

Examining the Attitudes and Perceptions of Internal Publics towards Corporate Social Responsibility in Financial Institutions: The Case of National Bank of Kenya

Leah W. Muchemi

Lecturer, School of Journalism and Mass Communication (SOJMC)
University of Nairobi
Nairobi, Kenya

Email: leahwm@uonbi.ac.ke or muchemil@yahoo.com

Abstract- The realization by banks that they need to be socially responsible to secure their existence in society is driving them to spend lots of money in trying to reach out to the external publics while giving little consideration for internal publics. This makes the internal publics feel left. Consequently, this study sought to find out the perceptions and attitudes held by internal publics towards Corporate Social Responsibility (CSR) at National Bank of Kenya and to establish the factors that contribute to the attitudes and perceptions. The study utilized the survey method on a sample of 66 middle level employees drawn from six branches of NBK within Nairobi area. Data was collected using a questionnaire. In depth interviews were conducted on senior public relations personnel at the bank. The study was informed by the functionalist theory of attitudes, the systems theory and the stakeholder theory since they were relevant in addressing attitudes and perceptions, internal publics and CSR. The findings revealed various CSR activities that NBK engages in as well as favorable and unfavourable attitudes that the internal publics hold towards CSR. Although most of the employees at NBK do not perceive CSR to be depriving them of possible salary increment, they do not willingly participate in CSR functions. This means that they do not genuinely support the organization in CSR and this is a potential threat to the success of CSR at NBK. The success of any CSR program depends on the cooperation and inclusion of not only the high cadre of internal publics but also the middle level employees in order to create an interactive working relationship so as achieve the CSR goals.

Index Terms—Corporate Social Responsibility (CSR), attitudes, perceptions, internal publics

I. INTRODUCTION

The practice of Corporate Social Responsibility (CSR) is one of the most popular engagements for organizations today. According to Sobzack (2006), CSR has spread geographically moving from its original U.S. setting to become a global concept, dominating company agenda all over the world. The notion that corporations ought to be socially responsible can be traced from as early as 1920s, when discussions about the social responsibilities of business evolved into what could be recognized as the beginnings of the “modern” CSR practice.

Accounts of CSR practice in Africa have been explained by various scholars. Filho and Idowu (2008) and Asongu (2007) have given examples of early CSR practice in Africa. In South Africa, CSR began in the wake of colonization, labour in the mines, the subsequent apartheid and poverty especially in the slums (Filho & Idowu, 2008). The writers explain that in a bid

to stabilize conditions in the disadvantaged areas such as Soweto, some corporations started a foundation which would provide support to urban development issues. Such a move is what came to be known as philanthropy. The situation explained by the writers can well be compared to what we have today in many organizations in Kenya, where foundations have been established with the intention of helping needy communities.

Banks are spending large amounts of money on CSR activities targeting the external publics while giving little consideration for internal publics (Filho & Idowu, 2008). While CSR activities such as community projects, environmental conservation and social activities are worthwhile for the social growth of communities, they are geared towards reaching out to their external publics, making the internal publics feel left out. Williams (2009) asserts that in such a situation, the internal publics are likely to form unfavourable attitudes and perceptions towards the CSR activities. Given this situation, the researcher set out to establish the internal public’s attitudes and perception towards CSR activities at National Bank of Kenya.

CSR is not just about making profits, paying taxes, community development and environmental welfare. Welch and Welch (2009) argue that as organizations make efforts to meet these obligations, they must also address employee development and motivation. However, Ruvesicius and Navickaite (2006) note that this balance seems to be lacking in many organizations and is likely to negatively affect them. The success of a company depends on how well it relates with its publics. According to Pavlik (1987), the role of internal publics in a company’s financial growth, or otherwise, is critical because they are the ambassadors of the organization. At the National Bank of Kenya, the attitudes and perceptions held by internal publics towards CSR activities are not documented, hence the necessity for this study. One way of influencing attitudes is by using Cialdini’s six principles of influence. Cialdini (2001) lists six basic persuasion principles of influence, namely: reciprocity, authority, scarcity, liking, social proof and commitment. If an organization does not take a step to find out and address perceptions and attitudes held by internal publics concerning its activities, the result may be reduced employee motivation. The organization is likely to suffer negative reputation because internal publics are the ones who deal directly with the external publics. The research

objectives were: To find out the CSR activities that NBK engages in, to establish the attitudes and perceptions held by internal publics' towards CSR practice at the bank, to establish the factors that contribute to the attitudes and perceptions.

II. INVOLVEMENT OF BANKS IN CSR IN KENYA

In Kenya, pressure on organizations to be socially responsible is on, with employees and the civil society being at the frontline to demand for company social responsibility. According to Nyaga, (2009), a non-profit making organization known as Corporate Social Responsibility –Kenya was launched in March 2009 to watch over those who claim to be socially responsible. This suggests that CSR is not just a matter of reporting how much responsible an organization is, but should provide accountability for its operations. Annual reports of different companies show that institutions are largely involved in CSR. In the financial sector, banks such as Equity Bank and Kenya Commercial Bank (KCB) as well as National Bank of Kenya (NBK) are on the frontline in CSR. Although not as big as Kenya Commercial Bank and Equity bank (Miriri, 2009), NBK has its uniqueness. Onyango, (2009) describes the bank as the oldest state-run bank having been officially opened in November 1968. He says that the objective for which it was formed was to help Kenyans to get access to credit and control their economy after independence. This long history of NBK gives the researcher the urge to know what impact it is making on its various publics through its CSR practice. Its commitment in CSR can be traced from its mission statement, "...dedicated to excellence in providing competitive financial solutions.....being a responsible corporate citizen, providing attractive salaries to our employees...." (NBK annual report, 2006, p.1).

One of the remarkable CSR involvements by NBK recently is the signing of the agreement between NBK and Athletics Kenya in 2006. The bank committed Ksh 16.1 million to the development of "Kids, youth and Junior Athletics in Kenya" (Mutuota 2009, p. 20). This enabled Athletics Kenya to send bigger contingents to both the World Youth Athletics Championships and the Africa Junior Athletics Championships. Mutuota, (ibid) also reported the bank's partnership with SOYA (Sportsperson of the Year Awards). The bank donated a cheque of 1 million shillings towards the 6th edition of SOYA in which the theme was environmental conservation.

NBK is also reported to be keen in facilitating the development and empowerment of disadvantaged children. According to Musumba (2009), the bank sponsored the installation of electricity and water storage at the Soul Mercy children's home. In addition, it donated beds and food stuffs making their living conditions better. These examples give an indication that the NBK is particularly committed to practicing CSR hence motivated the researcher to find out the internal publics' perceptions and attitudes towards CSR practice in their bank.

III. THEORETICAL AND LITERATURE REVIEW

This study was guided by the stakeholder theory, the functionalist theory of attitudes and the systems theory. The choice of these theories was based on their ability to address the three important variables in this study namely, attitudes and perceptions, internal publics and CSR

1. *Internal Publics and CSR*

Plessis (2000) describes publics as the recipients of an organization's message, a group of people with common interests exerting an influence and affecting the organization and its operations. Baskin, Aronoff and Lattimore (1997) further identify two major types of publics in an organization: Internal and External publics. Plessis (2000, p.19) defines external publics as those "who are not directly connected with the organization". These may include customers, government and community. Although external publics do not belong within the organizations, they affect the organization in one way or another. External publics differ from one organization to the other depending on the kind of business or operations they are involved in.

Internal publics have been defined as groups of individuals who are members of an organization. Cornelissen and Lock (2000) point out that internal publics include employees and the board of directors. They are grouped according to the operations of a particular organization and will differ from one organization to the other. Internal publics are no doubt the primary publics of an organization because they can encourage or inhibit organizational efforts. The importance of internal publics is also emphasized by Newsom and Scott (1985) who note that internal publics are those to which a company closely relates and share the responsibility of an organization. Indeed, they are the ambassadors of their organizations.

Despite the significant role of internal publics in an organization, many studies dealing with CSR seem to concentrate on customer satisfaction. Rundle-Thiele and McDonald (2008) did a study exploring the relationship between corporate social responsibility (CSR) and customer outcomes, depicting external publics as the central focus of CSR. The study did not show the relevance of the inclusion of internal publics in CSR despite the fact that for any company's CSR program to succeed internal publics have to be reasonably involved.

A similar study was done by Sen and Bhattacharya (2001). The scholars explored why CSR strategies have been embraced by the international banking community. They cite the benefits of corporate social responsibility for companies, including increased profits, customer loyalty, trust, positive brand attitude and combating negative publicity. These studies do not address internal publics as a necessary target for CSR and their contribution to increased profits and maintenance of positive corporate image is not recognized.

In that regard, some scholars have raised concern over internal publics being sidelined in crucial organizational issues. Brammer et al. (2007) note that there has been a tendency for companies to concentrate largely on making an impression on the external publics at the expense of the internal publics for the sake of making profits. They say that companies are now challenged by stakeholders including customers, employees, investors and activists to develop a blueprint for how they will sustain economic prosperity while taking care of their employees and the environment. This will see companies creating an effective balanced CSR program.

Some of the studies that have particularly addressed the issues of CSR and internal publics include those by Chew, Soh, Luo and Sriramesh, (2007); Abdul and Ibrahim (2002) as well as Rodrigo and Arenas (2008). Chew et al (2007) show that corporate executives view CSR purely as a profit-making endeavour. In the study, they explored the perceptions of (CSR) among corporate executives. The researchers report that

the interviewees had a good understanding of CSR. They were able to describe CSR comprehensively and viewed it as essential to a corporation's sustainability. Many of them felt that profitability of CSR is the main motivation for engaging in any CSR program. The research excluded the middle employees. This research sought to fill this gap.

Other studies have focused on the lower level employees and have shown that CSR can affect employees negatively. Rodrigo and Arenas (2008) examined employees' reactions to Corporate Social Responsibility (CSR) programs based on their attitudes. The study was an in-depth study of two Chilean construction firms that have well-established CSR programs. The analysis shows that the implementation of CSR programs generates two types of attitudes in employees: attitudes toward the organization and attitudes toward society. This study holds that employee attitudes towards CSR program may affect their how they view their organizations and the society that benefits from them the programs.

IV. METHODOLOGY

The study employed both qualitative and quantitative methods. NBK is one of the oldest banks in Kenya and the first government-controlled bank in Kenya (Onyango (2009)). This motivated the researcher to make NBK the focus of the study.

The researcher concentrated on branches in Nairobi since this is where there is a high concentration of its branches. The branches within Nairobi are Harambee Avenue branch, Kenyatta Avenue branch, Hill branch, Hospital branch, Eastleigh branch and the bank's headquarters located on Harambee Avenue.

The researcher studied middle-level employees. The middle level employees form the bulk of the internal publics in many organizations including banks (Ranson, 2008), and can be representative of the total internal publics' population which the researcher targeted. The researcher sampled 66 participants from an accessible population of 657 middle level employees from the 6 NBK branches in Nairobi which is about 10% of the accessible population. Questionnaires allowed for employee confidentiality in giving information concerning their attitudes while in depth interviews with the bank's corporate communication officers allowed the researcher to achieve a deeper understanding in the CSR practice at the bank.

V. ANALYSIS AND DISCUSSION OF FINDINGS

This study revealed that NBK practices a variety of CSR activities such as education, community projects (such as water projects and electricity installation projects), environment, health and sports. The CSR model by Carroll (1991) spells out four aspects of CSR namely, ethical, economic, philanthropic and legal aspects. Based on this model, the findings have shown that the activities that NBK carries out as the findings indicate are mainly philanthropic and ethical. For instance, educational sponsorship and community water projects are philanthropic activities while environmental conservation is an ethical aspect of CSR. From the findings presented in chapter 4, the activities that NBK is involved in function as a means of giving back to the community, team-building and enhancing the reputation for the company. This shows that at NBK, there are three entities that are catered for by the CSR activities. These are the community (giving back to the community) employees (team-building) and the organization itself

(enhanced reputation). The stakeholder theory (Freeman, 1984) attaches great importance to all parties with an interest or stake in the company. To an extent, one can argue that NBK CSR activities take care of both the internal and external publics.

The second objective sought to establish the attitudes and perceptions held by internal publics towards the practice of CSR at the bank. The stakeholder theory asserts that companies have a social responsibility that requires them to consider the views, needs and interests of all parties affected by their actions (Freeman, 1998). In view of this study, this theory seems to suggest that when practicing CSR, organizations must take into consideration the views, needs and interests of all publics involved, including employees. Attitudes and perceptions of the employees are based on their views, needs and interests and they need to be addressed.

The indication that the NBK internal publics do not view CSR as a threat to their salaries is an illustration of a favourable attitude towards CSR. In the functionalist theory of attitudes as advocated by Katz's (1960), people develop favourable attitudes towards things that aid or reward them while forming negative attitudes towards things that do not benefit us. The favourable attitudes and perceptions evident from this study are likely to be formed out of the notion that CSR does not deprive them of possible salary increment neither does it hinder the hiring of more staff.

The internal publics at NBK perceive CSR as beneficial to the organization in terms of enhancing its reputation as well as building its image and raising the profile of the organization. This could be the reason they consider CSR to be very important to the organization and that the bank should practice CSR more often though they feel it is time consuming. However, the two interviewees confirmed that while a few employees perceive CSR as a waste of time, 60% of the employees appreciate it. On the flipside, a good number of employees (35%) indicate that they have a problem with the bank practicing CSR. These respondents are likely to be among those who have expressed the need to be given incentives when they participate in the CSR activities. The feeling that CSR is a waste of time could occur if the particular activities are not meeting the goals they were originally set to meet.

The indication by the internal publics that they like CSR activities does not necessarily mean that they genuinely like CSR in their organization. As the PROs state, some employees participate in the activities for the sake of job security, registering their presence or because they genuinely want to help. For those who have a genuine interest to help, it means that they appreciate CSR for its moral purpose. The fact that some attend the functions because of job security is an indication of intimidation or fear of victimization. It is therefore no wonder that 50% of the internal publics would rather attend a CSR function than a friend's wedding. This does not mean that they think a friend's wedding is less important but that they fear the consequences of not attending a CSR function.

The study was also interested in finding out the factors that contribute to the attitudes and perceptions of internal publics towards the practice of CSR. The study established that the internal publics like CSR at their bank. This is because they believe it promotes team-building as well as giving them a chance to reciprocate to the society. It has also emerged from the study that the internal publics at NBK are generally proud of CSR.

Based on the functionalist theory of attitudes, those who dislike CSR feel that it consumes a lot of weekend time when most of the older people would want to be attending to their own personal matters. Therefore, they feel that they are losing out. This explains why one of the reasons that may lead most employees to decide not to participate in CSR is poor timing. Most of the activities are done on Saturdays or Sundays when many people would like to be home with their families or attending to their personal businesses.

It is notable that more male than female were proud of CSR. This attitude is related to the fact that CSR sometimes calls for sacrifice on the part of the employees, probably requiring a lot of time or manual work such as planting trees or cleaning the environment. While most male (54%), may not mind it, it is generally not something that most the female would be proud of. In addition, as the interviewees revealed, some of the employees who disliked CSR did not see any benefits as a result of the practice of CSR hence forming the negative attitudes in relation to what the functionalist theory of attitudes explains.

The unwillingness to participate is related to the fact that in the practice of CSR, the middle level employees are mainly involved in the implementation stage. That explains the finding that they would want every employee to be involved decision-making. From cross tabulation, it is notable that the greatest number of those who do not willingly participate are the older employees, probably because they are not involved in the planning of CSR and feel that it is imposed on them. The stakeholder theory argues that organizations should not only consider management in their planning, but anyone else who is affected by its decisions. This means working in close consultation with all cadres of employees including the middle-level employees.

For an organization to cultivate favourable attitudes among the internal publics, it must make them feel that they are part of the organization and its operations. This assertion is clearly explained in the systems theory which focuses on relationships between an organization and its publics. The finding that the internal publics would like to see their organization engage more in CSR is due to the realization that CSR does not deprive of possible salary increments or hinder hiring of more staff. This shows that while the bank invests heavily in CSR, it ensures that the CSR budget does not interfere with the employees' salary scheme, hence the favourable attitudes.

VI. CONCLUSIONS

The NBK internal publics perceive CSR as a very important tool because it enhances the bank's image and reputation. They do not perceive CSR as a threat to possible salary increments although they wish to be given incentives when they participate in CSR just as a show of appreciation by the organization. One of the main reasons the NBK internal publics like CSR is that it is a good way of reciprocating to the community and that it helps in enhancing relationships among themselves through team-building. Although most of the NBK internal publics participate often in CSR activities at their bank, they do not do so willingly because there appear to be some disconnect between the planners and the implementers of the CSR programs.

From the systems theory perspective, the disconnect shows that parts of the system (organization) are not working

together. In the CSR practice, the internal publics at NBK are mostly involved only at the implementation stage and they think that it's important that employees should be involved in making decisions in CSR. The stakeholder theory advocates for consideration of the views, interests and concerns of all the publics involved. The management and the middle-level employees need to work in close consultation to ensure that they are in sync.

The number of years worked has an influence on the internal publics' attitudes and perceptions. The more the number of years one had worked at the bank, the less proud they were of CSR activities at the bank. This is closely related to the age factor which clearly seemed to influence the internal publics' participation in CSR. The internal publics would like to see their organization engage more in CSR because they know there are some indirect benefits in this practice such as team building. This is in accordance with the functionalist theory of attitudes. Other benefits are related to the image and reputation of the organization which when enhanced are likely to translate to increased profits, providing job security for the employees. From the perspective of the functionalist theory of attitudes, the internal publics' liking or dislike for CSR is based on whether there are some benefits or not.

VII. RECOMMENDATIONS

From the findings of this study, bank management needs to state clearly what department does what and this should be communicated to all the internal publics. This would reduce any likely conflict arising from the confusion and even help to avoid duplication of functions.

The management could encourage consultation by involving other cadres of employees such as the middle-level employees in the planning of CSR. Management may also consider giving incentives to the middle level employees as a show of appreciation in order to motivate them to participate in CSR.

This study recommends that the corporate communication department ensures that there is constant flow of information about CSR by reporting frequently to all cadres of internal publics. Reports could be distributed not only to the management but also to middle and even to the lower cadre.

The corporate communication officers could also encourage feedback from the middle-level employees through the use of tools such as the intranet, social media and formal or informal meetings, hence involving them right from the initial stages of the CSR programs. This would ensure that they embrace the activities and that participation is voluntary and out of their own will.

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