

CORPORATE SOCIAL RESPONSIBILITY AS A COMPETITIVE STRATEGY AND ITS EFFECT ON PERFORMANCE OF MOBILE TELEPHONE SERVICE INDUSTRY: A CASE OF SAFARICOM KENYA

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ABSTRACT

Corporate social responsibility (CSR) involves incorporation of society's interests into the activities of the company. This is done through carrying out activities that impact on government, customers, suppliers, employees, shareholders, communities and the environment. The practice of corporate social responsibility has been a subject of debate for the last decade. While proponents argue that CSR has an impact of a company's competitive advantage, critics argue that CSR is nothing but a fad. This study sought to find out the effect of corporate social responsibility to performance of mobile telephone service providers focusing on Safaricom Kenya. The main objectives of the study were to investigate the extent to which CSR was practiced as a competitive strategy by Safaricom Kenya and the effect on Safaricom's performance. The information from this study might be helpful to Safaricom as it strives to remain a market leader as far as its reputation through corporate social responsibility is concerned. The study drew its literature and theories from marketing and strategic management research and authorities in the related disciplines. The study was descriptive and involved collection of both qualitative and

quantitative data. The study's population was drawn from the company's management. The population was purposely selected from the groups which have knowledge on competitive strategies employed by Safaricom Kenya. The sample for this study was 155 respondents drawn from the various levels of management. Interviews and questionnaires were the main data collection tools and were designed by the researcher. Qualitative data was analyzed manually using thematic summaries and interpretations. Quantitative data was summarized using descriptive and statistics through excel and SPSS programs. The data was presented in tables and charts. The study revealed that CSR has played a key role in customer acquisition and retention, enhancement of brand reputation and increased usage of the company's products and services. The study recommends that Safaricom should strengthen its CSR strategy to remain competitive. Other companies wishing to remain relevant should also consider engaging in CSR activities as competitive strategies in their companies.

Key Words: *Competitive Strategy, Corporate Social Responsibility, Performance*

INTRODUCTION

Business organizations always strive to achieve effectiveness and productivity. Many variables in organizational structure and system have been identified to evaluate the efficiency and effectiveness of management systems in organizations. These variables encompass a wider aspect of organizational life, such as tangible infrastructure, budgets and investments, and employee work attitudes (Barnett and Salomon, 2006). However, as new challenges emerge in

the market place, many companies have been exploring new strategies companies are exploring new strategies of developing infrastructure and better institutional climate for their companies to sustain their performance in strong competition.

Corporate social responsibility (CSR) is defined as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interest of the firm and that which is required by law (Sharp and Zaidman, 2009). The term CSR was first coined in the 1950s and it gained peculiar attention in management studies in the 1970s. Predominantly, the activities under the umbrella of CSR fall into three categories: economic growth, ecological balance and social progress. Corporate social responsibility (CSR) has been identified as an effective management tool to strengthen the organization's performance through a better image in a stakeholder's mind and also because of their responsible behaviour toward society and environment (Orlitzky, Schmidt and Rynes, 2003).

Although CSR has been more prevalent in those organizations that are more exposed to environment and are more prone toward creating contamination, the interest in using CSR as a strategy is increasing in every type of business. Since the 1980s, there has been a series of reforms taking shape in the business, resulting from the increased awareness on the importance of quality management and business role toward society (Barnett and Salomon, 2006). The accepted influence of CSR involves its impact on organizational financial and social performance. Sharp and Zaidman (2009) studied CSR from a strategic perspective and concluded that incorporation of CSR into a firm's strategic management process can yield better outcomes for organizations.

According to Grant (2005) in the case of CSR, the literature indicates two schools of thought that predominantly debate and describe business primary activity as profit maximization or business society interaction for the welfare of society. However, the construct has been related to many aspects of a business, such as stakeholder expectations, increasing social performance/FP and compliance with government regulations. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not. Competitive strategies can lead to high organizational performance, customer satisfaction, and increased competitiveness in the face of other rival businesses. However, achieving good performance and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change.

Businesses operate in a market-driven, customer-oriented era. To survive, a business has to be flexible, adaptable and above all provide superior service. The mechanics of a business operation can often be similar between businesses in the same industry, it is the 'people part' –the relationship with the individual customer –where the business gains an advantage over a competitor. To be a customer-oriented business the customers' needs have to take priority

(Abratt & Russel, 2009). Competitive strategy, from a business level perspective, is the achievement of better performance by a business unit in its particular market.

Ansoff and McDonnell (1990) define competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business units. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces. Competitive strategy consequently aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

RESEARCH PROBLEM

Corporate social responsibility has gained prominence among many companies today. Companies have engaged themselves in various forms of corporate social responsibilities including financial donations, scholarships, community development, environmental conservation and cleanup and material donations. This is a far cry from the doctrine of Friedman (1970), which states that the one and only responsibility of a firm is to engage in activities that will increase its profits within the confines of the law. Corporate social responsibility is now an integral part of what a company is about. However, no matter how it is specifically defined, corporate social responsibility cannot be a separate or sometimes equal element in the collection of strategies that point a company toward its ultimate goals. Real corporate social responsibility must be linked to a company's competitive strategies.

Several studies have been conducted on corporate social responsibility in the context of Kenyan companies. Mulwa (2001), Kiarie (1997) and Kweyu (1993) studied managers' attitudes towards corporate social responsibility in selected Kenyan companies. Kamau (2001) investigated the awareness of the social responsibility concept among managers in Kenyan firms and concluded that there was indeed awareness but lack of positive implementation of the concept. Kubai and Waiganjo (2014) studied the relationship between strategic corporate social responsibility and competitive advantage of commercial banks and found that CSR contributed to brand image, customer perception and stakeholder involvement. Muriuki (2008) studied corporate social responsibility link to strategy among mobile telephone service providers and Mbogoh (2014) studied challenges of implementing corporate social responsibility strategies by commercial banks in Kenya.

In light of this significant resource consumption and immense contributions, there is need to establish whether these social responsibility initiatives are part of corporate strategy of the firms in the mobile telephone service industry. There is also need to establish the impact of corporate

social responsibility on competitive advantage of mobile service industry. This study will seek to establish corporate social responsibility practices and their impact on competitive advantage at Safaricom Kenya.

OBJECTIVES OF THE STUDY

1. To identify the corporate social responsibility practices of Safaricom Kenya Limited.
2. To establish the effect of corporate social responsibility on Safaricom's performance.

LITERATURE REVIEW

Corporate Social Responsibility Theory

According to the proponents of corporate social responsibility model (William and Siegel, 2001) companies are not only legal entities with responsibilities but also moral entities, and they hold ethical obligations comparable to those citizens in a society. The proponents point out that CSR has two meanings one being a general name for any theory of the corporation that emphasizes both responsibility to make money and the responsibility to interact ethically with the surrounding community. Second, corporate social responsibility is also a specific conception of that responsibility to profit while playing a role in broader questions of community welfare.

As a specific theory of the way corporations interact with the surrounding community and larger world, corporate social responsibility (CSR) is composed of four obligations. One of the obligations is the economic responsibility to make money. The other obligation is legal responsibility to adhere to rules and regulations. The third obligation is ethical responsibility that involves doing what is right even when not required by the letter or spirit of law. The fourth responsibility is the philanthropic responsibility to contribute to society's projects even when they are independent of the particular business (William and Siegel, 2001).

Empirical Review

Filho et al. (2010) studied strategic corporate social responsibility management for competitive advantage. The study found that social responsibility strategies were associated with competitive advantages, such as attracting valuable employees as well as enhancing the company image and reputation. Husted and Salazar (2006) examined CSR strategies in firms with the objective of maximizing both profits and social performance. Through a comparison between firms, the authors identified three types of social investment (altruistic, selfish and strategic), concluding that strategic investment creates better results for companies that try to simultaneously achieve the maximization of both profit and social performance. This strategic investment consists of the creation of well-being and positive advantages to society and the local community. It also consists of additional benefits to the company, such as an enhanced reputation, better and more qualified labour, the differentiation of products and extraction of a premium price. The conclusions of this study point out that a company can add value and obtain competitive

advantage through socially responsible activities, but it must act strategically and CSR should be connected with the corporate strategies.

Murila (2013) studied corporate social responsibility in East African Portland Cement Company Limited Kenya Limited. The study found that corporate social responsibility can be used as a foundation for building a competitive advantage by both enhancing the firm's efficiency and increasing the value of its market. The study found that leveraging corporate social responsibility in a strategic manner provided the company with more options in developing strategy and creating a competitive advantage. At a time when customers' perceptions of companies and their consequent purchasing behaviors are fundamentally changing, corporate social responsibility is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns.

Onlaor and Rotchanakitumnuai (2010) studied enhancing customer loyalty towards corporate social responsibility of Thai mobile service providers. The study was based on the survey from 400 mobile customers and the results showed that four dimensions of corporate social responsibility consisted of economic, legal, ethical and philanthropic responsibility. Ethical dimension had the strongest impact on customer satisfaction while the rest impacted on loyalty. In tandem with these findings, Lindgreen, Swaen and Johnston (2009) provision of good working environment and philanthropic activities improved business performance.

Ramasamy and Chumtaz (2008) used social identity theory of planned behaviour to explore factors affecting consumer purchase intentions and found that customer's perception of firm's corporate social responsibility commitment had a critical impact on their purchase intention. The study further found that consumer-firm identification had a positive impact on loyalty and customer retention.

Adebesi and Taiwo (2014) carried out a study on building winning strategy for competitive performance through corporate social responsibility focusing on MTN Nigeria. The research was undertaken by the study with the primary objective of appraising the possibility of organization leveraging on corporate social responsibility as a strategic tool for competitive performance with particular reference to MTN limited, a giant Telecom Firm in Nigeria. The findings indicated that good ethical and environmental corporate social responsibility, appropriate delivery of societal focused corporate social responsibility and economic empowerment of the host community had significant effects on organizational performance of the mobile service provider.

Muriuki (2008) studied corporate social responsibility link to strategy among mobile telephone service providers in Kenya. The study sought to identify the corporate social responsibility practices by the mobile telephone service providers in Kenya and to establish whether these practices were linked to corporate strategy of the respective companies. The study found that the companies studied were involved in corporate social responsibility practices as well as formal

and structured strategic planning. The strategic plans were implemented and very elaborate efforts were made to monitor the implementation, with periodic reports and feedback. They had corporate planning departments and strategic plans in which corporate social responsibility policies were spelled out and allocations of resources made.

The corporate social responsibility practices were outlined in company mission, vision, specifically articulated in their values. The respective corporate strategies had formal corporate social responsibility policies which provided a clear guideline for the areas to invest, sponsorships, benchmarking and implementation. Corporate social responsibility was viewed to offer the companies' improved relationships with key constituents, more loyal customers and an overall improvement of the business' standing in society. It was also seen as a key determinant in shaping the relationship and future of the companies' with their stakeholders and an opportunity to meet societal needs that individual philanthropy may not be able to address (Muriuki, 2008).

Kubai and Waiganjo (2010) studied the relationship between strategic corporate social responsibility and competitive advantage of commercial banks in Kenya Focusing on Equity Banks' Wings to fly program. The study revealed that corporate social responsibility had played a key role in influencing good customer perceptions especially among the beneficiaries and they display a great capacity to relate with the bank both now and in the future.

Aroni (2009) evaluated emerging trends in CSR practices adopted by Kenyan listed firms. The study stressed a general look at CSR especially environmental concern, not just financial gains.

Good corporatism is not just giving back to society but also avoiding acts that are malfeasance in nature. The paper contributes to literature by identifying the progress being achieved in undertaking CSR activities in Kenya. Wando (2010) addressed the effects of CSR of Sugar companies in Western Kenya on the growth of SMEs in the region. All the companies in the region have adopted a socially oriented program and therefore, have a moral responsibility to give to society in addition to running a profitable endeavor with the target community being involved at all stages of their operations. This was a correlation study with questionnaires as the primary data collection tool. The study concluded that companies should wholly involve community participation in the formulation and implementation of CSR programs to ensure sustainability of business relation with societal expectations.

RESEARCH METHODOLOGY

The study adapted the descriptive survey research design. Bryman and Bell (2007) observes that a descriptive research design is used when data are collected to describe persons, organizations, settings, or phenomena. The study aimed at observing and describing the behaviour of the subjects under study without influencing it in any way and therefore considered the descriptive survey research design to be the most appropriate for this study. The target population of this study was the management of Safaricom Limited.

Both qualitative and quantitative techniques were used in the analysis and presentation of data. SPSS package and Excel spreadsheet were used for data analysis. The data collected was recorded and coded before analysis. This was then followed by data cleaning to eliminate possible errors. Data analysis consisted of organizing, compiling and comparing one set of data with another and evaluating it. The analysis involved descriptive analysis and tabulation of data. The data was then presented in form of prose, tables, and pie-chart.

RESEARCH RESULTS

The study sought to find out the effects of corporate social responsibility on Safaricom's performance in the market place. As such, the study investigated the extent to which the respondents thought that CSR influenced competitiveness in the market place at Safaricom Kenya. Study findings indicated that majority (67%) said that corporate social responsibility influenced Safaricom's performance to a high extent, 17% said it influenced competitiveness to a moderate extent while 13% were neutral about its effect. This implies that Safaricom considered CSR as one of the major contributors to its competitiveness though not highly ranked as employee engagement, branding and innovation. These findings were supported by Ramasamy and Chumtaz (2008) who argued that corporate social responsibility had a significant effect on a company's competitive advantage.

Corporate Social Responsibility Practices at Safaricom Kenya

The study established that Safaricom Limited has a corporate social responsibility policy which is articulated and implemented by the Safaricom Foundation. The Safaricom Foundation is a public charitable trust duly established under the laws of Kenya by a Declaration of Trust dated 14th August 2003. It was established along the lines set by the Vodafone Group Foundation to articulate and implement its social investment policy within coherent and coordinated parameters.

The Foundation's mission is "Passion for the world around us", which translates into the key objectives of sharing the benefits of development in mobile communications technology as widely as possible; protecting the natural environment; and, supporting the communities in which Safaricom's customers, employees, investors and suppliers live. The Foundation is funded by annual contributions from Safaricom Limited at a level determined by the company's board and Vodafone Group Foundation to support community activities. It also promotes staff involvement in corporate social responsibility.

This undertaking by Safaricom to have a foundation deal specifically with social responsibility reflects how seriously the activity is taken as it adds value by portraying the company positively to the public and also provides a unique channel of communication. It emerged that the company involved itself in various corporate social responsibility initiatives which included: environmental initiatives, clean up, tree planting, donations in the form of material and cash

donations such as emergency food relief; sponsorship in the form of scholarships and community services.

Others included; Safaricom Lewa marathon which raises funds for nature conservation e.g. Rhino Ark, fencing of national parks, community programmes and water projects to benefit communities living around parks and conservancies. In all these activities, the Safaricom brand stands out, with efforts made to publicize the events. The Lewa marathon for instance is advertised both locally and internationally with the Safaricom brand being visible. One can therefore conclude that there is an effort to communicate the Safaricom offering to participants, and also publicize the activities sponsored with the aim of engaging in public relations or below the line advertising, but in a very tactful manner.

Corporate social responsibility initiatives serve to improve relations with stakeholders, create a positive image for the company, and also communicate about the company's operations and activities in the communities where the stakeholders are. Among the key roles played by respondents in corporate social responsibility activities were; coordinating projects, assessment and appraisal of projects proposed by communities, offering recommendations and scrutinizing project budgets. From this, it is observed that staff involvement is crucial as they are best placed to understand the communities they deal with, and therefore create products and services that best meet the needs of these communities. The social responsibility activities and events can be seen as learning and familiarization sessions where staffs get to understand the communities better and therefore serve them beyond their expectation.

Factors that drive the company into corporate social responsibility were; sharing the benefit of mobile telecom technology, protecting the environment, supporting communities and positive response from community. Of priority to the company the following social responsibility were ranked as very important. These include: health, education, sports and culture, environmental conservation, children's homes, AIDS awareness and disaster relief. Allocations to these initiatives have been increasing over the years, reflecting a more strategic approach to social responsibility.

These findings are supported by Sharp and Zaidman (2009) who observed that corporate social responsibility involved engaging in activities that resulted to social/community good without generating profits in the process. After establishing the CSR activities undertaken by Safaricom Kenya the study investigated the contribution of corporate social responsibility to Safaricom's performance.

Contribution of CSR to Safaricom's Performance

Results indicated that 59% of the respondents strongly agreed and 38% agreed that corporate social responsibility increased usage of Safaricom's products and services. These findings are in tandem with Safaricom (2011) who reported that Corporate Social Responsibility brought Safaricom closer to the people and as people identified with the company more, they increased the usage of the company's products and services. According to the study findings 51% agreed while 41% strongly agreed that corporate social responsibility enhanced Safaricom's reputation and customer relationship hence acquisition of more customers and retention of the existing ones.

According to Ramasamy and Chumtaz (2008) corporate social responsibility had a positive impact on loyalty and customer retention. Moreover Muriuki (2008) also found that corporate social responsibility was viewed to offer the companies' improved relationships with key constituents, more loyal customers and an overall improvement of the business' standing in society. Similarly, Adebisi and Taiwo (2014) pointed out that good ethical and environmental corporate social responsibility, appropriate delivery of societal focused corporate social responsibility and economic empowerment of the host community had significant effects on organizational performance of the mobile service provider.

CONCLUSIONS AND RECOMMENDATIONS

This study has established that Safaricom Kenya practices corporate social responsibility to a high extent through its Safaricom foundation program. The program incorporates various corporate social responsibilities ranging from financing, environmental and community development activities. This study has established that Safaricom's brand has been largely marketed through corporate social responsibilities as advanced by Safaricom foundation. Corporate social responsibility was identified to have a link to enhanced reputation hence customer attraction and retention, increased product usage and increased market share.

The unrivalled policy has been and can continue to provide great strengths for the company in its quest to retain supremacy and stability through the Safaricom Foundation program. The study recommends that Safaricom should collaborate with other institutions to increase its CSR activities for increase in market share and profits. This would enhance empowerment initiatives among poor people; initiatives in the education sector, for example, donation of set-books; social initiatives such as sponsoring marathons and walks and awareness initiatives

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