

**RELATIONSHIP BETWEEN NON-DISCRETIONARY ORGANIZATION SOCIAL
REPONSIBILITY AND PERFORMANCE OF COUNTY GOVERNMENT OF
KISUMU**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
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DECLARATION

I declare that this research project has not been presented anywhere for any award and that all sources of information have been acknowledged by means of references

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(MBA/BE/00113/2013)

Supervisor

This research project has been submitted with my approval as the university supervisor

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I wish to thank all those whose efforts made possible the realization of this project. Particularly, I am grateful to my supervisor Dr. Charles Ondoro for his invaluable guidance. My sincere appreciation goes to all my lecturers whose enlightenment at the university made me focus on this subject.

DEDICATION

This work is dedicated to my family.

ABSTRACT

Organizational social responsibility has become a main priority in current society given that as is evidenced by many global corporations integrating organization social responsibility (SR) programs into their business operations have never been greater. Past studies have concentrated SR private sector and have conceptualized it as discretionary or philanthropic responsibility. The studies do not focus on non-discretionary SR. Further, the studies concentrate on private sector and ignore public sector. County governments have not been focused on by these studies. County Government of Kisumu, for example reports challenges in the areas of efficiency in use of resources and inability to attract investment in large firms. The purpose of this research was to investigate the relationship between organization social responsibility and performance of County Government of Kisumu. The specific objectives were to establish relationship between economic responsibility and performance at County Government of Kisumu; investigate the relationship between ethical responsibility and performance at County Government of Kisumu and analyze relationship between legal responsibility and performance at the county government. The conceptual framework spelt out SR as the independent variable and performance as dependent variable. The study adopted correlational study design. The population consisted of all the 86 senior administrative staff of the county government. Saturated sampling was used to pick all of them. Validity and reliability of questionnaire was tested on pilot data targeting 6 respondents and reliability reported to be 0.73. Correlation analysis established that a moderate positive significant relationship exists between economic responsibility and performance [$r(75) = .437, p < 0.05$]. This means that if the county government pays its employs for example, well, its performance increases. The first null hypothesis is thus rejected. There was a high positive significant relationship between ethical responsibility and performance [$r(75) = .615, p < 0.05$]. This means that as the county government engages more in activities approved by society and considered morally acceptable, its performance increases. The second null hypothesis is thus rejected. The study established a significant positive relationship ($r(75) = .540, p < 0.05$). This means that the more the county government adheres to laws the more it performs. The third null hypothesis is thus rejected. Based on the study finding, it is concluded that SR through economic responsibility, ethical responsibility and legal responsibility contributes to performance levels of the County Government of Kisumu. This study recommends for more resources be put on the SR activities and SR policies be further reviewed and strengthened by the leadership of the bank. Further studies are recommended on other aspects of SR.

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LIST OF ABBREVIATIONS AND ACRONYMS

SR	Social responsibility
ECR	Economic Responsibility
ETR	Ethical Responsibility
GDP	Gross domestic product
ICDC	Industrial and Commercial Development Corporation
LR	Legal Responsibility
NGOs	Non-government organizations
PRIDE	Promotion of Rural Initiatives and Development Enterprises
SR	Social Responsibility

OPERATIONAL DEFINITION OF TERMS

- Effectiveness** - The degree to which objectives are achieved and the extent to which targeted problems are solved within the County Government.
- Efficiency** - The ratio of translation of county resources into welfare outcomes for example in the form of cost and time savings in process of resource use.
- Performance** - The ability of the county governments to prevail in the form of efficiency and effectiveness with which they deliver services.

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CHAPTER ONE : INTRODUCTION

This chapter presents the background to the study, the statement of the problem, the objective of the study, research hypothesis, and significance of the study and scope of the study.

1.1. Background of study

The need for established social responsibilities and ethical frameworks in business has become a main priority in our current society. This is evidenced by the fact that the number of the most well-known global corporations integrating organization social responsibility (SR) programs into their business operations has never been greater. SR involves actions that appear to further some social good, beyond the interest of the firm and that which is required by law. SR is more than just following the law (McWilliams & Siegel, 2001).

Alternatively, according to Arellano (2003) the definition of what would exemplify SR 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. SR is viewed 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 organization social responsibility. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, and stakeholder demands. Some companies focus on a single area which is regarded as the most important for them or where they have the highest effects or vulnerability human rights, for example, or the environment while others aim to integrate SR in all aspects of their operations. For successful implementation it is crucial that the SR 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 SR strategy is aligned with the company's specific corporate objectives and core competencies (McWilliams & Siegel, 2001).

The field of SR has grown exponentially in the last decade. An increasing number of stakeholders are asking companies to be accountable for an ever-changing set of SR issues. The idea that businesses have a role in society as well as in making money for shareholders is not a new one. Although a business organization primarily exists to make a return for its investors, a number of other purposes might also apply. It might want for example to be a good employer, to behave responsibly, to deal fairly with suppliers and customers, etc. In some cases in addition to all of these, some believe that businesses have a wider responsibility to society in general. They may believe that because businesses benefit from the support of society they in turn, have a responsibility to contribute to the welfare of society (Werther & Chandler, 2005).

SR strategies or corporate social initiatives are major activities undertaken by a firm to support social causes and to fulfill commitments to Organization social responsibility. Causes most often supported through these initiatives are those that contribute to community health, safety, education, employment, the environment, community and economic development and other basic human needs and desires. The impact of SR on the corporate performance asserts that through three different mechanisms, finance is shown to drive SR (Michael & Russell 2007). During the early financing, business culture and strategy can be influenced by the choice of projects banks finances. For instance County government of Kisumu finances projects by offering credit for investment projects that improve the environment and also community investing. In this strategy, minority groups such as women, low and middle income earners that are likely to be marginalized by financial institutions are provided access to capital and basic banking product. Organizations develop a variety of strategies for dealing with the intersection of societal needs, the natural environment and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide (Pomering & Johnson, 2009).

It is thought that SR can have an important role in how a business is positioned in its environment. Just as a number of strategic analysis tools such as Michael Porter's five forces framework can describe how a company is strategically positioned, the ethical reputation that a business has is also thought to be important in its overall strategic positioning. So society's view of a company and hence its willingness to engage with the company is partly dependent upon its ethical reputation over many years. SR measures are thought to be one important way of influencing this (Knox & Maklan, 2004).

SR comprises a number of corporate activities that focus on the welfare of stakeholder groups, including society and the natural environment (Sprinkle & Maines, 2010). The term "organization social responsibility" is used to describe how businesses implement the broad societal responsibility of going beyond economic criteria. This can include creating products, employment and profits to meet broader social and environmental expectations (Pomeroy & Johnson, 2009). Initial studies indicate that consumers take a firm's commitment to SR initiatives into account when evaluating companies and their products (Oberseder et al., 2013). According to Epstein (2008) SR concentrates on nine areas: ethics, governance, transparency, business relationships financial return community involvement, product value employment practices and environmental protection.

Socially responsible corporate performance can be associated with a series of several benefits. But in many cases, it seems that the time frame of the costs and benefits can be out of alignment the costs are immediate, and the benefits are not often realized quarterly (Margarita, 2004). Nevertheless many benefits can be identified; firstly, socially responsible companies have enhanced brand image and reputation. Consumers are often drawn to brands and companies with good reputations in SR related issues (Michael & Russell 2007).

A socially responsible company benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Socially responsible companies also have less risk of negative rare events. Companies that adopt the SR principles are more transparent and have less risk of bribery and corruption. In addition, they may implement stickers and thus more costly quality and environmental controls but they run the less risk of having to recall defective product lines and pay heavy fines for excessive polluting. The most

researched and proven financial benefits of effective strategic SR can be found in areas of human resources and talent management, reputation and branding and operational cost savings. It is evident that employees are significantly interested in, more highly satisfied with, and more loyal to companies that have a proven commitment to organization social responsibility (Michael & Russell 2007).

Consequently, SR can be used as an effective strategy to recruit and retain top talent which has obvious positive implications for the bottom line. Some SR initiatives can dramatically reduce operating costs. For example, reducing packaging material or planning the optimum route for delivery trucks not only reduces the environmental impact of a company's operation, but it also reduces the cost. Companies perceived to have a strong SR commitment often have an increased ability to attract and retain employees which leads to reduced turnover, recruitment and training costs. Additionally companies that improved working conditions and labour practices also experienced increased productivity and reduced error rates. The increased productivity of the workers and improved quality of the products/services generate positive cash flows that cover the associated costs (Oloyinka & Temitope 2012).

SR can be both a risk mitigation strategy and an opportunity seeking strategy and leaders should look for the intersection between business and social environmental returns. SR can be used to grab market share from competitors if communicated effectively to customers who care about environment-friendly product lines. Branding a firm's SR content, once it is truly developed, executed and integrated into the organization, can be an innovative and valuable business strategy to reach critical constituencies inside and outside the corporation. To him consumers today are looking for a relationship not just a transaction (Michael & Russell 2007). SR can be an effective way to build relationships that products themselves cannot. It is hard to build relationship just around the cost of buying a product or enjoying a service. Although it is rather straightforward to identify the above benefits as being socially responsible for businesses, it is an arduous task to quantify and measure them. Since SR is integrated into the business practices, it is by definition complicated to try to measure its effects separately. Ideally, it should be possible to keep all other factors constant and measure a company's performance and volatility of cash flows before and after adopting SR strategies.

As this is not possible, however empirical methods are used to identify the relationship between a company's SR strategies and its performance (Oloyinka & Temitope, 2012).

There remains a protracted debate about the legitimacy and value of corporate responses to SR 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. Prior research has demonstrated that SR has an effects on consumers' attitudes and purchase intentions (Oberseder et al., 2013), consumer preferences, corporate reputation (Bendixen and Abratt, 2007), economic performance (Werther & Chandler, 2005), positive brand attitude (Rundle-Thiele, 2009) and willingness to pay high prices (McWilliams and Siegel, 2001). The need for established social responsibilities and ethical frameworks in business has become a main priority in our current society. This attitude is supported by the fact that the number of the most well-known global corporations integrating organization social responsibility (SR) programs into their business operations has never been greater.

The social performance of a large corporation hinges upon three corporate tiers; philanthropy, responsibility and policy. The business organizations have societal obligations of earning reasonable profits for their owners. Business ethics has evolved that the business is obliged to function as per the dictates of the law, provide employment to the society, and obey code of conduct (Kilcullen & Kolstra, 1999)

According to Hick (2000) SR revolves around the relationship between the business and the society. It indicates the responsibilities and determines the business behavior towards its stakeholders. Kok et al, 2001 The business is ethically and morally obliged to benefit its society. To achieve this, the business besides capitalizing on its economic goals, it shall commit its resources for the well-being of the society and its people.

From the empirical evidence it is important that further studies are conducted to determine how SR has affected performance. The "fit" between societies's expectations of the business and the ethics of business. The social responsibility is set of economic, legal, ethical and discretionary expectations of society towards the business organizations operating within its premises. The overriding role of corporate management is to meet people's needs with professional skills, continue to respond to the marketplace, produce quality goods at the

lowest possible cost by efficient and sustainable use of resources (Werther & Chandler, 2005).

Ronald (2002) argues that devolution has been successful in other parts of the world, US, India, Nigeria, Sweden, UK and South Africa. There is varying devolution system in place for instance; US, Nigeria and India systems are for federal states. Counties will have to draw experiences from similar environments and factors that bring them closer and learn how they operates, benchmark their strengths and transfer that knowledge and experience to benefit the county. According to Burugu (2010), Los Angeles County comprises of 88 cities within the state of California. This country however could not entirely offer a learning experience to the Kenyan devolved system because it is a case of a successful country in a developed world. This notwithstanding the historical, social – economic, administrative and legal development of this county that led to the utilization of natural and human resources focused strategic planning, resources mobilization and the Kenyan counties should emulate financial planning and management. This kind of system did not work out as it was replaced by a unitary system of government through constitution amendments. (Mitullah, and Owiti, 2007). According to a report published by Transparency International in 2014, county governments in Kenya continue to engage in mismanagement of resources leading to inefficiencies. This has led to poor service delivery. The report cites corruption at this level of government but does not in any way delve into the management practices of these governments, neither does the report cover issues of social responsibility (Mule, 2014, November, 20th)

The County Government of Kisumu in Kenya has six sub-counties namely: Kisumu East, Kisumu West, Kisumu North, Nyando, Nyakach and Muhoroni. These sub-counties are further sub-divided into 11 divisions, 57 locations, and 168 sub-locations. The County Government of Kisumu the challenge of lack of investment in large firms leading to high unemployment levels, runaway security and high levels of poverty according to County Fiscal Strategy Paper 2015/2016 (County government of Kisumu, 2015). This challenge can be addressed using effective social responsibility, particularly non-discretionary social responsibility practices yet extent of this and its contribution to performance of County government of Kisumu is unknown.

1.2 Statement of the Problem

The County Government of Kisumu faces the challenge of managing lack of investment in large firms leading to high unemployment levels, runaway security and high levels of poverty according to County Fiscal Strategy Paper 2015/2016. It is also involved in inefficient use of resources as has been reported published by Transparency International in 2014. This challenge can be addressed using effective social responsibility practices, particularly non-discretionary social responsibility, yet the extent of this and its relationship with performance of County government of Kisumu is not known. Previous studies have not paid adequate attention to non-discretionary social responsibility either. The studies have not explored relationship between legal responsibility and performance, ethical responsibility and performance and; economic responsibility and performance of County government of Kisumu. To that extent, knowledge is lacking.

1.3. Objectives of the Study

The main objective of study was to investigate the relationship between Organization SR and Performance of County government of Kisumu, Kenya. Specific objectives were

- i. Establish relationship between economic responsibility and performance at County government of Kisumu.
- ii. Investigate the relationship between ethical responsibility and performance at County government of Kisumu
- iii. Analyze relationship between legal responsibility and performance at County government of Kisumu

1.4. Research Hypothesis

In achieving the objectives of the study, the following null hypotheses were tested:

H₀₁: There is no significant relationship between economic responsibility and performance at County government of Kisumu.

H₀₂: There is no significant relationship between ethical responsibility and performance at County government of Kisumu.

H₀₃: There is no significant relationship between legal responsibility and performance at County government of Kisumu.

1.5. Scope of the study

The study focused on County government of Kisumu Kenya Ltd. Based on the study of the County government of Kisumu Kenya Ltd, the findings of the study would therefore be generalized in the area of study. The study investigated the relationship between SR and performance of the County government of Kisumu Kenya Ltd. Specifically the study established relationship between economic responsibility and performance; investigate the relationship between ethical responsibility and performance and analyze relationship between legal responsibility and performance at County government of Kisumu Kenya Ltd.

1.6. Justification of the study

This study would have implications for managers, the beneficiaries of SR programs (environment, community, consumers, employees, and stakeholders), and future research. There has been a drastic increase in implementation of SR programs from organizations of all sizes. The increase in expenditures to enhance the social responsibilities of corporations suggests managers find a benefit in SR implementation.

1.7. Conceptual Framework

The purpose of conceptual framework was to help the reader quickly see the proposed relationship between Variables in the study (Mugenda and Mugenda, 2003). The conceptual framework of this study spelled out the relationship between SR and firms Profitability.

In this study SR is the Independent variable while performance is the independent variable. Investment in SR is believed to positively affect performance.

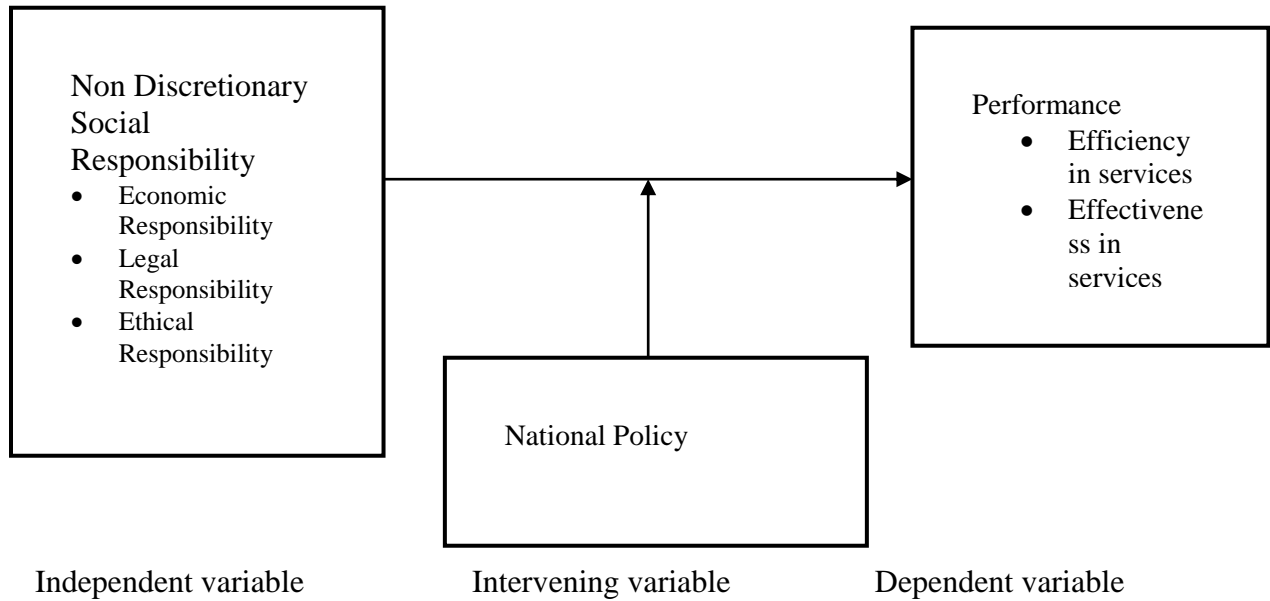


Figure 1. 1: Relationship between Social Responsibility and Performance
 Adopted : McWilliams and Siegel (2000)

CHAPTER TWO : LITERATURE REVIEW

This chapter presents a review of literature on the subject under study and is structured on the various thematic areas.

2.1. Stakeholder Value Theory

Instrumental theories, in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results; political theories, which concern themselves with the power of corporations in society and a responsible use of this power in the political arena; Integrative theories, in which the corporation is focused on the satisfaction of social demands; and ethical theories, based on ethical responsibilities of corporations to society. In practice, each SR theory presents four dimensions related to profits, political performance, social demands and ethical values.

The intention of stakeholder theory is to offer an alternative purpose of the firm. Stakeholder theory suggests the purpose of the firm is to serve broader societal interests beyond economic value creation for shareholders alone. It is becoming central to the important story of business in society. The concept of Stakeholder theory is ascribed to Edward Freeman (1984) whose original concept was that managers have a moral obligation to consider and appropriately balance the interests of all stakeholders.

Evan and Freeman (1993) stated a stakeholder theory of the firm must redefine the purpose of the firm the very purpose of the firm is to serve as a vehicle for coordinating stakeholder interests. Stakeholder theory expresses the idea that business organizations are dependent upon stakeholders for success and stakeholders have some stake in the organization. Stakeholder theory is now foundational to business ethics courses in MBA programs (Carroll & Buchholtz, 2006; Jennings, 2002). Schneider (2002) posits that stakeholder theory extends the concept of ownership of the firm beyond that of the traditional legal or economic owners of the firm, who become a stakeholder by contribution of capital or other means that results in equity ownership

The question of who is a stakeholder is controversial. Questions arise such as whether stakeholders represent a broad class of those who are affected by or affect the corporation

(Evan & Freeman, 1993), or are only those individuals and constituencies that contribute to the firms wealth-creating capacity and activities” (Post, Preston, & Sachs, 2002). If stakeholder theory includes only those who affect the corporation and its profits then it becomes subordinate to shareholder value theory not an alternative to it. A broad framework of stakeholders is offered by Wheeler and Sillanpää (1997). They include four categories of stakeholders: primary social, secondary social, primary non-social and secondary non-social. Primary stakeholders are vital to a corporation’s success and secondary stakeholders are less influential.

While stakeholder theory began as an alternative to shareholder value theory, it has diverged along two paths: normative and instrumental. The normative stakeholder path continues in the tradition of a view of the firm in relationship to its various stakeholders with no stakeholder having preeminence. The instrumental path, however, attempts to connect stakeholder management to wealth creation. In doing so, instrumental stakeholder theory becomes a subset of shareholder value theory. Goodpaster (1991) builds on the work of Freeman (1984) and divides stakeholder theory into three approaches of strategic, multi fiduciary, and a synthesis. The strategic approach to stakeholder theory views stakeholders instrumentally. Stakeholders are means to generating a profit for shareholders. Stakeholders might be considered depending on the extent they can positively or negatively influence profits.

2.2. Organization social responsibility

According to Frooman the definition of what would exemplify SR 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. Stakeholders may be defined as “groups and individuals who can affect, or are affected by the achievement of an organization’s mission” or alternatively "those groups who have a stake in or a claim on the firm"(Freeman, 1984). Johnson et al. (2005) stresses that both parties depend on each other by defining stakeholders as individuals or groups who depend on the organization to fulfill their own goals and on whom in turn the organization depends. The concept of stakeholders may be

given a wider perspective as simply all those entities with a "critical eye" on corporate actors (Bomann & Wigger, 2004)

2.2. 1. Economic Responsibility

There are various elements of SR: The first criterion of social responsibility is economic responsibility. The business institution is, above all, the basic economic unit of society. Its responsibility is to produce goods and services that a society wants and to maximize profit for its owners and shareholders. An economic responsibility, carried to the extreme, is called profit-maximizing view; it was advocated by Nobel economist Milton Friedman. This view argued that a company should be operated on a profit-oriented basis, with its sole mission to increase its profits so long as it stays within the rule of the game. The purely profit-maximizing view is no longer considered an adequate criterion of performance in the world in general. Treating economic gain in the social as the only social responsibility can lead companies into trouble (Carroll & Buchholtz, 2006).

All modern societies lay down ground rules, laws and regulations that businesses are expected to follow. Legal responsibility defines what society deems as important with respect to appropriate corporate behavior. Businesses are expected to fulfill their economic goals within the legal framework. Legal requirements are imposed by local councils, state and federal governments and their regulating agencies. Organizations that knowingly break the law are poor performers in this category. Intentionally manufacturing defective goods or billing a client for work not done is illegal. Legal sanctions may include embarrassing public apologies or corporate 'confessions' (Jennings, 2002).

Ethical responsibility includes behavior that is not necessarily codified into law and may not serve the organization's direct economic interests. To be ethical, organization's decision makers should act with equity, fairness and impartiality, respect the rights of individuals, and provide different treatments of individual only when differences between them are relevant to the organization's goals and tasks. Unethical behavior occurs when decisions enable an individual or organization to gain expense of society (Schneider, 2002).

Discretionary responsibility is purely voluntary and guided by an organization's desire to make social contributions not mandated by economics, laws or ethics. Discretionary activities include generous philanthropic contributions that offer no payback to the organization and are not expected. Discretionary responsibility is the highest criterion of social responsibility, because it goes beyond societal expectations to contribute to the community's welfare (Schneider, 2002).

2.2. 2. Legal Responsibility

The legal responsibilities of business refer to the positive and negative obligations put on businesses by the laws and regulations of the society where it operates. Little disagreement exists between the various views on SR regarding what constitutes the legal responsibilities of business. All views accept the requirement of adherence to the laws and regulations of society. The difference really exists regarding the nature and scope of such an obligation. With respect to the nature of the legal obligations, on the one hand, some views contend that the legal responsibility of business constitutes the totality of the responsibility of business towards society. On the other hand, some argue that laws and regulations constitute but one category of the responsibility of business towards society. For example, Carroll (1991, p. 41) considers the laws and regulations as the 'codified ethics' of society. They represent 'partial fulfillment of the social contract between business and society'.

With respect to the scope of the legal responsibilities, some advocate its expansion to encompass more regulation. They claim that regulation is necessary for the fulfillment of SR. For example, De Schutter (2008) argues that the business case for SR rests on certain presuppositions about markets and the business environment, which cannot be simply assumed, but should be affirmatively created by a regulatory framework for SR'. Others oppose such claims and assert that engagement in SR activities and management of stakeholder relations should continue to remain voluntary.

2.2. 3. Ethical Responsibility

Gray, Owen and Adams (1996) defined SR as a stakeholder oriented concept that extends beyond the boundaries of the organization, driven from an ethical understanding of the responsibility of the organization for the effects of its business activities, seeking in return the

willingness of society to accept the legitimacy of the business. This definition emphasizes that organization social responsibility should result in a win-win situation for both the organization and its stakeholders. Therefore, the concept of stakeholders is central to that of SR. In his book, Freeman (1984) cited that when the word stakeholder appeared in an international memorandum at the Stanford Research Institute back in 1963 during the formative stages of the stakeholder theory, they were defined as ‘those groups without whose support the organization would cease to exist’. The core concept, in other words was survival. Without the support of these key groups, the firm will not survive.

There are two categories of stakeholders, inside and outside stakeholders. The insiders are the employees, board of directors and the stockholders. The outsiders are all the other groups that the firm’s actions affect. It includes the customers, suppliers, government, unions, competitors, local community, financial institutions and the general public. Past study indicates that the board of directors no longer believes that the stockholder is the only constituency to whom they are responsible (Pearce and Robinson, 1997).

Johnson et al. (2005) divided the external stakeholders in to three categories in terms of the nature of their relationship with the organization; stakeholders from the market environment who include the suppliers, competitors, distributors and shareholders. These shareholders have an economic relationship with the organization and influence the Value creation process as members of the value network. The second category comprises of the stakeholders from the social political environment such as policy makers, regulators, government agencies who influence the social legitimacy of the strategy. The final category comprises of the stakeholders in the technological environment such as key adapters, standard agencies and owners of competitive technologies who will influence the diffusion of new technologies and the adoption of industry standards.

The three sets are rarely of equal importance in any specific situation. Since their expectations are different, it is quite normal for conflict to exist. Thus compromise will need to be reached between expectations that cannot be achieved simultaneously. Individuals may belong to more than one group and stakeholders groups will line up differently depending on the issue and the strategy at hand (Johnson et al., 2005). Outsiders often demand that insiders claims be

subordinated to the greatest good of the outsiders, e.g. pollution, disposal of solid and liquid waste and conservation of natural resources should be principle considerations in strategic decision making .Insiders on the other hand believe that the competing claims of outsiders should be balanced against one another in a way that protects the company mission (Pearce & Robinson, 1997).

These expectations and pressures keep changing and the situation is further complicated by the need for managers to resolve the interests of different stakeholders and to integrate this within the managerial decision-making process. Managers must therefore make decisions about the extent of their responsibilities and the nature of the stakeholders to whom they are both responsible and accountable. Therefore, in defining or redefining the company mission, strategic managers must recognize the legitimate rights of the firm's claimants who include not only the stockholders and employees but also the outsiders affected by the firm's actions .Each of these interest groups has justifiable reasons for expecting and often for demanding that the firm satisfy their claims in a responsible manner (Hill (2009).

A mission statement which is developed with all stakeholders in mind provides the management with unity of direction, transcending individuals, parochial and temporary needs. It promotes a sense of shared expectations among all levels and generations of employees. It consolidates values over time, across individuals and interest groups .It projects a sense of worth and intent that can be identified and assimilated by outside stakeholders. Finally, it asserts the firms commitment to responsible action in symbiosis with preservation and protection of the essential claims of inside stakeholders: survival, growth and profitability (Pearce and Robinson, 1997).

Matten and Moon (2009) point out the criticism that the mainstream SR agenda in Africa is largely driven by the concerns and priorities of western countries and therefore tends to be insensitive to local priorities as well as inadvertently harm prospects for sustainable livelihood in developing countries set the tone for the emergence of a South-centered SR agenda whereby mainstream SR agenda by corporations in Africa, whether multinational or national focus on. In the country, surveys suggest that the cause receiving the highest proportion of corporate support is health and medical provision, education and training; HIV/AIDS;

agriculture and food security; and underprivileged children. Others include sponsorship of sporting events; culture and arts; as well as religious organizations.

2.3 Concept of Performance

Performance can be assessed in the form of service levels and is exemplified in the changes in the well-being of individuals that can be attributed to particular interventions, such as a project, program or policy by the institution concerned (Gupta, 2005). County government is expected to perform through service delivery which in turn causes advancement towards attainment of the Millennium Development Goals (Dehn, et al., 2005). Service delivery can be viewed in terms of the quality and quantity of services they provide. According to Amin et al. (2008), the measurement of service delivery can represent a powerful mechanism for obtaining feedback from client to providers and a better understanding of service delivery will enable policy makers to increase the efficiency and effectiveness with which resources are translated into welfare outcomes. Efficiency is the ratio of translation of resources into outcomes while effectiveness refers to the degree to which objectives are achieved and the extent to which targeted problems are solved (Stevenson & William, 1999). Efficiency is generally seen as the ratio of time or resources spent in performing a task to some pre-determined standard time or resources.

A study carried out by Akaranga (2008), revealed that all government ministries and state corporations in Kenya had not done well in service delivery. He attributed this to implementation of performance contracting.

2.4. Relationship between SR and Performance

The relationship between SR and performance represents the least understood area of SR (Angelidis et al.). Empirical studies of the relationship between SR and performance comprise essentially two types. The first uses the event study methodology to assess the short-run financial effects (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between SR and performance. Other studies,

discussed in McWilliams and Siegel (1997), are similarly inconsistent concerning the relationship between SR and short run financial returns.

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long term performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results. Cochran and Wood (1984) located a positive correlation between social responsibility and accounting performance after controlling for the age of assets. Aupperle, Carroll, and Hatfield (1985) detected no significant relation between CSP and a firm's risk adjusted return on assets.

In contrast, Waddock and Graves (1997) found significant positive relationships between an index of CSP and performance measures, such as ROA in the following year. Studies using measures of return based on the stock market also indicate diverse results. Vance (1975) refutes previous research by Moskowitz by extending the time period for analysis from 6 months to 3 years, thereby producing results which contradict Moskowitz and which indicate a negative CSP/CFP relationship. However, Alexander and Buchholz (1978) improved on Vance's analysis by evaluating stock market performance of an identical group of stocks on a risk adjusted basis, yielding an inconclusive result. Several studies have been carried out on the relationship between SR and CFP resulting in different conclusions. Klassen and McLaughlin (1996) studied 14 manufacturing sector firms to conclude that environmental management can play a positive role in improving corporate performance.

In exploring the linkages between environmental performance and performance with respect to the market value, Konar and Cohen (2001) argued that a firm with a better environmental performance has significant positive effects on its market value. Fauzi (2009) did a research on firms listed on the New York Securities Exchange (NYSE) to determine the relationship between SR and corporate performance. Using a sample of 101 companies listed at the NYSE and a regression model with performance as the dependent variable and SR index as the independent variable, he found that SR has no effect on CFP. He however found that leverage (a control variable in the model) has a moderating effect on the interaction between CFP and SR.

Cheruiyot (2010) carried out a research to establish the relationship between organization social responsibility and performance of firms listed at the Nairobi stock exchange. This was a cross sectional study of all the 47 listed companies in the NSE's main segment as at 31 December 2009. Using regression analysis he sought to establish the relationship between the SR index and performance measured in terms of the Return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between SR and performance. Obusubiri (2006) in a study on SR and portfolio performance also found a positive relationship between SR and portfolio performance. He attributed this relationship to the good corporate image that comes with SR making investors prefer such companies implying that good SR behavior has a reputational benefit for the practicing firm.

Empirical findings from studies done outside indicates that SR is positively related to better performance and that socially responsible corporate performance can be associated with a series of bottom-line benefits. However no conclusive studies have been done in Kenya to prove that the funds invested in SR in Kenya corporates have resulted in improved performance. The aforementioned empirical studies have demonstrated that there is a link between SR and performance. Most of the early studies attempting to identify the relationship between SR and performance have focused on subjective techniques to measure SR. These studies have not, however, demonstrated how a firm's performance would be affected by investing in SR activities. The studies have not explained the motive for commercial institutions to aggressively invest in SR activities despite the fact that there is no requirement for them to do so. This constitutes a research gap which this study is seeking to breach.

The concept of SR and performance of organization is well documented in the literature reviewed. In recognition thereof, many policy makers in organizations were unanimous in making organizations policies to capture these social responsibilities besides profit maximizing policies. SR policies have been implemented in many organizations in the world. Previous studies focusing on organization policies have concentrated on profit maximization while ignoring organization social responsibility. Despite the fact that the society forms critical part of profit maximization objective of any. A review of literature context on SR and organization performance revealed limited studies on the subject matter. From the studies reviewed it is revealed that they concentrated organizational performances and did not cover

the relationship between SR and performance.

In recognition of the role of SR in improving the performance of the Enterprises, and a scanty empirical literature on this are of study, a detailed study on the subject matter is necessary. This is supported by Nakvi (2013) that the competitive advantage is strengthened through the use of SR.

The studies above concentrated on corporate sector. They also covered discretionary responsibility leaving out non-discretionary social responsibility of organizations. This means majority of them did not conceptualize social responsibility to include legal, economic and ethical aspects. To this extent, knowledge is lacking on relationship between ethical responsibility and performance, legal responsibility and performance and economic responsibility and performance.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter presents the methodology that was used in carrying out the study namely the research design, target population, data collection instruments and their administration.

3.1. Research design

The study adopted a correlational study design in examining the SR in County government of Kisumu and its contribution to performance. This research design allows a detailed analysis of the variables under study as supported by Saunders et al. (2009). Further this research design was appropriate for this study since the problem under study is structured and well understood, therefore requiring precise rules and procedures regarding collection and analysis of data to test the hypotheses as supported by Bryman and Bell (2007).

3.2. Target Population

The target population constituted all the 86 the population consisted of all the 86 senior administrative staff of the county government. These group was chosen because it understands issues of social responsibility and possible relationship with performance of county government in terms of service delivery efficiency and effectiveness.

3.3. Sampling Technique

The study used all the members of target population as respondents because the number is small. It used a saturated sampling.

3.3. Data Collection Methods

The study used both primary and secondary data.

3.3.1. Data Type and Source

The study reviewed primary documents containing information on SR and organizational performance to provide information which was considered raw since there was no interpretation which had been given to the information collected. Further these documents contained unbiased and originally captured information. The document review was vital in research since it enabled researcher to track what happened, when it happened and who was

involved.

The secondary data on SR was gathered from published reports and journals. According to Kothari (2009) secondary data review was necessary for the study since it helped the researcher clarify theories on SR and organizational performance on which the current study is based. The secondary data review enabled the researcher to avoid duplication in study and hence make a significant contribution to knowledge. Secondary data were reviewed in Maseno library, County government of Kisumu Kenya Ltd library, Kenya National library and websites especially those dealing with SR.

3.3.2. Data Collection Procedure

The study used mainly primary data from bank officials (branch managers and operation managers) who are conversant with the implemented SR activities in Kenya. Structured and unstructured questionnaires (Appendix A) were used to gather data from the respondents by way of interviews (Orodho, 2005). The questionnaires were administered through drop/mail and pick from the respondents. First there was need to establish contact and familiarization with the respondents. Those respondents who were readily available were reached directly by the study. The questionnaires were guided where necessary but remained open-ended.

3.3.3. Data Collection Instruments

In order to collect data on variables, questionnaires were developed based on the research objectives. These questionnaires were pilot tested and the outcome used to improve on the questionnaires for the final data collection.

3.3.4. Instruments Validity and Reliability

Pilot study will be carried out to pretest the research instruments before actual administration to 6 sampled respondents who did not participate in the ultimate study. According to Mugenda and Mugenda (1999) a pretest sample of a tenth of the sample respondents with homogeneous characteristics will be selected for the pilot study. Validity is tested by representativeness of the target population and by consensual judgements by experts (Mugenda and Mugenda, 1999). During the pilot study, the researcher focused on the objectives of the study and been keen in determining any particular parameter which was included in the actual administration.

This assisted the researcher in correcting ambiguities in the questionnaires and to establish their validity and reliability. Reliability was ascertained at 0.73.

3.4. Data Analysis and Presentation

The study examined the collected data to make inferences through a series of operations involving editing to eliminate repetitions and inconsistencies, classification on the basis of response homogeneity and subsequent tabulation for the purpose of inter-relating the variables under study. Correlation Analysis was used to establish relationships.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter presents the study findings which have been analyzed, presented, interpreted and discussed in line with the study objectives under sub-thematic areas response return rate, demographic characteristics of respondents, corporate social responsibilities strategies (SR), Stakeholders demands and performance.

4.1. Response Return Rate

Data collection instruments (questionnaires) were administered to 80 respondents. A total of 75 instruments were successfully administered. Response rate was 93.75. This percentage was enough to continue with the study since according to Necamaya, (1996) recommends that a response return rate of more than 75% is enough for study to continue.

4.2 Relationship between Economic Responsibility and Performance

Table 4. 1: Correlations between economic responsibility and performance at County government of Kisumu

		Economic responsibility	performance
Economic responsibility	Pearson Correlation	1	.437**
	Sig. (2-tailed)		.000
	N	75	75

*. Correlation is significant at the 0.05 level (2-tailed).

(Source: Research data, 2017)

According to study finding in Table 4.1, there was a positive significant relationship between economic responsibility and performance at County government of Kisumu [$r(75) = .437$, $p < 0.05$]. The result suggests that ethical responsibility has moderate significant positive relationship with performance at County government of Kisumu. The null hypothesis is thus rejected.

The study is in agreement with Cheruiyot (2010) and Obusubiri (2006) who supports ethical responsibility in positively influencing performances of any business enterprises.

4.3. Relationship between Ethical Responsibility and Performance

The second hypothesis (H_{03}) stated that there is no significant relationship between ethical responsibility and performance at County government of Kisumu. A correlation analysis was used to test whether there was any such relationship and the findings are in Table 4.2

Table 4.2: Correlations between Ethical responsibility and performance at County government of Kisumu

		Ethical responsibility	performance
ethical responsibility	Pearson Correlation	1	.615**
	Sig. (2-tailed)		.001
	N	75	75

*. Correlation is significant at the 0.05 level (2-tailed).

(Source: Research data, 2017)

The study established a significant negative relationship between ethical responsibility and performance at County government of Kisumu. This shown by the value of Pearson's coefficient of value equal to .615 while the p-value is less than 0.05 implying that ethical responsibility has the high significant positive relationship with performance. The null hypothesis is thus rejected.

The study supports studies by Johnson et al (2005) who established that there is support for ethical responsibility among organizations.

4.4. Relationship between Legal Responsibility and Performance

The third hypothesis (H_{03}) stated that there is no significant relationship between legal responsibility and performance at County government of Kisumu. A correlation analysis was used to test whether there was any such relationship and the findings are in Table 4.3

Table 4.3: Correlations between legal responsibility and performance at County government of Kisumu

		Legal responsibility	performance
legal responsibility	Pearson Correlation	1	.540**
	Sig. (2-tailed)		.031
	N	75	75

*. Correlation is significant at the 0.05 level (2-tailed).

(Source: Research data, 2017)

The study established a moderate significant positive relationship between legal responsibility and performance at County government of Kisumu. This shown by the value of Pearson's coefficient of value equal to .540 while the p-value is less than 0.05 implying that legal responsibility has moderate significant positive relationship with performance. The null hypothesis is thus rejected.

The study differs with the studies by De Schutter (2008) who established that there is no legal obligation to business enterprises to provide SR activities to society even though there more economic benefits from such activities.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the findings, conclusion and recommendations. Policy implications and suggested areas for further studies are also presented.

5.1. Summary of the Findings

The general objective of the study was to investigate the relationship between SR and Performance of County government of Kisumu Kenya Ltd. The study formulated three objectives and the findings discussed in chapter four. These objectives of the study were; to establish relationship between economic responsibility and performance; investigate the relationship between ethical responsibility and performance and analyze relationship between legal responsibility and performance at County government of Kisumu.

The result suggests that the economic responsibility had positive significant relationship with performance. The null hypothesis is thus rejected. Positive significant relationship between ethical responsibility and performance at County government of Kisumu was also found. The result also suggests that legal responsibility affects performance at County government of Kisumu. The null hypothesis is thus rejected.

5.2. Conclusions

Based on the study finding on economic responsibility and performance at County government of Kisumu, it can be concluded that SR through economic responsibility, ethical responsibility and legal responsibility significantly affect to the performance at County government of Kisumu

5.3. Recommendations of the study

Based on the study's conclusions, the following recommendations are made on the effects of the SR activities on performance at County government of Kisumu. The conclusions in objective one indicated that economic responsibility has significant effect on the performance at County government of Kisumu Limited. This study recommends that more resources be put on the SR activities by the county government. The study recommends further research

using advanced analysis and in other areas of social responsibility not covered.

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APPENDIX I – QUESTIONNAIRE

a) Non-Discretionary Social Responsibility

To what extent does the organization practice the following SR activities?

Use the scale of

1= Very low, 2= low 3= Medium, 4= High, 5= Very high

Ethical	1	2	3	4	5
1. Participating in upholding societies morals					
2. Following ethical codes and organizational values					
3. Taking employees for ethical training					
4. Prompt payment to suppliers					
Economic					
5. Paying employees adequately					
6. Engaging in conservative use of resources					
7. Enhancing economic lives of people					
legal					
8. Adherence to organizational rules and regulations					
9. Following national laws and legislation					
10. Respect to the laws governing conduct of public entities					

b) Performance

What is the extent of performance by way of service delivery by the county government in terms of the following (Tick one box to indicate extent)

Performance	EXTENT				
	Very High	High	Moderate	Low	Very low
	5	4	3	2	1
EFFECTIVENESS					
• Numbers of projects completed against numbers scheduled					
• Numbers of projects initiated against numbers planned					
• The spread of essential services in the county					
• Quality of essential services in the county					
• Conformity with standards					
EFFICIENCY					
• Reduction in level of physical resource wastage					
• Reduction of time wastage in activities					
• Reduction in number of complaints about delays in service delivery					
• Increase in coordination of processes of service delivery within the county government					
• Reduction in numbers of staff in different functions of the county government					

Appendix II: WORK SCHEDULE

WORK PLAN	PERIOD				
	2017				
	Month1	Month2	Month 3	Month 4	Month 5
ACTIVITY					
Problem Identification	■				
Review of literature	■	■	■		
Proposal Writing and Presentation		■	■		
Proposal presentation			■		
Data collection and data entry			■	■	
Data Analysis				■	■
Presentation of draft				■	
Final draft					■
Submission of project for examination					■

Appendix III: BUDGET

<u>ITEM</u>	<u>KSHS</u>
Stationery	7,000
Literature Review and proposal development	11,000
Data collection	15,000
Data analysis	11,000
Secretarial costs	11,000
<u>TOTAL COSTS</u>	<u>55000</u>