value was found between the company’s motivation to gain brand value and the positive image in the marketplace. Therefore, firms can endeavor to gain brand eminence through CSR and in turn gain a positive image in the marketplace. A positive and highly significant value was found between the commitment by the company to social good regardless of the financial gain and positive image in the marketplace. Therefore, firms can leverage on their commitment to realize social good to gain positive image in the marketplace.

5.4 Conclusion
5.4.1 Influence of Economic CSR Initiatives on Client Satisfaction
Deloitte Limited was active in CSR initiatives and effectively aligned its economic CSR activities to the expectations of its clients. The company also communicated its CSR activities to its clients. Client satisfaction was noted from client feedback on its CSR activities which have been positive, client satisfaction with the services offered by the company and positive voluntary advocacy by clients to potential clients in the marketplace.

5.4.2 Influence of Ethical CSR Initiatives on Employee Engagement
Deloitte Limited was active in ethical CSR initiatives and effectively communicated its CSR activities to its employees. The company had a CSR policy and annual plan to which a budget was aligned. Its CSR activities were managed by a committee comprising its employees and on an annual basis, committed all its employees to take part in a CSR
activity at the end of the calendar year. Employees voluntarily and actively took part in
the CSR activities and to most, CSR was important to them. Employees of Deloitte were
committed to the values of the company and willingly encouraged other potential
employees to apply to work for the organization.

5.4.3 Influence of Philanthropic CSR Initiatives on Company Image

Deloitte Limited enjoyed a good image in the marketplace and in the eyes of its clients,
employees, suppliers and other stakeholders. Deloitte Limited was noted to be one of the
Big Four audit firms in Kenya and globally owing to its exemplary quality of service
offered to its clients and the level of professionalism it maintained. As a highly esteemed
firm, it has consistently built its image partly due to its philanthropic CSR activities and
had been noted to be a socially and environmentally responsible company.

5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 CSR and Client Satisfaction

The study recommends that Deloitte Limited reassesses the influence of its economic
CSR initiatives on client retention. This is because although its CSR activities were
aligned to client expectations, there was no guaranteed client loyalty in as far as repeat
clients was concerned. There potentially existed other factors that cause client turn-over
despite the company’s positive CSR initiatives. This will enable the company to boost its
non-financial as well as its financial performance.

5.5.1.2 CSR and Employee Engagement

On the aspect of employee wellbeing, the study recommends that Deloitte Limited
reevaluates the level of internal CSR activities targeting its employees as most employees
asserted that the company had not aligned its CSR activities for the benefit and wellbeing
of its employees. This will benefit the company greatly to address any human resource
gaps that exists that may negatively affect the perception of the employees of the
company despite the external CSR initiatives being undertaken. By providing adequate
internal CSR initiatives, Deloitte limited will earn the loyalty and support of its
employees.
5.5.1.3 CSR and Corporate Image

The study recommends that further research be conducted on the effect of philanthropic CSR on corporate image on its clients and suppliers and the role of its employees in ensuring that a positive perception exists in the eyes of its clients and suppliers. This recommendation was pegged on the neutral responses of employees which may potentially be due to a gap between the engagement of employees with clients and suppliers on the reputation of the company. The company should establish connections and activities involving external stakeholders and its employees to create legitimacy of its reputation in the minds of its clients and suppliers.

5.5.2 Recommendation for Further Studies

A similar study should be carried out on audit and accounting firms on the influence of internal CSR activities on company performance and employees. Further research is required to assess the effect of internal verses external CSR initiatives on employee retention. This is because human resources remain an integral part of any company.
REFERENCES


APPENDICES

APPENDIX A: RESEARCH QUESTIONNAIRE

A SURVEY ON THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES AND NON-FINANCIAL PERFORMANCE OF AN ACCOUNTING PROFESSIONAL FIRM IN NAIROBI, KENYA

Purpose: The objective of this questionnaire is to assess the effect of CSR initiatives on the non-financial performance of an audit and accounting firm in Nairobi, Kenya. The information collected in this questionnaire will only be used for purposes of academic research towards the successful completion of a graduate degree.

Target respondents: This questionnaire is to be completed by staff who directly provide services to the firm’s clients, as well as staff in the internal client services department of the Firm. Your participation is voluntary and will be appreciated.

Confidentiality: All responses provided herein are anonymous and will remain confidential. Respondents’ names are not required. Upon compilation and analysis of all data collected, the questionnaires will be destroyed.

Thank you for your participation.

Esther M. Wanderi, USIU Graduate Student.

Section A: Background Information

1. Please indicate (✓) your gender: Male { } Female { }
2. Kindly indicate (✓) your age bracket below:
   18 – 25 years {   } 26 – 35 {   } 36 – 45 {   } 46 – 55 {   }
   Above 55 {   }
3. What is your highest educational qualification? Indicate using (✓)
   Diploma {   } Degree {   } Masters {   } PhD {   }
   Other (Please specify) __________________
4. Please indicate (✓) the department you currently work in:

<table>
<thead>
<tr>
<th>Department</th>
<th>Tick (✓) as appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client service department (i.e. Audit and Advisory services)</td>
<td></td>
</tr>
<tr>
<td>Internal client services department (i.e. Finance and</td>
<td></td>
</tr>
</tbody>
</table>
5. How long have you been working for the Firm?
   - Less than 1 year
   - 1-3 years
   - 4-6 years
   - 7-10 years
   - More than 10 years

6. Are you aware of the CSR initiatives undertaken by the Firm you work for?
   - Yes
   - No

7. Does the Firm have a CSR committee comprising of its employees?
   - Yes
   - No

8. How many times in a year does the firm undertake CSR activities?
   - Monthly
   - Quarterly
   - Semi Annually
   - Annually
   - Other (Please specify) ____________

9. Have you taken part in CSR activities in the past one year?
   - Yes
   - No
**Section B: Effect of Economic CSR initiatives on Customer Satisfaction**

Kindly answer the following questions based on your level of agreement on the influence of economic CSR initiatives by the firm on customer satisfaction. Please tick (✔) the option that best suits your opinion. This section can be completed by both client-facing, and internal client services staff.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I believe there is a positive relationship between a company’s economic CSR activities, and client/customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 The firm I work for effectively communicates its CSR initiatives to its clients/customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 The firm's CSR activities are aligned to match its clients' expectations on social responsibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 The firm receives positive feedback from its clients on its CSR initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Our clients are satisfied/content with the level of commitment in CSR activities undertaken by the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Our clients prefer to continue working with the company owing to its CSR involvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Our clients are loyal and satisfied with the quality of products and services offered by the company</td>
<td></td>
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<tr>
<td>8 If there is negative issue affecting the firm I work for in the marketplace, our clients will reach out and notify the company with the aim of seeing the matter corrected</td>
<td></td>
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</tr>
<tr>
<td>Statement</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
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<tr>
<td>9  Our clients voluntarily share positive information about the Firm with other parties</td>
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<tr>
<td>10 Our clients voluntarily refer the company's services to potential new clients</td>
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</tbody>
</table>

In your opinion, in what other way has the firm affected its clients as a result of its CSR initiatives? Kindly explain below.

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**Section C: Effect of ethical CSR initiatives on Employee Engagement**

Please indicate your level of agreement with the statements below on the influence of the firm’s ethical CSR initiatives on employee engagement. Tick (✓) the option that best suits your opinion.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I believe there is a positive relationship between ethical CSR and employee engagement in the firm I work for</td>
<td></td>
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<tr>
<td>2  The firm I work for always communicates its CSR initiatives to its employees</td>
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<tr>
<td>3  I am committed to the core values and objectives of the firm I work for</td>
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<tr>
<td>4  I find satisfaction in my work because the firm I work for is involved in ethical CSR projects</td>
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<tr>
<td>5  Due to the firm’s CSR initiatives, employees choose to work for the firm for a long period of time before leaving the firm</td>
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</tbody>
</table>
As a result of its CSR involvement, the firm I work for takes good care of its employees' needs and is concerned about their well being.

The firm's employees gladly and actively take part in its CSR initiatives.

Existing employees in the firm actively encourage job seekers to apply to work for the firm.

The level of commitment of a firm in CSR activities is important to me.

In your opinion, in what other way has the firm’s involvement in CSR activities affected you as an employee? Kindly provide your answer below.

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………………………………………………………………………………………………
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Section D: Effect of philanthropic CSR initiatives on Corporate Image

Please indicate your level of agreement with the statements below on the influence of the firm’s philanthropic CSR initiatives on corporate image. Tick (✓) the option that best suits your opinion.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I believe there is a positive relationship between philanthropic CSR, and corporate image of the firm</td>
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<td>2  The firm I work for takes part in philanthropic CSR activities to gain brand value.</td>
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<tr>
<td>3</td>
<td>The firm is considered as socially and environmentally responsible in the marketplace</td>
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<tr>
<td>4</td>
<td>The firm I work for is committed to carrying out social good regardless of the financial benefit that may or may not result from it</td>
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</tr>
<tr>
<td>5</td>
<td>Because of its CSR activities, the firm I work for is viewed as a good employer by potential candidates</td>
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<td></td>
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<tr>
<td>6</td>
<td>Because of its philanthropic CSR activities, the firm I work for is viewed as a good business partner by its clients and suppliers.</td>
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</tbody>
</table>

In your opinion, in what other way has the Firm’s CSR initiatives affected its image? Kindly explain below.

........................................................................................................................................
........................................................................................................................................

THANK YOU FOR YOUR TIME AND PARTICIPATION.
Dear Participant,

My name is Esther Wanderi, a Masters’ student in Business Administration at United States International University. I am doing a study on “Effect of Corporate Social Responsibility Initiatives on Non-Financial Performance of Accounting Firms in Kenya: A Case of Deloitte Limited” I kindly request you to honestly fill the questionnaire provided.

Be assured that your responses will be kept confidential and will be used for the purposes of this research only.

Answer ALL questions by ticking (✓) in the provided spaces. Put other necessary information sought in the spaces provided where applicable. Thank you in advance.

Participants’ Informed Consent

I (pseudonym) __________________________state that I am over 18 years of age and I voluntarily agree to participate in a research conducted by Esther Wanderi a Masters’ student in United States International University. The research is being conducted on “Effect of Corporate Social Responsibility Initiatives on Non-Financial Performance of Accounting Firms in Kenya: A Case of Deloitte Limited”. I acknowledge that the task involved has been explained to me and that I have accepted the use of this questionnaire in data collection. I have also been informed that I can withdraw from participating at any time and with no adverse consequences.

________________________Signature of Participant
APPENDIX C: LETTER OF RESEARCH AUTHORIZATION

TO WHOM IT MAY CONCERN

18TH JUNE 2019

Dear Sir/Madam,

REF: PERMISSION TO CONDUCT RESEARCH- ESTA MUTHONI WANDERI

STUDENT ID NO. 650227

The bearer of this letter is a student of United States International University (USIU)-Africa pursuing a master’s Degree in Business Administration.

As part of the program, the student is required to undertake a dissertation on the “Impact of Corporate Social Responsibility Initiatives on Non-Financial Performance of Accounting Firms in Kenya: A Case of Deloitte Limited” requires her to collect data.

Please note that information provided will be treated with utmost confidentiality and will only be used for academic purposes.

Kindly assist the student get the appropriate data and should you have any queries contact the undersigned

Yours Sincerely

Prof. Amos Njuguna
Dean School of Graduate Studies, Research and Extension
Tel: 739 116 442
Email: amnjuguana@usiuc.ac.ke
APPENDIX D: RESEARCH PERMIT

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref No: NACOSTI/P/19/36469/31497

Date: 25th July, 2019

Esther M Wanderi
United States International University
P.O. Box 14634-00800
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Impact of Corporate Social Responsibility initiatives on Non-Financial performance of accounting firms in Kenya: A case of Deloitte Limited.” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 25th July, 2020.

You are advised to report to the County Commissioner, and the County Director of Education, Nairobi County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA, MSc, MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:
The County Commissioner
Nairobi County.
The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001-2008 Certified
THIS IS TO CERTIFY THAT:
MS. ESTHER M WANDERI
of UNITED STATES INTERNATIONAL UNIVERSITY (USIU), 0-800 Kikuyu, has been permitted to conduct research in Nairobi County

on the topic: IMPACT OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES ON NON FINANCIAL PERFORMANCE OF ACCOUNTING FIRMS IN KENYA: A CASE OF DELOITTE LIMITED

for the period ending:
25th July, 2020

Applicant’s Signature

Permit No: NACOSTI/P/19/36469/31497
Date of Issue: 25th July, 2019
Fee Received: Ksh 1000

Director General
National Commission for Science, Technology & Innovation