

# **INFLUENCE OF EDUCATION PROGRAM AS A CORPORATE SOCIAL RESPONSIBILITY STRATEGY ON COMPETITIVE ADVANTAGE OF SOFT DRINK MANUFACTURERS IN NAIROBI CITY COUNTY, KENYA**

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## **ABSTRACT**

The business environment that firms operate in is not constant but keeps on changing and this poses a challenge to the way organizations carry out their activities as they seek to survive and outperform their industries. This study sought to determine the effect of education programs as a corporate social responsibility strategy on competitive advantage of soft drinks manufacturing firms in Nairobi County in Kenya. The resource dependency theory and classical liberal theory provided anchorage to the study. This study adopted a descriptive research design while targeting 68 public relation managers from soft drink and water-manufacturing firms in Nairobi. A census was used where all the 68 public relation managers from soft drink manufacturing firms were included in the study. Data for the study was primary and it was gathered using questionnaires. The findings were analyzed using descriptive statistics like means and standard deviations and

inferential statistics in the form of regression analysis. The results were presented using tables and figures. The study established that education programs had a positive and significant effect on competitive advantage of the firm. The study recommends that soft drink manufacturing firms in Kenya should understand and realize the need and value of investing in education CSR strategies as this is directly linked to competitive advantage including increased market share. The findings are relevant to scholars in the field of strategic management for review of literature, manufacturers of soft drinks on how to leverage on corporate social responsibility strategies in remaining competitive. The study concludes that education programs are key drivers of competitive advantage of the firm.

**Key Words:** *education program, corporate social responsibility, competitive advantage, soft drink manufacturers, Nairobi City County, Kenya*

## **INTRODUCTION**

Organizations operate as open systems such that their operations are affected by external factors which the firms may not have an influence over (Flammer, 2015). Firms operate in an increasingly complicated legal, technological and social environment. At the same time, the rise of globalization forces has affected the strategies embraced by firms to remain competitive. Firms have been forced to adapt to the changes in the environment through formulation as well as adoption of a number of strategies so as to remain competitive (Keegan, 1984). In as much as the environment that firms operate in is so wide, it is the industry that forms the basis and ground for competition of the firm (Saeidi, Sofian, Saeidi, Saeidi & Saeidi, 2015).

The global and competitive environment in the beverage industry has caused stiff competition in the beverage business environment, hence the need for businesses to create a competitive advantage to remain competitive and to survive in the dynamic market. Consistent with this emerging perspective, most firms are getting involved in initiatives aimed at improving the

safety and public health outcomes. This is seen through accurate involvement and participation of various stakeholders like consumers. Kenyan companies have not been left behind as far as adoption of corporate social responsibility strategies is concerned.

Firms have embraced various forms of strategies in countering the relatively strong competitive forces. A strategy will only be considered to be effective when it is able to control the environment of operation. Noe, Hollenbeck, Gerhart and Wright (2017) opine that it is important for firms to have an understanding of the operations of the firm so that it is able to position itself in a right way for remaining competitive. In order to remain viable, most firms have adopted competitive strategies including corporate social responsibility (CSR). Through adoption of CSR, firms aim at creation of rapport with the involved players and stakeholders within an organization.

It is through CSR strategies that the firm is well placed to respond and consider societal interests through investment in strategies like programs for education, protection of the environment as well as health care facilities, starting up projects in the community that shape the community livelihood and forming partnerships with various stakeholders like the suppliers and shareholder for the benefit of the society. Despite the adoption of these strategies, a number of companies that have adopted CSR still performed dismally hence the need to establish whether soft drink manufacturers in Nairobi enjoys better competitive advantages by getting involved in CSR. CSR strategies have emerged as a key concept in the current business environment that firms operate in. Firms are increasingly becoming sensitive on social and environment issues that have an influence on operations and ultimately shaping the overall strategies in place (Flammer, (2015). This is important since it ensures that the firm is able to give back to the community of establishment. Furthermore, recognition of CSR strategies goes a long way to enhancement of the company name which helps in formulation of sound strategies that guide the overall and future competitiveness of the firm (Tai & Chuang, 2016).

In Kenya, the soft drink industry is highly competitive and comprises of firms with different relative sizes offering various portfolio of products and strategies for survival. From time immemorial, Coca Cola Company has remained as a monopoly in the industry until 1980s when other firms started entering the industry (Tai & Chuang, 2014). The soft drink industry is capital intensive and thus significant expenditure is required to raise awareness of their brands to customers. They are these high initial costs that act as barriers to entry before considering the high costs of marketing including advertising the products.

## **STATEMENT OF THE PROBLEM**

The business environment that firms operate in is not constant but keeps on changing and this pose a challenge in its survival. There has been a rise in the number of new entrants in specific industries besides the advancing forces of technologies and the changes in regulatory environment. All these forces have remained a challenge for firms that manufacture soft drinks. Empirically, Murila (2013) focused on CSR using the context of East African

Portland Cement Company Kenya Limited. It was established that CSR form the basis for gaining of competitive advantage in an organization. Though the study paid attention to CSR, a contextual gap is created as the study was focused on E. A Portland Cement as opposed to a cross section of several studies. In addition, the study conceptualized CSR as various community projects especially provision of water as opposed to education and health programs as is the case in the current study. Okwonkwo (2014) carried out a study to evaluate the influence of CSR on ability of Ghanaian financial institutions to remain competitive. The study established that financial entities leverage on CSR so as to improve on their reputation thus gaining competitive advantage. However, this study was conducted in Ghana and not in Kenya's context. Kagendo (2015) studied the influence of CSR on ability of Kenyan commercial banks to remain competitive. The findings indicate that banks have invested in CSR activities like health care and education so as to remain competitive. This study was done in the banking sector; therefore, the finding might not be applicable in the current study. Thus, from the aforementioned studies, it is clear that some of these studies were done in other different countries away from Kenya. Other studies focused on different firms like cement manufacturing firms and the banking sector. Yet, other studies used case studies with a focus on one firm alone. Thus, the current study sought to determine the influence of education programs as a CSR strategy on the performance of soft drink manufacturers in Nairobi.

## **STUDY OBJECTIVE**

To establish the influence of education programs as a CSR strategy on competitive advantage of soft drink manufacturers in Nairobi City County.

## **THEORETICAL REVIEW**

This study was guided by the resource dependency theory coined by Pfeffer and Salancik in (1978). The theory provides that firms do engage in formation of partnerships and alliances for effective management of interdependencies. Much of these interdependencies emerge from the connection between buyers and suppliers or between various competitors. A review of literature on this theory was conducted by Hillman, Withers and Collins (2009) where five activities were recommended for the firm to reduce interdependency in the environment. These activities cover the need for vertical integration and mergers, formation of joint ventures, the need to have functional boards with working directors, actions in the political arena and succession planning for senior positions. According to Hillman et al. (2009), the resource dependency theory is crucial for understanding of how firms engage in joint ventures for instance the issue of strategic alliances. It is also argued that the use of relationships and partnerships at the organizational level results into reduction in complexities within the environment, as firms strive to share their resources in place (Park & Mezas, 2005). This theory is relevant to the study because implementation of education programs is highly dependent on the resources at the disposal of an organization.

## **EMPIRICAL LITERATURE REVIEW**

Empirical literature refers to a compilation of previous studies carried out by other scholars on the subject similar to the one being examined by the researcher. It identifies the topics covered in terms of the variables, scope, methodology, findings and conclusion so as to inform the direction that the current study will take. Rotich (2018) studied the role played by the programs focusing on education as far as competitive positioning of Safaricom is concerned. The study acknowledged the need for organisations to perform better than their rivals by using resources at their disposal to enable them gain competitive edge. The type of design embraced in this study was cross sectional survey. The study indicated that Safaricom offered various scholarships to top students and supported CSR projects.

Kubai and Waiganjo (2016) analyzed the interaction between CSR at a strategic level and the ability of Kenyan banks to remain competitive. Specifically, the study focused on education CSR program at Equity Group dubbed Wing to fly program. The study found out that CSR played an important role in shaping and influencing the various perceptions that customers hold as far as the products of the bank were concerned. It is through CSR that most banks have improved their brands and thus gaining a relatively larger market share in the entire banking industry in Kenyan context. Furthermore, through CSR initiatives, most banks have been able to attract and retain customers as a result of improved perceptions about the bank. the study only concentrated on one bank leaving out the other 41 commercial banks that constitute the industry.

Cherobon (2014) examined the effects of corporate social responsibility spending on a firm's performance using a survey of banks in Nakuru County. The study was aimed at ascertaining the various areas that commercial banks in Kenya concentrated in terms of their CSR activities and the effects that they had on performance. The study noted that education, health care, human resource development, conservation of nature, creation of social awareness, rehabilitation of destitute people, addressing human sufferings arising from manmade and natural causes made up some of the important areas that Kenyan banks paid attention to. The study recommended that CSR activities be integrated in education, training and research with potential funding possibilities. This would help boost the knowledge base and skills among community members.

## **RESEARCH METHODOLOGY**

This study was guided by descriptive research design which was cross sectional in nature. . This designed allowed for description of the features of the subjects which were of key interest to the study as guided by Creswell & Creswell, (2017). The study targeted 68 public relations managers from the soft drink manufacturing firms in Nairobi who are charged with the responsibility of CSR activities within these organizations. Owing to the small size of the population, all members of the population were included in the study hence a census. The study collected primary data using questionnaires. The views and responses were analysed through descriptive and inferential statistics. The descriptive statistics covered means and

standard deviations while inferential statistics included the use of regression analysis. The adopted model took the following form:

$$Y = B_0 + \beta_1 X_1 + \varepsilon_i$$

Where: **Y**= Competitive Advantage; **B<sub>0</sub>** - intercept coefficient; **ε<sub>i</sub>** - error term (extraneous variables); **X<sub>1</sub>** –Educational programs; **β<sub>1</sub>** = regression coefficient

## **FINDINGS AND DISCUSSION**

Background information of respondents indicates that employees were granted education leaves whenever necessary. These education leave days ensured that employees were equipped with relevant skills to perform their duties effectively. Respondents further agreed that award of bursaries to the needy students was done on merit. The firm organized scholarships for bright needy students in the community.

The descriptive statistics on education program as the firms CSR strategy in the studied firms are detailed in Table 1.

**Table 1: Education Programs**

	<b>Mean</b>	<b>Std. Dev</b>
The firm offer bursaries to the bright needy students in the community	3.7736	.69729
The award of bursaries to the needy students is done on merit in the firm	3.8113	.68097
The firm organizes for scholarships for bright needy students in the community	3.6792	.87208
Employees in the firm are granted education leaves	4.0377	.73281
Education leaves ensure that employees have been equipped with relevant skills	4.0189	.84331

On overall, respondents agreed on various statements provided under education program as the first component of CSR strategies among the studied firms. Majority of the respondents agreed with a mean of 4.0377 that they were granted education leaves and that this education leaves ensured that they had been equipped with relevant skills as shown by a mean of 4.0189. Rotich (2018) acknowledged that organisations today seek to perform better than its industry rivals by building resources to enable it gain competitive edge hence they invest in educational programs to enhance innovations.

Respondents further agreed with a mean of 3.8113 that award of bursaries to the needy students was done on merit in the firm since the firm offered bursaries to the bright needy students in the community with a mean of 3.7736. Respondents said that their firm organized for scholarships for bright needy students in the community with a mean of 3.6792. Chege (2013) noted that majority of the branches of Equity Bank have embraced at least one form of CSR initiatives so as to remain competitive in their industry.

The study sought to determine the effect of education program as a CSR strategy on competitive advantage. To achieve this objective, the study regressed education program against competitive advantage. Table 1 gives the results of the model summary.

**Table 2: Competitive Advantage**

	<b>Mean</b>	<b>Std. Dev</b>
Our market share has improved	3.6038	1.16585
There has been improvement in overall productivity among employees in the organization	3.8302	.99491

As indicated in Table 2, most of the respondents agreed with a mean of 3.8302 that there had been improvement in overall productivity among employees in the organization and that their market share had improved with a mean of 3.6038.

**Table 3: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.911 <sup>a</sup>	.831	.816	.85478

a. Predictor: (Constant), Education Program as a CSR Strategy

Education programs as a CSR strategy has a strong relationship with competitive advantage (as illustrated by an R value of 0.911) indicating that it is likely to influence. Further R square indicates that education program explains 81.6% of the variation in competitive advantage of soft t drinks manufacturers. This implies that education programs explain majority of the variations in competitive advantage position of the firm. However, there are other factors responsible for 18.4% variations in competitive advantage which can inform future scholars.

**Table 4: Analysis of Variance**

	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	171.948	4	42.987	58.834	.000 <sup>b</sup>
Residual	35.071	48	.731		
Total	207.019	52			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Education Program as a CSR Strategy

The ANOVA results indicate a relatively higher value of F calculated standing at 58.834. This value implies that the overall regression model of the study was fit and thus suitable for predicting the effect of education program as a CSR strategy on competitive advantage. Table 5 gives a breakdown of the results of the regression coefficients of the study model.

From the results in Table 5, the following equation is predicted:

$$Y = 4.276 + 0.25X_1$$

**Table 5: Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.276	1.508		2.836	.000
Education Program	.250	.107	.051	2.336	.016

a. Dependent Variable: Competitive Advantage

The study’s objective was to establish the influence of education programs as a CSR strategy on competitive advantage. At 5% level of significance, the study noted that education programs ( $p=0.016<0.05$ ) have positive and significant effect on competitive advantage of the firm. It can also be seen that a unit change in education program would lead to a positive increase of 0.250 in competitive advantage. As such, though the effect is moderate, it has its contribution to the ability of a company to gain competitive advantage and gain support in the community. These findings are supported by Rotich (2018) who found out that by getting involved in community education programs, organizations improve their relationship with the community. The community will be more willing to approve other initiatives embarked on by the organization. These findings are also in line with Kubai and Waiganjo (2016) who noted that CSR played an important role in shaping and influencing the various perceptions that customers hold as far as the products of the bank were concerned.

## **CONCLUSION AND RECOMMENDATIONS**

The study’s objective was to establish the influence of education programs as a CSR strategy on competitive advantage. At 5% level of significance, the study noted that education programs ( $p=0.016<0.05$ ) have positive and significant effect on competitive advantage of the firm. This means that soft drink manufacturing firms should invest resources in financing education programs including scholarship programs to bright but needy students. This will enable these firms to remain competitive. Since soft drink manufacturers grant education leave to employees, many of the staff gains useful skills from the education programmes they undertake which are later used in the organization facilitating innovation and invention which is key in gaining competitive advantage. It is therefore recommended that organizations should support their staff to further their skills through education leave as this would ensure more up to date skills which can help an organization to gain competitive advantage.

The findings indicated that education programs as a CSR strategy were significant predictors of competitive advantage of the soft drink manufacturing firms. The government can use these findings to improve its legislation in terms of compelling companies to grant education leaves as this has future implications on their competitive advantage. This will help equip employees with relevant skills and knowledge that would enable the work effectively.

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