

# Effect of Environmental Social Responsibility on the Performance of Geothermal Development Company Limited in Kenya

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**Abstract:** Corporate Social Responsibility simply refers to how business organizations impact stakeholders' interest. Corporate Social Responsibility plays a vital role in organizational performance. The study investigated the effect of environmental social responsibility on the performance of geothermal development company limited in Kenya. Regarding statistical methods, the study adopted a descriptive research design. The target population was 1081 employees of Geothermal Development Company as per Geothermal and 100 community representatives. The sample size constituted 100 participants whose selection was through stratified random sampling. Primary data was obtained by administering questionnaires to the participants. A pilot study was responsible for establishing the validity and reliability of the research instruments. The Cronbach's reliability coefficient of 0.07 and above was acceptable as appropriate for this study. The statistical package for social sciences version 20.0 was used in the analysis. Presentation of the findings was made use of tables, charts, curves and graphs. The study established that environmental social responsibility had a positive and significant influence on organizational performance. The study concluded that the adoption of corporate social responsibility practices improves the transparency of the operations of the company, ensures accountability and improves the profitability of the firm. The study recommended that the organizations must draw in everybody's consideration and guarantee they comprehend why the organizations are doing this, what their jobs will be, and what the organizations need to accomplish.

**Keywords:** Environmental Social Responsibility, Organizational Performance

## I. INTRODUCTION

The primary goal in the geothermal sector across the globe has been to fill the energy deficit in several countries. This drive has led to geothermal-energy-exploration mindset that is focused on achieving short term results, while limiting the attention on welfare of stakeholders (Altman, 2017). Furthermore, many organizations in this industry have overly emphatic on profit-making, but with little focus on Corporate Social Responsibility (CSR). This has defined the way in which businesses are conducted in most geothermal energy sectors globally (Birmingham, 2015).

Ahamed, Almsafi and Al-Smadi (2014) show that business risk, client credibility and stakeholder interest exert statistically significant impact on the financial performance of Malaysia's firm. There was, however, inadequate evidence to

support the claim that workers can have a significant impact on the financial performance of the company. AbuBakar and Ameer (2015) suggest that the importance of CSR execution in Western Countries is well known to the firm's, as is Malaysian. Changes were introduced to create a better environment and also have a major impact on the financial performance of the company.

Olowokudejo, Aduloju and Oke (2011) suggested that insurance undertakings in Nigeria engage in all four types of CSR practices (business ethics, public relations, consumer affairs and environmental affairs) with the most active involvement of customers. Nonetheless, CSR participation was shown to be in a positive correlation with organizational success. Akgun, Heskin and Byrne (2016) state that, given these challenges, governments and non-governmental organizations, especially in developing countries, are increasingly working to ensure the good governance of the underlying companies.

Kilong'i, Ayora and Butali (2019) note that CSR and corporate success in water bottling firms in Kenya have a positive effect. According to Omondi and Muturi (2013) the firm's involvement in corporate social responsibility improves the welfare of the community in which they do exist. Therefore, it can be argued that corporate social responsibility involves how a company meets the minimum requirements levied by law and corporate governance on the stakeholders.

Dahlsrud (2014) defines social responsibility as obligations to pursue those policies, to make decisions or to follow those lines of actions which are desirable in terms of objectives and values of society. Firms should engage in corporate social responsibility (CSR) for their own good and for the good of the society as well. According to Dobers (2015) companies have a duty to give back to the community in which they exist and companies should identify their stakeholders and what they expect of the firm. Hence, to be able to effectively address corporate social responsibility, companies should identify their stakeholders and what they expect from the company.

One of the main aspects of social responsibility is environmental responsibility. Corporate Environmental Responsibility (CER) means simply integrating environmental responsibility principles in the organization's public agenda

(Lodhia, Jacobs & Park, 2012). Fortes (2015) states that the success of environmental responsibility behavior (the internal dimension) is influenced by four elements: the application of environmental policy in corporate planning plans and day-to-day operations, knowledge of staff, increase in the amount and the scope of environmental responsibility concerns the incorporation of environmental responsibility into the core values of the organization.

The creation of the GDC was based on the energy policy of the Kenyan government as prescribed in the 2004 Sessional Paper No. 4 and the 2006 Energy Act No.12 which defined key players in the energy sector to ensure efficiency. The establishment of Geothermal Development Company as a wholly state-owned corporation in 2008 was a response by the government towards the country's growing demand for electricity and the need for sufficient energy supply capacity for Kenyan citizens. GDC is a special-purpose vehicle formed under the Energy Act to facilitate geothermal development through exploration, appraisal and production drilling, and steam field development and management. Kenya's geothermal energy resources are estimated at 10,000 MWe along the Rift system. The GDC's dream is to become a world leader in geothermal resource development. The goal is to generate 5,000 MWe of steam by 2030 (Geothermal Development Company, 2018).

#### *Statement of the Problem*

The primary focus of many corporations in the geothermal energy, as far as the exploration industry is concerned, it has been about maximizing profit. This has led to dictation on how to conduct businesses in most energy geothermal sectors across the globe (Birmingham, 2015). Also, the scenario has resulted in geothermal exploration tradition that of relying on short-term results, at the expense of stakeholders' welfare (Altman, 2017). However, emerging global environmental, social and business concerns have increasingly put pressure on organizations in all industries to adopt ethically sound practices for sustainable development and stakeholder welfare.

Amidst these shocking developments, the GDC has exhibited reactionary responses by embracing Philanthropic CSR activities such as employment opportunities for locals, sponsoring health programs, rural lighting, provision of clean water, and environmental conservation. Still, the production of clean energy is not sufficient, and the cost is relatively high. The issues are further compounded by complaints from consumers of the high cost of electricity. Perhaps the underlying challenges in this sector could be because limited studies have been conducted to satisfactorily examine how CSR activities affected its performance.

A study conducted by Nasieku, Togun and Olubunmi (2014) examined corporate social responsibility and organizational efficiency, and a quantitative analysis of CSR activities showed a strong connection between the CSR practices of a company and their results. Nana and Doris (2016) effects on

organizational success and corporate social responsibility: A case study by Vodafone Ghana Limited And announced the company's dedication to CSR projects because it wants to create the picture of a good corporate citizen. Chebet and Muturi (2018) study examined the effect of corporate social responsibility on the success of organizations: A case involving Sony and Chemelil Sugar Factories, Kenya and formed a positive relationship between corporate social responsibility and organizational success. Therefore, this study sought to investigate the influence of environmental social responsibility on organizational performance.

## II. LITERATURE REVIEW

### *Theoretical Review*

The theory of legitimacy was advocated by Guthrie and Parker (1989), who argue that companies are bound by the social contract in which companies agree to carry out various socially desired actions in return for the approval of their objectives and other rewards and that this ultimately generates their continued existence. Legitimacy is characterized as a generic interpretation or inference that the behavior of a person within a socially constructed set of standards, principles, beliefs and meanings are acceptable, reasonable or appropriate (Van der Laan, 2009). The theory implies that community and culture connect. Organizations are a part of society that operate because groups in society find them valid.

Based on an organization's view of its status or degree of legitimacy, legitimacy approaches may be implemented (Laan, 2009) to either create, expand, preserve or protect its legitimacy and regulation of future, current or perceived legitimacy holes following challenges to legitimacy (Vourvachis, 2008). The theory implies that organisations, which are the essence of CSR, seek to operate within what is considered accepted in the society. The theory of stakeholders and the theory of legitimacy developed from the perspective of a broader political economy. We also reflect on the organization's relationship with its operating environment, despite the fact that they are distinct.

### *Empirical Review*

The research by Rashid, Rahman and Khalid (2014) explored corporate social responsibility for the atmosphere (ECSR) as a proactive communication strategy. Research addressing this definition is restricted in the field of corporate governance with the unit of research at organizational level, whereas the effect of ECSR programs on consumer behavior or other marketing constructs is missing. This research further postulates that consumer understanding of ECSR contributions by the company would also improve their positive mental impression of the enterprise and serve as a pre-requisite to their lasting loyalty (mediator).

Hawrysz and Foltys (2015) study investigated environmental aspects of social responsibility of public sector organizations. A questionnaire was a basis for data collection. The questionnaires were distributed to representatives of

deliberately selected public sector organizations located primarily in Europe. In 2012–2013 the study was conducted on a total of 220 public sector organisations (102 Polish and 118 European). There is a major difference between the level of environmental responsibility of Polish and international organizations.

Cohen, Cavazotte, Costa and Ferreira (2017) study evaluated social-environmental corporate responsibility as a factor of attraction and retention for young professionals. The results suggest that SER is an important element in the success of firms in hiring young professionals and in keeping trainees, as it is statistically correlated with the probability that they will abandon their enterprises following divisive selection processes and expensive training programmes

### III. RESEARCH METHODOLOGY

Regarding statistical methods, the study adopted a descriptive research design. The target population was 1081 employees of Geothermal Development Company as per Geothermal and 100 community representatives. The sample size constituted 100 participants whose selection was through stratified random sampling. Primary data was obtained by administering questionnaires to the participants. A pilot study was responsible for establishing the validity and reliability of the research instruments. The Cronbach's reliability coefficient of 0.07 and above was acceptable as appropriate for this study. The statistical package for social sciences version 20.0 was used in the analysis. Presentation of the findings was made use of tables, charts, curves and graphs.

### IV. FINDINGS

The findings of effect of environmental social responsibility on the performance of geothermal development company limited in Kenya are indicated in Table 1.

Table 1: Environmental Social Responsibility

Statement	M	SD
The organization has adopted conservation programmes that complies with regulations on health, safety and the environment	4.00	0.75
The organization has adopted environmental awareness campaigns that comply with health, safety, and environmental regulations.	4.24	0.76
The organization has adopted effective occupational health and safety practices such as the provision of protective gear for employees	3.56	1.44
The communities around the GDC have benefited from conservation programs that observe health, safety, and environmental regulations	3.99	1.01
<b>Average Score</b>	<b>3.95</b>	<b>0.99</b>

Source: Research Data (2019)

The results in Table 1 show that the respondents agreed that environmental social responsibility influences the performance of GDC in Kenya as shown by the average mean of 3.95 and a standard deviation of 0.99. This is supported by Rashid *et al.* (2014) report investigating Corporate Social

Responsibility for the Environment (ECSR) as proactive campaign campaigns and postulates the consumer understanding of ECSR contributions by the company would also strengthen the positive mental picture of the enterprise and serve as a pre-requisite (mediator) to its lasting loyalty.

The findings indicate that to a great extent, the organization has adopted conservation programmes that comply with health, safety, and environmental regulations as indicated by the mean of 4.00 and a standard deviation of 1.00. To a great extent, the organization has adopted environmental awareness campaigns that comply with health, safety, and environmental regulations as indicated by the mean of 4.24 and a standard deviation of 0.76. This is consistent with the Hawrysz and Foltys (2015) report, which analyzed environmental aspects of public sector organizations' social responsibility and found a significant difference between the level of environmental responsibility of organizations based in Poland and abroad.

To a great extent, the organization has adopted effective occupational health and safety practices such as the provision of protective gear for employees as indicated by the mean of 3.56 and a standard deviation of 1.44. To a great extent, the communities around the GDC have benefited from conservation programs that comply with health, safety and environmental regulations as indicated by the mean of 3.99 and a standard deviation of 1.01. This is in agreement with Cohen *et al.* (2017) study assessed corporate social-environmental responsibility as an attraction and retention factor for young professionals and the results suggest that SER is an important component of the attractiveness of companies in recruiting young professionals

### V. CONCLUSIONS AND RECOMMENDATIONS

The study concluded that observed that the implementation of activities in corporate social responsibility increases the openness of the processes of the business, guarantees efficiency and strengthens the competitiveness of the organization. The results show that corporate social responsibility typically has a positive impact on all an organization's performance indicators. The study recommended that the organizations must draw in everybody's consideration and guarantee they comprehend why the organizations are doing this, what their jobs will be, and what the organizations need to accomplish.

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