

**CORPORATE SOCIAL RESPONSIBILITY AND COMPETITIVE
ADVANTAGE IN MULTINATIONAL FOOD AND BEVERAGE
COMPANIES IN KENYA**

TERESIA W. MBUGUA

**A RESEARCH PROJECT IS SUBMITTED IN PARTIAL
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DECLARATION

This research project is my original work and has not been presented for a degree program in any other university.

Signed

Date:

Teresia W. Mbugua

This project has been submitted for examination with my approval as university supervisor.

Signed

Date

Prof. Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

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DEDICATION

To Erica, Wahu and to my parents who have been a source of encouragement throughout this time.

ABBREVIATIONS

CSR – Corporate Social Responsibility

KBL – Kenya Breweries Limited

EABL – East African Breweries Limited

NGO – Non Governmental Organization

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ABSTRACT

This research project is carried out using cross sectional survey methodology to determine the relationship between CSR and competitive advantage in the Multinational food and beverage companies in Kenya. In the past two decades the industry has had a remarkable change as many new small scale or local entrants have ventured into this industry. In addition other players from other countries have also come in to widen the choices available to the customers. In response to this market dynamism, there has been declaration that a percentage of their revenue generated from selling was intended to fund say the bright but needy students. In addition, others had gone as far as partnering at grass root level with the communities. For instance they could provide them with necessary knowledge in keeping their cattle and assure them of a dairy market for the same for instance Nestlé Kenya's partnership with Kabiye't's farmers. The objective of this research is to determine the corporate social responsibility of multinationals in food and beverage in Kenya and to establish whether these companies enjoy better competitive advantage than those that do not. The findings of this research shows that there is a relationship between Corporate Social Responsibility and indeed those that engage in it enjoy better competitive advantage.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate Social Responsibility is concerned with the ways in which an organization exceeds its minimum obligations to stakeholders (Johnson et al, 2010). The direction that corporate social responsibility takes has several dimensions thus corporate philosophy, corporate responsibility and corporate policy. Charitable donations and not for profit organization is an example of corporate philosophy whereas strategic philosophy involves companies making a long term commitment to one cause (Cozen, 1996).

According to Johnson and Scholes corporate social responsibility is the detailed issues on which an organization exceeds its minimum required obligations to stakeholders (1999). This takes different dimensions for each organizations for instance to some hiring of local talent wherever they set up, others it is educating children from poor backgrounds a good case and point is Equity's Wings to Fly program, others have set up water projects such as the Coca Cola had with NGO's and Millennium Water Alliance and through this accomplished projects like Safe Water Systems . Social responsibility means an organization contributing positively to the society.

1.1.1 Competitive Advantage

Competitive advantage is the ability of the organization to gain skills to perform in a superior manner than their competitors and from that provide goods and services that are of a better quality than other players. It can also be defined as the scenario when one firm is able to create more economic value than rival firms (Barney, 2006). In this case Economic value is the difference between the perceived benefit gained by a customer who purchases a firm's products or services and the full economic cost of the product or services. It is also possible for firms to attain competitive parity thus when a firm creates the same economic value as its own rivals and or competitive disadvantage when a firm creates less economic value than its rivals.

Competitive advantage is an important invaluable asset for an organization to have as this assures them that even when general economy is performing poorly the organization still thrives. Thus if an organization has established its own niche, has been able to contain its costs to a level of leading the others then it remains a market leader or a preferred brand among the consumers. For instance in Kenya Equity has established itself as the bank that can accommodate the smallest and the largest clientele base through having a broad array of products to accommodate them.

In the creation of a competitive advantage firms have two main avenues of going about this. According to Porter (1985), a firm can use the generic strategies of cost leadership thus where the costs are kept to a minimum to attain the highest returns, organizations can also make their products different through differentiation or

organizations can choose to concentrate on a part of the market and serve them well in what we refer to as a focus or niche and finally the organization can add value within their value chain. The other competitive advantage basis is through use of resources. Some of the resources that exist that can create an edge to an organization as brand equity, good reputation of the firm, ability of the firm to utilize resources effectively such as deliver goods faster than competition.

1.1.2 Corporate Social Responsibility

The organizations 'activities that go beyond their core competencies that are performed so as to contribute positively to the society is CSR. According to Kevan and Scholes (2010), CSR is concerned with ways in which an organization exceeds its minimum obligations to stakeholders which is specified through regulation. How much a company engages in Corporate Social Responsible activities is determined a lot by ethical stance that the organization has embraced and how this is aligned with the organization's strategy.

It is important for organizations to be able to look outside to its society and address what it can using its resources. This is because the society forms an integral part of the organization through the contribution it gives as a source of Human resources, raw materials, investors and customers (Johnson, Scholes 1999). By organizations giving back to the society it has found immense reciprocation of goodwill from it that is tangible and quantifiable. For instance Coca Cola East Africa teamed up with various NGO's representatives and planted a thousand trees in Kenya's Mau forest

area to rehabilitate Kenya's biggest water catchment Napuyopui Mara river area and this has led to creation of brand loyalty by its customers who find it difficult to switch to a competitor.

Organizations are free to choose which area they would prefer to make a difference in. This has its pros and cons in that at times organizations can over-emphasize on one area at the expense of another. For instance with the recent hunger in Kenya in 2011, several organizations donated to the kitty in the campaign dubbed Kenya for Kenyans. With such focus other important activities such as tree planting and protection of water catchment areas take a back sit. Thus the modes of engaging in CSR in Kenya vary with some choosing education such as Equity's Wings to fly campaign and others looking into health issues such as the Matter heart run which aids children with heart conditions.

1.1.3 Corporate Social Responsibility and Competitive Advantage

Porter and Kramer (2006) state that if "corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices they would discover that CSR can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage".

Human beings relate a lot to what they can see and with this knowledge some of the multinationals in the food and beverage industry in Kenya have taken full advantage

of this and created a competitive advantage. For instance Coke has been at the fore front of various community programs related to water, women empowerment and education. Others such as Nestlé Foods in Kenya have partnered with farmers at Kabiyet in a dairy project (Kamau, 2011).

1.1.4 Overview of Multinationals

For the past almost fifty years, Kenya has enjoyed the rare opportunity of being a preferred country to establish operations for large multinationals in various industries. This perhaps has been attributed to by presence of various advantages such as easy access to the world waters through the port of Mombasa, availability of raw materials, human resources, peaceful co-existence of the local communities and being a gateway to many East African countries.

In this respect Kenya enjoys the presence of multinationals such as Nestlé Foods (large multinational in seventy four countries world- wide), which prides itself in being number one in health and wellness through the products it manufactures and sells. Another such multinational is Cocacola which has presence in two hundred countries and which over the years has made its focal point as spreading happiness worldwide. It does this through ensuring that it refreshes and quenches thirst as its products are mostly fizzy and non fizzy beverages. There is also a strong presence of Diageo through its local arm of Kenya Breweries. Kenya Breweries has been in Kenya for over ninety years. It manufactures beer and malt social drinks respectively and has become a locally embraced brand throughout the years. There is also Cadbury

Kenya a British company that manufactures drinking chocolate and it has been in Kenya for sixty four years where it has been accepted as a force to reckon with in the hot drinks industry.

The multinationals in the food and beverage industry in Kenya currently are facing a lot of competition from local companies, substitute products and imports from other countries. Other new set of challenges that the multinationals are facing are increased awareness among consumers on the healthy living and a new global trend in reporting where organizations highlight their CSR activities after the normal financial reports.

1.2 Research problem

Corporate Social responsibility is the engagement of an organization in an activity using its own resources that would solely benefit the society. Importance of this is that it acts a foundation for building a positive and lasting relationship with the community. The organization also benefits by paying less taxes as donations to such projects are tax exempt and this in turn reduces the tax implication on an organization. Competitive advantage on the other hand is the ability of the firm to use its unique resources and capabilities and using them in choosing and implementation of strategies (Barney, 2007). Competitive advantage enables an organization to get higher returns than competitors, increase market share and at times enables them to lead the industry.

Overtime many other players have emerged in the economy to increase competition for them and therefore reduce their market size in that respect. For instance, Kenya

breweries has seen the entry of players such as Heineken, Summit lager all producing beer. In addition government policies and laws such is the Liberalization of the Kenya economy in 1990. There have also been problems of counterfeits being sold in the market by unscrupulous business men who want to take advantage of the brand recognition to make some extra shillings. These and other challenges have forced multinationals to see how else they could tap into building customer loyalty in a world where numerous substitutes exist. Despite and in spite of government and Non Governmental Organizations initiatives to reduce alcohol intake, through increase in taxation and prohibiting advertisement Kenya Breweries has continued to grow its profits in leaps and bounds. This is strongly linked to KBL being involved heavily in Social Responsibility.

Several studies have been done on CSR in the recent past. In a study by Kimathi (2009), on the relationship between CSR and competitive advantage in the oil industry in Kenya concluded that each company can identify a certain particular set of societal problems that it could best solve and while at it gain competitive advantage. Ominde (2007) researched on the link between CSR and competitive strategies among companies listed in the stock exchange and showed it could be important for building their image. Odhiambo (2007) studied CSR as a tool for stakeholder management in large scale enterprise. From this study it emerged that in building product differentiation and brand, CSR inclusion in strategy formulation could be important so long as the activities to be done through CSR met the cost benefit analysis criteria. Muriu (2010) looked at how CSR contributed to strategy

development and implementation in EABL and concluded that indeed CSR was considered in strategy formulation at EABL. Kwalanda (2007) looked at Safaricom Limited indulgence in Corporate Social Responsibility and concluded that organizations play a pivotal role in sharing value with its community. Lastly, Ominde (2006) looked at the link between strategy of companies listed in the stock exchange and CSR and concluded that there exists one and owing to this that matters pertaining to CSR ought to be considered to the highest level of decision making.

The above studies therefore did not examine closely the relationship between CSR and competitive advantage which then leads to the following questions; do multinationals in the food and beverage industry in Kenya engage in CSR? Secondly do the multinational firms in the food and beverage industry that engage in CSR enjoy better competitive advantage?

1.3 Objectives of the study

The objectives of the study are;

- i. To determine the Corporate social responsibility practices of the multinationals in food and beverage industry in Kenya.
- ii. To establish whether those firms that are more involved in CSR enjoy better competitive advantages than those that do not among the multinational Food and beverage companies in Kenya.

1.4 Value of the Study

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 is a beneficial concept that would be relevant to players even outside the food and beverage industry and even researchers wanting to dig into the topic further.

Findings from this study will enable management to draw the relationship in the CSR and competitive advantage to a greater depth and it may help the shareholders and other stakeholders change their view in favor of engaging on corporate social responsibility more than before.

Multinational corporations within the food and beverage industry and other industries can draw great learning from this study. In essence organizations that may be hesitant on engaging on CSR will now have greater and deeper insights as to the intangible benefits of this engagement.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is based on the research problem and involves a review of literature. The literature includes the concept of CSR and its practices. It also looks at the concept of competitive advantage in an in-depth manner while addressing the sources of competitive advantage. The relationship between competitive advantage and CSR is also reviewed.

2.2 Concept of Corporate Social Responsibility

Corporate Social Responsibility is the desire to encourage and require corporations to assume greater responsibility for their actions and this school of thought can be traced back to many decades (Fisher and Lovell, 2009). According to Friedman (1970) businesses have a social conscience of taking seriously its responsibilities of providing employment, eliminating discrimination and avoiding pollution. Pierce and Robinson (2011) say that CSR is the idea that a business has a duty to serve society in general as well as the financial interests of its stockholders.

The issue that has been a source of debate in the CSR arena has been whether an organization exists for the sake of profitability or pursuit of other activities. Using Stakeholders approach the organization provides a clear perspective that outsiders demand insiders' claims be subordinated to the greater good of the society (Pierce

and Robinson, 2011). Essentially a company should balance the need to carry out actions that are profitable to shareholders whilst being good corporate citizens. Management therefore should consider how their actions and strategies would affect the well being of employees, local communities, the environment and society (Thompson, Petaraf *et al*, 2010).

2.3 Corporate Social Responsibility Practices

For any organization wishing to enhance CSR, the management must exhibit social conscience in their operations which goes beyond participating in community projects or donating money to projects (Thompson, Petaraf *et al*, 2010) .To be able to adequately plan for social responsibilities the management must consider four types of social commitment thus economic, legal, ethical and discretionary social responsibilities (Pierce and Robinson, 2011).

The organization's drive on whether or not to engage in Social responsibility is largely dependent on the stance assumed by the organization. The organization can take up a posture of Laissez-fair which in French means let do. This means that the organization only undertakes responsibility of generating profit and interest for the shareholders. Secondly an organization can take posture of enlightened self interest where the management realizes there is a long term benefit of managing relationships well with other stakeholders. As a forum for stakeholder interaction the management tends to seek to balance the various stakeholders interests. Lastly organization can

view itself as a shaper of society and this could be its sole reason of existence (Johnson, Whittington et al, 2011).

A company can choose to participate in a number of different socially responsible endeavours and it is this then that coins its strategy for CSR (Thompson, Peteraf et al, 2012). A CSR strategy has five components thus it should observe ethical principles in operating the business. Ideally an unethical conduct would go against the company's quest of being ethical. Secondly, it could entail organization making charitable contributions, supporting the community service and reaching out to making a difference in the lives of individuals. For instance Glaxo Smithkline heavily discount medicine to the third world countries. Thirdly, company taking action to protect the environment from any adverse impact (especially those stemming from its own activities). Fourthly, taking actions to create a work environment that enhances the quality of life for employees for instance Safaricom has a nursing station for mothers with small infants. Lastly, the organization taking deliberate effort in building a diverse workforce such as one with the right mix of men and women and even different nationalities. For instance, Coke endeavours to create loyalty to consumers across all nationalities in the world by building a public persona that shows this.

Organizations endeavour to excel on the three measures of a company's performance thus Economic, Social and Environment (Thompson, Peteraf *et al*, 2010). Thus activities that an organization engages in are aimed at improving the company's triple

bottom line which refers to the three performance metrics. In this case Thomson, Peteraf et al (2010) refer to Profit not only as earnings to shareholders but also in terms of value addition to consumers and costs absorbed by them.). Other available measures are Trucost which is concerned with environmental impact, FFTSE4Good index used by companies that meet minimum standards and Dow Jones Sustainability Indices that identifies best practice (Yeboah, 2012).

In light of the above many companies have started blowing their own trumpet to what benefits their CSR strategies have through ads, websites in order that they can highlight their actions. In creating a corporate image of being socially responsible then the company has to create perception to the consumer that it contributes to community development, it supports artistic and social activities and that its generally trying to improve the welfare of society as a whole (Keller, Apéria and Georgson,2008). In Kenya for instance The Matter Hospital is known for its annual Heart run campaigns which often occur in the month of mid May. Companies have started to carry out Triple-bottom-line (TBL) reporting so as to make their results known to the shareholders and to stakeholders. (Thompson, Peteraf *et al*, 2010)

2.4 Concept of Competitive advantage

Competitive advantage is how an organization will achieve its objectives in the face of competition from other organizations. (Johnson *et al*, 2011) In achieving this goal an organization must perform better than other players in its industry. In so doing, this could boil down to meeting the needs of the consumers more effectively and this

could enable the service provider to command a higher price which can lead to increased revenues. In addition if the company is cost effective, it can then be able to command a lower price in its offering to the consumers and this can lead to increased revenues (Thompson, Peteraf *et al*, 2010).

It is important that a company not only gets to have a competitive edge over its competitors but that it also sustains this in the long haul. Thompson, Peteraf *et al* (2010) say that this gives the customer a reason that lasts to prefer the company products over competitors. The main drivers of creating a sustainable competitive advantage according to Porter (1980) are generic strategies of cost leadership, differentiation and focus.

2.5 Sources of Competitive Advantage

An organization derives its competitive advantage from either managing their costs or providing a unique offering to their market. When the strategy of managing cost is applied this leads to adoption of Cost leadership while that strategy that seeks to provide unique offering is known as Differentiation strategy. In addition where a company seeks to venture into foreign markets it can also engage in licensing or contract manufacturing, joint ventures, opening a foreign branch, private equity investment and or wholly owning a foreign subsidiary.

Cost leadership strategy is where the organization sets out to be the lowest cost producer in its industry. This strategy can be achieved by the organization pursuing

proprietary technology, economies of scale and its ability to access raw materials. Characteristic of products that are produced by organizations that apply this strategy is that the products are usually standardized and have absolutely no frills. Effective pursuit of this strategy requires that the organization be at the top of applying this strategy effectively and not merely be one of those in the industry applying it if it is to reap the desired benefits.

Differentiation strategy on the other hand is where the organization seeks to be unique in the industry along the propositions valued by customers. An organization applying this strategy searches for a product attribute highly demanded by its consumers and positions itself in line to meet those needs. For instance the German model of Mercedes Benz and created for the customers who want strength, luxury and safety. Thus the consumer must be willing to pay a premium for this special attributes and for the premium to be sensible it needs to be higher than the cost of providing the attribute.

The third strategy is focus. This strategy has two variants thus the cost focus where the organization seeks to have a cost advantage in its target segment and differentiation focus where the organization differentiates itself in a particular segment. What this strategy seeks to appreciate is that there are some customers whose needs are unmet within the broad categories of differentiation and cost leadership. Thus the consumer wants a low cost product but at the same time needs one that meets his specific needs for instance some models of Toyota provide

mobility but have the functions that such a consumer would prefer for instance Toyota corolla. At the same time focus differentiation strategy, appreciates that consumer wants a certain attribute over and above the one provided by broad differentiation.

Fourthly, under licensing and contract manufacturing involves transfer of some intellectual property to a licensee (Pierce II,Robinson, 2007). These properties take various forms such as trademarks, patents and technical knowhow and is given for a defined period of time in return for royalty and avoiding import tariffs and quotas. Under contract manufacturing a company gives a local company a contract to manufacture a product line thus enabling it to take advantage of labour and materials.

A company can also decide to enter into a joint venture by forming strategic alliances which can provide it with benefits such as coordinated manufacturing and it also becomes easy to access new markets and get intelligent data. In addition as a foreign branch this is merely an extension of the mother company.

2.6 Corporate Social Responsibility and Competitive Advantage

As organizations strive to optimize their operations their main source of inputs that is raw materials, human resources emanate from the society. Therefore managing to balance stakeholders' needs is one major relationship that they must nourish. This largely helps in attracting the best expertise in terms of human resources as people

will be drawn to working for brands they believe in. For instance, Coca Cola has many students aspiring to work for them.

Secondly, any organization seeking to expand its operations will find it easy to attract Investors if it is socially responsible. Outstanding performance and optimism shared by the then CEO of the leading mobile Services Michael Joseph who told the Economist that “getting phone service to the underprivileged in Africa has been hugely more successful than aid” (Monday June 23rd 2008, Hopkins, Wealth Daily).It was this that fuelled Safaricom in quarter two to float its shares to the public to realize \$800 million (Ewing, Barclays May 30th,2008). It was therefore no wonder when the Safaricom shares were oversubscribed to a tune of up to 200%. This was all because they wanted to be identified with the number one mobile operator of the day.

Thirdly, out of organizations participating in social issues and communicating the same to the consumers at large then customers get the impression that they are cared for. This then causes them to have a deeply entrenched brand loyalty that is difficult to break. For instance Coke current message which seeks to foster African’s to be proud of Africa and to influence the Western world to patronize African tourist destinations through campaign dubbed “I love you Africa.”

Organizations strive to ensure that their activities are Socially responsible. P. B. Watts, Chairman, Royal Dutch / Shell Group of Companies in an annual general meeting in 2002 said, “Corporate citizenship is not a luxury, especially in these

difficult times, it is a sensible part of doing business.” The converse to this is that if this isn’t done then the organization stands to lose a lot of money due to hefty fines. Shell Petroleum can confirm this. In a case between three Nigerian plaintiffs and their next of kin and the Shell Petroleum. The three Nigerians suffered gravely in the hands of the Nigerian authorities for opposing the drilling on their lands that was allowed on September 14, 2000, *Wiwa v. Royal Dutch Petroleum Co.* 99 – 7223 (2000). In this case Shell Petroleum are purported to have directly or indirectly participated in abuses to the three that were in violation of the International law of human rights.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study was carried out using the Cross sectional survey design of Multinationals in the Food and Beverage industry that operate in Kenya and were found to be socially responsible. The main data sources consisted of primary and secondary ones with the former involving a structured questionnaire of respondents who are in middle level management and those that interact with choice of CSR activities to engage in and those who implement. Secondary data included company websites, magazines and any relevant reliable sources of data.

In analysing of data collected, data was first checked for accuracy through various mathematical solutions. Based on this data simple descriptive statistics was then applied to describe the data collected such as the mean, variance and the standard deviation. From the outcomes of the statistics applications, inferences was then made on findings and relationships drawn therein.

3.2 Research Design

The study was based on a Cross sectional survey design. Cooper and Schindler describes this study as a snapshot of the populations from which data is collected (2011). Thus based on the information collected inference was then made. The approach to this study involved use of a well defined set of questions in the questionnaire. The targeted respondents were those who worked in the organization and those directly related to the choosing initiatives to engage in as well as in implementation of CSR. The information gathered through this questionnaire was expected accurate and relevant given that these were the core areas of respondents work.

3.3 Population of Study

Population of study was the Multinationals in the food and beverage industry in Kenya that had an active involved in CSR activities. In this case this will include Nestle Kenya Limited, Coca Cola East Africa, East African breweries just to mention but a few.

3.4 Data Collection

The respondents chosen were middle level management employees as well as those involved in the choice and implementation of CSR. The questionnaires were sent out to the respondents about two weeks in advance for them to familiarize with the questions. In addition to this secondary sources of data were also used, and these were

sourced from various media such as company's publications, magazines and newspapers that highlighted CSR activities undertaken by these Multinationals.

3.5 Data Analysis

The data collected was checked for accuracy by entering the data in the computer system, transforming it to sensible input and developing a database from which it was analyzed and presented in graphs and charts that clearly brought out the research findings.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

In this chapter the findings from the research was analyzed through the use advanced excel which has various statistical solutions of analyzing any forms of data as long as the coding is done correctly.

The use of mean was found a good indicator of employees' perception and experience in terms of how CSR is an important driver of competitive advantage. While the use of Spearman Rank correlation coefficient is a good indicator of the existence or non existence of a relationship between CSR and competitive advantage. Presentation of findings is through pie charts, tables and graphs as these are easy to interpret and depict findings.

4.2 Demographic Information

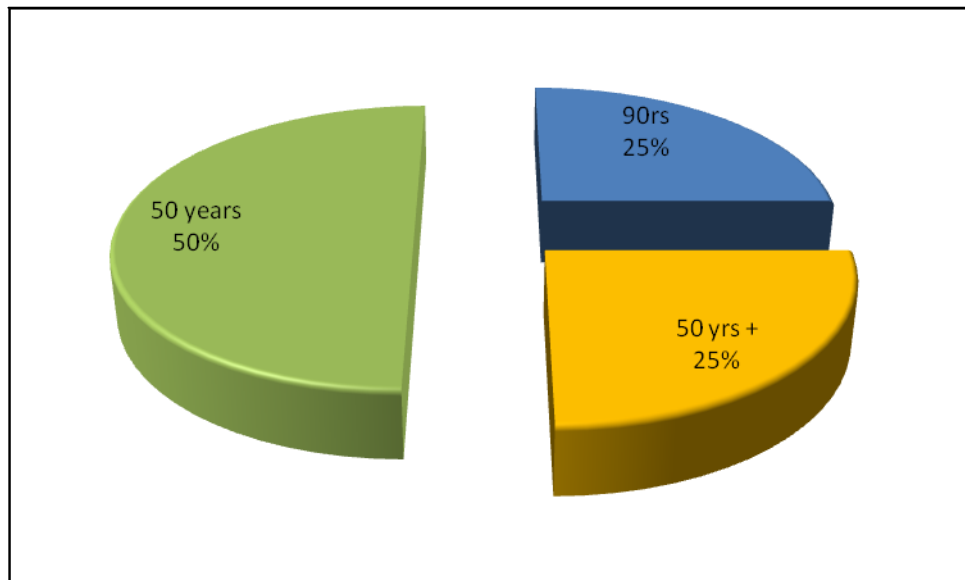
4.2.1 Qualitative Data Analysis

There are five food and beverage multinationals in Kenya currently that are actively involved in CSR as indicated in Appendix III. Respondents were drawn from these five multinationals that were middle level managers and also those employees actively engaged in CSR.

4.2.2 Characteristics of Multinational Organizations

From the multinationals considered 50% of them had been in operation for just about 50 years while the rest 25% had been in operation for 90 years and another 25% above 50 years as shown bellow.

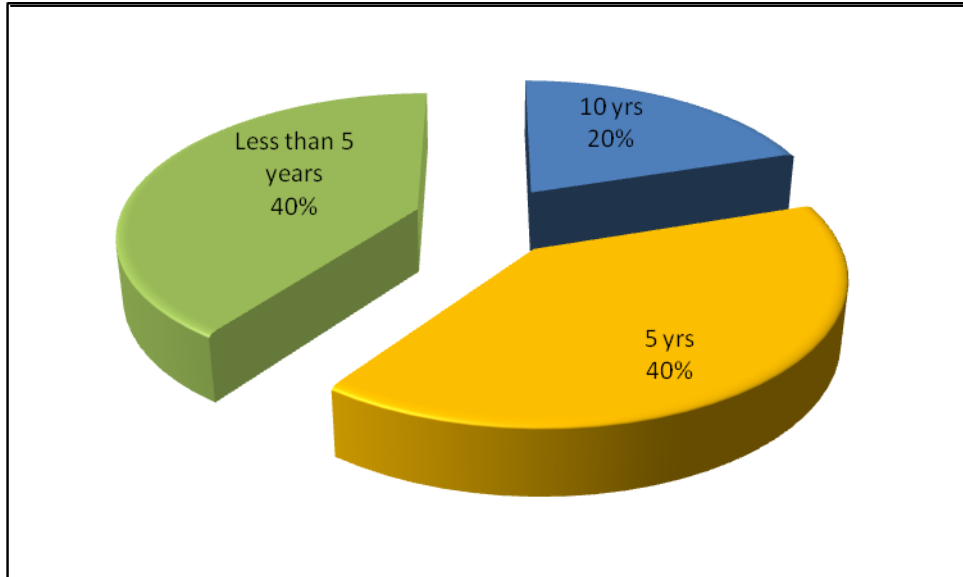
Figure 1: Age of the company



4.2.3 Characteristics of respondents

Of the respondents who took part 10% of these were women while the rest were men, with all of them having attained a first degree and 30% of the same pursuing their Masters degree. In addition their working life in the multinationals varied with the oldest having achieved over 10 years and the youngest slightly over one year.

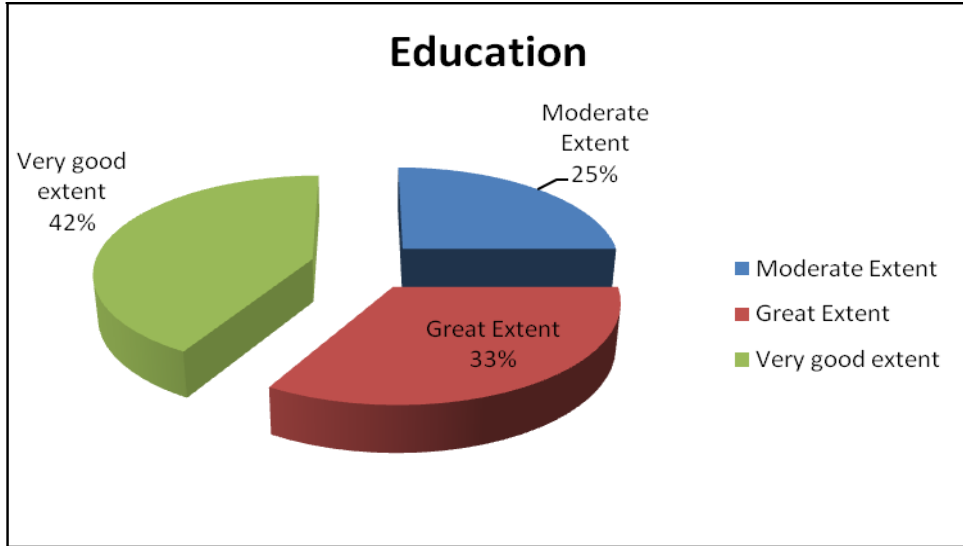
Figure 2: Characteristics of respondents



4.3 Corporate Social Responsibility practices

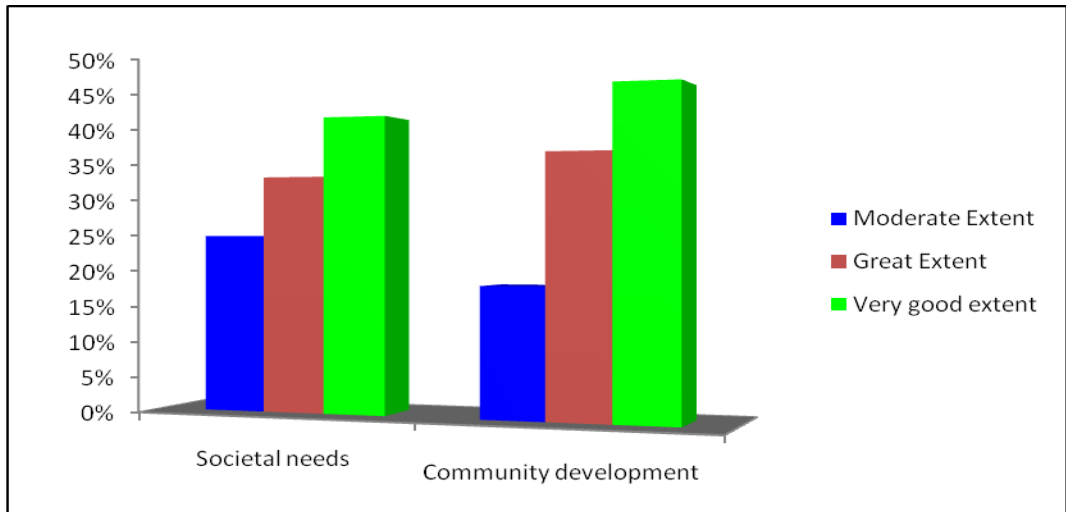
In analysing practices they were grouped into strategic pillars of societal needs, education, environmental and organization strategy. In terms of Societal needs the issues looked into by the multinationals include sponsoring of needy bright children through bussaries. With 42% of the Multinationals giving support in this and only 25% providing moderate support for this as shown on figure 3.

Figure 3: Education



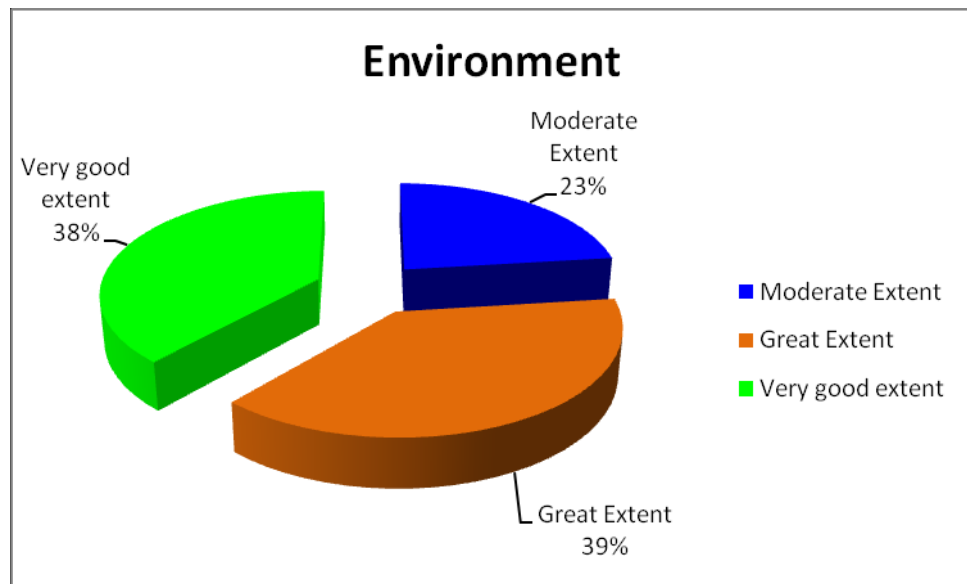
Participation in community projects such as drilling of bore hole and provision of projects aimed at improving livelihoods. In this respect 43% of the multinationals were found to be involved to a great extent in providing for societal needs and even further involved at 48% at engaging in community development projects.

Figure 4: Community project and societal needs



In as far as Environmental participation is concerned 38 % MultiNationals were involved to a great extent and only 23% were moderately involved. Some of the participation avenues were through partnering with various Non Governmental Institutions in provision of clean water and management of waste disposal that complied with the National Environmental laws and stipulations.

Figure 5: Environment



4.4 Competitive advantage and Corporate Social Responsibility

4.4.1 Competitive advantage

In terms of competitive advantage multinationals outlook can be best summed in terms of market position, human resource matters and logistical issues. The ten respondents of the interview had views summarised on Table 1 in regards to how various issues contributed to competitive advantage.

Table 1: Outlook on main sources of competitive advantage

Competitive Advantage	Mean	Std Dev
To be the customer's preferred number one choice.	3.2	2.3
To have the largest market share among its competitors.	4.3	1.9
To provide high quality and nutritious food and beverage solutions.	3.5	2.1
To provide a wide range of products to cater for diverse nutritional needs.	3.6	2.1
Ease of availability of products around the market.	4.4	1.8
Faster delivery of products due to presence of an optimized supply chain.	4.2	1.7
Well trained and motivated workforce leading to a superior workforce.	3.9	2.0
Presence of systems and processes to drive all business functions optimally.	4.1	1.9
Use of Loss Prevention systems to mitigate and investigate losses if they occur.	3.2	2.2
Developed Health Wellness and Safety systems to prevent any losses.	3.2	2.2
TOTAL	3.8	6.6

Source: Research Data

The above objectives were classified and ranked with one being not at all, two being a little extent, three being moderate extent, four being great extent and five being to a very great extent. The mean of the data was 3.8 while the standard deviation for each variant as shown above while overall standard deviation being 6.6. Ease of availability of products was viewed as most important by most respondents with a mean of 4.4 and a standard deviation of 1.8.

4.4.2 Relationship between Corporate Social Relationship and Competitive

Advantage

In establishing relationship between the two variables I used Rank correlation coefficient which is also known as Spearman Rank Correlation coefficient. The use of this statistical measure is to establish whether there is any form of association between the two variables. Ideally a score of +1 means there is a perfect positive relationship while that of -1 means perfect negative or no relationship (Lucey,2002).

After ranking the CSR and Competitive Advantage and calculating using the Rank correlation coefficient the outcome was +0.6. This shows that there is positive association between CSR and competitive advantage. Thus based on the above that a multinational that engage in CSR are likely to have a strong competitive advantage over their competitors.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This research was undertaken with the aim of establishing what practices multinationals within the food and beverage industry in Kenya were engaged in. Further to this the study aimed at pin pointing if indeed the multinationals that were actively involved in CSR enjoyed better competitive advantage than those that did not.

The background of the study was highlighted and the research problems highlighted in Chapter one. The research questions were meant to provide a clear guidance as to what the researcher would like to lay emphasis on. In chapter two, an in-depth review of the available information either through journals, magazines books and other scholars work was referred to. Chapter three indicated the methodology that would be used in carrying out this research while chapter four presented the findings organized in various tables and charts.

In this chapter, the focus will be on discussing the findings from chapter four and drawing conclusions to the same while discussing the limitations and further proposed areas of research.

5.2 Summary of the findings

The multinationals in the food and beverage industry in Kenya are five as listed in Appendix III. They have been in existence within the Kenyan economy from as many as ninety years and the youngest being at slightly over fifty years in Kenya.

In as far as looking at the CSR activities undertaken by these Multinationals, findings showed that a good number of them were actively engaged in promoting Education of the needy students and these they did by setting up an education fund for them and or using a proportion of their revenue for this.

In terms of providing for societal needs, the multinationals engaged at the lowest level with communities to provide essential services such as drilling water bore holes. In addition they also partnered with NGO's aimed at providing basic amenities to the poor or underprivileged in the society such as food, clothing and shelter.

Environmental issues were also highly attended to such as use of environment friendly processes in production to reduce the toxins emissions from the factories. In addition, most multinationals were keen in abiding by the rules of the land such as those enforced through NEMA (National Environmental Management Authority) that concerned the environment.

In a bid to raise the economic standards of communities, multinationals also partnered with the farmers producing various outputs and provided them with education to increase their yields and also provided ready market for their produce.

Lastly, in terms of strategy some multinationals had established teams to look at the CSR gaps that exist within the environment that they could take up. In addition some made the CSR activities a part of their day to day operations so much that they had a budget set up for this and also ways of measuring the effectiveness of their CSR to the communities at large.

In terms of Competitive advantage, from the research the respondents were inclined to the fact that having a large market share, products easily available to the market whenever, wherever, however they required them and fast delivery of the same would lead to them having a advantage over their competitors as seen on Table 1.

In conclusion, the organizations' thought that the more they engaged in CSR the higher the chances of customers being loyal to them and having a competitive advantage over their competitor. This was owing to the fact that they pegged their brand as being visibly involved in social issues.

5.3 Conclusion of the study

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. It is also evident that the involvement in CSR is a deliberate action and not merely accidental thus it is planned for and necessary resources set aside at any given time.

A winning formula in addressing CSR activities can be achieved by organizations harnessing a common ground in choosing corporate and individual CSR activities. For instance giving out food and clothing during festivities like Easter can work well for both the organization and the employees. In that, what the employees contribute being topped up by the employers.

Another issue that may raise concern in the future might be the extent to which CSR should be built into Strategy. This is important if the organization is to drive its ideas through selection of CSR activities that will tie well into their strategy long or short term.

5.4 Limitations of the Study

The study concentrated on getting multinational CSR views only and these may not be what the consumers prefer. There was scarcity of resources for undertaking this study in relation to money to carry out an in-depth research of multinationals. In addition the research period was short and could not allow thorough tackling of all the areas of CSR.

5.5 Suggestions for Further Reading

The research carried out has shown some other existing gaps in the relationship of CSR and competitive advantage. Thus some potential areas for further research include reconciling stakeholders varied interests with companies' quests to fulfill various CSR activities. Another area that would be of interest is how the governments arm can enhance companies involvement in CSR without necessarily hampering their efforts.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Corporate Social Responsibility and competitive advantage

Respondent Background Review

1. Please indicate your gender

Male []

Female []

2. What is your age bracket

20 -25 []

26 – 35 []

36 – 45 []

45+ []

3. What is the highest level of education you have received?

Certificate []

Diploma []

Degree []

Masters []

4. How long have you worked in this organization? 4 years

5. How long has this organization been in operation in Kenya? 50 years

6. For how long have you worked in this department / organization?

SECTION B: SOCIAL RESPONSIBILITIES PRACTICES

To what extent does your firm engage in each of the following Corporate Responsibility practices? Rate as follows;

1. Not at all 2. Little extent 3. Moderate extent 4. Great Extent

5. Very great extent

Corporate Social Responsibilities Practices	1	2	3	4	5
Sponsoring brilliant but needy students					
Community projects such as drilling bore holes for the semi arid and arid areas.					
Care for the environment through use of environment friendly production processes.					
Partner with Non Governmental Organizations' in various activities.					
Share profits with under privileged members of the society through initiatives that explicitly state this.					
Have an organization culture reinforced through the Human resource policy of fostering CSR in the day to day running of the organization.					
Have a think tank within the organizations strategy to deliberately choose and execute CSR activities.					
Have a budgetary allocation in its financial planning cycle for achieving CSR activities.					
Projects aimed at uplifting the orphans, sick and the homeless.					
Economically empowering community through establishing products that allow businesses to thrive.					
Mechanisms of measuring effectiveness of CSR achieving desired outcome e.g. benchmarking, balance score card.					

Others (Please specify)

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SECTION C: COMPETITIVE ADVANTAGE

To what extent does your firm aim to achieve each of the following Competitive advantages.

Rate as follows;

- 1. Not at all 2. Little extent 3. Moderate extent 4. Great Extent
5. Very great extent*

Competitive Advantage	1	2	3	4	5
To be the customer’s preferred number one choice,					
To have the largest market share among its competitors.					
To provide high quality and nutritious food and beverage solutions.					
To provide a wide range of products to cater for diverse nutritional needs.					
Ease of availability of products around the market.					
Faster delivery of products due to presence of an optimized supply chain.					
Well trained and motivated workforce leading to a superior workforce.					
Presence of systems and processes to drive all business functions optimally. Use of Loss Prevention systems to mitigate and investigate losses if they occur.					
Developed Health Wellness and Safety systems to prevent any losses.					

Others (Please specify)

.....

.....

.....

.....

Thank you for your co-operation.

APPENDIX II: COMPLEMENTARY LETTER TO THE RESPONDENT

University of Nairobi

Date:.....

School of Business

P.O Box 30197

Nairobi – Kenya

Tel +254 (020) 732160

RE: DATA COLLECTION

I am a postgraduate student at The University of Nairobi pursuing Management of Business Management degree.

As part of my course requirements in fulfilling the MBA degree, I am required to carry out a research project. Your organization has been chosen to participate in this study.

Kindly spare a few minutes to respond to my questionnaire and the information provided therein will be treated with utmost confidentiality of yourself and your organization.

Thank you for your time.

.....
Teresia W. Mbugua

.....
Prof Martin Ogutu

**APPENDIX III: LIST OF MULTINATIONALS IN THE FOOD AND BEVERAGE
INDUSTRY**

Nestlé Foods Kenya Limited

Unilever East Africa

Coca Cola Kenya

Kenya Breweries Limited

Cadbury Kenya Limited