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SUPPLIERS FOCUSED CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND ORGANIZATIONAL PERFORMANCE OF SELECTED SUGAR COMPANIES IN WESTERN KENYA

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ABSTRACT

The trend in the last five years in the Sugar companies in Western Kenya is worrying with some sugar companies being put under receivership and others are non-operational. Studies on how supplier corporate social responsibility contributes to organizational performance revealed both positive and negative results. Previous studies have not conclusively addressed supplier corporate social responsibility and organizational performance. The study therefore explored the effect of supplier focused corporate social responsibility on organizational performance of selected sugar companies in Western Kenya. The study was anchored on stakeholder theory. The study employed a mixed research design. The study was conducted in Nzoia, South Nyanza, Busia, Kabras and Butali sugar companies in Western Kenya. Researcher used Yamane formula to calculate the sample size. The target population was 1200 and sampled 300 respondents. The study employed purposive and stratified random sampling. The study utilized primary data which was collected using self-administered structured questionnaire and interview guides. Reliability was tested using pilot study which was done using 30 respondents and the results yielded Cronbach Alpha coefficient of 0.8. Validity was established using university expert analysis and content validity index. The data was analyzed using both descriptive and inferential statistics. The correlation results indicated that supplier focused corporate social responsibility practices had significant effect on organizational performance (r=0.750, p=0.000). The study concluded that supplier focused corporate social practices affected performance of selected sugar companies in Western Kenya. The study therefore recommended that sugar companies develop and maintain friendly relation with their suppliers by development of supplier relationship, training them, prompt payment. This would promote regular supply of raw materials.

Keywords: *Suppliers Focused Corporate Social Responsibility Practices, Organizational Performance, Selected Sugar Companies in Western Kenya*

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INTRODUCTION

Supplier focused corporate social responsibility practices refer to entitlements to a person who undertakes an activity by purchasing from a firm to enhance performance and is described as a purchasing strategy. It includes prompt payment and supplier relationship. However, it depends on the buying firms' resources and relationship (Wambani, 2017).

Successful supplier corporate social responsibility practices have been heavily linked with improved competitiveness. The contribution of supplier practices in gaining a competitive advantage is embedded in the concept of organizational performance, which must overcome the challenges of successful implementation of proper supply chain management initiatives Groznik and Trkman (2012). Though as evident in a number of cases, supplier focused Corporate responsibility practices may fail, particularly when the management does not take proper consideration of critical issues during its planning and implementation.

Owing to the benefits attributed to successful supplier focused corporate social responsibility practices there is need to manage supplier risks, which are often caused by forces that maybe within and outside an organizational supplier chain. Such efforts have stressed on facilitation both on supplier prompt payment and supplier relationship. Organisations have developed approaches to identify access, analyze and treat areas vulnerability to supply chain risks, Ling and Ling (2012). It should generally be accepted that a comprehensive approach to supply chain relationship is undisputed prerequisite for supply chain performance, and should pay attributes to supplier-associated turbulence and supplier prompt payment practices (Groznik & Trkman, 2012). It is crucial for firms to not only link with current suppliers but also to discover new suppliers in order to survive on the competitive global economy. Considerations for supplier relationships are an essential.

Statement of the Problem

Public sugar companies in Kenya are on their deathbed and yet they share the same raw materials with the private ones which seem to be doing well, Wambani (2017). Despite efforts by the government to bail the public sugar companies are not bearing fruits as the financial woes have intensified. The dismal performance by the public sugar companies has been witnessed during the last five consecutive years. This has slowed down the path of economic development in the country.

These challenges have threatened the survival of sugar companies such as Miwani ,Chemili, Muhoroni, Mumias which are non operational as well as under receivership According to Awuor (2010), urgent actions have to be undertaken in order to revive the public sugar companies, Sugar Research Institute, SRI, (2019). Researchers have further noted that corporate social responsibility affects performance of firms. Mukhwana (2010) conducted a study on supplier chain management practices on performance of commercial banks in Kenya and the results were positive. While the research mainly focused on the link between corporate social responsibilities and organizational performance is scanty or few on supplier focused CSR and therefore the study sought to explore the effect of supplier focused CSR on organizational performance of selected sugar companies in Western Kenya.

Objective of the study

The objective of this study was to explore the effect between suppliers focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya.

Research Hypothesis

H_{O1}: Supplier focused corporate social responsibility practices have no statistically significant effect on organizational performance of selected sugar companies in Western Kenya.

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Supplier focused corporate social responsibility practices

- Supplier relationship

→

Organization Performance

- Customer satisfaction
- Market share
- Developments of new products

Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher's own conceptual (2019)

LITERATURE REVIEW

Stakeholder's Theory

This theory was postulated by Freeman (1984). Stakeholders are defined as people or persons that can participate legitimately in the activities of a firm so as to obtain benefits Friedman (1970). Therefore, stakeholders are defined by their interest in an organization which is valued instinctually (Harriet, Kwahena, & Asuo, 2014).

Stakeholders are considered as individuals who have keen interest in the activities of the firm by focusing on the past, present and future situations as well as the surrounding of the firm (Lynch, 2012). Its assumption is that any group or individual can affect or be affected by how an organization achieves its objectives (Northhouse, 2007). It's important to understand expectations of the stakeholders and how they are different from others and the extent to which they are likely to influence the purpose as well as strategies of an organization (Harriet, Kwahena & Asuo, 2014).

According to the theory, the success of an organization depends on how well relationships are managed; with many key groups and other important community organizations within which it operates (Robbins, 2008). This theory was instrumental to this study by being able to identify connections that exist between the corporate social responsibility towards stakeholders' groups like suppliers and the achievement of corporate goals.

Empirical Literature Review

A study was conducted by Barry and Akkermans (2009) on collaboration in buyer supplier relationship. The study findings showed that there are five relationship variables, (commitments, conflict, economic, non economic satisfaction and trust) that are important in developing and maintaining good buyer and supplier relationships. However, the research did not focus on supplier focused CSR and its effect on organizational performance, a gap this study filled.

Mukhwana (2010) carried out a study on supplier chain management practices on performance. The results showed that supplier chain management practices had a positive impact on organizational performance. The study was general in referring to supplier chain management and not supplier focused CSR and its effect on performance, agap sealed by this study. A study was researched by Wambani (2017) on collaboration between buyer and supplier and the goal of facilitating management procurement. The findings indicated that management procurement process had a positive influence on the relationship between buyer and supplier. However, the study did not indicate how supplier focused CSR influenced organizational performance, a gap this study filled.

Kamau (2013) did a study on management relationship models and the results indicated that communication, trust, commitment, mutual goals and corporation are key enter fixings in an effective relationship which influences organizational performance positively. Suppliers who fail to preserve proper records had increased costs on procurement and long cycle times. This can result to poor organizational performance and enterprise failing to maintain good relationship with their suppliers. The study established that supplier focused CSR practices affected organizational performance positively thus providing a solution.

A study was done by Tangus, Rambo and Rono (2015) on supplier relationship management practices and how it influences performance of manufacturing firms in Kisumu County Kenya.The results indicated a significant positive relationship on supplier management practices and performance of manufacturing firms in Kisumu County. The findings of this study concentrated on supplier relationship and not supplier focused CSR practices, the gap the study sealed.

A study was conducted by Mwilu (2013) on the influence of supplier chain management practices and performance among public research institutions in Kenya. The findings showed a positive significant relationship. The study failed by examining supplier chain management practices a research gap sealed by this study. A study was conducted by Kamau (2013) on buyer supplier relationship of large manufacturing companies in Nairobi, Kenya; the results showed that buyer supplier relationships had assisted large manufacturing companies in Nairobi to enhance performance of their organizations. The results of this study established a significant positive effect of supplier focused CSR on organizational performance sealing the research gap.

A study was done by Wambani (2017) on how to manage the relationship with supplier and its influence on operational performance of sugar companies in Kakamega County, Kenya. The results indicated that supplier management practices were embraced in sugar manufacturing firms and that there is a higher significant and positive relationship between supplier appraisal and operational performance. The results of this study bridged the gap since it established that supplier focused CSR had a significant positive effect on organizational performance of selected sugar companies.

METHODOLOGY

The researcher adopted positivist research paradigm because the study used the existing theory to develop the hypotheses and test using quantitative and qualitative methods. The study was conducted in Nzoia, South Nyanza, Busia, Kabras and Butali sugar companies in Western Kenya. Researcher used Yamane formula to calculate the sample size. The target population was 1200 and sampled 300 respondents. The study employed purposive and stratified random sampling. The study utilized primary data which was collected using self-administered structured questionnaire and interview guides. Reliability was tested using pilot study which was done using 30 respondents and the results yielded Cronbach Alpha coefficient of 0.8. Validity was established using university expert analysis and content validity index. The data was analyzed using both descriptive and inferential statistics. Data was presented using frequency distribution tables.

RESULTS AND DISCUSSIONS

A total of three hundred (300) respondents participated in the study. In this study, out of 300 questionnaires that were distributed to the sampled respondents, 289 of them were filled and returned. The summary of the questionnaire return rate is as shown in Table 1.

Table 1: Questionnaire Return Rate

		Frequency	Percentage (%)
Valid	Returned	289	96.33
	Not returned	11	3.67
	Total	**300**	**100.0**

Source; Field Data (2019)

289 of the questionnaires were correctly filled and used for the analysis in this study. This represented a questionnaire return rate of 96.33% of the sample size and falls within the confines of a large sample size as asserted by Mugenda and Mugenda (2019).

Inferential Analysis

Inferential analysis was conducted on the study variables. The results of the study are depicted in Table 2.

Table 2: Inferential study analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.750[a]	.562	.560	.57541	1.442

a. Predictors: (Constant), Supplier focused CSRP

b. Dependent Variable: Organizational Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	121.861	1	121.861	368.058	.000[b]
1	Residual	95.023	287	.331		
	Total	216.884	288			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Supplier focused CSRP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.946	.110		8.596	.000		
	Supplier focused CSRP	.672	.035	.750	19.185	.000	1.000	1.000

a. Dependent Variable: Organizational Performance

Source: Field Data (2019)

The study investigated whether there is autocorrelation by calculation of Durbin – Watson statistic. The statistic has to lie between 1-3 (Hoe, 2008; Blackwell, 2005). Durbin –Watson coefficient of 1.442 was realized and since it was between 1 and 3, hence there was no autocorrelation in the data residual. Linear regression model was therefore appropriate for this study.

ANOVA results revealed a F value of 368.058 which is significant within 95% confidence interval with P value = 0.000 meaning that supplier focused corporate social responsibility practices was significant in the prediction of organizational performance in selected sugar companies in Western Kenya.

The VIF value in the Table 2 was 1 thus less than 10 meaning that there was no multicollinearity problem in the study model (Green, 2012). Absence of multicollinearity was demonstrated by a tolerance value of 1 as asserted by O'Brien et al. (2007) that a value of below 0.2 is a case of concern.

Analysis of the regression model coefficients shows there is a beta co-efficient of 0. 672 for supplier focused corporate social responsibility practices as a predictor of organizational performance with a P-value = 0.000 which is less than 0.05 thus considered significant. 0.672 change in organization performance is thus attributed to a unit change in supplier focused corporate social responsibility practices.

The regression equation can be presented as follows:

$Y = 0.946 + 0.672 X + \varepsilon$ Where Y = Organizational Performance, X is supplier focused corporate social responsibility practices and ε is the error term.

Since the t-statistic value was significant, the third hypothesis of the study, H0: Supplier focused corporate social responsibility practices have no statistically significant effect on organizational performance of selected sugar companies in Western Kenya was rejected. The study therefore concluded that supplier focused corporate social responsibility practices have a statistically significant effect on organizational performance of selected sugar companies in Western Kenya.

An increase in organization performance is thus attributed to involvement of suppliers in corporate social responsibility. The study findings concurs with past studies that attributed organization increase in performance to supplier relationship (Kamau, 2013; Mwilu, 2013; Wambani, 2017; Cousin, Lawson and Squire, 2008; Mohammed, 2014; Aziz, 2013).The results of this study imply that sugar companies in Kenya have embraced supplier focused CSR practices.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study objective sought to explore the effect of supplier focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. Pearson Product Moment Correlation Coefficient was used to investigate the relationship between supplier focused corporate social responsibility practices and organizational performance of selected sugar companies in Western Kenya and findings revealed a significant positive effect between supplier focused corporate social responsibility practices and organizational performance ($r=0.750$: $P<0.05$). Results from regression analysis revealed an R squared of 0.562 which implies that 56.2% of the variance in organizational performance of selected sugar companies in Western Kenya was as a result of supplier focused corporate social responsibility practices. ANOVA results revealed an F value of 368.058 which is significant within 99% confidence interval with P value = 0.000 meaning that supplier focused corporate social responsibility was significant in the prediction of organizational performance of selected sugar companies in Western Kenya**.**

The findings of this study were consistent with previous studies which established a significant positive effect of supplier related CSR practices on organizational performance. This was in agreement with previous studies that supplier focused CSR activities that enhance performance. These study results contrast previous studies which indicated no significant relationship between suppliers related CSR and performance. This study recognized suppliers as an important stakeholder for the organization with which it has to establish good relations so as to carry its activities well, in line with the social contract and stakeholder theories, which provide licence for the firm socially. The study concluded that supplier focused corporate social responsibility practices influence positively the performance of sugar companies in Western Kenya. This study recommends that sugar companies in order to achieve superior performance should embrace supplier focused CSR practices.

The study objective sought to explore the effect of supplier focused corporate social responsibility practices on organizational performance of selected sugar companies in Western Kenya. Correlation Coefficient results revealed a statistically significant and positive relationship between suppliers focused corporate social responsibility practices and organizational performance of selected sugar companies in Western Kenya. Regression and ANOVA results revealed statistically significant results on the effect of supplier focused corporate social responsibility and organizational performance of selected sugar companies in Western Kenya**.** With regard to the study findings pertaining to the third objective, a conclusion is made that supplier focused corporate social responsibility practices have a statistically significant and positive effect on organizational performance of selected sugar companies in Western Kenya.

This study recommended that sugar companies develop and maintain friendly relation with their suppliers by development of supplier relationship, training them, prompt payment. This would promote regular supply of raw materials. Such relation would enhance adoption of efficient technology which would offer sustained competitive advantage. Such relations would protect the firm's stakeholders including the employees, customers, suppliers and community hence enabling the organization to enhance the economic and social performance as well as maintain high reputation. This study recommended that sugar companies embrace supplier focused CSR practices.

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