To Examine the Influence of Medical Financing for Internal Stakeholders on Firm Performance

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Abstract: Corporate social responsibility activities have environmental, economic and social contribution on a society. The challenge for the firms is to establish to what extend do CSR activities on internal stakeholders’ impact on the performance. This study is on influence of CSR activities on the firm performance of Kenya Commercial Bank in Kenya. The objective of the research study is to determine the effects of CSR activities on internal stakeholders of KCB on firm performance. The study was steered by the following research objectives: to examine the influence of medical financing for internal stakeholders on firm performance, to assess the influence of education financing for internal stakeholders on firm performance and to establish the influence of benevolent assistance for internal stakeholders on firm performance. The study was guided by four theories which have been classified as: instrumental, political, integrative and ethical. The premise of the theories is that corporations, in their efforts to prosper, should take into account not only the needs of shareholders, but also the needs of a wide variety of stakeholders, thus having a multi-stakeholder perspective. The research was conducted through a case study research design which involved interviewing KCB employees and managers. The study targeted the employees and managers of KCB based in their head office. The sample size was 309 employees of Kenya Commercial Bank. Stratified sampling was used to classify the respondents. For the top management and the middle level management, purposive sampling was employed. The study then used simple random sampling to pick other employees. The collected data was analyzed with the help of SPSS version 23.0 to generate descriptive statistics in frequencies, means and percentages. The findings indicated that majority (86 %) of the respondent strongly agreed that the medical financing given to their dependants was satisfactory, (88 %) of the respondent strongly agreed that the employer provides sufficient access to personal growth through educational financing and majority (86 %) of the respondents strongly agreed that they were satisfied with the benevolent support which the employer gives a bereaved employee. Based on the findings, it was concluded that medical financing, education financing and benevolent financing influence the performance of the firm. It is conclusive thus that the bank should strive to provide such things to its employees. The researcher made the following recommendations: The bank should come up with better medical scheme for its employees, it should train its employees regularly and the bereaved employees and those with other related problems should be assisted by the bank.

Keywords: Corporate Social Responsibility, Medical financing, Dependents, regular check-ups, maternity/ paternity available, outpatients/inpatients cover, internal stakeholders perception and firms’ performance, Kenya Commercial Bank

1. Introduction

Corporate commitment to sustainability has lately been increasingly been pursued by businesses around the world, particularly, service industries are facing demand from its customers and shareholders to not only increase the shareholder value and gains but to also pursue social and environmental issues into their business practices. The business direction of pursuing such a strategy is important to the organization due to its impact on organizations’ long term cost, stakeholder satisfaction and employees morale. A business line that pursues financial, environmental and societal policies has the propensity to be successful in the long run as opposed to a competitor that concentrates on aspect of the strategy (Lee & Pati, 2012). They further note that a more sustainable business concept is where, there is a mutual interaction of three basic elements, namely, people, planet and profit and pursuance of any two of the triple bottom line factors will not be sustainable in the long term. These factors are expected to complement rather than compete with each other (Lee & Pati, 2012).

The implementation of sustainability programs will evidently require investment of more resources. In a situation where service organizations are struggling to maintain the balance sheet in a challenging business environment, the investment of sustainability under such circumstances will be seen as extravagant. Further, this argument is further fortified by studies such as the one of Elkin (2007) who noted that the interest of shareholders will not be served well when a firm spends resources beyond compliance measures. However, more and more organizations are realizing that the challenging business environment is bringing opportunities for reducing energy consumption, eliminating waste and redundancies and reducing greenhouse gases. Pursuing of such actions will therefore payoff and not to the contrary and will bring tangible contribution as much as intangible benefits to the firm (Erzo, 2005).

Despite the different competing views as to whether sustainability pays or not, Hadlock and James (2002), the long term and systems thinking suggest that business entities don’t have a choice but to embed sustainability in a business core strategies. The instrumental stakeholder theory poses that managers will see the intrinsic worth of multiple stakeholder interests, and as a result, will pursue strategies that is in line with those interests (Donaldson, 1999). These theories go beyond a simple concern for profit and focus on the interests of all stakeholders (such as community activities, environmental responsibility and philanthropy), in the long run leading to the maximization of shareholder wealth and/or the development of competitive advantage (Garriga and Melé, 2004). Thus, these theories state that the primary reason for the social or philanthropic activities noted above is to add to shareholder wealth. In other words, doing the right thing is doing the smart thing because good deeds are eventually rewarded in financial terms (Hadlock & James, 2002).
In the developed countries, many organizations capitalize on corporate social responsibility as it has been conceptualized to increase the firm’s performance. This is in agreement with the report, which the New York Stock Exchange CEO that highlighted the significance of the internal stakeholders in corporate marketing. According to him, the stakeholder attitudes and views about a firm’s ethics are critical in shaping how they behave with regard to and their relationships with the executive. Additionally, the significance of the employee towards management has concurred with the studies in organizational behavior which found out that the employee trust is of paramount importance to an organization’s performance. The corporate social responsibility sends a vital message to the internal stakeholders about the corporation’s ethics and values. It also shows to what level can the company be trusted to deliver and at the same time caring for the employees (Elgin, 2007).

In the developing worlds such as Latin America and parts of Africa, the business practitioners and policy makers have paid a lot of attention to the company’s socially responsible practices because they affect both the firm and the society at large. The social hypothesis postulated three ways that can explain the relationship between CSR and the company’s performance. They comprise of enhancing employee output by providing a conducive working environment, increasing managerial expertise and increasing social reputation, brand image, product competitiveness and trust. The shift of focus argues that the emphasis on building employee relationship and provision of a better environment lead to the shift of focus from the traditional organizational goals to the wider stakeholder interests which results in the increase of the firm’s costs (Garriga and Melé, 2004).

In Kenya, corporate social responsibility plays a critical role in the development of the organizations. The customer satisfaction and competitive advantage have been reported by various studies that it is as a result of increased corporate responsibility activities. The employees who are the face of the organization are involved in CSR activities such as work/life balance, fair remuneration, health and safety and training. Michalos (2006) opines that poor performance occurs as a result of several factors including lack of information or skills, poor working conditions, poor motivation and/or incentives and inadequate working tools. The positive perceptions formed by the employees enhance the firm’s attractiveness, lead to the employee commitment to the organization, attract qualified and competent employees, improved performance of the employee and job satisfaction. The internal stakeholder centered CSR can take many forms. These comprise of investing in the employees, especially the junior and the middle level ones and also creating excellent communication channels in the entire organization. The family, work and leisure should be balanced in order for employees to be productive. Job security, employee education and profit sharing can be implemented so as to reduce the employee turnover. The impacts of such actions are improved organizational performance and enhanced quality of life (Alex, 2012).

2. Statement of the Problem

Business entities and the society in which they operate in have a social contract and this contract is an essential part of the theories that attempt to explain corporate social responsibility (Mesquita and Lara, 2003) suggests that in order for firms to continue their existence, they must receive the approval and continued support of its stakeholders, and as a result, firms will adjust their activities to maintain that support. The management of a firm’s stakeholders can be of strategic value and that creating a shareholder value involves allocating resources to all constituencies that affect the process of shareholder value creation, but only to the point at which the benefits from such expenditures do not exceed their additional costs (Carmit, 2012). The undertaking of corporate social responsibility activities is of strategic benefit to a firm. Consequently, the strategic importance of an organization to be socially responsible has ignited various researchers to focus on evaluating the effect of stakeholder management on a firm’s performance. As far back as 1970, Milton Friedman stated that the social responsibility of business is to increase its profits. Brickley et al. (2002) on their part argued that a company must focus its attention on shareholder wealth to survive in a competitive and technology-oriented business world. Benson and Davidson (2009) find that while social responsibility is positively related to firm value, firms do not compensate managers for SM. Instead, firms compensate their CEOs for achieving the firm’s ultimate goal; value maximization.

Ngurumu (2010) researched on corporate social responsibility practices in the micro finance institutions in Kenya. The study findings were that, most micro finance institutions had a lean budget and as such most of them carry out their CSR activities within their locality. Awuor (2011) on her part researched on corporate social responsibility and its sustainability at the Kenyan commercial bank and found that it is possible and tenable for a firm to sustain corporate social responsibility budgets since she found out that the customers attach organizations that undertake CSR activities with their performance and hence organizations should always incorporate CSR as part of their strategy. Kubai (2015) on the relationship between Strategic Corporate Social Responsibility and Competitive Advantage of Commercial Banks in Kenya: A Case Study of Equity Banks’ Wings to fly Program reveals that CSR is of paramount importance in influencing the perceptions of the customers especially the beneficiaries. They were optimistic that they would continue relating with the bank even in future.

Njeri (2004) did a research on the effects of corporate social responsibility on brands performance in the banking industry. She finds out that the adoption of the corporate social responsibility policy has enabled the bank become the successful brand in the competitive industry. It was critical in making the bank to be the fastest growing in the country. This study focuses on Kenyan commercial bank and as Smith et al., (2005) indicate, country of origin will influence the type of CSR to be undertaken and whereas previous studies on CSR have been done on the developed countries, only a few have addressed this issue in the developing countries. Kenyan firms are not comparable to...
those firms in the developed world or middle income
countries where the empirical studies have been conducted
and as a result, the researcher believes that there might be
differences on the relationship between CSR activities of the
firm and the firm’s performance. This research therefore
sought to fill in this gap by looking at the influence of CSR
activities on internal stakeholders on firm performance of
Kenya commercial bank in Kenya.

The General objective of the study
The general objective of this study was to examine the
influence of medical financing for internal stakeholders on
firm performance.

The Specific objectives of the study
1) To examine the influence of Regular check-ups for
internal stakeholders on firm performance.
2) To examine the influence of Maternity/paternity
availability for internal stakeholders on firm
performance.
3) To examine the influence of Outpatient/inpatient cover
for internal stakeholders on firm performance.

3. Theoretical Review
Social Exchange Theory
Social exchange theory proposes that social behavior is the
result of an exchange process (Homans, 1961). The purpose
of this exchange is to maximize benefits and minimize costs.
According to this theory, people weigh the potential benefits
and risks of social relationships. When the risks outweigh
the rewards, people will terminate or abandon that
relationship. Social exchange theory suggests that we
essentially take the benefits and minus the costs in order to
determine how much a relationship is worth. Positive
relationships are those in which the benefits outweigh the
costs, while negative relationships occur when the costs are
greater than the benefits.

Costs involve things that are seen as negatives to the
individual such as having to put money, time and effort into
a relationship. The benefits are things that the individual gets
out the relationship such as fun, friendship, companionship
and social support. Although theorists diverge on particulars,
they do converge on the central “essence” of SET: Social
exchange comprises actions contingent on the rewarding
reactions of others, which over time provide for mutually
and rewarding transactions and relationships. Besides
organizational identification, employees’ reactions to CSR
initiatives may be governed by reciprocity, broadly defined
as a pattern of mutually contingent exchange of
gratifications (Gouldner, 1960).

Social exchange can take numerous forms within
organizations. Forms range from individualized, restricted
and calculative approaches – aligned with the economic
model of exchange – (Blau, 1964; Homans, 1961) to
collective, indirect and socialized exchanges – similar to
anthropological accounts of social exchange. Scholars have
distinguished three forms of exchange. Negotiated exchange
involves two entities where —the terms of the exchange are
openly discussed and the giving and receiving of benefits are
direct and often immediate (Flynn, 2005). This restricted
exchange refers to discrete transactions and bilateral flows
of benefits between partners. Reciprocal exchange involves
two actors who benefit each other by unilateral acts of
anonymous giving and where the rate of exchange is
established only over time (Molm, Collett, and Schaefer, 2007).
Generalized exchange is an indirect and impersonal form of social exchange involving three or more
members of a social group where exchange stipulates
repayment of a kind deed, but not necessarily by the original
recipient, or to the original giver (Bearman, 1997; Molm &
Cook, 1995).

The Social exchange theory explains the nature of the
relationship between the firm and the internal stakeholders.
The relationship is majorly reciprocal. The internal
stakeholders through CSR benefit and in return work very
hard which result in the profitability of the firm. Once an
individual is assured of job security, he will do the job
without any stress and hence the organizational growth is
achieved. Several companies offer medical cover to its
employees and their families nowadays. The cost of
healthcare in the country has soared high in the recent past
so a person who is lucky enough to be covered by the
employer would not want to play around with the job. The
benefits accorded to the employees motivate them to work
knowing that when the company makes profits, there are
higher chances that the benefits would be increased.

4. Conceptual Framework
The study adopted the following conceptual framework:

5. Medical Financing
Health care benefits, along with time-off benefits, are the
most popular of benefits to employees. Insurance plans offer
preventative care that can keep employees healthy and
working. If employees don't get preventative care and
yearly physicals you could end up having more employees
out for long periods of time with serious illnesses. One
aspect of medical facilities is the group medical insurance is
an employee benefit that pays the cost of hospital care,
doctor and surgeon fees, and related medical expenses.
These plans provide financial security to employees and
their families. Offering benefits can also keep your
employees healthy, which can improve the efficiency and

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productivity of your small business. Employees who have health insurance will likely see their doctors more regularly than those who are uninsured. They will treat illnesses rather than coming into work sick and potentially infecting the entire office. They will have well-visit examinations annually, which can catch any serious illnesses early (Pauly, 2008).

A variety of modifiable health risk factors, such as excess weight, poor diet, smoking and lack of daily exercise, affect both medical costs and work performance. The best way to measure the prevalence of these risk factors in your workforce is through a health risk assessment. Research shows that the health status of your employees directly influences their work behavior, attendance and on-the-job performance. Therefore, improving employee well-being will result in a more productive workforce. That’s why 75 percent of high-performing companies now measure employee health status as a key part of their overall risk management strategy, and many pursue active wellness programs. However, for wellness initiatives to succeed, they must be an intrinsic part of an organization’s culture. This requires persistent and engaged leadership at all levels. By creating an integrated plan of action, HR professionals can strategically cultivate and leverage on-site resources to generate a healthier workforce, culture and financial bottom line (Kaiser Foundation, 2009).

Happiness makes people more productive. In three different styles of experiment, randomly selected individuals are made happier. The treated individuals have approximately 12% greater productivity. A fourth experiment studies major real-world shocks (bereavement and family illness). Lower happiness is systematically associated with lower productivity. These different forms of evidence, with complementary strengths and weaknesses, are consistent with the existence of a causal link between human well-being and human performance (Pauly, 2008). Building a healthy organizational culture involves both the physical work structure and the employees’ perception of the work environment. The work environment includes the physical characteristics of the workplace, such as safety policies, noise levels, lighting, air quality, and ergonomically adapted equipment and furniture. The work environment also includes healthy eating options and updated cafeteria menus, smoke-free policies, and opportunities for physical activity (Pauly, 2008).

The scope and type of company policies reflect an organization’s philosophy and commitment to employee health and well-being. These policies should align with and support your health and wellness goals. Examples of these policies include rules on smoking, drug testing, sick and personal leave, disability insurance, health care benefits, and vacation policies. Of all the benefits employers offer, health care benefits are arguably the most financially and politically challenging in today’s economy (Barone & Palazzo, 2006).

An organization’s health and prosperity is directly influenced by the health and well-being of its employees. In today’s competitive business environment, it is critical for organizations to step forward and invest in human capital as a competitive advantage. To contain health care costs, managers should take an active leadership role in measuring health status and then developing and promoting wellness strategies based on those data. With some creativity and innovative planning, HR professionals can improve employees’ health status, resulting in a healthier, more engaged and more productive workforce, (Durietz & Henrekson, 2000).

6. Research Methodology

A case study research design was adopted by this study. According to Kothari, (2006) a case study design is a way of organizing data and looking at the object to be studied as a whole, a case study makes a detailed examination of a single subject or a group of phenomena. Case approach helps to narrow down a very broad field of population into an easily researchable one, and seeks to describe a unit in details, in context and holistically, (Kombo & Tromp, 2006). The study, hence considered case study design suitable since data was gathered from a single source; Kenya Commercial Bank. The methods of data collection were tested for validity and reliability, conditions which, according to Kothari, (2006) must be present in descriptive studies.

Target population

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics, (Mugenda & Mugenda, 2009). The target population for this study was employees and managers of KCB based in their head office. There are 309 employees of KCB stratified as shown in the table below.

Table: Target Population

<table>
<thead>
<tr>
<th>KCB Employees</th>
<th>Target Population</th>
</tr>
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<tbody>
<tr>
<td>Top management</td>
<td>38</td>
</tr>
<tr>
<td>Middle level management</td>
<td>97</td>
</tr>
<tr>
<td>Other staff</td>
<td>174</td>
</tr>
<tr>
<td>Total</td>
<td>309</td>
</tr>
</tbody>
</table>


Qualitative analysis was done on the information collected from the results of the questionnaires; quantitative analysis was included, both descriptive and inferential statistical techniques were used. Descriptive statistics was used to analyze the quantitative data. The findings were presented using tables, graphs and pie charts.

Sampling is a procedure of selecting a part of the population on which research can be conducted. This ensures that conclusions from the study can be generalized to the entire population. A sample refers to any group on which information is obtained. To obtain a sample size, there are factors to be put into consideration such as-type of research design, method of data analysis and the size of the accessible population (Mugenda and Mugenda, 2009). Mugenda and Mugenda (2009) argue that at least 30% of the sample population will enable the researcher source enough data to warrant valid and informed generalization and conclusion. For descriptive studies at least 10%-30% of the total population is enough. Consequently, the researcher used the formula so as to obtain the suitable sample for the study.
7. Results and Discussions of the Findings

The findings indicated that majority (86 %) of the respondent strongly agreed that the medical financing given to their dependants was satisfactory, 86% of the respondents strongly agreed that the firm provides a reasonable amount of medical financing to its employees, 84% of the respondents strongly agreed that the medical financing enhances their loyalty to KCB, 84% of the respondents strongly agreed that the medical financing given to them improves their productivity and 78% of the respondents strongly agreed that the medical financing motivates them.

The findings clearly show that a majority of the respondents opined that the medical finances advanced to them and their dependants is satisfactory. This is interpreted to mean that the medical cover extends to the families of the employees. This means that the output of the employees is increased since the welfare of their dependants is catered for. The findings are in agreement with Pauly (2008) assertions that health care benefits, along with time-off benefits, are the most popular of benefits which motivate employees. The insurance plans offer and preventative care given that can keep employees healthy and working. These plans provide financial security to employees and their families. The findings are also in agreement with Durietz and Henrekson (2000) who pointed out that an organization’s health and prosperity is directly influenced by the health and well-being of its employees. In today’s competitive business environment, it is critical for organizations to step forward and invest in human capital as a competitive advantage.

8. Summary of the Findings

The research findings established that there is no relationship (p = 0.740) between the medical financing and the firm performance. It can be interpreted that as long as the employees are remunerated well, they will work with zeal. The main motivator to work among the employees is the better pay regardless of whether the company finances their medical expenses. Building a healthy organizational culture involves both the physical work structure and the employees’ perception of the work environment. The findings are in consistent with Pauly (2008) who opined that it is not only through medical financing that the well being of the employees is championed but also non financial consideration such as the work environment which includes the physical characteristics of the workplace, such as safety policies, noise levels, lighting, air quality, and ergonomically adapted equipment and furniture. The work environment also includes healthy eating options and updated cafeteria menus, smoke-free policies, and opportunities for physical activity.

9. Conclusions

The study concluded that the bank finances the medical expenses employees and dependants. The performance of the bank in terms of the profitability increases as the employees will do their job wholeheartedly since the bank rewards them handsomely not only monetarily but also by financing their health. As seen from the findings, it will be fair to conclude that by advancing the medical allowance to the employees, the firm performance is more likely to grow. The health of the employees is central to the growth of the bank as the healthy employees equate to the profitability of the bank.

10. Recommendation

The bank should come up with better medical scheme for its employees. It has to increase the funds in the medical cover owing to the fact that the medical cost has gone up in the recent past.

References


