



SOCIAL RESPONSIBILITIES OF A BANKING LEADER

By Tebogo Direng & Christopher Kazinja



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Enabling Skills Development in the Banking and Alternative Banking Sector



TEBOGO DIRENG

Interim Chief Operating Officer, Barclays Bank of Botswana

Area of Expertise: (Research Paper Theme): Social Responsibility of a Banking Leader

Tebogo Direng is a seasoned banker who has been a banker for the past 16 years. She started her banking career in 2003 as a Business Customer Advisor and in 2004 she became a Team Leader for sales. She then ventured into credit department when she became a credit assessor. Tebogo was seconded to the Regional office in Johannesburg as a Credit Analyst. Upon her return she joined Stanbic bank as a Group Schemes Manager. She later re-joined Barclays as the Head of Sales for credit cards and would later have an expanded portfolio becoming the Head of Sales for Retail. She moved to operations as

Head of Consumer Operations and was recently appointed interim Chief Operating Officer.

Tebogo has a Bachelor of Business Administration majoring in marketing and has an Msc in Strategic Management from Derby University (UK). She has also recently graduated with a Master of Business Administration (MBA) from Gordon Institute of Business Science (GIBS). She has undergone various leadership courses including the Management Development Programme from Stellenbosch University.

Tebogo is a strong sales person who has built a sales scorecard and dashboard that helped to drive the performance of the sales teams and has managed multiple sales channels. She has recently been involved in the core banking lift and drop project within the bank which was a critical project for the separation of Barclays and ABSA.



CHRISTOPHER R. KAZINJA

Head of Human Resources at First National Bank Tanzania Limited

Area of Expertise: (Research Paper Theme): Social Responsibility of a Banking Leader

Chris is a Human Resources Executive with more than 20 years of responsible and progressive experience in human resources and Legal. His passion is creating innovative ways to engage all employees and establishing the culture, systems and learning that will develop leaders and empower employees to solve problems.

Chris holds a Bachelor of Law (LL.B) from Tumaini University, Iringa University College, Tanzania, MBA from The Eastern and Southern African Management Institute and Post Graduate Diploma in Legal Practice from the Law School of Tanzania. He is also an Advocate

of the High court of Tanzania; an active member of the Tanganyika Law Society (TLS) and East Africa Law Society (EALS). Chris enjoys spending time with his family and enjoys mentoring up-and-coming Leaders and HR professionals where he shares his knowledge and passion for Leadership development.



TOPIC:

HOW DOES A BANKING LEADER ALIGN STAKEHOLDER'S EXPECTATIONS AND THE CONCEPT OF CSR AT THE STRATEGIC LEVEL?

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ABSTRACT

...In today's changing world and more so for the African Continent, the concept of corporate social responsibility is high on the agenda...

This Research focuses on Social Responsibilities of a Banking Leader and how can a Bank through the Leader contribute to solving social problems in ethically responsible ways. In today's changing world and more so for the African Continent, the concept of corporate social responsibility is high on the agenda. Corporate Social responsibility (*CSR*) is an ethical framework which suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large.

A majority of corporates operating in Africa don't pay the right attention to CSR and see it as a tick box exercise. Of paramount importance to a banking leader is to not be detached from social needs where the bank operates, but to immerse deeply into comprehending the social

problems and device ways to solve social problems in the locality of the operation. Unfortunately, there is more focus on the bottom line with almost non-existent focus on CSR. Most of the leaders only do it for publicity and they see it as an event in their calendar and not a part of their mandate or strategic deliverable. However, as evidenced by the emerging trends, banking leaders in Africa who incorporate CSR in their strategic focus are expected to outperform those that don't have the focus on CSR. This research is therefore aimed at giving insights on how effective a CSR program can inculcate sustainable growth and benefits to all stakeholders if the leader is able to have and implement an effective CSR program within the areas of their operations.

1. INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

Corporate Social Responsibility (*CSR*) is a concept that a lot of organisations often use in describing the social responsibility that they show towards their stakeholders. CSR is also regarded in the financial services as a tool that organisations can use to enhance their image as alluded by Mocan et al (2014). However, what is of interest is what people regard or perceive as CSR. It seems that CSR has different meaning to different people depending on the practices that they are accustomed to under CSR.

The research is undertaken because this is one area where most of the banks are not paying attention. However, the economic shifts indicate that it is becoming a critical area for the survival of banks as more people are now focusing on the shared value concept and therefore banks can no longer operate as takers only. One of the main avenues for banks to improve their corporate image and re-engage with communities is via a corporate social responsibility (*CSR*) programme (Pomeroy and Dolnicar 2009). Banks use CSR as a form of impression management to shape

public perceptions and to maintain or create organizational legitimacy (Perez and del Bosque, 2012). For the financial sector, where customer involvement with the service is high, CSR not only positively influences perceptions of the bank, but also service evaluations (Matute-Vallejo, Bravo and Pina, 2011). CSR also improves banks' financial performance and reduces potential risks (de la Cuesta-González, Muñoz-Torres and Fernández-Izquierdo, 2006).

The research will benefit banks and the executives for sustainable strategic formulation around CSR.

1.2 Research objectives

The main reason for the study was with the view of establishing the following goals:

- To determine if bank executives can create a balance between profits and CSR.
- To determine how CSR can be part of a bank's strategy.
- To determine employees' views on benefits of CSR to their organisation.

2. LITERATURE REVIEW AND THEORY

2.1 Introduction

There is lot of research that has been done on CSR in the recent years. The main reason for it is that more companies recognise how important it is. Most of the studies were focused on how a company CSR impacts the brand and image of the company. Of particular interest is that there is limited study on CSR in the banking sector and the views of bank employees on CSR strategy and its impact.

2.2 CSR Definition

A number of definitions have been put forward to describe Corporate Social Responsibility (CSR). According to European Commission (2001) defined "CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on the voluntary basis" Mocan, M., et.al (2015) further define CSR as the voluntary integration of social and environmental concerns into the organization's decision- making process (Soana, 2011). The key words that are coming out are social and environmental. These are deemed to be core to how CSR is defined.

2.3 Theory on Social Corporate Responsibility

Zameer, N., & Maqbool, S. (2018) use the stakeholder theory (Freeman, 1984) to give support to their position that CSR enhances the financial performance of an organisation. According to this theory emphasis of the success of a company is placed on the enduring relationship that it has with its stakeholders. (Hamman, Habisch, & Pechlaner, 2009) add to this by stating that managing these relationships with stakeholders is an important tool in value creation.

The other theory that explains the importance of CSR is institutional theory. According to Waworuntu, et.al (2014), the use of this theory to give context to CSR is fairly new and the main argument they put forward is that companies engage in CSR because of external factors and not necessarily because they are concerned about their image.

This theory has been negated in a number of studies that have found that most of the companies actually engage in CSR largely for an internal benefit primarily their brand and image.

2.4 CSR and Financial Performance/Strategy

Waworuntu S (2014), highlight that there seemed to be contradictory relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) because even though most studies purport that an invest in CSR will lead to higher profits, the CSR investment requires a lot of money that may impact the profitability of a company.

Despite this argument, Fatma, M., et al (2014), found that banks in particular have increased their CSR spend and they do this mainly through various initiatives that benefit them in the process namely financial inclusion. Other authors have also indicated various CSR activities that banks undertake such as microcredit schemes for the deprived (Hermes et al., 2005), socially responsible banking (Scholtens, 2009) and credit access to the poor (Prior and Argandoña, 2008).

The main reason for banks investing on CSR has been stated by Thompson and Cowton (2004) is to enhance their reputation and image. Further evidence on why banks invest more on CSR is availed by (Marin et al., 2009; Truscott et al., 2009) who indicate that banks have become some of the most proactive investors on CSR programmes around the world. The importance of using CSR to enhance their reputation to their brand is also again highlighted by (Poolthong and Mandhachitara, 2009).

2.5 CSR and Brand Sustainability

In recent years a number of studies have indicated the criticality of CSR to brand reputation. Fayad, A., et. Al (2017) indicate that "moreover, a financially sound bank will always be looking for a good image and an outstanding reputation; therefore, it would be obvious that a bank capable of incurring some costs on CSR in order to gain



this needed brand image". On the basis of the above it could be said that this is the reason why most banks often have a CSR strategy that is aimed at them enhancing their reputation.

Mocan et. Al (2015) in their results of the study they undertook provide evidence that indeed CSR practices improved the image of the banks and enhanced their image, but it has not resulted in any returns with regard to the sales they have made. They further argue that CSR pays off for the company as well as for the company's stakeholders and the society through an enhanced public image and giving it a market advantage.

Mocan, M., (2015), further argues that CSR leads to a socially responsible and ethics drive bank tool that helps in the marketing of the bank.

2.6 CSR Impact

The impact of CSR on a bank has been stated by Fayad A (2017) who indicated that "the goal of any bank is optimizing their financial performance, and if CSR is the way for achieving this goal, then it would be beneficial for banks to acknowledge this factor and not forgo such an opportunity."

The impact of CSR is mostly inward focused and tends to focus more on the brand, reputation and in some instances the financial performance of the company. Waworuntu, S. (2014) highlight three basic channels through which CSR gives the company an advantage being through "cooperation with different stakeholders, addressing key societal challenges, improving working conditions, that increases the confidence of workers and pay better attention towards workers".

Bird, Hall, Momentè, & Reggiani (2007) are in support of this as they also state that CSR helps the company in building a number of relationships such as with customers, attracting motivated employees, reducing the company risk and through advertising through word of mouth.

3. RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, there is a discussion of the methodology that has been used in the study. The methodology design was informed by the literature review. The research questionnaire and questions were also informed by the literature review. The research philosophy is a pragmatic one because the determinant of the philosophy is based on the research objectives and questions as suggested by (Saunders et al. 2007).

3.2 Research methodology and design

The study will be an inductive, qualitative one. The qualitative design was aimed at exploring the "how" and "what" concerning the topic. Furthermore, conducting interviews meant that the study was of an exploratory nature according to (Saunders et al. 2007).

3.3 Population

The population profile was a manager in a bank working in Botswana, Ghana, South Africa and Tanzania. The target was from junior management to executive level.

3.4 Sampling method and size

The initial recommended sample size of 40 was used because based on the timelines this was regarded as an adequate number. However, the interviews were conducted with only 33 respondents because more of them responded.

The sampling method used was convenience/purposeful sampling because based on time constraints we had to target people whom the researchers knew would be available to undertake the research.

The method of sampling will be purposeful sampling because the individuals will be selected because they have experienced the central phenomenon of incubation according to (Creswell, 2009). There is support from Kothari (2004) who alludes that where there is a deliberate selection of participants to form the population of a sample that represents a population, then this is purposeful sampling.

3.5 Data Collection process

Data were obtained from online questionnaires (<https://www.surveymonkey.com/results/SM-8QX3TVQHV/>) which was completed by 33 respondents working in the Banking sector in Botswana, Ghana, South Africa and Tanzania. A total of 15 questions were administered.

4. RESULTS

This chapter deals with the analysis of the interpreted data derived from the study and the discussion of the study findings whereby the findings relate to the research questions administered based on this study. Data were analysed to identify, describe and explore on how a Banking Leader aligns stakeholder's expectations and the concept of CSR at the strategic level.

3.6 Measurement instrument

The suggestion for the measurement instrument recommended for qualitative data collection by Saunders et al. (2007) is a questionnaire. This was administered through Survey Monkey. Respondents were sent a link that would direct them to the questionnaire.

4.1 Results for Research Objective 1:

To determine if bank executives can create a balance between profits and CSR.

The below questions were asked to respondents:

Question	Response
Does a CSR investment have an impact on the economic benefit to the bank?	97% (32/33) said yes
If you answered yes what are the economic benefits	81% (26/33) improve image of the bank
Is the CSR investment that your bank is making sufficient in your opinion	67% (22/33) said no
What are some of the challenges/hurdles faced by banks to adequately implement their CSR strategy	78% (26/33) said it is viewed as costly practice to be followed by the banks leadership and its impact is not appreciated the same way by different people in the bank.
In times of financial difficulties should the bank continue investing in CSR	87.88% (29/33) said YES

4.2 Results for Research Objective 2:

To determine how CSR can be part of a bank's strategy.

Question	Response
Does your bank have a CSR strategy	76% (25/33) said Yes
How much do you pay attention to the CSR policy of your bank or other companies if your organisation does not have a policy	70% (23/33) it is important for me if a company undertakes CSR activities?
Do you think a bank's CSR policy has an impact on its image and reputation	100% (33/33) said yes

4.3 Results for Research Objective 3:

To determine employees views on benefits of CSR to their organisation.

Question	Response
How does CSR practices influence a company's image in your opinion	75% (24/33) said undoubtedly favourably

5. DISCUSSION OF RESULTS

5.1 Introduction

The results from chapter five will be discussed and analysed in detail in this chapter. There will be a determination on whether a link exists between the results, research objectives/questions, theory and literature presented. The main 3 research questions are the ones that will be discussed incorporating their sub-questions, and each will be discussed separately.

5.2 Discussion of results for Research Objective 1:

To determine if bank executives can create a balance between profits and CSR.

In analysing and discussing the results, it will be noted that the key theme that was coming out on whether the

bank executives can create a balance between profits and CSR is that even though they are aware of the need they are not practising it because CSR is deemed to be costly. In analysing the results, 32 of the 33 of respondents believe that CSR has an economic benefit for the bank. This means that when they invest on CSR the bank will somewhat benefit financially. This view aligns to the view by Fayad A (2017) who indicated that CSR is viewed as a way of optimising a bank's financial performance and as such banks must acknowledge its importance.

The response that the respondents were asked of whether CSR has an economic benefit was overwhelmingly affirmed by 97% of the respondents and this demonstrates that the executives do recognise the economic benefit of CSR. The importance of CSR according to them is on improving the image of the bank. It is however interesting



that a majority of them do acknowledge that despite it being important the bank is not making sufficient investment on it. Their response on why the challenges of implementing the strategy demonstrates that it is often viewed as a costly practice despite the benefits realised.

The results demonstrate that despite the recognition of CSR on the image and economic impact to the bank executives are not able to balance between driving for profits and making the CSR investment to the bank. The fact that they stated that they said it is recognised as a costly investment by the bank's leadership demonstrates that it is something that there is a lack of balance. As the leadership what is key is to maybe for future research unpack why they recognise it as costly, yet they appreciate its benefits.

The last question on whether they believe that even during times of financial difficulty banks should continue to invest in CSR was answered in the affirmative by a majority of them. This demonstrates that indeed executives believe that CSR is very critical. However, as already stated it would be critical to conduct a study on the reasons why then there is less spend on CSR.

In summary perhaps the reason for the executives not to practice or do what they believe in is summarised by Waworuntu S (2014), when he highlights that there seemed to be a contradictory relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) because even though most studies purport that an investment in CSR will lead to higher profits, the CSR investment requires a lot of money that may impact the profitability of a company. This contradiction is noticeable in the responses given.

5.3 Discussion of results for Research Objective 2:

To determine how CSR can be part of a bank's strategy

Based on the responses that were provided it is evident that CSR strategy exists in a lot of the banks. The majority of the respondents also stated that it is important for them when the company understands CSR activities. Therefore, in answering the question it is evident that CSR is already a part of the bank's strategies. The other question on whether the bank's CSR policy has an impact

on its image and reputation received an affirmative response from all respondents. This was a demonstration that a CSR policy is deemed to be critical for the bank.

Mocan et. al (2015) in their results of the study they undertook provide evidence that indeed CSR practices improved the image of the banks and enhanced their image. This therefore supports the finding from this research that CSR policy is deemed to be important for the bank.

5.4 Discussion of results for Research Objective 3:

To determine employees' views on benefits of CSR to their organisation.

Most of the respondents indicated that the CSR practices influence a company's image undoubtedly favourably. This was found to be the case by Fayad, A., et. Al (2017) who indicated that banks that want a good image and reputation will invest in CSR so that it can gain on CSR in order to gain this needed brand image. This is also emphasised by Thompson and Cowton (2004) who state that the main reason why banks invest on CSR is to enhance their reputation and image. The summary of the findings indicate that CSR is good for its image and reputation.

6. CONCLUSION

From the results from the interviews and the interpretation or analysis of what the results were depicted based on the literature review there are critical findings that have been observed. These findings underpinned the theory and literature findings from previous researchers and assisted this study in making recommendations.

In analysing the principal findings from the study, reference was made to the objectives of the study which was to;

- i. To determine if bank executives can create a balance between profits and CSR.
- ii. To determine how CSR can be part of a bank's strategy.
- iii. To determine employees' views on benefits of CSR to their organisation.



The findings of the study found that regarding the 1st objective on determine if bank executives can create a balance between profits and CSR. This was found to not be the case because even though the executives acknowledged the importance of CSR they were mostly in agreement that they do not spend enough on it. This leads one to a conclusion that based on this research there is no balance created between profits and CSR.

The second objective of the research was influenced by the assumption that most banks do not have a CSR strategy. However, this research has shown that this is not the case as they do have the strategy. Perhaps what is lacking is whether they follow the strategy.

The third objective which has been established is what employees view as a benefit of CSR to their organisation. It is evident that CSR is viewed as being beneficial to their organisations particularly on their image and reputation. This is in line with research that was done regarding the benefits of CSR to an organisation however the focus for this study was on the employees' views.

Lastly, it can be concluded for the findings that the objectives of the study with respect the primary goals were partially accomplished. The study revealed that there is a CSR strategy in place for CSR and that employees regard CSR as being beneficial to the banks image and reputation.

7. RECOMMENDATIONS

Most of the literature focusing on Corporate Social Responsibility (CSR) is from a Western perspective and does not provide sufficient knowledge of the factors that contribute to an effective CSR in the African continent. From the findings on the objectives of the study, there are several recommendations that the study is providing:

- I. Banks must create a balance between CSR and profits because they are deemed critical. The CSR strategy must not just be a document that is not implemented. They must find out why they are unable to create this balance and have actions to ensure that they get it done. The recommendation is that CSR must form part of the executive's key performance indicators to force them to make it a boardroom conversation.
- II. Banks must find out why they are unable to operationalise their CSR strategy and if they are doing enough to drive it.
- III. A banking Leader must show up as a socially responsible leader to be able to deliver value to their shareholders in a way that maintains or improves clients and the society's well-being as well as their bottom line.

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Contact Information:

General Email: info@bankseta.org.za

Anti-Fraud Hotline: 0800 222 985

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Duke CE Point of Contact Information:

Belinda Knight: Belinda.Knight@dukece.com

www.dukece.com

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