

To Examine the Influence of Market Place as a Factor of Corporate Social Responsibility on Competitive Advantage within Pharmaceutical Companies in Kenya

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Abstract

This article examines the influence of market place as a factor of competitive advantage within pharmaceutical companies in Kenya. The study used probability sampling under the category of stratified and simple random sampling. The population of interest was composed of 23 pharmaceutical manufacturing as listed in the 11th edition of Kenya Manufacturers and Exporters Directory 2015 (KAM, 2015). The sample was 46 respondents both in Managerial and Non Managerial positions. The research instrument was a questionnaire. Analysis of the data was done using both descriptive and inferential statistics. The findings suggest that CSR activities enhance relationships with customers and it also presents an avenue for customer attraction and loyalty with company brands. Improved relationships with customers may well be translated into economic benefits. Regarding brand recognition, the study has shown that CSR provides greater transparency to the market(s) in which the companies operate and as such it can be innovatively applied to provide uniqueness and differentiation from competitors. Based on the results of this study, the conclusion is that adoption of CSR activities enhances pharmaceutical firm performance in the Market Place particularly on the elements of customer attraction and brand recognition. This study recommends that Pharmaceutical companies in Kenya should adopt CSR activities as there are clearly competitive advantages which include profit realization, employee attraction and retention, company and brand reputation, customer attraction, and brand recognition. The type of CSR activity to be adopted should be considered in view of the nature of customers it serves. This is in line with the respondents suggestion that CSR activities should be aligned to the sustainable development goals and that a company can restrict itself to 2 or 3 goals for better management.

Key Words: Corporate Social Responsibility (CSR), Competitive Advantage, Pharmaceutical companies in Kenya.

Introduction

Examination on the influence of market place as a factor of competitive advantage within pharmaceutical companies in Kenya.

Lord Holme and Richard Watts, defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Holme & Watts, 2000). A growing number of scholars take the view that firms can no longer be seen purely as private institutions but as social institutions instead (Frederick, 1992); (Freeman, 1984). The benefits flowing from firms need to be shared collectively. A firm is responsible not only to its shareholders (owners) but to all stakeholders (consumers, employees, creditors, etc.) whose contribution is necessary for a firm’s success. Thus, CSR means that a corporation should be held accountable for any of its actions that affect people, communities and the environment in which those people or communities live (Frederick, 1992). Carroll (1979) suggests that CSR is defined as the economic, legal, ethical and discretionary demands that society places on business. Similarly, Zanies conceptualized CSR as the degree of “fit” between society’s expectations of business and the ethics of business. He argues that CSR is really nothing more than another layer of managerial responsibility resulting from the evolution of capitalism (Pour, Nazari, & Emami, 2014). In Kenya, a growing recognition of the benefits of competitive corporate philanthropy has prompted a steady increase in corporate contributions. Overall, empirical studies have shown that a strong corporate philanthropy program effectively retains and attracts talented employees, increases loyalty, satisfaction, and overall productivity (Jones A. , 2001). Competition is central to strategic planning. All organizations, commercial or non commercial are always in competition in one form or another. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and this can, in turn, lead to superior profits for itself. The firm creates value by performing a series of activities that Porter (1980) identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Competitive advantage is the unique competitive position developed by an organization through its pattern of resource deployment and scope of decisions. It can be viewed as an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition.

In the modern commercial era, companies and their managers are subjected to well publicized pressure to play an increasingly active role in society – so called “Corporate Social responsibility”. The pharmaceutical sector, an industry already facing stiff tests in the form of

intensified competition and strategic consolidation, has increasingly become subject to a variety of other pressures. Significantly, in common with other large-scale businesses, pharmaceutical firms are being exhorted to respond positively to the challenge of CSR. Critics have challenged pharmaceutical companies for failing to meet their ethical obligations of facilitating access to life-saving drugs for the poor of the developed and developing worlds. With impending public health crises and widening global health disparities, concerned consumers, government officials, and health practitioners have pressured pharmaceutical companies to engage in neglected-disease R&D, to support public health initiatives, and to adopt transparent pricing and patent policies. Consequently, the industry has replied with an economic and legal defense for its actions, often citing a communication gap between the largest corporate players on one hand and poor nations and developed world critics on the other (DeGeorge, 2005). Another burden for addressing the demands of CSR lies in the fact that companies today are not solely regulated by government and, as Abbott & Snidal (2008) explain, power is nowadays divided in a "government triangle" of firms, NGOs, and the state (Brown, Vetterlein, & Roemer, 2010). Today citizens are better educated, more affluent, and better informed, hence more concerned that corporate excesses are checked and punished, than in earlier times when citizens were more tolerant toward corporate behaviour and/or had lower expectations (Sadler, 2002). To be a good corporate citizen and to engage in CSR becomes a solution to an ongoing debate regarding the economic and political power of multinational co-operations in the global economy (Matten, 2006). Thus CSR engagement can stem from a contextual situation where the influence of civil society increases, as governmental power reduces and company power rises. Additionally CSR can be a way of avoiding future governmental regulation. It is easy to understand that voluntary regulation from a corporate point of view could be preferable to governmental. CSR as a way for the company to voluntarily regulate itself may forestall legislation and create or maintain a greater corporate independence from government (Matten, 2006). According to Sadler (2002), for some companies, CSR can even be a means of keeping their license to operate. It is now the task of regulators or appointed authority to monitor the standards of service in public interest, and if this is found inadequate the license to operate should be revoked or not renewed (Sadler, 2002).

A third burden for addressing the demands of CSR is the need for attracting customers and responding to consumer pressure. As a means of creating a competitive advantage towards less responsible firms, communicating to customers, branding, and reputation, is important. CSR can be, and has been, used as a way of strengthening the brand and improving the reputation which can attract customers (Whitehouse, 2006). Customers encompass the power to punish companies that are not acting in a way that they consider responsible. As Kendall, Gill & Cheney (2007) proclaim, there are many ways for customer action, both as individuals and collectively, that can force companies to act more responsibly. Among these actions are a selection of internet based options, boycotts and social movement alignment. Many of these actions have successfully come to change corporate behaviour, and it can be concluded that contemporary consumerism presents a possibility for political action (Kendall, Gill, & Cheney, 2007). Hence, CSR can be a way of managing the negative risks of consumer actions associated with acting in a

non-responsible way. The general public has also become more concerned about CSR issues and as a consequence, there nowadays exists a large and growing body of shareholders on the stock market that especially take ethical considerations into investment decisions (Matten, 2006). Investors with these values can be important for a company to attract. Therefore, complying with criteria for social funds can create an additional way of retaining capital. In addition, if the demand for stocks of socially responsible firms is rising, then the prices of these stocks are expected to go up, which means that these companies will gain an advantage over less responsible competitors (Vogel, 2005).

In view of the above review the following study was investigated:

To examine the influence of market place as a factor of corporate social responsibility on competitive advantage within pharmaceutical companies in Kenya.

Methodology

The study used probability sampling under the category of stratified and simple random sampling. The population of interest was composed of 23 pharmaceutical manufacturing companies as listed in the 11th edition of Kenya Manufacturers and Exporters Directory 2015 (KAM, 2015). The target population was 46 respondents both in Managerial and Non Managerial positions. The research instrument was a questionnaire. Analysis of the data was done using both descriptive statistics and inferential statistics. Statistical Package for Social Scientists (SPSS) software was used in analyzing the data. A combination of designs was used in the analysis including descriptive statistics, frequencies and percentages. The former included means, standard deviations, and the latter entailed multiple linear regression to test for variable correlations.

Results and Discussion

Customer Attraction as an Element of Market Place

The study sought to examine the respondent's level of agreement that CSR influences the market place variable that relates to customer attraction. Table 1 below shows the summary of findings on the variable.

Table 1: Customer Attraction

The findings in table 1.1 indicate that majority of the respondents (59%) agreed that CSR

Customer Attraction	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
CSR activities enhance relationships with clients and customers	41	59	0	0	0
Donation of specific drugs is an avenue for customer attraction and loyalty with company brands	21	48	24	3	3
CSR provides an avenue for the company to meet the ethical standards required by potential and existing customers	17	45	24	14	0
CSR can be innovatively applied to provide uniqueness and differentiation from competitors	41	52	3	3	0
CSR provides greater transparency to the market(s) in which you operate	17	55	17	10	0

activities enhance relationships with clients and customers. 48% of the respondents agreed that Donation of specific drugs is an avenue for customer attraction and loyalty with company brands, 45% of the respondents also agreed that CSR provides an avenue for the company to meet the ethical standards required by potential and existing customers. 52% of the respondents agreed that CSR can be innovatively applied to provide uniqueness and differentiation from competitors while 55% of the respondents agreed that CSR provides greater transparency to the market(s) in which their companies operate.

Overall, 79.3% of the respondents did agree that CSR activities improve customer attraction as shown on figure 1 below.

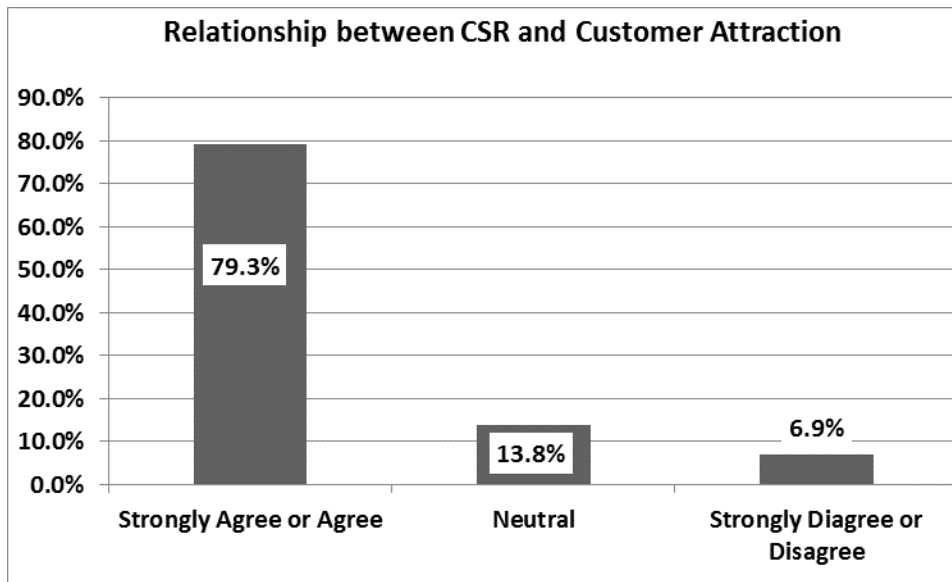


Figure 1: CSR and Customer Attraction

Brand Recognition as an Element of Market Place

The study sought to examine the respondent’s level of agreement that CSR influences the Market Place variable that relates to brand recognition. Table 2 below shows the summary of findings on the variable.

Table 2: Brand Recognition .

Brand Recognition	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Drug donations to approved NGOs and Government agencies provides an avenue for brand protection	17	24	38	21	0
CSR activities influence prescribing decisions by physicians	21	34	38	3	3
CSR helps to establish distinguishable brands	24	48	14	14	0
CSR activities increase positive perception of the company and/or brands	45	52	3	0	0

The findings in table 2 indicate that majority of the respondents (38%) were neutral that Drug donations to approved NGOs and Government agencies provides an avenue for brand protection. 38% of the respondents were neutral that CSR activities influence prescribing decisions by physicians. 48% of the respondents agreed that CSR helps to establish distinguishable brands while 45% of the respondents strongly agreed that CSR activities increase positive perception of the company and/or brands

Overall, 66.4% of the respondents did agree that CSR activities improve brand recognition as shown on figure 2 below.

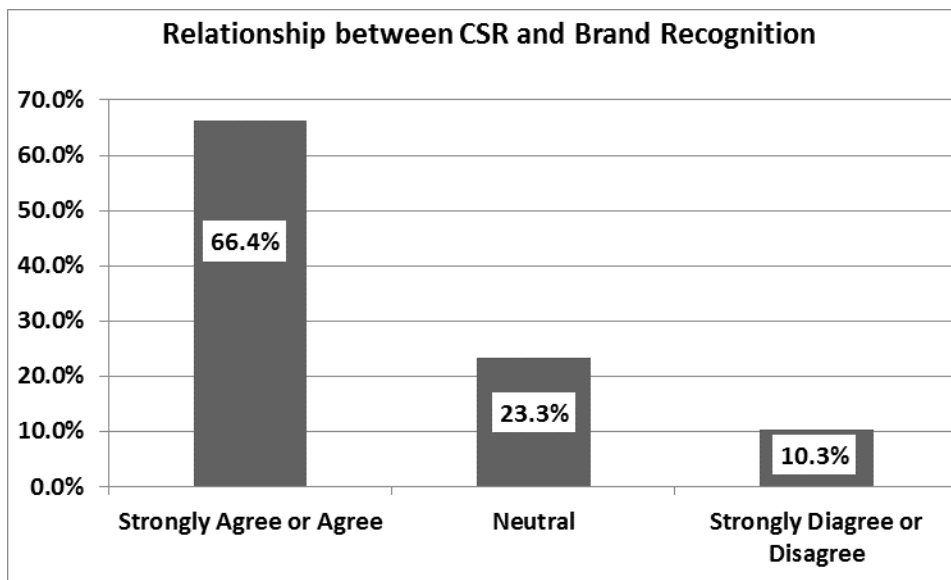


Figure 2: CSR and Brand Recognition

Scale reliability for the study variable was determined by computing the overall Cronbach’s alpha reliability coefficient for the items of the Competitive Advantage and Market Place constructs. The reliability was demonstrated since the overall Cronbach’s alpha statistic for Competitive advantage and Market Place constructs were 0.774 and 0.727 respectively which were greater than the threshold value of 0.7 as indicated in table 3 below

Table 3 Reliability Analysis of Study Variable

Variables	Cronbach's Alpha
Competitive Advantage	0.774
Market Place	0.727

Correlation

Regression analysis was conducted to empirically determine whether there is a relationship between Corporate Social Responsibility (CSR) and competitive advantage within pharmaceutical companies in Kenya. Market place was found to be positive and significantly related to competitive advantage within the pharmaceutical companies in Kenya ($r = 0.525$, $p\text{-value} = 0.007 < 0.05$ level of significance)

Table 4 Correlations

		market place
Competitive advantage	Pearson	.525**
	Correlation	
	Sig. (2-tailed)	.007
	N	25

Correlation is significant at the 0.05 level (2-tailed).

Regression Analysis

The R square value in this case is 0.447 which clearly suggests that there is a strong relationship between Market Place and Competitive Advantage within the pharmaceutical companies in Kenya as indicated in table 5. This indicates that Market Place elements share a variation of 44.7 % of Competitive Advantage within the pharmaceutical companies in Kenya. This implies that the remaining 55.3% of Competitive Advantage can be attributed to other factors which were not considered in this particular study

Table 5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.669 ^a	.447	.368	.23426

a. Predictors: (Constant), Market Place

The Anova table in table 6 indicates that the overall model was a good fit since ($F\text{-value}=5.664$ and $p\text{-value}=0.005 < 0.05$ level of significance). The findings imply that the relationship between Corporate Social Responsibility (CSR) and Competitive Advantage within pharmaceutical companies in Kenya was statistically significant in explaining Competitive Advantage.

Table 6 ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.933	3	.311	5.664	.005 ^b
	Residual	1.152	21	.055		
	Total	2.085	24			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Market Place

Table 7 ANOVA Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.942	.312		3.020	.007
	Market place	.240	.113	.378	2.133	.045

a. Dependent Variable: Competitive advantage

The model becomes

$$\text{Competitive Advantage} = 0.942 + [0.240] \text{ _market} + \epsilon$$

Market place was found to have a positive linearly significant influence on competitive advantage within the pharmaceutical companies in Kenya ($\beta=0.240$, $p=0.045 < 0.05$ level of significance). Here one unit change in Market place results in 0.240 unit increase in competitive advantage within the pharmaceutical companies in Kenya.

Conclusion

The study established that CSR initiatives generally enhance relationships with clients and customers thereby providing an avenue for customer attraction and brand loyalty. From the results presented by the respondents, it is generally observed that respondents do agree that CSR can be innovatively applied to provide uniqueness and differentiation from competitors while at the same time supporting an organization in meeting the ethical standards required by potential and existing customers. The respondents also agree that CSR activities increase

positive perception of the company and/or brands which helps in fighting counterfeits and thereby establishing distinguishable brands. A majority of the respondents agree that CSR is a source of market information which helps to identify areas of need and subsequent avenues for business growth. Overall, it is also noted that the respondents registered a general agreement that CSR has a direct relationship with competitive advantage within the pharmaceutical companies in Kenya. Respondents generally shared the opinion that CSR influences customer attraction and brand loyalty. Based on the results of this study, the adoption of CSR activities enhances firm performance in the Market Place because CSR activities enhance relationships with clients and customers, present an avenue for customer attraction and loyalty with company brands, provide an avenue for the company to meet the ethical standards required by potential and existing customers, offer uniqueness and differentiation from competitors and also influence prescribing decisions by physicians as seen from the results. Regarding brand loyalty, the results indicate that donations of drugs to approved NGOs and Government agencies as a CSR activity provides an avenue for brand protection and thus helps in establishing distinguishable brands. The Regression analysis results suggest that there is a strong relationship between market place and competitive advantage. It can therefore be concluded that CSR is important to an organization as it influences competitiveness in the Market Place.

Recommendation

This study recommends that Pharmaceutical companies in Kenya should adopt CSR activities as there are clearly competitive advantages which include profit realization, employee attraction and retention, company and brand reputation, customer attraction, and brand recognition. The type of CSR activity to be adopted should be considered in view of the nature of the enterprise and the customers/community it serves. This is in line with the respondents suggestion that CSR activities should be aligned to the sustainable development goals and that a company can restrict itself to 2 or 3 goals for better management. The study also recommends that further research should be done to establish other unexplored factors of CSR that influence competitive advantage. Such information would provide additional valuable guidance to not only Pharmaceutical companies in Kenya but to other industries as well on the determinants of company competitiveness that have not been addressed in this study.

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