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MOGADISHU-SOMALIA**

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**ABSTRACT**

*The field of corporate social responsibility (CSR) has grown exponentially in the last decade. Nevertheless, there remains a protracted debate about the legitimacy and value of corporate responses to CSR concerns. There are different views of the role of the firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. The relationship is tested by using empirical methods. The Corporate Social Responsibilities of Hormuud Telecom goes far beyond the old model of philanthropy of donating money for a good cause at the end of the financial year. The main objective of the study was to find out the role of Corporate Social Responsibilities on the financial performance. The research design followed was descriptive and a survey study was adopted. A sample of 316 out of over 1500 employees of the Hormuud Telecommunication were interviewed. These were accessed by use of questionnaires regarding the variables of financial performance factors. The obtained data from the survey was analyzed using SPSS. From the analysis, it was found out that, Social Networking (SNW) play a major role in organizational financial performance through increased revenue, customer loyalty and profits. Philanthropic activities were also agreed that they are relevant to financial performance. From the regression analysis prediction, philanthropic activities would negatively contribute to a -.297 unit per activity, and lastly physical environment is to be taken care of but its contribution to financial performance was relatively low to their counterpart variables. The study concluded that, CSR activities should be supported by organizations in order for them to realize the earmarked financial benefits but also to avoid government penalties in fines. The study recommends that, organizations should uphold CSR activities including all SNW, philanthropy and Physical environment support. The study also recommends that further studies be done on the subject of CSR and its role on financial performance of organization and to take this study to other entities as well.*

**Key Terms:** Corporate Social Networking, Corporate Social Philanthropy, Corporate Social Environment

## INTRODUCTION

The field of corporate social responsibility has grown exponentially in the last decade. A larger number of companies than at any time previous are engaged in a serious effort to define and integrate CSR into all aspects of their businesses. An increasing number of shareholders, analysts, regulators, activists, labor unions, employees, community organizations, and news media are asking companies to be accountable for an ever-changing set of CSR issues. There is increasing demand for transparency and growing expectations that corporations measure, report, and continuously improve their social, environmental, and economic performance.

The definition of corporate social responsibility is not abstruse. According to *Business for Social Responsibility* (BSR), corporate social responsibility is defined as achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment. (Forstater & Raynard, 2002) describe CSR as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law." A point worth noticing is that CSR is more than just following the law (Crane, 2005). Alternatively, according to (Rawlins, 2005), the definition of what would exemplify CSR is the following: "An action by a firm, which the firm chooses to take, that substantially affects an identifiable social stakeholder's welfare." A socially responsible corporation should take a step forward and adopt policies and business practices that go beyond the minimum legal requirements and contribute to the welfare of its key stakeholders.

CSR is viewed, then, as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company and usually include issues related to business ethics,

community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace. Each company differs in how it implements corporate social responsibility it at all. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, stakeholder demands, and how historically progressive the company is in engaging CSR. Some companies focus on a single area, which is regarded as the most important for them or where they have the highest impact or vulnerability-human rights, for example, or the environment-while others aim to integrate CSR in all aspects of their operations.

For successful implementation, it is crucial that the CSR principles are part of the corporations values and strategic planning, and that both management and employees are committed to them. Furthermore, it is important that the CSR strategy is aligned with the company's specific corporate objectives and core competencies. (Robinson, 2009) the "virtue matrix" as a framework for how socially responsible behavior enters business practice. The matrix is framed by four quadrants. The two bottom quadrants include socially responsible conduct in which corporations engage by choice, by following norms and customs, or by compliance to existing laws or regulations. Those actions both promote social responsibility and enhance shareholder. On the other hand, the two top quadrants of the matrix include the strategic and structural frontiers, which include activities whose value to shareholders is either clearly negative or not immediately apparent. The boundaries between the different categories of socially responsible conduct are porous, since a change in the law or in common practices can cause an activity to migrate from the upper quadrants to the bottom ones. The Corporate Social Responsibilities of Hormuud Telecom goes far beyond the old model of philanthropic of donating money for the good cause of at the end of the

financial year. They want their CSR to be an all year round investment for their engagement with local communities. The Hormuud telecom also support intuitive/projects that provide sustainable solution to the most pressing social challenges. It is specific focus areas are Education, Health, Economic, Empowerment, Environmental conservation, Arts and Culture, and Sport. They also respond the disaster and humanitarian emergencies.

Corporate Social Responsibility has been a subject of study for quite some time. A survey on corporate community involvement indicated that 72 percent of employed Americans want to work for a company that is involved in charitable causes. Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (World Commission on Environment and Development, 2002). (Boxall & Purcell, 2003) A great number of writers have recognized that the activities of organizations impact upon the external environment and have suggested that one of the roles of accounting is to report upon the impact of organizations in this respect. (Hetherington, 2003) States that, there is no reason to think that shareholders are willing to tolerate an amount of corporate non-profit activity which appreciably reduces either dividends or the market performance of the stock. (Dahl, 2002) Conversely hold that, every large corporation should be thought of as a social enterprise; that is, an entity whose existence and decisions can be justified insofar as they serve public and social purpose.

Way back, Carroll one of the earliest CSR theorist stated that, business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given time (Alison, 2004). (Aras & Guller, 2008) Say that, in modern commercial area companies and their managers are

subjected to well publicize pressure to play an increasing active role in the welfare of the society. There seems to be a general belief that whether or not business should undertake CSR is a contested topic. The form that responsibility should take is another issue. There seem also to be a belief that such activities shall depend on economic perspective of the company that is adopted.

Nevertheless, despite its (CSR) influence in the operations of Corporate, little has been done to analyze its influence on the strategic formulation and financial performance of companies especially in developing countries like Somalia. The value of the firm, profitability and success thereto, are affected by the CSR activities. There is evident need that, CSR activities should be given due attention they deserve if companies need to succeed in their financial performance. The study therefore set itself to investigate the role of CSR activities, how they influence financial strategic plans of companies and the contributions these activities add to the success of companies.

### **Research Objectives**

- To determine the role of social networking in financial performance of Hormuud Telecom, Somalia.
- To find out the role of philanthropic CSR activities in the financial performance of Hormuud Telecom, Somalia.
- To establish the role of environmental CSR activities in financial performance of Hormuud Telecom, Somalia.

### **LITERATURE REVIEW**

#### **Theoretical framework**

Several theories have been put up by several people. This study attempts to measure the value of the Corporate Social responsibility function to organizations of sizeable activities such as those of Hormuud in this case, in a developing country, and

provide a public relations perspective to the existing management theory of CSR.

### ***Arthaud-Day's three dimensional model***

Specifically, the theoretical model is a three-dimensional conceptual CSR model proposed by Arthaud-Day (2005). (Arthaud-Day, 2005) proposed a three dimensional conceptual model that allows identification of universal domains, yet incorporates the flexibility demanded by international CSR research. It includes the strategic orientation, content domain and perspective. The strategic orientation, or the foundational layer, describes the management mentalities of MNCs, including multinational, global, and transnational. The content domain that covers three issues: Human rights, labor and the environment. These seem to be general CSR themes upheld in multiple cultures (U.N, 2005). The human rights issue entails support and respect by businesses for the protection of international human rights (e.g., human development, respect for diversity). The issue of labor upholds the elimination of all forms of forced labor or child labor, elimination of employment discrimination, and the freedom of association and collective bargaining. The last issue of environment requires businesses to develop environmental friendly technologies, and take initiatives to promote greater environmental responsibility, such as recycling and improved energy efficiency.

Arthaud-Day (2005) pointed out that these three issues are subject to changes or even removal. The content domain serves as a starting point for managing MNCs' CSR. The third dimension of perspective includes the ideological, societal, and operational perspective. The ideological perspective reflects what the MNC's leaders believe the company should be doing. The societal perspective indicates what the company's stakeholders expect of it. The operational refers to assessment of the company's actual CSR practices. The three perspectives illustrate the ways in which MNCs

coordinate its internal belief system, external demands, and actual CSR strategies. This dimension accounts for the complexity of CSR-related decisions made by MNCs under different circumstances, and embodies the macro-level tensions embedded in the other two dimensions.

### ***Archie Carroll's theory of CSR***

(Carroll, 1979)'s widely cited CSR model spelled out four types of corporate responsibilities: economic, legal, ethical and discretionary responsibilities, which are expectations society has of organizations at a given time. Economic and legal responsibilities specify obligations of organizations to serve economic interests within the legal boundaries. Ethical and discretionary responsibilities contain more vague messages for organizations, and are usually limited to their own judgments.

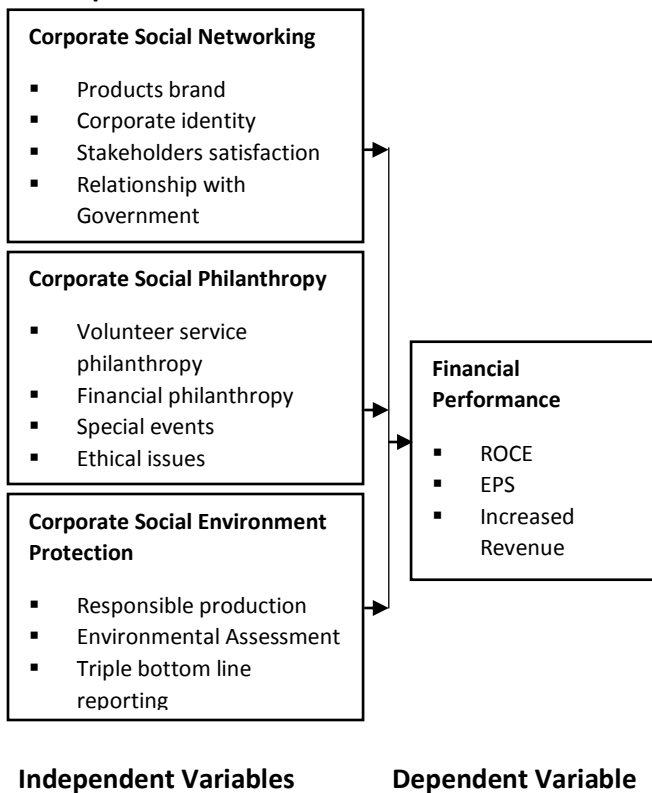
Many voluntary activities by organizations, such as philanthropic contributions fall under the category of discretionary responsibilities (Beschoner, 2006). Unfortunately, Carroll did not offer a clear-cut definition. Archie Carroll proposes that the managers of business organizations have four responsibilities: economic, legal, ethical, and discretionary. Economic responsibility is concerned with producing goods and services of value to society so that the firm may repay its creditors and shareholders. Legal responsibilities are defined by governments in laws that management is expected to obey.

According to (Boxall & Purcell, 2006) ethical responsibilities are to follow the generally held beliefs about how one should act in a society. For example, society generally expects firms to work with the employees and the community in planning for layoffs, even though there may be no law requiring this. The affected people can get very upset if an organization's management fails to act according to generally prevailing ethical values. Discretionary responsibilities are purely voluntary

obligations a corporation assumes, for example, philanthropic contributions, training the hard-core unemployed, and providing day-care centers. The difference between ethical and discretionary responsibilities is that few people expect an organization to fulfill discretionary responsibilities, whereas many expect an organization to fulfill ethical ones.

(Carroll, 1979) suggests that if organizations fail to acknowledge discretionary or ethical responsibilities, government, will act, making them legal responsibilities. This may be done by government, moreover, without regard to an organization’s economic responsibilities. As a result, the organization may have greater difficulty in earning a profit than it would have had in assuming voluntarily some ethical and discretionary responsibilities. Carroll proposes that a lack of social responsibility results in an increase in government regulations, thus reducing a firm’s efficiency.

**Conceptual Framework**



**Figure 1: Conceptual framework**

**Corporate Social Environment Protection**

From the above framework, the study took a direction of assessing the financial performance as it is affected by the three variables. As mentioned in the Arthaud-Day’s three dimensional theory, and one dimension being the strategic orientation, Companies must incorporate in their strategic plans issues of CSR for one reason that, they influence the economic objectives of the company (Alison, 2004). Carroll maintained that, the first responsibility companies have is to satisfy their primary stakeholders, the shareholders by ensuring them the required returns. It may be inferred from the conceptual framework that, companies engage in CSR activities including environmental protection. This is done by assessment of the environment and assessing how the company activities may affect the environment in which it operates. This necessitates responsible production, meaning production processes that preserve the current environment for future activities. This is always shown in triple bottom line reports of companies.

Community relations involves more than appearing positive and planning. Community relations prepares an organization for meeting the challenges in a diverse often unpredictable climate. Whereas often publics seek recognition, a hearing, and sincere consideration, the public relations professional must prepare by completing the following series of stages: to initiate or reestablish a community relations intent, to research internal and external infrastructures, attitudes, requests, and so on, to build dialogic bridges, to monitor continually the environment, and to integrate the data and actions into some synergistic approach that allows for a mutually beneficial coexistence for organizations and the various publics (Robert, 2005). Both groups (organizations and publics) must create *trust* to further establish ongoing dialogue.

The stakeholders especially need to be integrated into the dialogic process.

### **Corporate Social Philanthropy**

Corporate social responsibility describes the role a company has in society (Alison, 2004). He adds, “An institution’s relationships with its neighbors in its community are crucial because these neighbors supply the organization’s workforce, provide an environment that attracts or fails to attract talented personnel, set taxes, provide essential services and can, if angered, impose restraints on the institution or industry”. The study concerns itself with the activities that companies engage in community development and the bearing they have to its financial performance.

Public relations practitioners can play varying roles in this community organizing process. In community involvement, public relations professionals are agent representatives of an organization or cause who become active participants in community activities and conversations. In community nurturing, public relations professionals act as program facilitators, orchestrators of events, producers of information, and managers or coordinators of volunteer and philanthropic activities. The historical evolution of community relations emerged from the changing pressures in society resulting in great dissatisfaction between organizations and their publics. Originally, the concept of philanthropy in terms of educational programs or job training was considered enough effort to bring goodwill to an organization, especially corporate entities (Robert, 2005).

The emergence of community relations as more dedicated to *research* and analyzing attitudes paralleled the increased activism of publics within communities. In the early stages of industrial expansion, business organizations were considered a benefit to a community. New industry provided jobs from generation to generation and supplied

the community with an ample tax base for developing the infrastructure of a community. However, as time passed, it became more and more evident that corporations often exacted a toll on a community in terms of layoffs, relocations, pollution, increased health problems, safety issues, the attraction of large groups of people, as well as domination of the local boards of directors.

### **Corporate Social Networking**

The study believes, that CSR improve company image through social networking activities. Social networking brings with it the brand image, a strong corporate identity and positive corporate image which are believed to deliver tangible bottom line benefits for a wide range of organizations (Dahl, 2002). Social networks builds warm government relationships and satisfies stakeholders in ensuring that they are well informed of the happenings in the organization. This study explores meaning of corporate identity and social networking and considers some critical approaches. It then considers ideas affecting identity and image management and consider how concepts dominating PR thinking (such as stakeholderism) can be incorporated into Corporate Identity management – an area often informed by a marketing paradigm.

Not-for-profit organizations use public service advertising to promote social causes and ideals (also referred to as social marketing). Public service announcements (PSAs) take the form of print ads or broadcast commercials in the non-editorial portions of public media as well as messages that appear in out-of-home media (billboards, transit ads, etc.). Media organizations donate the space or time as a public service—to engender themselves to audiences and to demonstrate social responsibility to their regulators (Robert, 2005). Public relations advertising differ from traditional product or service advertising by its focus on promoting an

organization's image or advocating a position on a particular topic. However, fully separating product/service promotion from organizational goals is often difficult. Many product advertising campaigns, for example, seek to enhance the organization's reputation while also selling products. Similarly, some public relations firms provide product advertising and related promotional services as part of an integrated marketing communications program for clients.

### **Empirical Review of related literature**

Some researchers have equated Corporate Citizenship (CC) with CSR (Crane, 2005) asserted that conceptualization of CC is not a conceptual improvement on or an extension of the concept of CSR. He takes CC as a continuum that moves from minimal citizenship at one end, where corporations only comply with laws, through the discretionary stage where corporations engage in philanthropy/charitable giving, to the strategic citizenship stage in which corporations form a healthy relationship with its communities by "doing the right thing" and displaying humanity" Some view CSR as business ethics. Any way it inevitable to talk about business ethics when considering CSR. However, these two concepts are not twins without differences. Sometimes researchers included CSR as part of business ethics. (Broadhurst, 2000) Posited that awareness of complex corporate compliance in the dimensions of business ethics motivated corporations to implement their own socially responsible initiatives. To her, CSR is under the umbrella of business ethics. She used the case of Shell to illustrate how company tried to establish boundaries of ethical responsibilities. Other times CSR was perceived as an application of ethical norms (Beschoner, 2006).

Corporate social responsibility is one of the biggest corporate fads of the Twenty first century, less of it is not enough for firms to make money for their

owners is one that many business leaders now share, or say they share, in more or less the same conviction. (Alison, 2004) Believes that, a strong corporate identity and positive corporate image are believed to deliver tangible bottom line benefits for a wide range of organizations. He adds, 'managing corporate identity (CI) is about identifying the right image for an organization, and communicating it effectively'. (Shen, 2006) Gives a distinction between Corporate Identity and Corporate image. He maintains that, the terms corporate identity and corporate image are sometimes confused with each other. Corporate identity is what the organization communicates (either intentionally or unintentionally) via various cues, whereas its image is how its publics actually view it. An image is a perception and exists only in the mind of the receiver. To formulate an image, publics interpret an identity in a wider context with broader frames of reference.

### **METHODOLOGY**

The CSR model is conceptual in nature and therefore, took a descriptive design. (Gatara, 2010) holds that descriptive design is appropriate and less expensive. To (Best & Khan, 2003) a descriptive design provides qualitative or numeric descriptions of trends, attitudes and perception of the population by studying a sample of that population. Respondents who were judged to provide legible answers were selected. (Grunig & Grunig, 2002) demonstrated that research on the value of public relations can be conducted at the program level, department level, organizational level and societal level. Therefore, qualitative interviewing was used to collect data from different sources to explore more deeply into the underlying meanings and relationships. Also, qualitative interviewing is noted for its high adaptability. (Lindlof & Taylor, 2002) Suggested that qualitative interviewing can be conducted "anywhere two people can talk in relative privacy"



The study added validity and reliability to the study at both the organizational level and individual level. Specifically, for all three research questions, the study aggregated data of participants (communicators and employees) from the same company. Analyses were done to compare employees' data at the individual level for the research questions.

## **RESEARCH FINDINGS**

### **Descriptive Analysis**

#### **CSR and Organizational Social Networking**

The study sought to know what employees understood what CSR is, and 63% agreed that CSR is all about when an organization does that which it was expected to do whereas 37% understood it as a situation when an organization engages in activities beyond that which were not expected of it. After defining CSR as stated in here, 100% of the respondents agreed that CSR activities really improve social network of organization. The activities such as building the schools for the blind, coming to food shortages in some regions and sponsoring health care facilities were sighted as having greater impact on improving social networks.

#### **Social Networking and Customer Loyalty**

The study went ahead to find out respondents' perception on social networks created and customers becoming loyal to the company. The response was that, there was a 39% respondent that strongly agreed and 49% just agreed that it actually does as shown in tabulated results below. This further evidence that, CSR improves financial performance as loyalty of customers creates repeated sales.

#### **Social Networks and Revenue**

The response on the question requiring respondent's views on whether Social networks leads to increases or improvements in the

company's revenues received a total 81% agreeing that it does with only 5% disagreeing. This shows that actually there is belief of positive financial impact if the organization continue to actively engage in CSR activities that increases social network ties. This study therefore concurs with a study conducted by (Dahl, 2002) in which he found out that, Social networking brings with it the brand image, a strong corporate identity and positive corporate image which are believed to deliver tangible bottom line benefits for a wide range of organizations.

#### **Social Networks and General Profitability**

An inquiry was made if CSR social network activities proved to be increasing general profitability of the organization. Again to ensure that these activities were relevant in increasing the profitability, 67% agreed and 13% strongly agreed to the fact. A 12% ratio of respondents however were undecided while only 4% strongly never agreed that profitability increases. This is in agreement with (Alison, 2004) who holds that, corporate reputations have bottom line effects. A good reputation enhances profitability because it attracts customers to the company's products, investors to its securities, and employees to its jobs.

#### **Philanthropic CSR Activities**

37% understood CSR as a situation when an organization engages in activities beyond that which were not expected of it. This is affirmed by the responses to the question posed to respondents inquiring if the organization spending on philanthropic activities was a waste of time and resources. 72% answered refusing that it was a wastage of time and actually agreed that it was not wastage of resources.

#### **Support to surrounding community daily needs**

The study sought to find out, as part of its social networking activities, if the organization was engaged in supporting the community in their daily

needs. The findings show that, there is a significant and strong agreement of 42% among respondents that the organization actually support the surrounding community. Generally 84% were in agreement of Hormuud as a supporter of the community in the daily needs such as water during droughts. This seems to indicate the importance the organization puts on the CSR activities which may translate into positive financial performance. Other support by the organization in improvement of social networking could be evidenced in the organizational support to primary health care facilities. These are shown here below.

#### **Support to Primary Health care facilities**

The study researched on how the respondents believed that the organization supported Primary health care facilities as part of social networking. The results showed that out of the 316 respondents, 31% strongly agreed while 45% agreed that the company was doing or sponsoring such activities. This again was in agreement that, the company sees a relationship of such activities to its financial performance.

#### **Support in case of emergencies such as fire outbreaks**

The study also studied if the organization was engaged in giving a helping hand to governments in such cases as emergencies. The results show, that 85% of the respondents were in agreement that it does so. This is further evidence that the organization believes the positive impact such activities have on its financial performance.

#### **Physical environment concerns**

Asked about the organization's activities having affected the environment, the majority of respondent did not believe that the organization's operations had effects on environment. However, 28% realized that there were some effects when Hormuud is constructing communication masts. From the response was inferred that the fact that

the company deals in communication, it might be difficult for ordinary employee to see physical effects organization.

#### **Responsibility for repairing Damaged Environment**

Respondents were asked inquiring of them of the responsibility to the organization to back to normality the affected environment emanating from the activities of the organization. Majority of respondents agreed that the organization should be responsible while on 11% advocated that, the government should be responsible for environmental damages caused by the organization operations. This seemed to suggest that, though it might have affected company's financials by demanding cash pay outs, it was necessary for the company to foot such expenses. It was also inferred that, the negativity to financial performance is not to the appalling levels.

#### **Surrounding Community responsibility for environmental degradation**

Asked about if the community in the vicinity should also take responsibility for environmental damage, the majority respondents agreed that also the community around damages the environment.

#### **General Respondents' perception of CSR**

##### **CSR as a tool in accomplishing Company Objectives**

The study inquired respondents' view on the idea that CSR as being a great tool in improving financial performance of the organization and the responses show that, 32% strongly agreed whereas 58% agreed, making it a cumulative 90% in agreement that CSR as having its positive role in obtaining company objectives which included improving financial performance of the organization. The results showed that, 2.9% were undecided and only 6.5% disagreed. There was however a non-response of 2.8% on this issue.

##### **CSR and Customer Satisfaction**

Respondents were asked if they believed that CSR would reduce customer complaints. The responses

were that, 82% agreed whereas 18% never agreed that customer complaints reduce due to CSR activities. As a satisfied customer shall make a repeated purchase, it increases the financial performance of the organization.

**Statements on CSR and Organization Performance Parameters**

The study sought to inquire respondents’ views on various parameters of various independent variables reflecting financial performance. Under Social networking, there was general consensus that SNW increases customer loyalty, revenue and profit and that the organization’s SNW activities were in line with its Vision. The results showed higher averages with means of 1.79, 1.94, 2.20 and 1.22 of these responses respectively. Also a great the majority believed that philanthropy was not a waste of resources. Respondents were of the view that, Hormuud’s operations affect little the physical environment, may be because it is a telecom company which uses a few of physical materials compared to manufacturing organization. However, they agreed that they would promote spending on physical environment by the organization. CSR was also agreed to be a great tool in attainment of

organizational objectives. This is concurs with (Robinson, 2009) who notes that it is important that CSR strategy should be aligned with the company’s specific objectives and core competencies.

The respondents’ general views could be inferred on CSR’s role on financial performance of the organization. For instance, an average with a mean of 1.16 with standard deviation of only 36.4% on the continuum of 1 to 2 agreed that, CSR activities are relevant in financial success of the organization. Almost the same results for the improving sales were depicted.

**Correlation and Regression Analysis**

**Correlation Analysis**

The study applied correlation analysis because it is less expensive in terms of time and information to determine relationships. The study applied a statistical package SPSS V20 to code, enter and compute the measurements of relationships. From the study, there was a positive correlation between the ages of respondents to a CSR activities as being a tool for achievement of organizational objectives – majorly financial performance. However, the relationship was seen to be at 2.9% and insignificant.

**Table 1: Correlation**

		<b>Correlations</b>	
		CSR activities and Financial Performance	Age of Respondent
CSR activities and Financial Performance	Pearson Correlation	1	.029
	Sig. (2-tailed)		.611
	N	307	307
Age of Respondent	Pearson Correlation	.029	1
	Sig. (2-tailed)	.611	
	N	307	316

**Regression Analysis**

The study conducted a multiple regression analysis in order to investigate the role of CSR practices on organizational financial performance of Hormuud.

In this model, coefficients of determination explain the extent to which changes in dependent variable can be explained by the changes in the independent variables or percentage of variation in dependent

variable (financial performance for this study) that is explained by all three independent variables (SNW, Philanthropic and environmental organization's activities). The three variables studied explain 48.3% of variance in the role of CSR activities on financial performance as represented

**Table 2: Regression Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695 <sup>a</sup>	.483	.478	.554

a. Predictors: (Constant), Physical environment, Social Networking, Philanthropic activities.

b. Dependent variable: Financial Performance

The F critical at 5% level of significance was at 5.44 since F calculated was greater than F critical (value = 94.3) this shows that the overall model was significant. The significance is less than 0.05, thus

**Table 3: ANOVA (Analysis of Variance)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.857	3	28.952	94.328	.000 <sup>b</sup>
	Residual	93.000	312	.307		
	Total	179.857	315			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Social networking, Philanthropic and Physical environmental activities).

From the regression findings, the substitution of the equation:

$$Y = 0.27 + X_1 - X_2 + X_3$$

Where Y is dependent variable (Financial Performance), X<sub>1</sub> is Social networking, X<sub>2</sub> is philanthropy and X<sub>3</sub> being Environmental activities. According to the equation, taking the three factors constant at 0.904, the constant factor is insignificant since it is less than 0.005, the role of CSR on financial performance will be 0.27. The data also show that the unit increase in SNW will lead to a 1.359 positive increase in financial performance,

by the R<sup>2</sup>. This means that, the other factors not studied contribute 51.7% of variance in dependent variable which calls for further studies to assess role of CSR activities in financial performance of the organization.

indicating that the predictor variables (SNW, philanthropy and Environmental activities) explain the variation in the dependent variable which is financial performance.

where as a unit increase in philanthropic activities will lead to decrease of -0.219 financial performances and a unit increase in physical environmental activities will lead to a 0.353 increase in financial performance. At a 5% level of significance and 95% level of confidence, SNW had a 0.000 level of significance, Philanthropy a 0.005 while Physical environment had a 0.000 level of significance. By substitution Regression equation will be,

$$Y = 0.27 + 1.359_1 - 0.219_2 + 0.353_3$$

**Table 4: Regression Coefficients**

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.027	.226		.121	.904
	Social Networking	1.359	.092	.650	14.829	.000
	Philanthropic activities	-.219	.078	-.126	-2.813	.005
	Physical environment	.353	.074	.203	4.750	.000

a. Dependent Variable: Organizational Performance  
 The results of the regression in table 4 showed how social networking, philanthropy and physical environment activities of Hormuud influenced the organizational performance and shows clearly the multiple regression equation  $Y = 0.27 + X_1 - X_2 + X_3$  and by substituting variables  $Y = 0.27 + 1.359X_1 - 0.219X_2 + 0.353X_3$  meaning, the role of CSR on financial performance will be 0.27. The data also show that the unit increase in SNW would lead to a 1.359 positive increase in financial performance, where as a unit increase in philanthropic activities would lead to decrease of -0.219 financial performance and a unit increase in physical environmental activities would lead to a 0.353 increase in financial performance.

**CONCLUSIONS AND RECOMMENDATIONS**

**CONCLUSIONS**

Social networking has been seen and is believed to have played a big role in boosting the financial performance of the company. Activities done under this guise have included support offered to Social communities in form of primary health care, building of schools and government support, all of which increase connections and Social networks. As the population are connected to the company, these potential customers actually become active customers and this seem to be the cause for the increase in revenues and profitability. The respondents' agreement that customers' loyalty,

revenue and organizational profitability is an indicator that SNW plays a positive role onto organization's financial performance.

Philanthropic activities have also been looked at and a strong belief from the respondents that engaging in such activities is not a wastage of time and the respondents' agreement that they would actually engage in activities such as taking care of the blind, building schools for the them and supplying food in times of shortages or water in droughts surely not only builds SNW as seen above but are not organization's obligations to do them, however, they build that organizational love and trust by the current and future customers leading to repeated purchases, increase in customer loyalty but contributes negatively on profitability and therefore, financial performance.

Environmental CSR activities results show that, the organization should actually face its operational consequences. Though majority of respondents believed that their organization had less to do with physical environmental damages, they on other hand believed the company should foot the expenses of their operational footprints. To this end, environmental CSR activities was believed to be in line with the company's vision and mission and objectives. We may conclude that if organization ignore its responsibilities to repair its damages to environment, Government may come

to force them do so and penalties may actually follow, having financial impact on the organization.

## **RECOMMENDATIONS**

Basing on the findings of this study and the conclusion thereof made, it is recommended as thus below;

### **Social Networking**

The organization should continue injecting resources in Social Networking activities since the activities lead to much awareness by the community of the intentions of the company and their products. The Company should engage in its CSR strategy, Social Networking goals and objectives so that goals and achievements are measured according to set goals. The organization should come up with a policy on social networking to guide the managers and implementers of these activities

### **Philanthropy**

The finding showed that 219 contributions to the organization performance as per unit spent on these activities, and was shown in the regression analysis results. It was recommended that, the company should not continue with such activities, unless they complement other CSR variables such as Social networking. However, further studies are recommended to comprehensively determine the extent of this negativity given all CSR variables that influence organizational performance other than only the three considered in this study which explain only 48.3% of the influence on performance.

### **Environmental Activities**

The activities were significant and contributed positively by 0.353 for each unit spent on these activities. The study recommends more investment in this area. Like in the social activities, a policy

should be put in place on what to be included in the environmental activities and the benefits to be communicated to the stakeholders, including both employees and Government and the surrounding community.

### **On CSR activities and reporting**

The positive and good gesture depicted by the organization in its efforts to support CSR activities in terms of Social networking and environmental preserving services should be upheld. Such efforts shall see the organization increase its revenue, customer loyalty and profitability. This has got multiplier effect on employee confidence, reduced customer complaints, all translating to positive financial organizational performance.

It is recommended that, a triple bottom line reporting which include in the company's financials a detailed report of the company's effects on the environment, and also the reports to shareholders on organizations' CSR activities to be part and parcel of the reporting items in company financial. Reporting should always also include the relationships, where possible, of these activities to financial performance of organizations.

### **Recommendation for further studies**

This study concentrated on the role of CSR on financial performance of organization concentrating on Social networking, philanthropic activities and environment. The three may not be the only CSR activities and others may play a role in financial performance of organization. This study therefore recommends that more studies be conducted on CSR influence on performances of organization. The study was carried out at Hormuud Telecom Company as a case study, the study recommends that more studies be done from a number of other companies for increase in knowledge and data.

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