

**EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON  
MARKET SHARE OF NESTLÉ KENYA LIMITED**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE  
OF MASTERS OF BUSINESS ADMINISTRATION IN THE SCHOOL  
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**DECEMBER, 2017**

## **DECLARATION**

I declare that this project is my original work and it has not been submitted for examination in any other university.

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**D61/81929/2015**

This project has been submitted to the University of Nairobi for examination with my approval as university supervisor.

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## **DEDICATION**

This research is primarily dedicated to the Almighty Heavenly father, my loving family and close friends. My mother and Father for their overwhelming love and support they have given me, I am forever indebted to you. To my sister Peninah thank you so much for your constant love and advice, I love you all. To my friends Winnie and mike thank you so much for you so much for your support.

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## **ABBREVIATIONS AND ACRONYMS**

**RBV** : RESOURCE BASED THEORY

**LT** : LEGITIMACY THEORY

**CSR** : CORPORATE SOCIAL RESPONSIBILITY

**MNC** : MULTINATIONAL CORPORATIONS

**MNE** : MULTINATIONAL ENTERPRISE

**MS** : MARKET SHARE

**CSV** : CREATING SHARED VALUE

**SC** : SOCIAL RESPONSIBILITY

**SV** : SHARED VALUE

## ABSTRACT

Corporate social responsibility has become a very important and critical element in any organization that is operating in the 21<sup>st</sup> century. Multinational organisations have understood that CSR is such an important and huge concept that cannot be ignored in these ever-changing and competitive business environment. CSR is when a business carry's on its operations to morally upright, while adding financial gains to organization as it strives to improve the personal satisfaction of its employees, their families and the society in which it operates in at large. There is a new business concept that has also been adopted by upcoming businesses called Creating shared value. CSV is new business concept that strikes a balance in creating economic balance while simultaneously addressing society needs and challenges. The purpose of this research was to find out the effects of corporate social responsibility on the market share of of Nestlé Kenya limited. The study opts to achieve one objective that is, effects of CSR on the market share of Nestlé Kenya limited. The study adopted a case study research design and data was collected through an interview guide. In addition secondary data was collected from the company website and other materials at hand. The senior most management staff was selected to be the respondents who had worked for a period of 4 to 17 years in the organization. The findings indicated that the company engages in CSR activities but very few activities, that are giving funds to school, Milo kids festival and caring for the environment that it operates in. The study found out that of Nestlé Kenya limited majorly focuses on CSV as a business strategy and has three key factors that it focuses on. The three CSV projects are water, nutrition and rural development. These CSV projects have helped to improve the market share of the company from 15% to 20% within the last five year, something that CSR has not been able to achieve. The study found out that CSR was a not a sustainable business concept that would be used by an organisation. CSR had only managed to improve the market share of the company up to 2%. The study found out the company's two main projects like the Nescafe project and Nestlé health kids programme had not only increased the company's market share but had also improved the company's sales, improved its image not only to the employees but to the society at large. The study recommends that the organization to increase more of its CSV activities. The study suggest that there are further areas to be researched they are effect of creating shared value on the performance of Nestlé Kenya limited. Also impact of having women in leadership since the managing director, are Human resource women in leadership holding quite a high position in the organization.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Corporate social responsibility is the concern a business has for the welfare of the general public that it's working around and it goes past simply being ethical. A business constantly continues to be ethical, while it contributes to development economically and improving the quality of life of its employees, their families and the society at large (Holmes and Watts, 2000) .It is vital in light of the fact that, Investors who are pouring money in these organizations want to know that their investments are efficiently being used. Not exclusively does this imply organizations must have sound marketable strategies and spending plans, however it likewise implies that they ought to have a solid feeling of corporate social obligation. Market share is the portion of a market controlled by a specific organization or item. Its significance is that, Investors take a keen look at the market share increments and declines carefully, on the basis that they can have a clear indication of how relative aggressive that particular organizations products or services are (Buxton, 1998).

One of the theories that relate to how a firm CSR affects its market share is Resource based view, advanced by Wernerfelt (1984) it states that organizations should look inside the company to find out the sources of competitive advantage rather than looking at the competitive environment for it. Legitimacy theory is another theory that depends on the notion that there is a social contract between an organization and the society in which it operates and considers that "Legitimacy is a summed up perception or assumption that

the activities of an entity are proper, desirable legitimate, or appropriate inside some socially built arrangement of standards, qualities, convictions, and definitions."It has the role of explaining the behavior of organizations, in implementing and creating intentional social and environmental disclosure of information with a specific end goal to satisfy their social contract, which helps to empower the acknowledgment of their objectives and the survival in a turbulent and nervous condition( Deegan,2000).

Multinational Corporations or Multinational enterprises are associations working in at least two nations ordinarily known as the host nations, yet overseen from one nation, the nation of origin. The goal of MNCs to work and prevail in different nations is essentially to increase its competitive advantage. MNCs have assumed extraordinary parts in globalization. Through the expanded number of MNCs all around, there are outstanding ways that these associations have dependably grasped to fulfill their intended interest groups. MNCs profits by these ventures by exploiting the difference in each nation particular situations. In spite of the many advantages displayed by MNCs, there is an extensive range of overlapping and conflicting difficulties that influence these organizations universally. Some challenges are, Regulatory changes; expanded administrative review and examination have been one of the basic difficulties influencing numerous corporate associations. Economic conditions, each advertiser ought to know about the many difficulties that are realized by fizzling economy. Staying at par with the competitors of has likewise been a challenge for many organizations.

Motivation of carrying out this research on Nestlé Kenya, is to find out how does corporate social responsibility affect its market share and to what extent has it affected the company over the years. It will also create new knowledge to the stakeholders in the beverage industry.

### **1.1.1 Corporate social responsibility**

There is a developing enthusiasm for social obligations among corporations. Organizations now are not just expected that would be responsible to their investors however to society by and large. Corporate social obligation identifies with organizations working in a way that meets or surpasses the moral, lawful business and open desires that society has of them (CBSR, 2002).

CSR is usually the path through which a company is able to achieve a balance of economic, environment and social objectives ("Triple-Bottom-Line-Approach"), as it addresses and takes care of its stakeholders desires (Unido,2007) . It's very critical to have a straightforward distinction between CSR, which is a very vital business administration idea, and, sponsorships or philanthropy. The latter is also important in that it can be used to help poverty reduction, with a keen interest of upgrading the reputation of the involved company while reinforcing the organizations brand.

The important CSR elements are managing the environment, eco-proficiency, sourcing responsibly, engaging with the shareholders, good working standards and working conditions, group and employee's interactions, equity, gender fairness and great administration. Most of all, a well laid down CSR idea is able to attract a variety of competitive advantages like , upgraded access to markets, expanded deals ,benefits, cost

of operations, cash to be invested, productive human resource base, enhanced brand image and reputation, better basic leadership and an efficient and good process of managing risk (Maw, 1956).

### **1.1 .2 Market Share**

Market share is basically the percentage of an industry or market total sales that is controlled by a particular item or organization for a specified time period(Buxton, 1998). A company's market share is its portion of total sales in relation to the market it operates within. Investors take a keen look at the market share increments and decrements carefully; in light of the fact its market share of the overall industry is developing incomes at an indistinguishable rate from its competitors. An organization which is growing its market share, can be a sign of how relative competitive the company's products or services are in maintaining its market share of the entire industry. Most organization's that tend to be growing their market share will be growing its revenues faster than its competitors (Nkanbra and Okorite, 2007).

When the organization's market share increases, it can enable the organization to gain more noteworthy volume in its operation that will help it to improve profitability. Associations are consistently wanting to broaden their offer of the market, despite endeavoring to develop the measure of the aggregate market by addressing bigger socioeconomics, cutting down expenses, or using publicizing. Every multinational association measure achievement in light of the piece of the overall industry of specific markets

### **1.1.3 Multinational corporations in Kenya**

A multinational organization is normally an extensive corporation fused in one nation which creates or offers goods or services in different nations (Kaplinsky, 1979). An increasingly huge number of multinational corporations in Kenya are adapting the CSR programmes to be able to positively impact the society, as well as increasing branding to their product. It is also a way of the MNC to undertake a project without being taxed since the activities done to help the society are usually tax free. Most MNC bring a lot of advantage to the host country. Some of the benefits that MNCs bring are job creation and skills development. Multinationals now transforming Nairobi into center point for expanding. Multinational corporations also pay a lot of taxes to the host country and by doing that they are able to generate revenue to the host country that they are operating in. Small companies which are emerging to big organization's that have been operating for long are quickly adopting environmental and social initiative's in their strategies, example Microsoft collaborates with NGO NET Hope to develop internships most specifically in the IT department for students in Kenya. Colgate also is committed in taking up other Corporate Social Responsibility programs through partnerships and associations which impact communities and environment positively. Mounting and supporting corporate social obligations activities requires some investment, ability and assets. Yet, progressively it is the thing that financial specialists, clients, workers and different partners have generally expected and request.

#### **1.1.4 Nestlé Kenya limited**

Nestlé was birthed in 1866 by Henri Nestlé, a German Pharmacist who developed a grain based baby food recipe for needy cases (Nestlé, 2014). The transnational organization with its diverse brands set up a solid reputation worldwide for its quality items with 'nourishment, wellbeing and health being the foundation of its operations in 83 nations (Nestlé, 2014). Nestlé Equatorial African Region was set up in 2008. It has branches in over 20 countries, with its head office in Nairobi, Kenya. It oversees many countries with similar socio economic environment.

Nestlé Kenya has key programme called creating shared value. CSV basically is concept introduced in Harvard school of business that basically deals with breaching the gap between cooperate social responsibility and competitive advantage. Nestle Kenya in the previous past they have adopted the concept very well.

One of Nestlé core businesses is Dairy involves procuring and processing of milk, to produce internationally well known brands like cerelac, Milo, Nescafe, kitkat and other chocolates. In Kenya for instance, the milk output is estimated at 4 – 6 billion liters per year, but with that it comes with its challenges too:, Although the opportunities in the region are rather similar, the challenges differ between countries. Seasonality is a challenge. It makes milk supply fluctuate over time hence processing plants are forced to operate below capacity. As a result of seasonality, prices fluctuate following an inverse trend. This makes planning and improving the sector difficult and unpredictable (pascal, 2016)

Infrastructure is also another challenge; the state of infrastructure is constraining smallholder farmers from accessing markets. The quality of milk is another challenge. The East African milk consumer has the same expectations as any other milk consumer in the world. The regulator should define standards and enforce compliance.

## **1.2 Research problem**

Corporate Social Responsibility is when a business carry's on its operations to be morally upright, while adding financial gains to its organization as it strives to improve the personal satisfaction of the its employees, their families and the society in which it operates in, at large (Holme &Watts, 2000).Importance of this, is that it helps to build a good relationship with the society and also helps to be able to attract new investors. Market share represents the percentage of an industry or markets total sales that is earned by a specific organization over a predetermined time period. Market share overall is the most vital metric organizations that can be used to judge the adequacy of any conceivable revenue gathering effort, for example advertising efforts, branding initiatives, or CSR programs. It is imperative since market share demonstrates to you how you are getting compared to your competition, enables you to measure the effect of your strategies and tactical execution have had on business results and make inquiries of your execution that were already unapparent to ask (Buxton, 1998).

Nestlé Kenya is the largest food and beverage company in the world.In Kenya the business environment is ever changing which poses opportunities and threats to businesses, including intense competition. Hence Nestlé Kenya operates in an environment in which it has to compete to survive. Given the fact that it continues to

operate, it must be responding dynamically to changes on a continuous basis and not by luck.

Several studies have been done on effects of CSR in the recent past both locally and internationally. Munyoki and Ong'olo, (2013) carried out a research on the Relationship between corporate social responsibility practices and market share among supermarkets in Kisumu town. Its findings indicate that the market share of supermarkets in Kisumu town have a relationship with CSR engagements. Mbugua (2012) looked at Corporate social responsibility and competitive advantage in multinational food and beverage organizations in Kenya. Based on the findings, it is evident that most multinationals in the food and beverage industry engage in one or more forms of CSR at any given time. Ocran (2011) researched on the Effect of CSR on profitability of Nestlé Ghana limited; findings were CSR greatly affects profitability of Nestlé Ghana positively. The above studies did not focus on effects of Creating shared value on market share of Nestlé Kenya limited, and that lead me to want to determine, if CSV activities have an effect in the market share of Nestlé Kenya Limited?

### **1.3 Research objective**

Effects of corporate social responsibility on the market share of Nestle Kenya limited.

### **1.4 Value of the study**

The Findings from this study will help management to be able to draw a conclusion between corporate social responsibility and market share of an organization. It will help management to be able to fully understand how they can improve and guide the sector



effectively. The organization will also use these findings to be able to know how it can be able to improve its firms operations.

The findings of this study will be very important to multinational organizations, in the beverage industry and also its competitors. It will help them to be able to comprehend fully the importance of having the CSR activities and the benefits it brings to an organization. It will also encourage organizations that did not fully engage in CSR activities and convince them of the advantages, which an organization will get in engaging in the CSR programme.

Corporate Social responsibility is a very important aspect of the organization in establishing a human face that the society can relate to. The impact that CSR has on helping the organization establish a competitive advantage over its competition. It is a beneficial concept that would be relevant to players even outside the beverage industry and even researchers wanting to dig into the topic further.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the current literature which is pertinent and related to this study topic and objective. It provides theoretical and conceptual discussion of the study, in relation to the study variables namely corporate social responsibility and market share in an in depth manner. The connection between corporate social responsibility and market share is also reviewed.

### **2.2 Theoretical foundation**

This section consists of theories supporting the concept of corporate social responsibility and the contribution it brings about in its market share. These theories include resource based view and legitimacy theory.

#### **2.2.1 Resource based view**

John et al (2008) defined RBV as superior performance and competitive advantage of the organization that it is usually explained by its unique capability. RBV stresses that the inside abilities for an organization are to be used in defining strategies to be able to accomplish a manageable competitive advantage. Researchers contend that RBV is the most suitable route in the development of a company's strategy while getting merit, its relative merits. Collins and Montgomery (1995) attest that this approach recognizes qualities that are able to bring about good qualities like aggressive predominance, rareness and value, a competitive advantage for the firm such as value, rareness and aggressive predominance. Anderson (2011) proposes a contrasting view to Barney's opinion.

The shortcomings or reactions of RBV being the suitable way can be challenged. Priem and Butler (2001) attest that this analysis expects that items showcased are steady and overlooks genuine estimation of assets. Resource based analysis is usually thought to be redundant. Porter (1991) contends that RBV doesn't approach the subject of explicating the stages on which importance was established and it by which merit was created, and exercises ought to have been more relevant concentration than its assets.

Madsen and Walker (2003) scrutinized RBV that it did not have the capacity of being able not give substantial interpretations for the operational companies. Moreover it gives off an impression of being constrained with limit suggestions as the key part of strategic development is usually deemed to be long process as opposed to being the operational duty of the firm resources (Clulow, Barry and Gerstman, 2007). Firms have a tendency of procuring assets which are tedious and very unstable for their competitors to mimic or copy through a wide range of interactions between their resources. Be that as it may, dynamic abilities fill in as an augmentation of the RBV investigation to fuse a superior comprehension of how merits are obtained and kept up after some time.

Its importance and conclusion, is that it can be for the most part acknowledged that the RBV approach has a solid association with company's execution particularly in achieving a feasible upper hand (SCA). When trying to find out the effects of corporate social responsibility on the market share of Nestle Kenya this theory was very applicable in that, Nestlé Kenya has been using its internal resources and capabilities to be able to have a competitive advantage over its competitors. Due to its high technological infrastructure

and financial muscle it has been, able to use that very well to be able to gain a competitive advantage and dominate in the food and beverage industry.

### **2.2.2 Legitimacy theory**

This theory is a summed up recognition or presumption that organizational operations are proper, desirable or fitting in some socially built systems or standards, qualities, convictions, and definitions (Suchman, 1995). While there is no by and large acknowledged theory for clarifying CSR disclosure practices, recent research in the CSR literature has essentially depended on Legitimacy theory (Deegan 2002). It has the role of clarifying the behaviour of organizations, to actualizing and establishing social and environmental exposure. Legitimacy theory additionally infers that organizations will be very keen to ensure that its performance and activities are adequate to the development so that its able to bring awareness to the community. (Wilmshurst and Frost, 2000).

Its strength is that Legitimacy theory has a leeway over the other theories in which it gives unveiling techniques that organization may embrace, to real their reality that might be practically tested. Legitimizing activities are very reactive and also intense as the management tries to counter threat (Ashford and Gibbs, 1990). Under Legitimacy Theory, the privileges of investors are considered, as well as a substantially greater photo of the general population everywhere is considered.

The limitations of legitimacy theory, is that the term has once in a while been utilized decently freely. It's not an issue of this theory alone, and its perception might be similarly connected to this scope of theories in range to its disciplines (Caudill ,1997) .Lack of adequately being able to specify the theories has been identified by

(Suchman,1995) who said that lot of scholars use the term legitimacy but very few are able to define it properly. (Hybels, 1995). Fulfillment of stockholder interests regularly happens to the detriment of community concerns, while then again obligation to the larger community frequently happens to the detriment of the stockholder(Hearit,1995). Its relevance is that LT, is good for an organization to carefully operate in an environment that is pleasing to the community. While engaging in CSR activities to the community, it will carefully get the support and backup from the environment.

### **2.3 Corporate social responsibility**

The organisations, activities that go past their core abilities that are performed in order to contribute positively to the general public is CSR. Carroll (1979) expresses, that the social responsibility usually envelops financial, lawful, moral, and optional desires that society has of associations at a given purpose of time.

Friedman (1970) indicates that Organizations frequently put resources into making and supporting their brand, and additionally in observing the recognitions held by their clients, workers and the overall population. An organization's social obligation endeavors commonly figure intensely these observations. CSR is a promise to accomplish something other than serve the necessities and desires of clients and shareholders. It can likewise mean going past business rudiments and serving a social need. Through corporate social obligation programs, including dependable business practices, charity and volunteer endeavors, organizations can profit society while boosting their image.

CSR often comes in very many ways and it can be divided into three major sections. First and foremost, there is environmental .Secondly there is philanthropic and lastly there is

ethical. Comprehending all these diverse sorts of social duty and how different organizations do in these regions encourages associations to have the capacity to establish their own CSR programs up. A few associations take a shot at all three of these territories while others simply concentrate on one or possibly two of them ( Petaraf et al, 2010).

Environmental is very common in that organizations are steadily trying to focus on its carbon footprint while looking to find ways in which all this can be reduced. In addition, companies are trying to find ways of making their operation to be sustainable in overall for its environment, while having a very minute impact. Philanthropic is a type of CSR that is associated with giving handouts and money to the people who are indeed. In most times organizations will have a chosen charity home that it honestly supports ,and they may be connected to their line of business.

Ethical, Lastly a big section of the ethical social obligation programmes concentrate on having a fair number of treatment representatives that incorporates workers who may not be straightforwardly working for the organization. Hence this means that ethical CSR factors in the whole supply chain. For example a few industries that source clothes from the middle east have a social duty to protect the general population that works to deliver garments that they purchase and are treated decently. Some measures may be set out like having a law that indicates on how much the minimum wage payment is accepted by the government, and has to be met in the manufacturing industry (Newton, 2014).

Corporate social obligation offers various direct business benefits, which are ,a responsible and good business reputation. Establishing a good reputation for being a

business that is responsible will make you to have a competitive advantage over your competitors. Organizations in most cases support suppliers whose strategies are dependable Another is decreasing costs, reducing resource use ,having proper channels of discharging waste will not only help the earth but it will also spare the organizations funds .

The purpose of CSR is to improve on its business and culture supportable in the following three perspectives: Economic angles, Social viewpoints, and Financial perspectives. The financial parts of CSR includes understanding the monetary effects on the organization's operations. Economic Issues have been disregarded in the talk on corporate obligations. Social duty is the current and it is getting more consideration.

## **2.4 Market share**

This is the firm's percentage of on a particular industry's total sales. In other words, the amount of sales an organization gets contrasted and its industry overall. It is computed as follows. By taking a company's market share, then you determine the period that you would like to calculate .Then you calculate the firms total sales over that particular period, find out the aggregate sales of the company's industry. Finally divide the firms total revenue by the industry's total sales (Dorothy,Alila and Omosa. 2007).

Out of total purchases of a product or services is what goes to an organization and it is the market share. At the end of the day, the customers purchase 100 soaps, and 40 of the soaps will be for one particular organization then that company holds 40% of the market share .

The market share indicates how that particular firm performs as compared to its competitors. Usually, a higher market share implies that a firm realizes higher sales than its competitors because it successfully expands its customer base. This isn't always the case though. Sometimes there are simply barriers to entry in the industry that allows a firm to control a high percentage of the industry. This often leads to a monopolistic structure.

Companies try to gain sales and beat their competition in many different ways. Some try to increase their economies of scale (a greater output at a lower average cost) in an effort to provide lower cost products to consumers while others try to increase brand recognition and consumer loyalty. Keep in mind that a profitable company doesn't necessarily command a big market share in that indicated industry. Profits and MS are not always directly related.

The significance of the market share, is that it helps to measure the customers preference, to a particular item in comparison to others . A high market share as a rule implies greater sales, What amount of market share is sufficient? Typically, increasing at a 100% piece of the entire industry is not a good idea ,as as one is prone to a lot of risk Likewise, the cost and push to keep and maintain up 100% piece of the overall industry against things like debt, neighborhood or more forceful littler competitors can be high and challenging For instance, assume you need to ascertain a toy maker's share of the market over roughly one financial year. The toys producer had add up to incomes of \$20 million, and the fabricating industry had add up to incomes of \$200 million more than one financial year. To discover the toy maker's market share, separate \$20 million by \$200 million. The manufactures market share of the overall industry is 10%.



Market share can likewise be utilized to think about comparative organizations inside a similar general industry. For instance, assume another toy manufacturing business has add up to incomes of \$40 million. This toy producer has a 20% market share of the overall industry of the business. This flags this toy maker out-competes the toy producer from the past case.

It is likewise conceivable to utilize the market share of the overall industry over various periods to perceive how well an organization charges against its rivals and whether the organization is developing.

## **2.5 Corporate social responsibility and market share**

Corporate social responsibility is not only an important concept to business, but also as a source of competitive advantages for the organization and should therefore be given due consideration as the core business of a firm. A business needs a firm and instructed workforce, reasonable funds and a well capable government in order to compete successfully. For a society to do well, productive and a focused organizations must be established and supported in order to create income, wealth and open doors for philanthropy. Competition among supermarket in the country is so stiff each of them has been forced to be innovated to be able to attract clientele.

Similar study has been done locally, Connection between corporate social obligation practices and market share of the overall industry among supermarkets in Kisumu town by Munyoki & Ong'olo (2013). The findings indicated that the market share of supermarkets in Kisumu town have a relationship with Corporate Social Responsibility

engagements. There was a positive correlation co-efficient between market share index and corporate social responsibility.

## **2.6 Summary of literature and knowledge gaps**

In the recent years there has been an increased focus on identifying the key effect that corporate social responsibility has on multinational corporations in Kenya. Previous studies have found out that corporate social responsibility increases the chance of the firm's competitiveness in that particular market.

Munyoki and Ong'olo (2013) did a study on Relationship between corporate social responsibility practices and market share among supermarkets in Kisumu town. The findings indicated that the market share of supermarkets in Kisumu town have a relationship with Corporate Social Responsibility engagements. There was a positive correlation co-efficient between market share index and corporate social responsibility. Mbugua (2012) looked at corporate social responsibility and competitive advantage in multinational food and beverage companies in Kenya .Its findings indicated, that most multinationals in the food and beverage industry engage in one or more forms of CSR at any given time.

Ocran (2011) looked at Effects of Corporate social responsibility on profitability of Nestlé Ghana limited, the researcher concluded that CSR greatly affects market share of Nestle Ghana positively. Many multinationals are setting base in Kenya, to scramble for a piece of cake. Nestlé Kenya is one of the leading food and beverage multinational company in Kenya. In order to survive in this market it's well aware that CSR is quite an important element that cannot be shrugged off. It is a result of this that the study seeks to

find out the effects of corporate social responsibility on the market share of Nestlé Kenya limited. It is quite a raw area that has not been visited before.

## **CHAPTER THREE: RESERCH METHODOLOGY**

### **3.1 Introduction**

This section provides the methodology and modalities that were utilized in collecting data that was used in answering the researcher questions. It concentrates on the form of research design and sources of data, methods of instruments of data collection and methods of analyzing data.

### **3.2 Research design**

This study was completed using a case study approach which was the most reasonable as it gave an inside and out comprehension on the effects of corporate social responsibility and creating shared value on the market share of Nestlé Kenya. Yin (1984) asserts that a case study method as a technique that investigates that researches a contemporary marvel and setting plainly apparent and in which various sources of evidence is utilized. The major advantages of using a case study method was that, it is very applicable to real life, contemporary human circumstance and its open availability, through written reports reports. Case studies are so simple in that they relate directly to the common reader everyday life. They also help to understand complex real life situation.

Case study design was the method used in this research, it helped the researcher to focus on interpreting in-depth the why and how inquiries and also it is also flexible in terms, of tailoring to cover the contextual conditions that are applicable to the phenomenon study. Breaking down a case study expects you to work on applying your insight and you're supposing thinking skills to a genuine circumstance. To gain knowledge from a case study examination you will be breaking down, applying learning, thinking and making

conclusions (Kardos and Smith 1979). Different researchers for example (Raini 2015, Muthami 2014, Maringa 2016, Makoni 2016, and Ocran 2013) are some of the researchers that have effectively used case study design.

### **3.3 Data collection**

This study relied a great deal on primary and secondary data. Primary data that is face to face interview was the preferred method as it was very accurate, able to capture the verbal and none verbal ques (body languages) and most importantly interviews give the interviewer an added advantage of taking charge of the interview and keep focus on their main objective of conducting the study. Secondary data was from the internet, specifically the company website that is available to the public. Data was collected from senior management staff comprising of the marketing manager, finance manager, managing director and corporate communications and public affairs.

The interview guide was standardized and kept in line with the study objectives and was divided into three sections. Section A consisted of general question about the organization. Section B consisted of various questions addressing the corporate social responsibility, creating shared value and market share. Finally Section C consisted of challenges facing corporate social responsibility and creating shared value. Additional information was added from secondary data that was through internet. The information collected through the company website that the organization had decided to share with the public. Secondary data was used for the purpose of environmental trends and historical information.

### **3.4 Data Analysis**

Considering the kind of data that was collected from the interview done, content analysis was the most appropriate method used to analyze data. Content analysis helped to be able to have a clear objective for evaluation of comparing the information that is based on the listener's impressions .It helped the researcher to filter through extensive volumes of information without hardly lifting a finger in a methodical manner

Qualitative content analysis illustrated themes, patterns and categories that were very critical to social reality. Displaying research finding from qualitative content examination is testing yet a typical practice to utilize regular citations to justify conclusion.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This section goes ahead to discuss the data findings, results and discussion from the field on the Effects of corporate social responsibility, on the market share of Nestlé Kenya limited. All the information was collected using an interview guide. This chapter will seek to analyze the data collected from the four top senior management staff of the company which are Marketing manager, finance manager, managing director and corporate communications and public affairs. All of the four respondents were available for the face to face interview conducted. This lot was majorly preferred because they had a significant say on the formulating and implementing of CSR activities that would be executed by Nestlé Kenya.

### **4.2 Background information**

The main focus on this section was to find out the background information of the interviewees in terms of their gender, how long they have worked for the company, which department or division they are, and for how long they have held that current position. The data was collected from senior level management of both representation of the male and female gender. The interviewees have worked for the company for a period of 4 to 17 years. They were the best set of individuals chosen, because they were the ones involved in the creating and formulating of CSR Projects that will be run by the company.

### **4.3 Effects of corporate social responsibility on the market share of Nestlé Kenya**

This section focuses on the effects of CSR on the market share of Nestlé Kenya. The interviewees were categorically asked to name CSR activities that the company was involved in performing. The interviewees indicated that the company had broadly divided their CSR activities into two major areas that is the social responsibility aspect and shared value aspect. SR activities include sponsoring of sports in school, youth and women empowerment, reducing poverty by providing and supporting needy families in the community. The study seeks to find out what impact does this SR have on the company, the interviewees indicated that they had really helped to improve the companies, reputation, make the people associate more with the company's good image. The interviewees stated that Nestlé Kenya had different brands out in the market. The brands include Cerelac, Milo, Nescafe and MAGGI. All of these products had a different market share in the market and hence one could not simply generalize the market share of Nestlé Kenya as a whole.

The study intended to find out what were the effects of those SR activities on the market share of the company. The interviewees indicated that SR had improved the company's image, established a good reputation for the company, facilitated its branding activities but in terms of the market share, social responsibility aspect was only able to increase the company's market share to only about 2%. The interviewees indicated that. The interviewees further indicated that social responsibility aspect was not being used as a business strategy.



They further indicated that SR is not a sustainable business strategy that the company opts to use and it is only a tool that empowers the community. The interviewees further added that for the sustainability of the company in that it will benefit and also the society will benefit they were not only focusing on the SR aspect but they were also concentrating on the other aspect of CSR that shared value aspect..On the question of its partnership with ministry of education to support the primary football games the respondents indicated that the company had halted such activity for the.

On the question of what were the Milo kid's festival impacts on the company. The interviewees indicated that the activity was purely a branding activity that had little impact on the market share and hence the company halted the activity in 2015.The interviewees indicated that company was in the process of reviewing its SR activities and some activities will be halted while some new activities will be added to the SR programme. All the interviewees categorically indicated that SR was not a long-term business strategy that ,the company was using or thinking about using.

#### **4.4 Effects of Shared Value on the Market share of Nestlé Kenya**

This section focuses on the on the other aspect of CSR of Nestlé Kenya limited that is called shared value .It seeks to understand effects of SV on the market share of Nestlé Kenya limited. The study seeks to find out what shared value is all about, and what it entails. The interviewees indicated that Nestlé Kenya as a business strives to strike a balance on improving and working on its economics business while critically supporting the society it works around. It does not only work on the basis of creating support to the society but also improving itself as a business.

The interviewees indicated that in their SV plan they had three key projects that were performing Nutrition, Water and rural development. Under rural development the company has a project called Nescafe project .It entails the company providing technical support to farmer in Kenya who are growing coffee. The company also employs Agronomics, people who go to teach the farmers on how to grow quality coffee apart from the technical support they get from the company. It provides this kind of support to over 40,000 Kenyan farmers, with an aim to increase quantity and quality of the coffee they produce. This will intern help the farmers to get better quality prices and Nestlé Kenya will intern buy from the farmers through the coffee management service who find the market for the farmers. Hence through this kind of support to Kenyan coffee farmers, it has increased the market share of Nescafe by 15% to 20%, through the last five years and been able to put Nescafe to be the leading coffee brand in Kenya as of to date.

Under Nutrition, another SV project the company was actively involved in is the Nestle health kid's programme. The interviewees indicated that this is a school based programme that was targeting children aged between 6- 12 years roughly in class 1-4 who are in primary school. They are training the children on the best practice of nutrition and diet that they should adopt hence to be able to live a healthy life. Aroma scholarship is another shared value activity that Nestlé Kenya started in 2016.This is a programme whereby the company sets aside a certain amount of money from the sales it gets from its Nescafe coffee brand. The money is set aside to needy and bright children who are not able to sustain themselves. They are sponsored through high school.

On the question of how the interviewees felt about Nestlé Kenya embarking on SV. All of the respondents were quite content and passionate on the new business strategy taken by the company. The respondents indicated that SV had a positive impact on the society as well as for the business and it was able to shoot up its market share between 15% to 20%. The interviewees further indicated that the shared value aspect and the market share had a positive correlation, in that the more shared value activities the company was undertaking it was directly increasing the market share of Nestlé Kenya limited. They further added that they all understood and shared the value that a true test of a business is its ability to create value to the business as well as to the society in which it operates on.

The interviewees indicated that after critically planning their SV programme they were able to increase their sales volume, the demand on the organizational products also increased. On the question of what impact does SV have on the market share of Nestlé Kenya. All the interviewees agreed that SV had attributed to 15 % to 20% increase in the the market share of all the products that they had on the market and that they were currently leading in the market. The interviewees indicated that the impacts brought about by the SV were growing on a yearly level and the market share was also growing with the impacts .The respondents eluded that for the company to prosper and do well the society must also be prospering with them and hence growing with the company.

Nestlé's water SV project has also had a massive gain for the business. Africa sandam foundation has been a big beneficiary in this project. It was able to gain the company's SV price money of 9 million that went along way to build a sandam for rain water harvesting project. The respondents gave an overwhelming response on the positive impact that the creating shared value had brought about on the market share of Nescafe,

cerelac, Milo and Maggi and they all had an increase of between 15% to 20% between the last five years. They indicated that SR had no major impact on its market share as compared to SV.

#### **4.5 Discussion**

In this particular section the researcher states a comprehensive discussion from the data collected in the study. It will entail the researcher to do a comparison on the guiding theories of this study and other studies.

In the research conducted, these findings have perfectly gone hand in hand with the two theories that have been used in this research these theories are Resource based view and Legitimacy theory. In resource based view Organisations use their resources to be able to develop competitive advantage which should be sustainable (Wernerfelt,1984). Nestlé Kenya has carefully looked inside its company and come up with sources of competitive advantage. Like it has provided technical support and Agronomic support to over 40,000 coffee farmers. They help and teach farmers on how to grow and use quality coffee seeds that will be able to produce high yields and quality crop. The company contracts Agronomic support that they pay them who intern will go to the farmers and teach them on producing quality products. Hence when they will produce quality coffee that will be easily bought in the market, and they will be very competitive in the market. Nestlé Kenya also supports the farmers to get the best coffee prices that they will sell on the coffee exchange.

From the findings they have supported the Legitimacy theory in that Nestlé Kenya has a programme called Nestlé health kids programme aimed to tackle under nutrition and

diet related chronic diseases .A global health kids programme that goes to school to target kids from class 1-4, who are aged between 6-12 years and teach, train the children in the best practices of nutrition and diet that they opt to adopt .They help them to be able to live a good healthy life. The company also helped to finance the Africa san dam foundation by awarding the company the prize money of 9 million that helped them to build a water harvesting dam that will sustain and help the community. Also To ensure that its environment keeps healthy the company organizes cooking competitions in the community where it teaches and trains the society how to cook and eat right.

The study tries to align its findings in relation to other similar studies that have been carried out before. For instance, Ocrum (2011) researched on Effects of CSR on profitability of Nestlé Ghana limited .He found out that the profitability of the company were affected in a positive way by the CSR activities that the company undertook and the profits increased. Munyoki & Ong'olo (2013) carried out a research on the relationship between CSR practices and market share among supermarkets in Kisumu town. They concluded that there was a positive correlation co-efficient between market share index and corporate social responsibility. Mbugua (2012) researched on CSR and competitive advantage in Multinational food and beverage companies in Kenya. Its findings indicated that most multinationals in food and beverage industry engage in at least one or more than one form of CSR at any given time. She indicated that CSR positively affected the smooth running of the MNC in a very positive manner.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

Based on the data collected and analysis, the following conclusions and recommendations were made. The responses were made according to the study objective on the study effects of corporate social responsibility and creating shared value on the market share of Nestlé Kenya limited.

### **5.2 Summary of findings**

The study engaged respondents who had a period of 4 to 17 years of experience working in the organizations and hence they had valuable contribution to research. The study aimed at finding whether CSR has any impact on the market share of Nestlé Kenya limited. The findings indicated that the organization had employed the use of corporate social responsibility. It indicated that the company had divided its CSR into two portions that is social responsibility aspect and shared value aspect. The social responsibility aspect included activities such as sponsoring of sports games in school, youth and women empowerment, poverty eradication by providing support to needy families. SR had managed to improve the company's image, the company's reputation and most of all it had been able to make the employees and customers, to be able to associate more with the company. In terms of the impact it had brought about on the market share, it had quite an insignificant contribution of less than 2% on the market share of Nestlé Kenya limited for the last five years. The organization was still practicing SR activities but some activities had been halted such as donating funds to schools to football games had been halted (Like in the case of donating 5 million shillings to the ministry of education).

SR is not the best business strategy that Nestlé Kenya opts to use in their running of their daily operations.

On the other hand, there is another aspect of CSR called shared value. The organization had three main projects under SV and they are Nutrition, water and rural development. Under these projects we have the Nescafe project and Nestlé health kid's programme. The study wanted to find out what impact had SV had on the market share. The study found out that the respondents indicated that the SV had a very positive impact on both the community and the organization. The market share had increased between 15% to 20% for all the company products from the last five year period. The study found out that there was a positive correlation with the market share and shared value of , in that it increased as . The study also found out that all the stakeholders were 100% in agreement and supported this business strategy of SV. The respondents also indicated that the strategy did not tamper with the profits of the company.

The study also indicated that SV improved the company image, the organization was socially acceptable by the community, The employees and the community had a sense of belonging to the company.

### **5.3 Conclusion**

The study found out that Nestlé Kenya limited had employed the use of corporate social responsibility, the company has divided CSR into two portions social responsibility and shared value. The study went ahead to find out that SR basically deals with impacting and helping the environment which in turn has helped to improve the company's image and reputation. In terms of improving the company's market share SR has had a very

little impact of about 2% in the last five years. The other aspect of CSR that is shared value has

Improved the market share of the company's different product between 15% to 20% in the market within the last five years. The company had employed different strategies under its SV that include Nescafe project and Nestle health kids programme. The study found out that SR was not a sustainable project that had less than 2% impact on the market share of the company that are Nescafe, cerelac, Milo and Maggi.

## **5.4 Recommendations**

The study recommends that the way the company has a Nescafe project on teaching farmers on how to grow healthy coffee they should also introduce a direct CSV Project that will help and teach farmers on how to grow healthy onions and other spices which are a key raw material for their product which is a vegetable sauce. Of Maggi. Comparing the two products Maggi and Nescafe, the Latter seems to be doing much better in the market share than the first one.

### **5.4.1 Recommendations for managerial policy**

Since the MNC are increasingly and expanding at a very high rate in different countries to do business, it is very important for them to be able to operate in a conducive environment. This study will help the policy makers in the involved sectors to be able to set up and come up with the correct strategies and policies that will be able to improve and enable the corporations perform better since they are very important in that they help to be able to create employment and bring direct investment.



#### **5.4.2 Recommendations for managerial practice and theory**

Multinational organisations are very vital in any nation that is willing to succeed in its business adventures, hence it will be of critical value that the management to be able to create good and desirables polices, that will enable the corporations to run efficiently and effectively. For the management and the involved employee's , the study shows that it is still important that the management to further do more research and development on its creating shared value and corporate social responsibility to be able to create more awareness to both their clientele base in the society and the exiting workforce. The study will help the scholars and researcher's to be able to gain more knowledge and add to the existing information that is out there in the field.

#### **5.5 Limitations of the study**

Since the study was about effects of CSR on the market share of Nestlé Kenya limited, the researcher encountered trouble with the respondents who were a bit reluctant in taking part in this process ,since they thought that that the research was aimed to gather information and send it to their competitors. Hence it took a lot of time convincing the respondents to take .

The researcher was only able to interview the top level management, who are the ones who are able in formulating CSR projects and due to time constraints, the researcher was not able to interview other employees who are in a lower ranking position who are also responsible in the implementing process and also has a lot to offer.

The study also only used a case study, which has a limited representation of facts and is likely to be affected by the error of memory and judgment from the researcher. This is because the time allocated for collection of data was only about two weeks

### **5.6 Suggestion for further research**

From the findings on this study the researcher suggest that an in depth research to carried out on the effects of creating shared value on the profitability and performance of Nestlé Kenya. Also increasingly there has been a lot of women employed in the top level management of the Nestlé company. Currently the managing director is a woman the HR is also a woman. The researcher suggests that an area for further research to be conducted should be the impact of women and leadership in the performance of Nestlé Kenya.

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## **APPENDIX I: INTERVIEW GUIDE**

This interview seeks to collect information on the effects of corporate social obligations on the market share of Nestle Kenya. All of your responses will be treated with the highest utmost confidence and only to be used for academic use.

### **SECTION A: Background Information**

1. Gender?
2. How long have you worked for Nestle Kenya limited?
3. Which department or division are you currently in?
4. For how long have you been holding your current position?
5. **SECTION B: Information on corporate social responsibility and market share**
6. How do you feel about Nestle Kenya embarking on CSR?
7. What type of CSR activities does the company do?
8. What benefits does the company get from this CSR activities ?
9. What impact has the Milo kids festival had on the community?
10. Can Nestle Kenya use CSR as a business strategy to increase its market share?
11. What impacts has CSR had on the market share of Nestle Kenya?
12. The impacts listed above have, they been changing on a monthly or yearly basis?  
Or remaining constant?
13. Through Milo's partnership with ministry of education to renew its 5 million sponsorship in 2015 that supports national primary school ball games, what impact has it brought on the market share of Nestle Kenya?

14. With the launch of projects like the digital nutrition calculator for mums that allows them to track and monitor their children's intake in everyday serving ,how has it positioned the organization in this growing beverage market?
15. How has the revamping of Nestles MILO brand to produce it in a cheaper pack, to maintain sales amid shrinking purchasing power affected the company's market share?
16. Are there any other benefits apart from increased market share that Nestle Kenya stand to gain in recognition of works like the sandam technology in 2012, with price money worth 9 million?

**17. SECTION C: Information on challenges encountered**

18. Does your organization encounter some dissatisfied stakeholders who still quite do not embrace and support the idea of corporate social responsibility?
19. In your opinion what measures has Nestle Kenya taken to fight off competition?
  20. Is profit of Nestle Kenya affected negatively by the frequent corporate social responsibility activities undertaken?

## APPENDIX II: INTRODUCTION LETTER



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

Telephone: 020-2059162  
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P.O. Box 30197  
Nairobi, Kenya

DATE: 10/11/2017

#### TO WHOM IT MAY CONCERN

The bearer of this letter Evalyne Buyaki Nyamao  
Registration No. D.G.181929/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
PATRICK NYABUTO  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS

