

## **Influence of Social Innovation on Organizational Sustainability of Safaricom Kenya Limited**

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### **Abstract**

*The contribution of social innovations towards organizational sustainability is debated with studies showing mixed findings. The purpose of this study was to determine the influence of social innovation on the organizational sustainability of Safaricom Kenya Limited. The specific objectives of the study were to determine the extent to which enabling access of small-scale enterprises to financial services, social contract rebuilding and peer partnerships toward market transformation on the organizational sustainability of Safaricom Kenya Limited. This study applied a descriptive research design. The target population was all 127 middle and top-level management employees at Safaricom Limited's Headquarters in Nairobi. The study findings established that enabling access of small-scale enterprises to financial services influences the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.196$ ,  $t = 3.275$ ,  $p = 0.002$ ). The study findings also established that social contract rebuilding had a significant influence on the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.746$ ,  $t = 5.796$ ,  $p < 0.001$ ). However, the study found that peer-partnerships toward market transformation had no significant influence on the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.191$ ,  $t = .703$ ,  $p = 0.093$ ). The study recommends that Safaricom should increase its effort of developing mobile-based financial services suited to the needs of the small and micro businesses.*

**Key Words:** Organizational sustainability, Safaricom, Social innovation.

### **Introduction**

Social innovation is significant for the sustainability of the majority of the social aspects including the community and the organizations. Organizational leaders can engage in social innovation is through advocating for a financial system that supports longer-term sustainable investment, rebuilding the social contract between the organizations and their stakeholders (Bernal-Torres et al., 2021). The role played by social innovation in influencing organizational sustainability has been a subject of research in various global jurisdictions. In Colombia, (Bernal-Torres et al., 2021) note that Colombian nonprofit organizations (NPOs) have been socially innovating to address the social issues that their institutional purpose entails. In Italy, Piccarozzi (2017) determined that small and medium enterprises (SMEs) act as social innovation hubs and they play a critical role in the creation and/or commercialization of new technologies, as well as the growth of national economies. In Brazil, Comini et al. (2021) noted that socially innovative businesses operate in different ways as those based on a social logic are more concerned with the generation of socio-environmental value. In Nigeria, Ogbo et al. (2019) noted that social innovation significantly influenced the sustainability of SMEs. In the Kenyan context, Kinoti (2020) determined that socially innovative businesses have better long-term business performance.

Social innovations include entering a community and establishing a collaborative relationship with the members to create solutions for the community problems for the attainment of sustainable development goals (Brabeck-Letmathe, 2022). Key social aspects include disaster reconstruction, the aging society, and local agricultural activities. Efforts are accumulated in education, agriculture, and medical care to optimize resource utilization in diverse cities. According to Comini et al. (2021), making the existing social system more efficient is an idea that is useful in solving community challenges sustainably and accomplishing sustainable development goals. However, for organizations to engage in social innovation, (Bernal-Torres et al., 2021) indicate that there must be a business case such that the resources utilized in social innovation are expected to benefit the community and also have returned to the organizations. Studies on the influence of social innovation on organizational sustainability have had mixed results and also leave some gaps that this study sought to explore.

In Ghana, Li et al. (2018) established that the creation of social value in the education sector enabled corporates to create economic value for themselves. Another study by Wairimu et al. (2016) established that social innovation by social enterprises in Nairobi County, Kenya, enabled the firms to enhance their performance. The study however left some conceptual gaps as it only included social enterprises and did not consider peer partnerships and social contract rebuilding. This study set to fill these conceptual, contextual, and knowledge gaps. This was accomplished by determining the extent to which seeking the SDG of enabling access of small-scale enterprises to financial services influences the organizational sustainability of Safaricom Kenya Limited. Besides, since Safaricom engaged in social innovation in 2018 (Safaricom, 2020), there had not been an empirical evaluation of the influence of the social innovation on the organizational sustainability of Safaricom, thus leaving a knowledge gap.

## **Literature Review**

### ***Theoretical Review***

The stakeholder theory by Freeman (1984) was the anchor for this study and it is explicitly presented as a viable alternative to economic theorising. While conventional economic theory places significant emphasis on market competition as the primary catalyst for societal well-being, stakeholder theory prioritises cooperation (Bridoux & Stoelhorst, 2022). In contrast to conventional economic theorising, specifically agency theory, which posits that managers have a responsibility to maximise the financial market value of firms, stakeholder theory asserts that managers are tasked with cultivating collaborative relationships with stakeholders by effectively managing their competing interests (Freeman, 1984). In contrast to the conventional economic perspective that assumes individuals act as *Homo economicus*, driven solely by rational self-interest and motivated by financial incentives, stakeholder theory posits a more intricate understanding of human behaviour. Stakeholder theorists fundamentally perceive strategic management as the management of social relationships. The core premise of this theory posits that strategy entails the establishment of equitable and enduring relationships with the various stakeholders of the organisation, which are crucial for the generation of value (Bridoux & Stoelhorst, 2022).

### ***Empirical Review***

Social innovation enables firms to focus not only on the firm's financial aspect but on social targets incorporate in the SDGs. One of the targets of the ninth SDG is to increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets (Safaricom, 2020). An organization can support other businesses to achieve their objectives

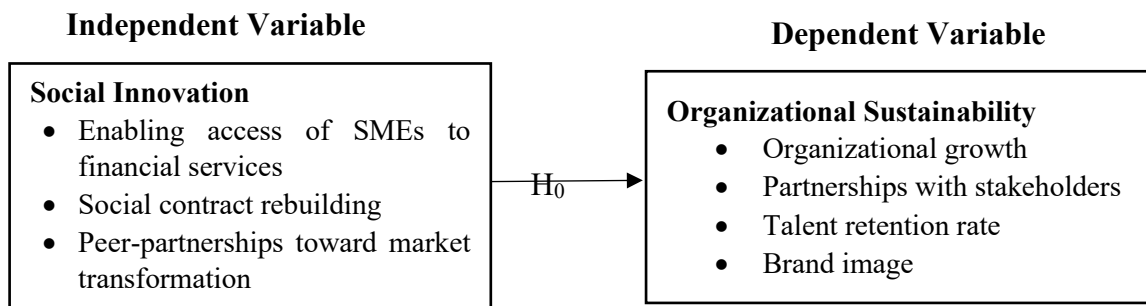
and thus enhance economic growth and at the same time enhance their profitability and sustainability (Asenova & Damianova, 2018). A huge number of enterprises have acknowledged the significance of social impact and sustainable business practices during the last several decades. A study by Cavazos-Arroyo (2021) explored how social innovation capabilities, social marketing accomplishments, and company social performance influenced the development of social value in social companies in Mexico. For 106 managers of social businesses in Mexico, explanatory and cross-sectional research was applied. Five hypotheses were tested using Structural Equation Modelling and Partial Least Squares. The findings revealed that social innovation skills have a direct and positive impact on social value creation, social marketing success, and company social performance.

Research by Li et al. (2018) specifically sought to answer the research questions: Does social innovation help to create shared value by balancing social and economic value? An empirical analysis of 250 social enterprise groups in Ghana. To examine the data acquired, the research employed SmartPLS software version 3.0. The findings revealed that social value has an impact on the formation of economic value in the establishment of shared value. These findings were supported by findings of the study Saka-Helmhout et al. (2021) that in Ghana's educational sector, social innovation by corporations is a driver of shared value development through social value. These findings indicated as noted by Ali et al. (2021) that social innovation through solving challenges faced by the community or small businesses could play a role in the transformation of social value into shared and economic value creation. Another study in Spain by Conesa et al. (2021) affirmed this by establishing that social innovation orientation by organizations towards enabling SMEs to access key services such as financial and technological services is the key to long-term stability, development, and sustainable performance in a changing and dynamic environment. Besides, a study by Xie et al. (2019) established that companies have realized the value of effective innovation management in terms of bolstering their market position by supporting their clients and partners to solve their various challenges. Besides, Bernal-Torres et al. (2021) determined that businesses are better suited to fulfill the demands of modern competition if it was more inventive in solving challenges facing their clients.

Social contract rebuilding is another form of social innovation that entails the transformation of the unspoken agreement among members of the organization to work together for the common good, amidst the economic, social, political, technological, and environmental complexities and changes taking place across the globe (Asenova & Damianova, 2018). A study by Pramudita et al. (2021) assessed how a renewal of social contracts in organizations influenced job performance, talent retention, and the organization's longer-term competitiveness. The results showed a favourable association between those who primarily hold relational social contracts and their work happiness and performance, as well as a lower likelihood of quitting. Kamau et al. (2020) explored the link between rejuvenation of contracts and organizational commitment across public and private colleges in Nairobi City County, Kenya, as mediated by employee welfare measures. The results showed that there is a significant relationship between social contract and organizational commitment of university catering employees in both public and private universities in Nairobi City County, Kenya.

### ***Conceptual Framework***

Figure 1 presents the conceptual framework that served as the guiding principle for the study. The framework hypothesizes that social innovation has a direct effect on organizational sustainability.



**Figure 1: Conceptual Framework**

**Methodology**

This study applied a descriptive research design. In descriptive studies, quantitative or qualitative information is gathered and analyzed to describe the study subject or units (Collis & Hussey, 2018). The target population was all middle and top-level management employees at Safaricom Limited's Headquarters in Nairobi. There were 127 employees in middle and top-level management (Safaricom, 2022). These management-level employees were considered for this study since they were the ones who had the requisite information regarding social innovation and organizational sustainability of Safaricom Limited. This study used multi-stage sampling. The study applied quantitative data analysis techniques which included descriptive statistics and inferential statistics. Inferential statistics applied included multiple regression analysis.

***Regression Analysis of Social Innovation on the Organizational Sustainability***

The study's purpose was to determine the influence of social innovation on the organizational sustainability of Safaricom Kenya Limited.

**Table 1: Regression Model Summary for Social Innovation on the Organizational Sustainability**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.722	.522	.504	.497

- a. Predictors: (Constant), Enabling financial access for small enterprises, Social contract rebuilding, Peer-Partnerships
- b. Dependent Variable: Organizational Sustainability

Table 1 provides a summary of the findings that demonstrate the model's explanatory power. The model's correlation coefficient ( $r = 0.722$ ) showed a significant association between the three social innovation elements (enabling financial access for small enterprises, social contract rebuilding, and peer-partnerships) and organizational sustainability. The study's findings also show that at Safaricom, enabling financial access for small enterprises, social contract rebuilding, and peer-partnerships explained 50.4% of the company's organizational sustainability ( $R\text{-squared} = 0.504$ , or 50.4%). These results suggest that the model's explanatory power was moderate.

The model's analysis of variance (ANOVA) was also evaluated. This was undertaken to determine the model's fit and assess the joint influence of enabling financial access for small enterprises, social contract rebuilding, and peer-partnerships on organizational sustainability.

**Table 2: Analysis of Variance for Social Innovation on the Organizational Sustainability**

Source of variance	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.263	3	7.088	29.782	.000
Residual	19.484	82	.238		
Total	40.747	85			

a. Dependent Variable: Organizational Sustainability

b. Predictors: (Constant), Enabling financial access for small enterprises, social contract rebuilding, Peer-Partnerships

The model had a good fit to the data, according to the research findings shown in Table 2 ( $F = 29.782, p < 0.05$ ). This implies that Safaricom's organizational sustainability could be predicted using the three social innovation variables of enabling financial access for small enterprises, social contract rebuilding, and peer-partnerships. Therefore, multiple linear regression analysis may be used to determine the influence of the three elements of social innovation on organizational sustainability since the model fits the data well.

The three independent variables (enabling financial access for small enterprises, social contract rebuilding, and peer-partnerships) were thus regressed against organizational sustainability in the research. The outcomes provide the t statistics, regression coefficients, and significance levels measured at 5%. Table 3 displays these findings.

**Table 3: Influence of Social Innovation on Organizational Sustainability of Safaricom**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.692	.613		-1.129	.262
Enabling financial access for small enterprises	.196	.060	.278	3.275	.002
Social contract rebuilding	.746	.129	.500	5.796	.000
Peer-Partnerships	.191	.112	.154	1.703	.093

a. Dependent Variable: Organizational Sustainability

b. Predictors: (Constant), Enabling financial access for small enterprises, social contract rebuilding, Peer-Partnerships

According to the research findings in Table 3, enabling access of small-scale enterprises to financial services influences the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.196, t = 3.275, p = 0.002$ ). The implication of these results is that capacity of Safaricom to enable access to financial services for small-scale enterprises had a positive and significant effect on its organizational sustainability. A unit change in enabling small-scale enterprises to access financial services is expected to lead to a corresponding 0.196 change in organizational sustainability of the organization. Thus, providing funding to small scale mobile technology start-ups focused on societal change, enabling SMEs to timely pay their suppliers through supply chain financing, partnering with commercial banks to provide low-interest rate loans to small businesses, and developing mobile-based financial services suited to the needs of small businesses significantly influenced sustainability of Safaricom.

The study findings in Table 3 also indicate that social contract rebuilding had a significant influence on the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.746, t = 5.796, p < 0.001$ ). These findings imply that social contract rebuilding between Safaricom and its employees, regulators, policymakers, government, civil society and the community had a

positive and significant influence on its organizational sustainability. A unit change in social contract rebuilding is expected to lead to a corresponding 0.746 change in organizational sustainability of the organization. Thus, rebuilding of social contracts between Safaricom and its key stakeholders significantly benefited sustainability of the organization.

The study results provided in Table 3 show that peer-partnerships toward market transformation had no significant influence on the organizational sustainability of Safaricom Kenya Limited ( $\beta = 0.191$ ,  $t = 1.703$ ,  $p = 0.093$ ). The implication of these results is that a change in peer-partnerships between Safaricom and industry players is not expected to have any significant influence on the organizational sustainability of the company. These findings imply that though Safaricom was highly engaged in peer-partnerships with regulators, policymakers, industry peers, and the civil society to implement innovations for social change, these peer-partnerships did not any significant influence on the organization's sustainability.

These findings led to rejection of the null hypothesis of the study which stated:

H<sub>0</sub>: Social innovation has no statistically significant influence on the organizational sustainability of Safaricom Kenya Limited.

### ***Discussion***

The research findings showed that enabling access of small-scale enterprises to financial services influences the organizational sustainability of Safaricom Kenya Limited. These findings support the findings by Asenova and Damianova (2018) that an organization can support other businesses to achieve their objectives and thus enhance economic growth and at the same time enhance their profitability and sustainability. Another study with similar findings by Cavazos-Arroyo (2021) determined that companies that build procedures that generate social value based on their initiative to identify creative solutions to social challenges of other businesses have a direct and positive impact on their own social value creation, social marketing success, and economic performance. The study findings that enabling small business to access financial service has a positive influence on sustainability of the organization was also supported by findings from Li et al. (2018). The study by Li et al. (2018) that was conducted in Ghana determined that social value has an impact on the formation of economic value in the establishment of shared value. These findings were supported by findings of the study Saka-Helmhout et al. (2021) that in Ghana's educational sector, social innovation by corporations is a driver of shared value development through social value.

The study findings determined that social contract rebuilding had a significant influence on the organizational sustainability of Safaricom Kenya Limited. These findings support the findings by Li et al. (2018) who established that it is imperative for organizations to seek renewal of social contracts for the common good of the society and the corporations themselves. Another study by Pramudita et al. (2021) assessed how a renewal of social contracts in organizations influenced job performance, talent retention, and the organization's longer-term competitiveness. The results showed a favourable association between those who primarily hold relational social contracts and their work happiness and performance, as well as a lower likelihood of quitting. These findings support the findings from this study which indicated that renewal of social contracts between Safaricom and its employees, government, customers and the community positively influenced its sustainability. A study with similar findings to this study by Anser et al. (2018) determined that maintaining and strengthening social contracts with employees has become more crucial as the need for ethical commerce has grown. Besides, Bae and Fiet (2021) determined that organizations that prioritize how they relate with their

employees and how they renew this relationship do so as a survival strategy, contributing to society via social influence and using the social bond between it and its employees to satisfy their societal responsibilities to offer long-term development. This was similar to the findings from this study which indicated that Safaricom treated its employees with respect and paid them competitive salaries, and thus positively influenced its organizational sustainability.

Study findings indicated that peer-partnerships between Safaricom and industry players toward market transformation had no significant influence on the organizational sustainability of Safaricom Kenya Limited. These findings disagree with the findings by Akbari et al. (2021) who investigated how peer relationships in innovation influenced corporate performance through the lens of social responsibility. The results showed that peer relationships in social innovation have a somewhat good impact on social responsibility and a significant impact on business performance. This was in contrary to the findings from this study that despite Safaricom having good peer-partnerships with industry players, this did not significantly impact on its sustainability. The findings from the current study also contradict with the findings by Xie et al. (2019) that collaborative innovative methods have a critical role in enhancing the impact of social innovation components on business performance. The current study determined that partnering with regulators for innovations to drive social change did not significantly affect Safaricom's sustainability.

These findings disagree with the findings by Kissimoto et al. (2014) in Brazil that revealed a positive link between an organization's perceived performance and sustainability as a result of collaborations with government agencies in solving societal issues. Another study in the United Kingdom by Igwe et al. (2018) had findings that contradicted with the findings from the current study. The study by Igwe et al. (2018) indicated that the collaboration between corporations and regulators to drive social change had a favorable impact on both financial and non-financial performance. The study by Igwe et al. (2018) further found that collaboration is responsible for enhancing visibility, profit generation, social innovation, social contributions, and enhanced social performance. Moreover, the findings from this study disagree with the findings by Qing and Jin (2022) that such a partnership between government agencies and corporations to solve community challenges has a favorable impact on social and economic value as well as enterprise performance. Additionally, the findings from the current study also disagree with the findings by Sameer (2021) that innovative partnerships between businesses and government have benefits for both partners.

## **Conclusion and Recommendations**

The study concludes that enabling access of small-scale enterprises to financial services is pivotal for the organizational sustainability of Safaricom Kenya Limited. The study further concludes that the efforts by Safaricom to develop mobile-based financial services suited to the needs of small businesses, and leverage technologies to innovate financial services tailored to SMEs had beneficial effects to the organization's sustainability. The study recommends to Safaricom to enhance its presence in the small and micro business sector and increase its effort of developing mobile-based financial services suited to the needs of the small and micro businesses.

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