

**CORPORATE SOCIAL RESPONSIBILITY AS A FACTOR IN STRATEGY  
DEVELOPMENT AND IMPLEMENTATION AT EAST AFRICAN  
BREWERIES LIMITED**

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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.

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

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## **DEDICATION**

To Wambui, Muriu, Christine, Njenga, Nigel and Neema, for the love, joy, support, fulfilment, adventure and vitality that they add to my life.

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## **ABBREVIATIONS**

CSR - Corporate Social Responsibility

EABL - East African Breweries Limited

NGO - Non-Governmental Organisation

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## **ABSTRACT**

Governments, activists, the public and the media at large have become adept at holding companies to account for the social consequences of their actions. In response to this, corporate social responsibility (CSR) has emerged as an inescapable priority for business leaders in every country. Frequently, though, CSR efforts are counterproductive, for two reasons. First, they pit business against society, when in reality the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to their individual strategies.

The purpose of this research was to examine how East African Breweries Limited's corporate social responsibility programs act as a guiding factor in strategy development and implementation. Towards this end, the study collected primary data from the members of staff involved in strategic planning and implementation. Primary data was collected through the personal interviews with the respondents while secondary data was sourced from the company's publications as well as other form of media highlighting CSR activities undertaken by the firm. The data collected was analyzed by use of content analysis technique.

The study established that the company is involved in carrying out CSR in different sectors, CSR has been incorporated in designing of the company's strategic plans, budget allocation on CSR has been on an upward trend for the last five years and that CSR influences strategy development and implementation. The study therefore recommends the incorporation of CSR in strategy development and implementation.

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the study**

Corporate Social Responsibility is the concern businesses have for the welfare of society. It goes beyond merely being ethical. The social performance of a company has several dimensions: corporate philanthropy, corporate responsibility and corporate policy. Corporate philanthropy includes charitable donations to non-profit groups of all kinds. Strategic philanthropy involves companies making long-term commitments to one cause, such as McDonald's founding and support to Ronald McDonald Houses, which house families whose critically ill children require treatment away from home (Cozens, 1996).

Corporate responsibility includes everything from hiring minority workers to making safe products, minimizing pollution, using energy wisely, and providing a safe work environment. That is, everything that has to do with acting responsibly within society. Corporate policy refers to the position a firm takes on social and political issues. Businesses make several positive contributions to the society. For example, Xerox has a program called Social Service Leave that allows employees to leave work for up to a year and work for a non-profit organization. While on social leave, the Xerox employees get full salary and benefits including job security. IBM and Wells Fargo Bank have similar programs (Nickels et al, 2005).

### **1.1.1 Concept of Corporate Social Responsibility**

As mentioned earlier, Corporate Social Responsibility is the concern businesses have for the welfare of society. Adam Smith was among the first to articulate this concept (Anderson, 1980). However, Friedman is perhaps the best known to articulate purely profit-based Corporate Social Responsibility of business (Friedman, 1970). He suggested that decision makers are acting ethically if they follow their firm's self-interest. (Primeaux, 1971) expands on Friedman's analysis in order to find Corporate Social Responsibility within a profit-maximisation framework. If the market demands socially responsible behaviour, a firm may only be successful by demonstrating this behaviour. On the other hand, if the market places no value at all on



socially responsible behaviour, it is unlikely that a firm would be encouraged by socially responsible behaviour. Hence, strategy development and implementation must be done in line with market demand. “While free markets will ruthlessly eliminate inefficient firms,” said Professor James Wilson, “the moral sentiments of man will only gradually and uncertainly penalize immoral ones. But, while the quick destruction of inefficient corporations threatens only individual firms, the slow anger at immoral ones threatens capitalism, and thus freedom itself” (Hartman & Laura, 2005).

Strategies must therefore be developed in line with and implemented for the sustainability of an organisation through meeting the needs of its supporting constituencies. Corporate Social Responsibility advocates that, those who are trying to develop the notions of social responsibilities of corporations, are trying to get at the interrelatedness of business with the broader community of which it is part. However, this attempt remained rooted in the same atomic individualism of economic theory in general, as perhaps can be anticipated by the very titles used to characterize the field “Business and Society” or “Business and its Environment” (Sandra, Rosenthal & Rogene, 1997). The title “Business and Society” implies that there are two separable, isolable entities; business and society, and the corporation is an autonomous unit which must consider its obligations to the society which it impacts. Solomon makes the point that the traditional arguments for the social responsibilities of business are very much a part of the atomic individualism that makes them referred to as inadequate (Solomon, 1992).

The whole notion of Corporate Social Responsibility of business was problematic from the very beginning of the field, and the subsequent language about social responsiveness, social performance and the ethical obligations of the business perpetuate this fundamental problem. These ways of thinking about the corporation and the society embody implicit atomistic assumptions (Sandra, Rosenthal & Rogene, 1997). Yet despite the problems associated with it, it is still a factor to be considered in developing and implementing a corporate strategy. Corporate Social Responsibility should therefore feature in organisational culture and objectives.

A clear distinction exists between firms that set out with profit objectives uppermost and those driving towards Corporate Social Responsibility. In a profit-driven organisation, the emphasis

will be very much on revenue maximization and cost minimization. The emphasis on profit has a clear impact on values within the organisation. Performance is related to individual accountabilities. Individuals flourish within an organisation according to their success in meeting performance standards. The assumptions that people take to heart are issued on these values. By contrast, in organisations geared towards Corporate Social Responsibility, the emphasis will be on the environment, the wider community, the quality of relationships within the organisation, etc. Individuals will be highly valued when their contributions most clearly reflect these values. Organisations traditionally associated with Corporate Social Responsibility include schools, hospitals, care centres for the elderly and environmental protection agencies. Hence, people working in such centres such as teachers, nurses, prison officers and social workers were not happy with the cultural shift that has emphasized the importance of profit in recent years (1990s) appearing in the media (Needham, Dave, et al, 1995).

There is need for organisations to factor in social responsibilities in their strategies in order to ensure that business developments take into consideration community issues as well as profits. Organisations must strike a balance between different stakeholders' aspirations, taking into account areas such as consumerism, business ethics and environmental issues (Gerry, Johnson & Scholes, 1993). As much as they are benefiting from the operations of their businesses, they must take good care of people living around their businesses or consuming their products. A well-planned strategy will fit in the social responsibilities that the organisation is required to by the communities around it and by the beneficiaries of its products and services. Hence, strategies when being formulated must take issues of Corporate Social Responsibility into consideration. When such a well-planned strategy is being implemented, Corporate Social Responsibility issues will fit in without much ado.

### **1.1.2 Strategy Development and Implementation**

Implementing a strategy entails converting the organisation's strategic plan into actions and then into results. The implementation process impacts every part of the organisational structure, from the biggest organisational unit to the smallest frontline workgroup. The organisation's chief executive officer, heads of business divisions, departments and key operating units are all

ultimately responsible for seeing that the strategy is implemented successfully. Hence, all managers become strategy implementers in their areas of authority and responsibility, and all employees are participants.

The strategy-making and implementing process consists of five interrelated managerial tasks. The first is forming a strategic vision of what the company's future business make-up will be and where the business is headed. This is so as to provide long-term direction, delineate what kind of enterprise the company is trying to become, and infuse the organisation with a sense of purposeful action. The second is setting objectives, that is, converting the strategic vision into specific performance outcomes for the company to achieve. The third task in strategy-making and implementation is crafting a strategy to achieve the desired outcomes. The fourth is implementing and executing the chosen strategy efficiently and effectively. Finally, the fifth task involves evaluating performance and initiating corrective adjustments in vision, long-term direction, objectives, strategy, or implementation in light of actual experience, changing conditions, new ideas and new opportunities (Thompson & Strickland, 1998).

In strategy implementation, the various perspectives which must be taken into consideration for successful execution include: building an organisation capable of carrying out the strategy successfully; developing budgets that steer resources into those internal activities critical to strategic success; establishing strategy-supportive policies and operating procedures. Other perspectives are motivating people in ways that induce them to pursue the target objectives energetically and, if need be, modifying their duties and job behaviour to better fit the requirements of successful strategy execution and; tying the reward structure to the achievement of target results. Further, strategy execution requires creating a company culture and work climate conducive to successful strategy implementation and execution; installing information, communication, and operating systems that enable company personnel to carry out their strategic roles effectively day in day out; instituting best practice and programs for continuous improvement; and exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed (Gerry, Johnson & Scholes, 1993).

Strategy implementation must aim at creating strong fits between the way things are done internally to try to execute the strategy and what it will take for the strategy to succeed. The stronger the methods of implementation fit the strategy requirements, the better the execution and the better the odds that performance targets will be achieved. However, there are certain factors inherent within the strategy formulation that affects strategy implementation. They interfere with the achievement of strategy ‘fits’. The most important factors that affect creation of perfect fits are found between strategy and organisational capabilities, between strategy and reward structure and between strategy and the organisational culture. Cultural fits include the values and beliefs shared by organisational members, the company’s approach to people management, ingrained behaviours, work practices and ways of thinking. Corporate Social Responsibility issues have a direct bearing to strategy development and implementation. For instance, the culture of the organisation will determine how corporate strategy can be crafted. An organisation whose culture gives less attention to activities taking place around it or the welfare of the communities around where they operate may not yield easily to Corporate Social Responsibility issues. In such a case, developing and implementing a strategy keen to Corporate Social Responsibility issues may not be easy. An organisation where employees believe in getting rewarded whenever they perform a task may not respond well when called upon to assist communities around them for free or at a reduced cost. At the same time, an organisation whose internal capabilities (such as equipment, finances and manpower) are not able to accommodate extra activities may hinder its capacity to implement its strategy. An organisation’s capacity to execute its strategy depends on its ‘hard’ infrastructure – its organisational structure and systems – and on its ‘soft’ infrastructure – its culture and norms (Thompson & Strickland, 2003).

### **1.1.3 East African Breweries Limited**

East African Breweries Limited (EABL) is the region’s leading branded alcohol business. It has an outstanding collection of beer and spirits, with breweries and distilleries, support industries and a distribution network across the region. The group’s diversity is an important factor in delivering the highest quality brands to East African consumers and long-term investors (Annual Report and Financial Statements, 2008).

In the East African region, EABL is made up of six operating units; - Kenya Breweries Ltd, Uganda Breweries Ltd, International Distillers Uganda Ltd, Central Glass Industries Ltd, Kenya Maltings Ltd and United Distillers and Vintners Kenya Ltd UDV (K). EABL owns 46% of UDV (K) and has management control while Diageo holds 54% of this company. EABL also has a 20% shareholding of Tanzania Breweries Ltd, Annual Report and Financial Statements (2008). The group's history can be traced back to 1922 when Kenya Breweries was founded at Ruaraka, Nairobi. Within two years, the company was brewing 900 hectolitres of beer monthly. By 1960s, the company had joint businesses in Tanzania and Uganda within East African Breweries Ltd.

In 1988, Central Glass Industries Ltd was incorporated as a subsidiary. In 1998, Diageo acquired a major shareholding in EABL. In 2002, EABL acquired 46% of United Distillers and Vintners Ltd, and now has full management control of this business unit. In the same year, International Distillers Uganda Ltd was acquired by the EABL group and Kenya Maltings Ltd was incorporated as an independent subsidiary of the group. A publicly quoted blue chip company, EABL has dual listing in both Nairobi and Kampala Stock Exchanges. 49.97% of shares are publicly held by 23,000 shareholders, mainly local institutional and individual investors. Diageo's holding in the group is 50.03%. By market capitalization, EABL is the largest listed company on both stock exchanges. Diageo, which is listed on both London and New York Stock Exchanges, is the world's leading premium drinks business, with operations in some 180 countries (Corporate Citizenship Report, 2004).

EABL has a duty to all those with a share in their business to be a responsible corporate citizen. Its business activities affect the lives of millions of East African people, either as consumers, employees, investors, neighbours or business partners. Being a good corporate citizen involves all the ways in which a business and its products interact with society and the natural world and encompasses the balance between acting responsibly and the right to trade freely. It includes ethics, governance, and relations with employees, customers, suppliers, communities, health and safety and the environment. To be most effective, EABL focuses its corporate philanthropy efforts on areas where the business has the greatest impact and where its efforts can have the greatest benefit. While retaining close connections with local culture, society and markets here in East Africa which stretch back more than 80 years, the company benefits from belonging to a

well respected international family of businesses. The company's association or affiliation with Diageo has expanded their vision of what it means to do business responsibly. For the company, being a good corporate citizen is a natural part of doing business.

## **1.2 Statement of the Research Problem**

Businesses are socially bound to contribute actively to the communities in which they operate. These being universally accepted requirements, firms are bound to include Corporate Social Responsibility issues in their strategies. The basic concept of a company's strategy, however, consists of a combination of competitive moves and business approaches that managers employ to please customers, compete successfully, and achieve organisational objectives (Thompson & Strickland, 2003). Thus, every business has an ethical duty to each of the five constituencies; shareholders/owners, employees, customers, suppliers and the community at large. Each of these constituencies affects the organisation and the organisation is affected by them. Hence, the question that begs answers is what are the responsibilities of the firm and how many of them must be fulfilled?

Friedman (1973) argues against the concept of Corporate Social Responsibility by stating that a business person who 'acts responsibly' by cutting the price of a firm's product to prevent inflation, or by making expenditures to reduce pollution, or by hiring the hard-core unemployed, is spending shareholders money for a general social interest. Even if the business person has shareholders permission or encouragement to do so, he or she is still acting from motives other than economics and may in the long-term harm the very society the firm is trying to help. By taking the burden of these social costs, the business becomes less efficient – either, prices go up to pay for the increased costs or, investment in new activities and research is postponed. These results negatively affect – perhaps fatally – the long-term efficiency of a business.

Several studies have been done locally on the concept of corporate social responsibility and a firm's strategic planning function. Odhiambo (2007) undertook a study on CSR activities as a strategic tool for stakeholder's management in large scale enterprises in Kenya. He found out that sometimes firms incorporate CSR activities in their strategic plans even if these activities

reduce the present values of a firm's cash flow. Ominde (2007) carried a research on the link between CSR and corporate strategy among companies listed in the NSE. The results indicated that investing in CSR attributes and activities may be important elements of product differentiation and reputation building and thus CSR activities are included in strategy formulation and also that the level of resources devoted to CSR be determined through cost benefit analysis. Kimathi (2009), in a study on the relationship between corporate social responsibility and competitive advantage in the oil industry in Kenya, he observed that each company can identify the particular set of societal problems that is best equipped and from which it can gain the greatest competitive benefit.

As observed above, the studies conducted on corporate social responsibility and strategic planning did not consider CSR as a factor in strategy development and implementation. This research will therefore seek to identify the extent of Corporate Social Responsibility as a factor in strategy development and implementation in a corporation. This problem statement leads to the following question: what is the extent of corporate social responsibility as a factor in strategy development and implementation in East African Breweries?

### **1.3 Research Objective**

The objectives of the study were as follows; -

- i. To determine the extent and prominence to which corporate social responsibility activities are incorporated into East African Breweries Limited's strategy development.
- ii. To establish the process and practice of implementing strategy alongside corporate social responsibility activities at East African Breweries Limited.

#### **1.3.1 Value of the study**

Corporate Social Responsibility is a major concern to any company, whether profit making or non-profit making. The study is justified on the basis that Corporate Social Responsibility issues form major concerns to any company. It will be quite useful to future researchers who may want

to conduct similar or related studies in the area. EABL is not only a regional body but an international corporation. Research on how it is committed to Corporate Social Responsibility issues will generate a lot of academic interest which may lead to debate.

The findings from an investigation into Corporate Social Responsibility as a factor in strategy development and implementation at EABL will enable managers to reassess and readjust their strategy development and implementation in order to fit and survive in a competitive and dynamic environment.

The results of the research will provide invaluable information to managers of multinational corporations who may wish to benchmark with EABL on how Corporate Social Responsibility guides strategy development and implementation if embraced. Companies and government agencies which are considering Corporate Social Responsibility as a factor in their strategy development and implementation will be able to obtain information on some of the practices they may consider entrenching in their organisations as well as the challenges they may have to rise up to.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter relates to the review of the literature relating to the study. It includes literature on the need for Corporate Social Responsibility, the concept of strategy, its development and implementation, critical success factors to strategy development and the theoretical framework on strategy development and implementation.

### **2.2 The Concept of Strategy**

Schendel & Holfer (1978) define strategy as the broad program of goals and activities to help a company achieve success. Strategy is the match between an organization's resources and skills and environmental opportunities and risks it faces and the purposes it wishes to accomplish. Pearce & Robinson (2007) define strategy as large scale, future-oriented plans for interacting with the competitive environment to achieve company objectives. Thompson and Strickland (1998) look at strategy as providing better guidance to the organisation, which makes managers alert to winds of change, opportunities and threats presented by a changing environment. It also provides a rationale to evaluate competing decisions that a manager makes.

Aggressive pursuit of strategy can propel a firm into a leadership position. Strategy helps in creating a more proactive management posture than reactive and defensive postures. Both Schendel (1978) and Thompson (1998) emphasize that the environment is constantly changing and it is imperative that organisations have to constantly realign their activities to match the new environmental requirements by having strategies that ensure that day to day decisions are in line with the long-term pursuits of the organisation. Hayes & Upton (1998) argue that sound strategy formulation and implementation will not only help an organisation to meet challenges of competition, but also enable a company to defend or attack competitors successfully. This helps the company survive in a turbulent and dynamic business environment. Strategy will further help a corporation to attract and keep customers by meeting their expectations and changing tastes and preferences. Mintzberg et al (2003) portrays strategy as a plan, a direction, a guide or course

of action into the future - and as a pattern, that is, consistency in behaviour over time. Most organizations began their strategic planning cycle by updating and revising their business objectives in relation to performance reviews in key areas (such as people, standards and business development), achieved results and development priorities (Teare *et al.*, 1992).

Mintzberg et al (2003) discerns a difference between strategy as a plan and strategy as a pattern, the former being an intended strategy and the latter a realized strategy. Further, he differentiates between intended and realized strategies and observes deliberate strategies, where previous intentions were realized and emergent strategies, where patterns are developed without conscious effort. While plans may go unrealized, patterns may appear without preconception and so the distinction between intended strategies and realized strategies is an important one. In fact, what managers say will be the company's action and what really happens is not always the same thing and in this context, realized strategies assume greater importance than intended ones.

Several authors in the field of strategic management have emphasized the need for strategy in positioning an organization in a competitive environment to attain sustainable competitive edge and anticipate change. In spite of the importance of strategy implementation, the area has not been given much attention by both the practitioners and scholars. Beer et al, (1990) argues that effective implementation is vital to the success of any strategy. Hence, strategies developed by organizations need effective implementation to guarantee results. The structural perspectives focus on formal organizational structures and control mechanisms, while the interpersonal process is about understanding issues like strategic consensus, autonomous strategic behaviour, diffusion perspectives, leadership and implementation style, communication and other interaction processes.

### **2.3 Criteria for Developing and Implementing Strategy**

The fact that strategy worked in retrospect is not a sufficient criteria for judging any strategy. However, research has revealed some initial criteria for evaluating a strategy (Peel & Bridge, 1998). This includes its clarity, motivational impact, internal consistency, compatibility with the environment, appropriateness in light of resources, degree of risk, match to personal values of

key figures, time horizon and workability. In addition, historical examples, from both business and military-diplomatic setting, suggest that effective strategies should at minimum encompass certain critical factors and structural elements. Clear decisive objectives entail all efforts directed towards clearly understood, decisive, and attainable overall goals. Specific goals of subordinate units may change in the heat of campaigns and competition, but the overriding goals of the strategy for all units must remain clear enough to provide continuity and cohesion for tactical choices during the time horizon of the strategy. All goals need not be written down or numerically precise but they must be understood and be decisive, that is, if they are achieved they should ensure the continued viability and vitality of the entity vis-à-vis its opponents (Wheener et al, 2008).

Maintaining the initiative should answer questions like - does strategy preserve freedom of action and enhance commitment? Does it set the pace and determine the course of events rather than reacting to them? A Prolonged reactive posture breeds unrest, lowers morale and surrenders the advantage of timing and intangibles to opponents. Ultimately, such a posture increases costs, decreases the number of options available, and lowers the probability of achieving success to ensure independence and continuity. Concentration answers questions like - does strategy concentrate superior power at the place and time likely to be decisive? Has the strategy defined precisely what will make the enterprise superior in power – that is ‘best’ in critical dimensions – in relation to its opponents? A distinctive competency yields greater success with fewer resources and is an essential basis for higher gains (or profits) than competitors (Storey & Teare, 1991).

Flexibility answers questions like - has the strategy purposely built in resource buffers and dimensions for flexibility and manoeuvrability? Reserved capabilities, planned manoeuvrability and repositioning allow one to use minimum resources while keeping opponents at a relative disadvantage. As corollaries of concentration and concession, they permit the strategist to reuse the same forces to overwhelm selected positions at different times. They also force less flexible opponents to use more resources to hold predetermined positions, while simultaneously requiring minimum fixed commitment of one’s own resources for defensive purposes. Coordinated and committed leadership – does the strategy provide reasonable, committed leadership for each of

its major goals? The leaders must be so chosen and motivated that their own interests and values match the needs of their roles. Successful strategies require commitment, not just acceptance. Surprise - has the strategy made use of speed, secrecy, and intelligence to attack exposed or unprepared opponents at unexpected times? With surprise and correct timing, success can be achieved out of all proportion to the energy exerted and can decisively change strategic positions. Security - Does the strategy secure resource bases and all vital operating points for the enterprise? Does it develop the full logistics to support each of its major thrusts? Does it use coalitions effectively to extend the resource base and zones of friendly acceptance for the enterprise? All these are critical elements of strategy whether in profit or non-profit organisations (Mintzberg et al, 2003).

## **2.4 Corporate Social Responsibility in Strategy Development and Implementation**

When making purchase decisions, consumers, particularly those in developed countries, are placing more importance on the Corporate Social Responsibility of firms. Corporate Social Responsibility perceptions affect the image of brands and firms, the propensity of consumers to buy brands and patronize retailers, and the financial performance of firms (Luo, Xueming and Bhattacharya, 2006). In part, this elevated importance of Corporate Social Responsibility (CSR) is driven by the dramatic increase in public information about CSR activities of firms. Growing mass-media coverage, aggressive consumer advocacy groups, rising numbers of anti-corporate Web sites, and popular movie documentaries have all revealed more and more company practices that appear socially irresponsible.

In response to this surge of reported negative firm behaviours as well as the increased levels of sensitivity of customers, employees, and other stakeholders to social and environmental issues, more companies are making CSR an important strategic objective (Rigby, 2003). Alliance, consisting of leading U.S. and global enterprises, such as PepsiCo, Dell, and Accenture, made a public commitment to adhere to certain guiding principles of Corporate Social Responsibility. According to Wheener et al (2008), the importance for firms to communicate their Corporate Social Responsibility not only has risen substantially over the last few years but also continues to


increase dramatically as a result of current worldwide economic conditions and the resultant scepticism of how corporate practices affect the well-being of societies.

Corporate Social Responsibility is defined as a company's obligation to exert a positive impact and minimize its negative impact on society. Many studies demonstrate how information about CSR affects consumers, such as their attitudes toward firms, brands, and retail stores; purchase behaviours; identification with companies (Sen, Sankar and Bhattacharya, 2001); and causal attributions (Sen, Bhattacharya, and Korschun, 2006). Research has also examined the impact of both positively and negatively reported CSR information and found that negative CSR information has a stronger effect than positive information (Sen, Sankar and Bhattacharya, 2001). Carrol (1979) proposes that the managers of business organisations have four responsibilities; economic, legal, ethical and discretionary. Economic responsibilities of a business organisation's management are to produce goods and services of value to society so that the firm may repay its creditors and shareholders. Legal responsibilities are defined by governments in laws that management is expected to obey. For example, US business firms are required to hire and promote people based on their credentials rather than to discriminate on non-job related characteristics such as race, gender or religion.

Ethical responsibilities of an organisation's management are to follow the generally held beliefs about behaviour in society. For example, society generally expects firms to work with the employees and community in planning layoffs, even though no law requires this. The affected people can get very upset if an organisation's management fails to act according to generally prevailing ethical values. Discretionary responsibilities are the purely voluntary obligations a corporation assumes. Examples are philanthropic contributions, training the hard-core unemployed, and providing day-care centres. The difference between ethical and discretionary responsibilities is that few people expect an organisation to fulfil discretionary responsibilities, whereas many expect an organisation to fulfil ethical ones (Luo, Xueming and Bhattacharya, 2006).

**TABLE 1: Responsibilities of Business**

**Social Responsibilities**



<b>ECONOMIC</b>	<b>LEGAL</b>	<b>ETHICAL</b>	<b>DISCRETIONARY</b>
<b>(Must do)</b>	<b>(Have to do)</b>	<b>(Should do)</b>	<b>(Might do)</b>

Source: A. B. Carrol, adapted from *Journal of Academy of Management Review* (Oct. 1979)

Business firms must first of all make a profit to satisfy its economic responsibilities. To continue in existence, business firms must follow the law, thus fulfilling legal responsibilities. Social responsibilities which include ethical and discretionary responsibilities must also be satisfied. This, a firm can do by taking actions that society tends to value but has not yet put into law. First, the firm should satisfy ethical responsibilities and then fulfil the discretionary ones. Discretionary responsibilities are purely voluntary actions which society has not yet decided are important. For example, Cisco Systems dismissed its 6,000 full time employees and provided them with a novel severance package. Those employees who agreed to work for a local non-profit organisation for a year would receive one third of their salaries plus benefits and stock options and be the first to be rehired. Non-profit organisations were delighted to hire such highly qualified people and Cisco was able to maintain its talent pool for when it could hire once again (Wheener & Hunger, 2008).

Discretionary responsibilities of today may become ethical responsibilities of tomorrow. The provision of day care facilities is, for example, moving rapidly from being a discretionary to an ethical responsibility. According to Carrol (1979), if business corporations fail to take into consideration discretionary or ethical responsibilities when crafting their strategy, society, through government will act, making them legal responsibilities. Governments may do this, moreover, without regard to an organisation's economic responsibilities. As a result,

organisations may have great difficulty earning profits than they would have if they had voluntarily assumed some ethical and discretionary responsibilities.

## **2.5 Benefits of Implementing Strategy alongside Corporate Social Responsibility**

Empirical research now indicates that socially responsible actions may have positive effects on a firm's financial performance. Although a number of studies in the past have found no significant relationship (Rigby, 2003), an increasing number are finding a positive relationship (Grant, 2003). An in-depth analysis by Margolis and Wash of 127 studies found that there is a positive association and very little evidence of negative association between a company's social performance and its financial performance (Peel & Bridge, 2003). Another meta-analysis of 52 studies on Corporate Social Responsibility and performance got similar results (Grant, 2003).

However, according to Porter and Kramer, "Social and economic goals are not inherently conflicting, but integrally connected. Being known as a socially responsible firm may provide a company with social capital, the goodwill of key stakeholders, which can be used for competitive advantage (Callahan and Pasternack, 1999). Target, for example, tries to attract socially concerned younger customers by offering brands from companies that boost ethical track records and community involvement (Ballow & Peoples, 2004). A survey of more than 700 global companies by conference board reported that 60% of the managers stated that citizenship activities had led to a. Goodwill that opened doors in local communities and, b. an enhanced reputation with consumers (Baun, 1996).

Another survey of 140 US firms revealed that being more socially responsible resulted not only in competitive advantages but also savings (Staw and Epstein, 2000). For example, companies that take the lead in being environmentally friendly such as by using recycled materials pre-empt attacks from environmental groups and enhance their corporate image. Programs to reduce pollution, for example, can actually reduce waste and maximise resource productivity. Being socially responsible yields benefits such as; their environmental concerns may enable them to charge premium prices and gain brand loyalty (e.g. Ben and Jerry's Cream); they are more likely to attract capital infusion from investors who view reputable companies as desirable long-term

investments (e.g. 3M); they can utilise the goodwill of public officials for support in difficult times (e.g. Minnesota supported Dayton's (now Target) fight to avoid being acquired by Dart Industries of Maryland); their trustworthiness may help them generate enduring relationships with suppliers and distributors (e.g. Maytag); they attract employees who prefer working for a responsible firm (e.g. Proctor and Gamble) and; they are more likely to be welcomed into foreign countries (e.g. Levi Strauss).

The strategic use of CSR begs the question about the potential role of the CEO in determining the propensity of firms to engage in these activities. CEO's are charged with the responsibility of formulating corporate strategy and are often deeply involved in promoting the image of their respective firms through Corporate Social Responsibility. Furthermore, they may dramatically change the strategic direction of the firm, including decisions pertaining to CSR. Despite the compelling arguments in favour of the instrumental use of CSR, corporate executives may also be inclined to adopt CSR practices for moral or ethical reasons that characterize effective leaders (Daft, 2002). Jones (1995) noted that stakeholder theory encompasses an ethical/normative dimension, implying that managers may engage in CSR because their moral or ethical values compel them to do so. Models of effective leadership have increasingly emphasized values and related characteristics of leaders that could affect strategic decision-making and implementation, including decisions and actions relating to the implementation of CSR (House & Aditya, 1997).

## **2.6 Non Compliance with Corporate Social Responsibility**

Implementing strategies that lack Corporate Social Responsibility or ethics can result in financial losses for a business firm. Shell Oil Company can attest to this. Shell Oil's rehabilitative actions subsequent to NGO pressure in one circumstance seem not to have been motivated by a legal duty to act. However, interestingly enough, a recent appellate court decision held that a lawsuit against Shell for allegedly aiding and abetting in the torture and murder of Nigerian activists who opposed drilling on their lands was allowed to proceed in a decision dated September 14, 2000, *Wiwa v. Royal Dutch Petroleum Co.* 99 – 7223 (2000).



In the time since the activities discussed in the case, Shell has strived to create an awareness regarding Corporate Social Responsibility both for itself and in its industry. “Corporate citizenship is not a luxury, especially in these difficult times”, said P. B. Watts, Chairman, Royal Dutch / Shell Group of Companies, during a recent annual general meeting. “It is a sensible part of doing business”, (Corporate Citizenship, 2002). Shell was forced to part with millions of shillings in the case. Dodge Brokers; similarly, sued Henry Ford in a legendary case seeking to answer the same type of question. Mr. Ford believed that there should be a Ford in every garage; in other words, that Ford cars should be made affordable to everyone in America. At the time of the lawsuit, this meant a reduction in price of a Ford from \$440 to \$360 and a refusal to pay stock dividends. John and Horace Dodge, both Ford shareholders, believed that Ford’s primary objective should be to make profit for its shareholders. “My ambition”, said Ford, “is to employ still more men to spread the benefits of this industrial system to the greatest possible number, to help build up their lives and their homes. To do this, we are putting the greatest share of our profits back in business (Dodge v. Ford Motor Co., 204 Mich. 459, 170 N. W. 668 (1919), excerpt).

Ford’s counsel agreed that “although a manufacturing corporation can engage in humanitarian works as its principal business, the fact that it is recognized for profit does not prevent the existence of implied powers to carry on with humanitarian motives such as charitable works as are incident in the main business corporation”. The court was not persuaded that it should interfere with the reasonable business judgement of the Ford Company as it did not find that the alleged motives of the Directors “a menace to the interests of shareholders”. Ford seemingly convinced the court that it was a valid and perhaps laudable claim that “a Ford in ever garage” might be effective in long-term gains. Ford won the case and the Dodges eventually opened their own firm producing Dodge automobiles to compete directly with (Ford, Hartman & Laura, 2005).

## **2.7 Critical Success Factors to Strategy Implementation**

Successful implementation of a strategy is as critical and difficult as the strategic choice. It needs consideration of the resources to be used, human resources requirements, the structure systems

and other changes. Competency in implementation and the ability to put ideas into actions can be an organization's source of competitive advantage. An alteration of existing procedures of policies is usually unavoidable during strategy implementation. It also requires a shift in responsibility from strategist to divisional and functional managers to ensure effective implementation. Those actively involved in the strategy implementation should also be actively involved in the strategy formulation to ensure ownership of the process. Implementations of strategic change as a reaction to the influences of external changes, or in anticipation of such changes, very often fail in the operational practice. Raps (2005) identifies the ten critical factors for a successful strategy implementation as: commitment of top management, involvement of middle level managers right from formulation, effective communication, integrative view to implementation, clear assignments and responsibilities, have preventive measures to reduce resistance to change, team approach, respect of individuals different characters, use of supportive instruments i.e. balanced score card and have buffer time for unexpected incidents.

Sterling (2003) suggested critical factors supported by CEO's and researchers as: alignment of structure and capabilities and strategy, consideration of competitors reaction to the strategy, involvement of managers right from strategy formulation, consistent and persistent communication, action planning and budgeting and alignment of information systems with strategy. With scholars listing different critical success factors and several ingredients of a good strategic plan - it indicates the need for further research- hence the need for the study.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides the methodology of the study and covers the research design, sampling design, data collection methods, data analysis techniques that was used.

### **3.2 Research Design**

The study was modelled on a case study design. Kothari (1990), defines a case study as a powerful form of qualitative analysis and involves careful and complete observation of a social unit be it a person, family, cultural group or an entire community and/or institution. The researcher's case study approach involved holding in-depth interviews with members from the strategic planning department and from the EABL Foundation, who are responsible for strategy development and implementation of CSR projects respectively. The potential respondents were those considered to be key informants for this research. Since the research involved face to face interviews with the respondents, the answers obtained were considered to be more accurate given that any clarification that required to be made was sought there and then.

### **3.3 Sampling Design**

The study used stratified sampling in identifying the interviewees' because it was easy to classify and identify the members of staff involved in strategic planning and in the implementation of planned activities including CSR. The respondents were picked through simple random sampling method. This approach was considered appropriate since the use of simple random sampling ensured survey of a representative sample considering that employees involved in the development of strategies are different from the ones involved in the implementation phase. Further, considering the time and budget constraints it was considered an appropriate sampling strategy that yielded representative results.

### **3.4 Data Collection**

The respondents selected were involved in formulation and/or implementation of the organization's strategies. The Interview Guide was sent to the respondents two weeks before the appointed interview date to familiarise themselves with the questions and to perhaps prepare the answers to the same. The study used both primary and secondary data collected through face to face interviews with the researcher and from the firm's publications and sources from the media. Secondary data was obtained from the company's publications as well as other forms of media highlighting CSR activities undertaken by the firm. This method acted as a control tool to verify the results obtained from the interview.

### **3.5 Data Analysis**

The data collected was qualitatively analyzed by use of content analysis techniques. Before the actual analysis, information was evaluated to determine its usefulness, consistency, credibility and adequacy. Content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends. Content analysis is the effort to develop an "objective, systematic and quantitative description of the manifest content of communication", Hoslti (1974). Similar studies in the past like those done by Armule (2003) who researched on the response of the family planning association of Kenya to changes in its operating environment and Kandie (2001) in his study on Strategic responses by Telkom Kenya Ltd in a competitive environment used this technique of content analysis to analyse data collected from their case studies.

## **CHAPTER FOUR: DATA ANALYSIS AND RESEARCH FINDINGS**

### **4.1 Respondents' Profiles**

The respondents comprised of the senior management of East African Breweries Limited engaged in the formulation and implementation of strategy and corporate social responsibility for the organisation. Majority of the respondents had worked in the organisation for periods exceeding five years and were involved in strategic planning. In addition two of the respondents had worked in the East African Breweries Foundation for years ranging from five to twelve. Initially, the intention was to interview ten respondents, half from the strategic planning department and the other half from the East Africa Breweries Limited Foundation. The foundation is the organisation's channel for implementing CSR activities. However, due to limitation of time and unavailability of some respondents, only seven were eventually interviewed including senior managers in the respective departments.

The change of the composition of the respondents' profile was made because two of the staff were absent from the office during the interview period while another had changed employment before data collection was started. The contribution of the three could have been valuable in corroborating the other respondents' views but the seven respondents were deemed to be representative enough to give the findings the much needed validity. Consequently, it was assumed that they had a broad and extensive contribution particularly in strategy development and in the implementation of the various CSR projects. In view of the above, it became necessary to alter the description of the respondents.

### **4.2 Corporate Social Responsibility activities undertaken by the organisation**

All seven of the interviewees confirmed that EABL has undertaken various Corporate Social Responsibility activities within the last five years and that these had been included in the current strategic plan for the company. The recent CSR activities undertaken by the company include the Water of Life projects in Thika, Muthurwa, Kisumu and Eastleigh in Kenya and in Mengo Kisenyi in Uganda. Before the Thika Water of Life Project initiative, women in the area used to

walk up to 8 kilometres to collect clean water. Though they had sufficient supplies locally, mainly from manmade dams, such supplies were not safe for drinking and a high percentage of cases reported to health authorities were directly linked to unsafe water supplies and poor sanitation. In Kisumu, EABL was engaged in drilling of two boreholes for the 3,000 plus people in Kisumu living in the areas where rainfall is erratic and water available only from a few shallow wells. Further, EABL was involved in partnering with the Ministry of Health in purchasing hospital beds worth Kshs. 4 Million (US\$ 50,000), which included bedding that was donated to 19 provincial and district hospitals in all eight provinces in Kenya. The company has adopted a new policy on HIV/AIDS, the objective of which is to minimize, monitor and manage the impact, spread and consequences of the disease within the employee population. EABL provides a variety of workplace programmes which support non-discrimination, awareness and prevention, voluntary counselling and testing, and employee support.

In Education, the company is actively involved in giving out scholarships to bright and needy students through the EABL Foundation's Scholarship Programme. Through these scholarships, the company has provided an opportunity for over 30 bright and needy students to study commerce and IT courses at Strathmore University, Nairobi. According to the Annual Report and Financial Statements (2008), the EABL Foundation has since 2003 provided scholarships to over 100 needy students. As part of the ongoing Green Goals campaign, EABL unveiled a campaign to mop up and recycle used aluminium cans. Can collection and subsequent recycling is being undertaken in partnership with a local environmental company, Green Loop International. EABL is also concerned with finding sustainable ways of conserving the earth's natural resources and reducing the disposal of waste. In order to achieve this, EABL beer brands are supplied in returnable bottles and a high proportion come back for washing and refilling.

In order to prove that the company was actually involved in the act of CSR, two of the interviewees availed photographs that had been taken during some of their CSR functions and at the CSR projects. Further, certificates of recognition that had been awarded to EABL by the Ministry of Education for its exemplarily work in educating the needy students; the Ministry of Environment, the Ministry of Water and the Ministry of Health with whom they had been working in collaboration with in various activities had been proudly displayed in their offices.

One of the managers showed the researcher the Strategic Plan for the company which currently runs from 2008-2013. From the interviews, it was evident that the company had actually incorporated the CSR plans which they had indicated in their strategic plan. This signalled that the company does not carry out CSR without having a thorough plan on what to do and when to do it.

Five out of seven of the respondents confirmed that the company has been actively involved in CSR in the past five years with the budgetary allocation for various activities to be carried out by the company during the years increasing substantially. All seven of the respondents supported CSR as they believe that corporate citizenship should be seen as a core business activity and also as a way of ploughing back the profits which they have made to those who do not necessarily consume their products directly. The same level of support has been witnessed from the company because the interviewees were of the opinion that the company has a responsibility to ensure that the citizens of the countries in which they operate are not taken for granted as they are the ones consuming the products and enable the company to earn its billions in profits. Without any appreciation, this can lead to customers boycotting the consumption of the company's products.

Out of the seven managers interviewed, four were of the opinion that the practice of CSR by the company was not as a result of a competitor initiative but that morally the company felt it was worth appreciating the support which the citizens of a country give a company by consuming its products. It was also noted that the industry had been held by the company alone without any competition for a long time and this proves its commitment to ensuring that it rewards its customers. According to 60% of the managers interviewed, the company employs all citizens without any discrimination as to race, religion and disability but based on the attainment of the required qualifications and the availability of the vacancy the individual is seeking. The extent to which the company has been involved in controversy regarding affirmative action has been low and as a matter of fact three of the respondents said that the company was working towards the attainment of the government target of ensuring that a third of the employees in the company are women but as of now the number of managers in the company is almost equal in both gender.

### **4.3 Corporate Social Responsibility's Influence in Strategy Development and Implementation**

All the managers interviewed confirmed that EABL has a strategic plan for the period 2008 to 2013. The strategic plan will enable the organization to know in advance what they should achieve in a certain duration and enable it to budget and have all the necessary materials in place. Regarding whether the company incorporates CSR in the code of conduct, four out of seven of the respondents said that the company incorporates it by increasing awareness of the dangers of alcohol misuse and promotes responsibility in drinking behaviour through alcohol education projects across East Africa. On internal governance and ethics it was observed that, EABL requires assurance of long-term success within a stable economic, social and natural environment. The company believes that with good governance combined with values they have established, and policies and business practices developed from the same, the corporation is well prepared for the move towards sustainability. EABL is a creator of wealth, without which many steps towards sustainability cannot be made.

As a leading branded alcohol manufacturer in East Africa, EABL takes responsibility of leading the industry in initiatives that will nurture safe consumption and use of alcohol by consumers. EABL acknowledges that alcohol can be part of a balanced lifestyle for consumers. Alcohol access and abuse by people under 18 years is not encouraged in anyway by the business and they will therefore spearhead efforts to ensure safe use of alcohol by all stakeholders. This will not only benefit consumers but society at large. This was evident from the messages contained in the company's advertisements and messages in various media forms. The employees of an organization are an important asset which should be taken care of and their interests considered adequately. Five out of seven of the respondents confirmed that EABL consulted with its employees on CSR activities and through their representatives they were involved in all the processes. As part of confirmation that the employees were involved in CSR, the minutes taken when the current strategic plan was being formulated indicated the presence of two employee representatives in each meeting held. Six of the interviewees' views' regarding continuous participation in CSR by employees was positive as they play a crucial role of connecting the company and the general public who are their products consumers.



From the EABL Foundation manager, it was established that the criteria used in selecting projects to be undertaken in any particular period is based on a thorough evaluation by the EABL Foundation who recommend to the strategy formulation on the projects to be undertaken at a given period of time and also its approximate cost. The EABL Foundation uses sector criteria to identify the projects to be undertaken. The company has spread its support to health, education, social and environment. The photographic evidence showing the company's employees participating in CSR, the visit to the project site and the sign showing who funded the projects were shown as evidence of the company's participation in CSR. Regarding whether there has been any strategic change on CSR that has occurred in EABL in the last 5 years, 86% of the interviewees were of the opinion that there are many changes that have taken place that include; increased funds allocated to supporting needy students, community empowerment and increasing the number of operating regions in Kenya.

57% of the interviewees observed that the company had made use of the internal audit findings, internal and external benchmarking, and continuous improvement metrics to continually raise the bar on its citizenship performance by investing in the consistency of their product quality and innovation; embedding world-class values, codes and policies into ways of working and performance reviews; maintaining their position as the most respected company in East Africa; investing in training and development of their employees to ensure performance and job satisfaction; investing in well-structured alcohol education programmes; committing a percentage of their profitability to community investment and effectively communicate their commitment to communities in which they operate; implementing environmental management systems at all production sites and; raising their profile in standards of corporate citizenship throughout East Africa. Three of the interviewees said that the rate of success of the earmarked projects has been above a 95% success rate as this has been supported by the local community who do not want to let down the company in its endeavour of supporting them. In areas where there is collaboration with other institutions the success rate was deemed to be lower due to the fact that the other party at times fails to fulfil its part of the bargain thus jeopardising the completion of the projects.

From the management of the EABL Foundation, it was observed that the company's employees are the ones who carry out the task of implementing the approved CSR projects for the organization. This therefore implies that the commitment to ensuring that the CSR projects succeed depends on the employees' involvement in designing the CSR activities. The findings from 71% of the interviewees indicated that employees were highly committed to the process given the quality of ideas they came up with for the various programmes. All the managers confirmed that management has been at the forefront in ensuring the success of the CSR activities agreed to be undertaken by the company at a particular time and therefore they highlight after some time the progress they have made in carrying out their CSR mandate. Feedback on the pace of CSR projects within the organisation varies. However, quarterly feedback is preferred by majority of the stakeholders since this makes it easier to make necessary changes within a reasonable time. Feedback is normally communicated through the press and during meetings with the stakeholders. 43% of the managers were of the opinion that the company had not been using independent auditors because the charges being demanded by the auditors could have been better employed in other CSR projects.

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

### **5.1 Summary of the Findings**

The researcher found that EABL is fully committed to corporate social responsibility. The company gives back to the communities in which it operates between 1% and 3% of its after tax profit to social responsibility programmes. It does this through sponsoring projects aimed at enhancing community health, education, and environment and by portraying good corporate governance.

The corporation is engaged in providing clean water to the community and good sanitary services. Such projects are aimed at minimizing or eliminating diseases that could prove fatal to human health, but which can be contained through the improvement of good sanitary services and the provision of clean drinking water.

An educated society is a powerful society. The company sponsors students from poor backgrounds but that are bright. Such students are sponsored to good universities in order to pursue relevant courses that enable them to acquire skills that they would later use to improve the welfare of the society by working to create sound national economic growth. Several such students are now in gainful employment in private organisations or government or in NGO's or on their own.

The corporation is also involved in projects aimed at continuously improving our environment by ensuring that the production activities do not pollute the environment. They are also concerned with improving the environment through several conservation methods.

In order to achieve all their aims in meeting social responsibility and creating wealth for their shareholders and employees, good corporate governance is quite necessary. The company is therefore also committed to good corporate governance.

## 5.2 Conclusions

This study shows that all the interviewees unanimously agreed that the company has undertaken Corporate Social Responsibility during the last five years. CSR to be undertaken by the company during the current financial period has been included in the organizations' strategic plan. This will ensure that the organization can put in place all the necessary mechanisms needed to ensure the success of CSR in advance and thus be able to achieve the desired goals. The company was able to carry out CSR in different areas which includes, the Water of Life projects in Thika, Muthurwa, Kisumu and Eastleigh in Kenya and in Mengo Kisenyi in Uganda; EABL in partnership with the Ministry of Health purchased hospital beds worth Kshs. 4 Million (US\$ 50,000), which included bedding that was donated to 19 provincial and district hospitals in all eight provinces in Kenya; provision of scholarships to needy students in collaboration with Strathmore University and; ensuring clean environment by mopping up and recycling used aluminium cans. There was evidence on the existence of the awards given to the company, the photographs showing the projects undertaken by the company and also the organizations strategic plan showing incorporation of CSR activities to be undertaken in the current year.

It was noted that the company has been increasing the allocation it makes towards CSR over the last five years as these can be depicted by the amount shown on the company's previous financial years financial statements which the researcher was able to confirm. There was clear indication that the company was going to implement the same policy of increasing its support on CSR, as the current financial year estimated incomes and expenses shows an upward trend. The company has for a long time been the only company in the country manufacturing malt beer until the entry of Keroche Breweries a few years ago but the company has been practising CSR for a very long time. This therefore means that the company does not carry out CSR as a result of any competition but rather as a way of giving back to the society for supporting the company. The findings also show that the company ensures a level playing field for both genders and therefore there is no controversy relating to affirmative action.

The company incorporates CSR in its code of conduct, internal governance and ethics of firm, the company's culture and branding and in job evaluation. This is done through increased

awareness of the dangers of alcohol misuse, promoting responsible drinking habits and assurance of long-term success within a stable economic, social and natural environment. The value with which the company accords its employees' participation as part of the CSR for the organization was demonstrated by use of employee representatives in the strategic planning committee. The interviewees said that the company will in fact increase CSR participation in strategy planning as it plays the role of linking the company and the general public who are their products consumers. A thorough evaluation of projects to be undertaken by the company in any particular period is done by the EABL Foundation who makes recommendations to the planning department. A sector criterion is used to identify the projects to be undertaken so that all sectors of the country's economy can be covered.

There are a number of strategic changes which have occurred in the company during the last five years and these include increased funds allocated to supporting needy students, community empowerment and increasing the number of operating regions. The company has made use of internal audits, internal and external benchmarking, and continuous improvement metrics to continually raise the bar on its citizenship performance. The rate of success of the projects earmarked to be carried out in a certain period has been well above 95% success rate as this has been supported by the local community who do not want to let down the company in its endeavour of supporting them. There has not been any resistance on the part of the employees to the implementation of any CSR as they are involved in determining the projects to be undertaken and also on how to carry out the projects. The management of the organization usually gives an account of the progress made on carrying out CSR so that everybody in the organization can be kept updated on the projects progress. This progress account is communicated verbally on meetings, email and press in case the company wants to involve all the stakeholders. This communication varies among the projects as some communication or reports are received monthly, quarterly, half yearly and others yearly. The company has not been using independent auditors because of the high charges being demanded which could have been used for other CSR activities. There were several challenges encountered by the organization which include: inadequate analysis of progress being made as planned; financial constraints; changing collaborator requirements; lack of implementation continuity if an employee leaves due to the absence of project operational manuals and taking on other projects outside the strategy thus

some aspects of the strategy are left unattended to. Despite these challenges the organization is determined to achieve its objectives of ensuring that the organization's CSR projects succeed.

In conclusion the respondents have confirmed that the company is involved in carrying out CSR in different sectors, CSR has been incorporated in designing of the company's strategic plans, budget allocation on CSR been on an upward trend for the last five years and that CSR influences strategy development and implementation. This confirms that CSR is a factor being considered by the company in designing its strategy development and implementation.

### **5.3 Recommendations**

The following recommendations are given to both the policy makers and researchers;

In view of the study's findings, it is recommended that the company should continue with CSR activities in which they have not been involved in previously as this will be a kind of a reward to the society in general for the support they have given the company. The revenue allocation to CSR should be maintained or if possible increased to facilitate increase in projects to be undertaken by the company. The company should also seek more collaboration with other well wishers to finance different projects in the country.

EABL should continue incorporating CSR in the organization's internal governance and ethics of firm, the company's culture and branding and the job evaluation and also in promoting safe drinking habits so that the company does not benefit from increased sales at the expense of loss of life due to death occurring from accidents after consuming the company's products.

Companies should let the employees who are key stakeholders in every organization play a key role in the projects to be undertaken so that there is no resistance on the part of the employees when it comes to project implementation. Further, they should try to balance the projects they undertake so that they cover even more sectors of the economy. It is also recommended that the selection of projects to be undertaken be more open so that more people can give suggestions on the kind of projects that they feel need quick intervention. In circumstances where the company

works in collaboration with other institutions to carry out CSR, the company should put up mechanisms to ensure that the success rate of such projects is improved. The company should ensure that the challenges it faces in the previous years while carrying out CSR are not repeated but instead that they should act as a lesson to the company so that in future they learn from them and know how to avoid them.

#### **5.4 Recommendations for Further Research**

The study confined itself to East African Breweries limited. This research therefore should be replicated in other companies quoted in the stock market and the results be compared so as to establish whether there is consistency among the companies in incorporating corporate social responsibility in strategy development and implementation.

Following the findings detailed in the study, the researcher has recommended further research to explore how small and medium manufacturing firms commit themselves to social responsibility issues. Additionally, further research should be conducted to quantify in financial terms, the benefits social responsibilities have on their beneficiaries. Furthermore, research should be undertaken on other large multinational manufacturing companies to find out how they commit their businesses to social responsibility issues. Within EABL research should be conducted to see if there are other social responsibilities the corporation is engaged in apart from those contained in this study.

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## **APPENDIX 1: INTERVIEW GUIDE**

### **Corporate Social Responsibility as a factor in Strategy Development and Implementation**

#### **Goal of the interview**

To establish the extent of Corporate Social Responsibility as a factor in strategy development and Implementation at EABL.

#### **Interview Questions**

The following sections provide sample questions that were used in evaluating the extent of corporate social responsibility in strategy development and implementation at EABL.

#### **Respondent Background Review**

- What is the highest level of education you have received?
- How long have you worked in this organization?
- What do/did you like best about the position/s you have held?
- What do/did you like least?
- For how long have you worked in this department / organisation?

#### **Section 1: Corporate Social Responsibility activities undertaken by the organisation**

##### ***1. Does EABL undertake CSR activities?***

- i. Do you know of any Corporate Social Responsibility activities undertaken by EABL over the last five years?
- ii. If there have been Corporate Social Responsibility activities, have these been incorporated in the current strategic plan?

If response is yes:

- What Corporate Social Responsibility activities were carried out and when were they carried out?
- Do you have any photo shots or articles of the project(s) undertaken?
- Were any awards given to EABL for the gesture?
- May I request for the copy of the strategic plans over the period in which the Corporate Social Responsibility activities were carried out?

If the response is No; go to no. 2

***2. Has EABL been deeply involved in the undertaking of Corporate Social Responsibility activities over the last five years both in terms of budget allocation and participation?***

If the response is yes:

- What has been the budgetary allocation over the last five years? Has the trend been increasing or decreasing?
- Might you have any proof or indication of the budgetary allocation for these activities?
- Are you personally supportive of the CSR initiative as a noble course?
- Do you think the same level of support witnessed is going to be received from the organisation?
- Have CSR activities been as a direct result of the same initiatives taken by competitors in the sector?
- What is the extent of contracting to; -
  - Women and minority owned businesses?
  - Employment of the disabled?
- What is the extent to which EABL has been involved in controversies relating to affirmative action?

If the response is 'No'; go to next question.

## **Section 2: Corporate Social Responsibility: Influence in Strategy Formulation and Implementation**

***1. The Organization's strategic plan covers what period? During the period, has there been a deliberate initiative on the part of the management to incorporate CSR activities in the strategic plan(s)?***

If 'yes' response:

- What is the level of the company's incorporation of Corporate Social Responsibility in; -
  - The code of conduct?
  - Internal governance and ethics of firm?
  - EABL's culture and branding?
  - Job evaluation?
- During the development of the strategic plans, is any member of staff from the CSR department involved?
- If so, may I request for any evidence of the membership of the strategic planning team?
- In your view, is the current position of involvement of CSR likely to continue?
- What are the criteria used in selecting projects to be undertaken in any particular period?
- Has EABL spread its support across all needy segments of the society?
- If so, what evidence is present to show the same?

***2. During the strategic plan period - incorporating the CSR activities - what has been the level of implementation?***

- Are you aware of any strategic changes on Corporate Social Responsibility activities undertaken by EABL over the last five years?
- To what extent has the company made extensive use of internal audits, internal and external benchmarking, and continuous improvement metrics (such as a Balanced Scorecard) to continually raise the bar on its citizenship performance?

- What rate of success can be associated with the CSR activities identified in a particular period? Have all CSR projects identified been undertaken? What evidence is there to support this position?
- Has there been resistance from employees in the implementation of the CSR projects due to non-involvement or any other reason? What reason have they given for the same?
- Has there been an initiative by management to highlight progress of various projects being undertaken? What communication means is used to relay the same to the stakeholders? Have they been actively involved in CSR activities?
- Has the performance appraisal of staff been incorporating the success of CSR implementation? What evidence is there to support the same? What impact has the incorporation had on the performance of staff?
- Has EABL been making use of independent auditors (such as major accounting firms or NGOs) to monitor and report on their performance with regard to CSR activities?
- What challenges has EABL been facing in implementing the CSR program? How has EABL learnt to overcome the challenges?

THANK YOU,

I certify that all the information I have provided is correct.

Signature.....



## **APPENDIX II: EABL VALUES**

“In everything we do, we begin by living our values:

- **Proud of what we do**

We act sensitively with the highest standards of integrity and Corporate Social Responsibility. We enjoy and benefit from diversity.

- **Be the best**

We set high standards and try to exceed them. We deliver results, win where we compete, and celebrate our success.

- **Passionate about consumers**

We are innovative, constantly searching for new ideas that drive growth and developing them across the business.

- **Freedom to succeed**

We give each other and ourselves the freedom to succeed because this fosters an entrepreneurial spirit.

- **Valuing each other**

Inclusion and diversity, partnership and belonging, and respect for people's lives.”

### **APPENDIX III: EABL STRATEGIES**

- Responsible Corporate Citizenship and Strong Social Responsibility.
- Respect for the conservation of the Environment.
- Quality Consumer Service.
- Good Corporate Governance.
- Safety of our people and partners is of paramount importance, we strive to maintain a zero harm culture by continuously improving our performance on safety standards.
- To create wealth for our employees, investors, customers and suppliers.

## **APPENDIX IV: THE EABL FOUNDATION**

### **VISION**

The EABL foundation will be the most trusted, effective, visible and transparent community development foundation in East Africa touching on the lives of poor and excluded people in East Africa.

### **MISSION**

The EABL Foundation is a corporate-based regional foundation committed to enriching the lives and livelihoods of poor and excluded people throughout East Africa in a sustainable manner.

### **OPERATING PRINCIPLES**

The EABL Foundation is guided by the following principles:

- ☞ Ensure community investments are in line with the established Community Investment Policy.
- ☞ Ensure community development projects are run in a sustained manner and generate positive impact to beneficiaries.
- ☞ Provide a focal point for community investment partnerships and joint programmes with other organizations in the region.
- ☞ Efficiently manage the funds allocated for community investment.
- ☞ Effectively utilize the time and effort invested in supporting community initiatives.
- ☞ Engage employees to support community programmes and initiatives.