

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN CREATION OF
FIRM'S COMPETITIVE ADVANTAGE: A COMPARATIVE STUDY OF
SAFARICOM LTD AND AIRTEL KENYA IN NAKURU TOWN**



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The Requirements of The Award of The Degree of Masters of Business
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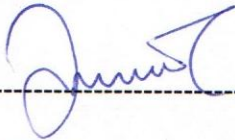
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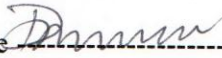
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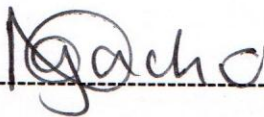
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DEDICATION

To those who are striving to be the best they can be. To my most revered parents who influenced me positively, yesterday, today and forever. To Almighty God for the gift of life.

Deep within man dwell those slumbering powers; powers that astonish him that he never dreamt of possessing: forces that would revolutionize his life if arouse and put into action.

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I must express my gratitude to the following people who have been instrumental in my journey towards completion of this work. To my beloved Kevin, Ivy and Ivan Ted, am grateful for the joy you bring to my life. I love you all.

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ABSTRACT

Corporate Social Responsibility (CSR) is about a company knowing, managing and improving its impact on the economy, the environment and society. CSR activities have been hypothesized by many researchers to have influence on competitive advantage. Increasingly, stakeholders expect companies to participate in the community activities. Amid stiff competition companies should engage in appropriate CSR activities contributing directly to its competitiveness. To accomplish this task, the main objective of the study was to assess the role of CSR in the firms' competitive advantages in the mobile phone industry. The specific objectives were; to determine the extent to which the type of CSR engagement contributes to the competitive advantage achieved by Safaricom Ltd and Airtel Kenya, to assess the level to which CSR awareness among customers plays a role in creation of competitive advantages achieved by Safaricom Ltd and Airtel Kenya and to determine the role of CSR benefits to customers in creating competitive advantage achieved by Safaricom Ltd and Airtel Kenya. All mobile phone subscribers within Nakuru Municipality formed the target population for the study and a sample of 384 subscribers was used. The research employed a survey design and a questionnaire was used as the main data collection tool. The hypothesis of the study was tested logistic regression and Pearson's correlation. The study found out that the type of CSR employed played a significant role in creation of Airtel's competitive advantage while it did not in the case of Safaricom. The level of CSR awareness did play a significant role for Safaricom and not for Airtel while the CSR benefits were found to play a significant role for both the operators. It was concluded that the mobile operators should analyse the type of CSR they should engage in carefully, invest in the publicity and ensure that there are direct benefits that the customer can identify with since they play a significant role in the creation of competitive advantage.

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ABBREVIATIONS AND ACRONYMS

CSR	Corporate Social Responsibility
SRB	Sustainable Responsible Business
ICT	Information Communication Technology
KPTC	Kenya Post and Telecommunications Company
PCK	Postal Corporation of Kenya
GDP	Gross Domestic Product
EIA	Environmental Impact Assessment
AMREF	African Medical and Research Foundation
KRCS	Kenya Red Cross Society
RBV	Resource Based Value

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate Social Responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

In a competitive environment, services are gaining increasingly more importance in the competitive formula in both firms and countries. Governments, activists and the media have become adept at holding companies to account for the social consequences of their activities. Myriad organizations rank companies on the performance of their corporate social responsibility (CSR), and despite sometimes questionable methodologies, these rankings attract publicity. As a result, CSR has emerged as an inescapable priority for business leaders (Porter & Kramer, 2006). In order to optimize on CSR activities and create competitive advantage companies must have knowledge and deep understanding its strategic engagement.

Long recognized as one of the “Asian Tigers,” Singapore (whose name means Lion City, and has the merlion as its mascot) is one of the leading economic centres in Asia. After becoming a Republic in 1965, the island-state developed rapidly within

two generations and currently has the third highest per capita GDP (after Japan and Hong Kong) in Asia. Without resting on its laurels, this country with no natural resources is trying to stay economically competitive through various strategies. It is in this context that CSR is gaining recognition and momentum in Singapore (Khanna, 2004). The government prides itself as being both a promoter and practitioner of CSR. Companies too, are allocating more resources to CSR practices.

Today's organisation is judged by criteria, which is very different from those of two decades ago. It has not only to be efficient to satisfy the industrialist through earning increased profits or satisfy the investor and the financier by paying more dividends but it has also to be conscious of its wider societal needs. Whether it operates as a limited company, government agency, church, a non-governmental organisation or university, every organisation must in varying degree, consider the elements and forces of its external environment. This has led to the debate on the recognition and protection of social and economic rights momentum across the globe. This is attributed to among other things, the changing social dispensation and the changing trends in governance both within governments and corporate organisations. Increasingly today, people are arguing that government alone cannot deal with those pressing social issues such as unemployment, provision of education, health care and environmental preservation. They insist that also corporations have an obligation to contribute to solving these problems. Organizations are sub-systems of society and operate and get its resources from the society. The primary responsibility is to ensure that the CSR programs do not cause any damage and that they contribute to its progress (Kivuva 2003)

1.1.1 Telecommunication industry in Kenya

Telecommunication industry has undergone tremendous innovations with the proliferation of information and communication technology (ICT). Following the liberalization of telecommunication sector in 1997, the government of Kenya separated the then giant Kenya Posts and Telecommunication Company (KPTC) into three entities. Postal Corporation of Kenya (PCK) dealt with the handling of mails and Telkom Kenya dealt with landlines while Safaricom Ltd and Airtel Kenya Kenya were licensed to operate mobile phone services.

With the deregulation of the Telecom industry in 1997, Safaricom that is the leading mobile operator in Kenya, with a current subscriber base in excess of 12 million was formed. Faced with stiff competition from KenCell which later became Zain and now Airtel, Safaricom that was a wholly owned subsidiary of Telkom Kenya had to change tact in order to survive the onslaught of KenCell. Using its name as its logo, Safaricom's positioning statement 'The Better Option' underscored the brand's ambition to retain the current status of its mother brand – Telkom. However, Telkom's core activities and core assets were threatened with obsolescence. Some outside alternative had diminished the relevance of Telkom's capabilities and resources; a relationship with buyers and suppliers was under attack. Safaricom that is associated with Telkom had to reinvent its own niche. Safaricom tried hard to gain a prominent market position through marketing and advertising campaigns, and corporate responsive actions towards the society.

During this period, the power of information technology, deregulation, changes in legislation, globalization of markets and stiff competition had made consumers more educated, more inquisitive and demanding. With a changed environment, serious marketing challenges arose for firms to survive and remain profitable. According to

Charles and Gareth (1998), in today's global environment, change rather than stability is the order of the day. Rapid changes in technology, competition, and customers' demands have increased the rate at which companies need to alter their strategies and structures to survive in the market place. In their strategic response to these imperative changes, companies seek to strengthen their existing core competencies and build new ones in order to compete more effectively by going through a strategic change. Charles and Gareth (1998) define strategic change as "the movement of a company from its present state to increase its competitive advantage".

Hillman and Keim (2001) identify CSR activities as a form of corporate differentiation that generates a competitive advantage, for example in securing investment capital. Both Safaricom and Airtel Kenya have taken cognizance of the fact with the power of information technology, deregulation, changes in legislation, globalization of markets and stiff competition had made consumers more educated, more inquisitive and demanding (Capron and Holland, 1999 as quoted by Wambugu (2002) The customers are better educated, more inquisitive, sophisticated and deciding. Customer's expectations are high on issues of social responsibility from firms. The challenge has been for the firms to engage in social responsive activities and to create distinct products that are easily distinguishable, valuable and mutually beneficial to the firms and society. CSR programs have a central objective of earning the firm's competitive advantage over other participants in the industry.

1.1.2 Safaricom CSR Initiatives

Through the Safaricom Foundation there are five clear distinct areas of initiatives to the community that have been implemented by Safaricom. They are community service, education, environment, employee and products and services. These are highlighted below.

On community service Safaricom seeks to make positive contribution to communities around them in direct ways-both through financial supports for community projects and through employee involvement. Under community services, it seeks to address four main elements; Health, sports, culture and education. Examples, the Kenya Paraplegic organization, the Gender violence recovery centre at the Nairobi Women Hospital.

Education issues have been addressed by Safaricom by Mangeli School to undertake a face lift. Chalingwa School has also been provided with computers. In sports Safaricom Foundation partnered with other stakeholders to fund the recent Mombasa, Baringo and Lewa marathons among many others. Issues of environment have been undertaken by Safaricom through concise Environmental Impact Assessments (EIA) for each of the hundreds of Base Training Stations (BTS) erected across the country. It has partnered with East Africa wildlife (EAW) to protect endangered species and the rare primate such as the De Brazza monkey found in the Western province. Safaricom has developed products and services that are relevant and useful to its customers. Its services are presented in a way that is tailored to customer needs. Safaricom attracts, develops, rewards and retains outstanding individuals who are committed to offering challenging responsibilities and development opportunities. It operates an equal opportunities policy for all aspects of employment.

1.1.3 Airtel Kenya CSR Initiatives

Airtel builds and operates world-class communications networks that deliver reliable and competitive services within East Africa. They are committed to enhancing positive social effects in the country by complementing the efforts of the government and other sponsors in supporting projects that are aimed at enhancing the quality of life in Kenya. Airtel Kenya is committed to making people get in touch with one

another and also improve quality of life in Kenya. They have three main social concerns where they have invested heavily. These are: Water and Environment, Education and health, Arts and Heritage.

Airtel Kenya has invested a lot of resources on water and environment and funded many projects aimed at providing safe drinking water to communities around the country. The arid and marginalized areas of Kenya have been targeted by Airtel Kenya which has partnered with AMREF and the Red Cross has given safe drinking water to the people of Makueni, Kajiado, Wajir and Koibatek led to water being enabled many boreholes, shallow wells. Airtel Kenya is also committed to making life better for all its stakeholders by delivering attractive returns for her investors and offering exceptional opportunities for personal development and promotion to employees.

On issues of health and education Airtel Kenya donated relief food to famine victims in Mandera and donated mobile phones and air time to the Kenya Red Cross Society (KRCS) to facilitate the communication for the staff involved in food distribution in the famine hit areas since Airtel's network has spread out widely and covers the majority of these affected areas. Airtel Kenya contributes to education by supporting various schools in terms of contributing learning materials such as books, and financial support to various schools across the country, for example the Starehe girls centre, where it has given books, fees. On arts and heritage Airtel Kenya is committed to supporting and nurturing talent among the youth. The company is a major sponsor of the Africa Education Journalism Award and the Kenya Music festival. It has sponsored the East Africa Universities challenge, a programme which brings talented students across East Africa together in exiting contests aired on Television across the three countries. It has also concentrated on building new talent in music and theatre.

From the above therefore, it is evident that corporations face an increasingly competitive and globalised environment where business activities and perceptions are placed under escalating scrutiny. The programs in both companies have some or all of the following features: The initiatives have directly benefited their respective business, the causes identified have been able to get willing partners to advance it, the causes are in line with corporate goals of each mobile phone provider, they have a deep senior level commitment right from the Chief Executive Officer and the initiatives are innovative and deeply creative and have benefited the community in which the businesses operated. Each of the two Mobile companies, (Safaricom and Airtel) under study strives for a competitive edge ahead of the other for survival, growth and profitability.

Analysis of 52 studies conducted between 1970 and 2000 (sample of 33,878 observations) across industry sectors and geographies) showed a positive association between corporate social and environmental performance and corporate financial performance (Orlitzky, et al, 2003). CSR offers a sustainable competitive advantage to an organization because it creates a good relationship between the organization and the society, which is good for business.

Both Safaricom and Airtel Kenya face stiff criticisms to give back to society and must therefore use CSR initiatives as a marketing tool that they can effectively make them gain competitive advantage like. Help employees to understand all of the organization's stakeholders and their concerns and to shape public policy, which is a critical element of any organisation's risk management strategy, enhances corporate visibility, their reputation and endearment to the publics, guide the company through economic cycles, and geopolitical shifts, strengthen ties with business partners and

even sell more products and services, deepen employee and customer loyalty and enhance market value of a firm.

1.2 Statement of the Problem

The mobile telephony industry is relatively new in Kenya. In their efforts to maximize on their potential and profits these companies have significantly participated in CSR activities in different areas. Safaricom Ltd through CSR arm Sataricom Foundation has contributed over 1.8 Billion shillings in supporting more than 700 projects across the country for the last 10 years while Airtel Kenya through their philosophy to support education and community development has substantially invested its CSR global fund in Kenya. Despite the commitment and the resources that the two leading operators; Safaricom and Airtel Kenya have put into the CSR activities, it is not clear whether the CSR strategies employed by these companies have had any impact on their firms' competitive advantage. Strategically CSR has remained a two sided tool where both the society and the provider mutually benefit. Continued engagement in projects that do not add to the strategic goals of the firms will not only continue to make less impact but also misdirected resources and effort. The focus of this research therefore was to examine the role of CSR activities in creating the firms' competitive advantage as an existing knowledge gap in the mobile phone industry in Kenya.

1.3 Objectives of the Study

The main objective of the study was to assess the role of CSR on firm's competitive advantage comparing Safaricom and Airtel Kenya mobile phone providers within Nakuru Municipality. The specific objectives of the study were;

- i. To determine the extent to which the type of CSR engagement contributes to the competitive advantage achieved by Safaricom Ltd and Airtel Kenya

- ii. To assess the level to which CSR awareness among customers plays a role in creation of competitive advantage achieved by Safaricom Ltd and Airtel Kenya
- iii. To determine the role of CSR benefits to customers on competitive advantage achieved by Safaricom Ltd and Airtel Kenya.

1.4 Research hypothesis

The research was guided by the following hypotheses

- i. Ho: The type of CSR engagements contribute differently to the competitive Advantage achieved by Safaricom Ltd and Airtel Kenya
- ii. Ho: CSR awareness among customers of Safaricom Ltd and Airtel Kenya differ in their role of creating competitive advantage
- iii. Ho: CSR benefits to customers differ in their role of creating competitive advantage achieved by Safaricom Ltd and Airtel Kenya.

1.5 Significance of the study

The study is of help the mobile phone service providers evaluate their investment in CSR as a competitive advantage strategy. The study will also create awareness of corporate social responsibility among the mobile phone dealers, customers and the general public. The findings are critical in the evaluation and review of the CSR strategy used, since; the study will highlight the strategies adopted by each firm and correlate them with competitive advantage arising from it. The study findings would form a basis for future research in the area. The research findings will also be used as reference material for future research.

1.6 Scope and Justification of the study

The study covered all the users of mobile services for both Safaricom and Airtel Kenya in Nakuru Municipality. Only customers who had subscribed to the services of either or both of the two firms were allowed to participate in the study. The study was

carried out within the month of November and December 2012. Due to the diverse nature of CSR, the study narrowed down to three aspect of the CSR namely The Type, Customer awareness of the CSR and the benefit attributed to the CSR program undertaken by the firms.

1.7 Limitations of the study

While conducting the current research, two limitations were encountered: obtaining customer consent to participate in the study was somewhat a challenge as most of them were too busy and in a hurry, a great deal of effort was required to enlist their support in filling the questionnaires. Secondly, some respondents were semi illiterate and required assistance in filling the questionnaire. This led to the data collection process taking more time than expected

1.8 Assumptions of Study

The involvement of companies in CSR activities has an impact on the perception of the consumer towards a company's brand. The information provided is true to the best knowledge of the respondent and a true representation of the wider population to which the final recommendation and conclusion will apply to.

1.9 Operational Definition of Terms

Corporate Social Responsibility Safaricom and Airtel are both involved in giving back to the communities which live around them through social, economic, and m ecological considerations.

Competitive advantage: These are strategies laid down by Safaricom and Airtel Mobile Phone Companies that enable each to attract and retain loyal customers.

Market: These are people who, as individuals or organizations, have needs for products and services from both Safaricom and Airtel mobile phone service.

Market Share: This is the proportionate extent to which Safaricom and Airtel have each gained loyal customers to be served.

Service: is any activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership of anything.

Resource Based Value: This is a perspective where all CSR activities should generate a resource for the firm that is a source of competitive advantage

CHAPTER TWO

LITERATURE REVIEW

2.1 Defining CSR

The definition of CSR can be broken down into four components, “The social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time.”

The economic and legal types of responsibility are required of businesses by society and include being profitable while obeying all laws and regulations including environmental and consumer laws.

Bowen (1953) offered one of the earliest definitions seeing CSR as the “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6). Since then, the field has evolved assuming different names such as Corporate Social responsiveness (in the 1970s) and Corporate Social performance (in the 1980s). This evolution also reflects an increase in awareness in important areas of action and performance that the early definitions had overlooked.

2.2 The emergence of Corporate Social Responsibility

Heightened corporate responsibility has not been entirely voluntary. Many companies awoke to it only after being surprised by the responses to issues they had not previously thought were part of their business responsibilities. Nike for instance faced an extensive consumer boycott after the *New York Times* and media outlets reported abusive labour practices at some of its Indonesian suppliers in the early 1990s. Nestle’s approach of working with small farmers exemplifies the symbiotic

relationship between social progress and competitive advantage. Ironically while the company's reputation remains marred by a 30-year old controversy surrounding sales of infant formula in Africa, the corporation's impact in developing countries has often been profoundly positive (Porter and Kramer, 2006).

Governments, activists and the media have become adept at holding companies to account for the social consequences of their activities. As a result, established firms awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities (Porter and Kramer, 2006).

Davis (1973) describes the iron law of responsibility, as the fact that firms exercising power will eventually be held accountable by society. At this level CSR can be best understood as a quest for organizational legitimacy. Firms are under the obligation not to abuse the power invested on them by society or they risk losing society's implicit endorsement. 'The Salvationist illusion is that globalization has transferred power from governments to business. CSR holds that business should assume a leading role in making the world a better place: they should demonstrate corporate citizenship. This is taken to mean endorsing and pursuing the objective of sustainable development. CSR supporters presume, mistakenly, that the notion of sustainable development is well defined and universally agreed (Henderson, 2001).

2.2.1 The Concept of Corporate Social Responsibility (CSR)

The concept of corporate social responsibility and environmental management has also emerged as an important consideration for most organizations (Brown, 2003). There is increased pressure for organizations to become accountable to a wider set of stakeholders than just shareholders and creditors (Hackston and Milne,

1996), and it is argued that by promoting CSD and social responsibility, there will be benefits for organizations and society (Hall, 2002). However, within New Zealand, Hall (2002) argues that organizations are not responding to the increased demand for CSD internationally.

The engagement of corporations in CSR initiatives demonstrates that they are substituting, complementing the Government in the provision of civil rights to its citizens. Modern entrepreneurs do not see CSR as just about giving back to society. However in some cases some companies have been literally forced to giving such important amenities like health and education to communities where the Government either fails or reduces its public spending by encouraging citizens to be responsible for their own social provision. Magadi Soda has a “social welfare” orientation towards the support of the community. A “company town”, with all provisions including primary and secondary schools, entertainment theatre, hospital, water treatment facilities, transport systems (bus, roads and railway networks) and places of worship has been built. The real emphasize of CSR is to encourage responsible business practices and thereafter community involvement. CSR is seeking to enhance the well- being of critical stakeholders such as employees, suppliers, stakeholders, and consumers. CSR is simply about how the business makes money and not how it uses its profits (Kivuitu, 2003).

2.3 Justification for CSR

There are four prevailing justifications for CSR. These are moral obligation, sustainability, license to operate, and reputation. The moral appeal argues that companies have a duty to be good citizens. The notion of license to operate derives from the fact that every company needs tacit or explicit permission from

governments, communities and numerous stakeholders to do business. Finally, reputation is used by many companies to justify CSR initiatives on the grounds that they will improve a company's image, strengthen its brand, enliven morale, and even raise the value of its stock (Porter and Kramer, 2006).

2.4 Competitive Advantage

Barney(2002) gave an explicit definition of competitive advantage , he states that a firm is said to have competitive advantage when it is implementing a value- creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are not able to duplicate the benefits of this strategy. Due to the complexity of competitive advantage, the social as well as economic impacts from related activities, different scholars and institutions in the world have done researches, amendments or re-definitions of “competitive advantage”. Several conceptual definitions of competitive advantage have been compared and discussed by different scholars, which are summarized in Figure 2.1 below.

Figure 2.1: Definitions of competitive advantage

Author	Year	Definitions
Hoffer &Schendel	1978	<i>"A competitive advantage is the unique positional an organization develops vis a vis its competitors through its pattern of resources deployments and/or scope decisions"</i>
Porter, M.E.	1980	<i>" The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market"</i>
Reed &DeFillippi	1990	<i>"To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage"</i>
Mitch McCrimmon	2008	<i>"Any business with a competitive advantage is able to attract more customers than its competitors by having some special vectors that no one else possesses"</i>

2.5 Strategic CSR

For any company strategy must go beyond best practices. It is about choosing a unique position and doing things differently from the competitor in a way that lowers costs or better serve a particular set of customer needs. These principals apply to company's relationship with society as readily as to its relationship with customers and its rivals. Companies that invest in CSR have a competitive advantage in terms of

service to the community which can contribute to the well-being and the success of the organization and to increase the market share. It is assumed that companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that do not engage in CSR activities. They also have an enhanced brand image, reputation, an increased ability to retain quality work force, more effective risk management, (Barney, 1991).

A firm may acquire valuable resources through history that cannot be replicated by other firms, such as positioning the firm in a valuable geographic location, being in a position to exploit a significant scientific breakthrough, or the development over time of a unique organizational culture (Barney, 1991). Socially-complex resources are created from the coordinated action of a large number of people, such as a dynamic corporate culture or a highly-regarded corporate reputation (Dierickx and Cool, 1989). These types of socially-based resources could be categorized in a similar way to the relationships an organization might hold with its stakeholders. Both historically-unique and socially-complex resources are particularly valuable because they have a high degree of sustainability of a firm's competitive advantage due to their low level of substitutability (Barney, 1991). The competitive advantage is held by the firm while it is difficult for competitors to duplicate the successful approach.

There is a progressive move that is radical in nature in present corporate Kenya whereby in-order to sustain their businesses, corporations have started Corporate Social Responsibility (CSR) programs as seen in the inclusion of CSR pronouncements in mission statements, or in their set of core values according to Naeku (2006). In these organisations, comprehensive social commitments have

become an integral way to conduct business and a core competent corporate reputation, brand personality and organisational identity.

Previously, the prevalent world-view on Corporate Social Responsibility (CSR) was that business was business and social responsibility was something different and separate. This logic was based on the premise that business was bad or neutral at best to spearhead or contribute to social programs. At the time, one had to look outside the corporate world for social programs: to Government, NGOs, Churches and schools. However this notion has changed and many managers in business and elsewhere have found it to their advantage to do something about pressing social problems. This is because the survival of an enterprise depends upon successful interaction with all environmental elements, Koontz and Weihrich, (1988). However, Business should not just do CSR for the sake of pure philanthropy. Rather, it should transform its use into a competitive context in which a business functions (Porter and Kramer, 2002). This can be achieved by choosing a pressing but carefully chosen need that benefits both the company and the customers. For the company to be able to lay ownership to the cause it has to brand it. By preserving a distinctive profile to the cause, the distinctive profile can be achieved when the company expands its commitment to the cause by adding new innovative programs that cannot be easily imitated by its competitors.

Porter and Kramer (2006) argue that for any company, strategic CSR must go beyond best practices. It is about choosing a unique position – doing things differently from competitors in a way that lowers costs or better serves a particular set of customers' needs. Strategic CSR moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and

business benefits are large and distinctive. It unlocks shared value by investing in social aspects of context that strengthen company competitiveness. A symbiotic relationship develops: The success of the company and the success of the community become mutually reinforcing.

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage. Porter identified two basic types of competitive advantage: cost advantage and differentiation advantage (Porter and Kramer, 2002)

2.6 Role and Validity of CSR

The role and validity of CSR has been the subject of on-going discourse and development. While most theories focus upon economics, politics, social integration, or ethics (Garriga and Melé, 2004), the perspectives within these areas vary widely. These perspectives include the following:

The first perspective is solely focusing on profit-making, because “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of social responsibility other than to make as much money for their stockholders as possible” (Friedman, 1962).

The second perspective is going beyond profit making by examining the impact of business activities upon the social system (Davis, 1973). It is described as going

beyond economic and legal requirements, resulting in an early conceptualisation of business ethics and corporate citizenship (McGuire, 1963).

The third perspective is on voluntary activities, where the marginal return on business expenditure on CSR is less than the returns available from alternative expenditure (Manne and Wallich, 1972) Economic, legal, and voluntary activities (Steiner, 1971). Concern for the broader social system (Eells and Walton, 1974).

The final perspective is giving way to social responsiveness, the adaptation of corporate behaviour to social needs, and corporate behaviour in congruence with prevailing social norms, values, and expectations of performance (Ackerman & Bauer, 1976; Sethi, 1975).

2.7 Resource based Value (RBV)

One other approach that has received little attention within the CSR literature is the Resource-Based View (RBV) of the firm. This perspective is adopted here because it provides an explanation for why firms undertake CSR projects: the capacity of the project to deliver a sustainable competitive.

Hart (1995) was the first to apply the RBV framework to explain why firms engage in environmental responsibility. Some firms are able to establish a sustainable competitive advantage through the resources or capabilities created from environmental responsibility programmes. Three areas of strategic capability were identified: pollution prevention, product stewardship, and sustainable development. Sustainable development in this framework refers to mitigating the negative link

between economic development in developed countries and resultant environmental degradation in the developing world (Hart, 1995). This provides a focus that is aligned with concepts in CSR literature. However, the scope of CSR has extended from focusing mainly on environmental issues to integrating economic growth with both environmental protection and social equity (Branco and Rodrigues, 2006).

The RBV approach assumes that firms do not have an equal endowment of strategic resources and that resources are not perfectly mobile between firms. Three categories of resource are identified: physical capital resources such as physical technology, plant and equipment, geographic location, access to raw materials, human capital resources including the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers; and organisational capital resources such as reporting structures, formal and informal planning, controlling and coordinating systems, and informal relations within a firm and between a firm and those in its environment (Williamson, 1975; Becker, 1964; Tomer, 1987).

From an RBV perspective, all CSR activities should generate a resource for the firm that is a source of competitive advantage. A more structured model of the profit-maximising firm was created by McWilliams and Siegel (2001), who provided a framework for establishing the level of investment that any specific firm should make in CSR programmes, based on cost-benefit analysis. The framework argues that the firm will invest in CSR to the extent to which consumers or other stakeholders value the 'social' attribute of the firm or product. It considered CSR to be a mechanism of product differentiation. Demand for CSR attributes is generated by consumers and other stakeholders such as investors, employees, and community groups. Consumers

seek CSR attributes because they wish to support firms that devote resources to CSR, or value the intangible attributes such as a reputation for quality and reliability that may be associated with firms engaged in CSR.

However, there has been little explication in the literature of how organizational practices related to CSR might provide such a competitive advantage. The following section, therefore, examines the literature related to CSR to provide further insights into the strategic role that it may play in contributing to the strategic advantage of the firm. The dominant perspective from which studies of CSR practice have proceeded involves addressing challenges to legitimacy by responding to stakeholder concerns (Deegan, Rankin & Tobin, 2002; Golob and Bartlett, 2007). This research paper acknowledges that further examination of the CSR benefits to stakeholders would also contribute to competitive advantage.

Studies of the financial performance of firms with CSR programs have highlighted a particularly useful distinction between the effectiveness of CSR activities that are altruistic (such as social issue participation) and strategic (such as stakeholder management) (Hillman and Keim, 2001). Strategic CSR has a positive correlation with financial performance and a negative correlation with altruistic CSR (Hillman and Keim, 2001). Stakeholder management investments provide a basis for competitive advantage by creating resources and capabilities for the firm that are difficult for competing firms to emulate or substitute. By developing longer-term interactions with stakeholders that are relational rather than transactional, the firm develops a capacity to expand its set of value-creating exchanges with customers,

suppliers, employees, and communities that cannot be readily copied (Hillman and Keim, 2001).

The findings of these studies suggest that many altruistic types of CSR practices, such as triple bottom line reporting or local social issues participation, are relatively easily duplicated by numerous organizations. On the other hand, longer-term relationships are not easily copied. This suggests that CSR practices that are related to symbolic management of stakeholder expectations may not be as valuable to the firm as relationships that constitute actual networks of support for the organization. Social issue participation does not generate a competitive advantage because it is largely a transactional investment which can easily be duplicated by competing firms (Hillman and Keim, 2001).

Wilson (1994) examined the relationship between corporations and community from the perspective of CSR, arguing that public perception of a firm's CSR commitment was central to the formation of stakeholder perceptions. Firms are developing a CSR identity for their organisation to use in marketing strategies, customer retention management, and stakeholder relations.

In a study of the dairy industry in the Netherlands, Mathis (2007) identifies a proactive approach to CSR implementation as critical to developing an effective relationship with public authorities building relationships, therefore, becomes a prerequisite of positive communication between the firm and its stakeholders, this could therefore be a source of competitive advantage to a firm. Kosgey (2003) asserts that buyers can be grouped into groups according to their degree of loyalty. Hardcore

loyal are those that buy only one brand every time and all the time. Split loyals are those that are loyal to two or three brands of a given product. Shifting loyal are those that shift from one brand to another. Switchers-show no loyalty to any one brand and want something different each time they buy. Muturi (2004) has given five levels of loyalty as the non-loyal, the habitual buyer, the switching cost loyal friends of the brand and committed buyer. Safaricom and Airtel Kenya have customers shifting from one to the other. Muturi (2004) concluded that by studying the loyalty levels the companies can segment their markets. Companies can detect which brands are competitive against their own and improve on its positioning strategy.

In his study on customers' perception of brand personality in Safaricom and Airtel, Naeku (2006) claims that research has shown that meaningful brand names that are visually represented are easier to remember and can enhance devices of memory structures for brand related information communication and advantages. He pointed out that a company must analyze the factors behind non-switching of brands because brands can represent valuable form resources, Aaker (1996).It is worth nothing that what appears as brand loyalty purchase may reflect habit indifference or low price, a high switching cost or non-availability of other brands.

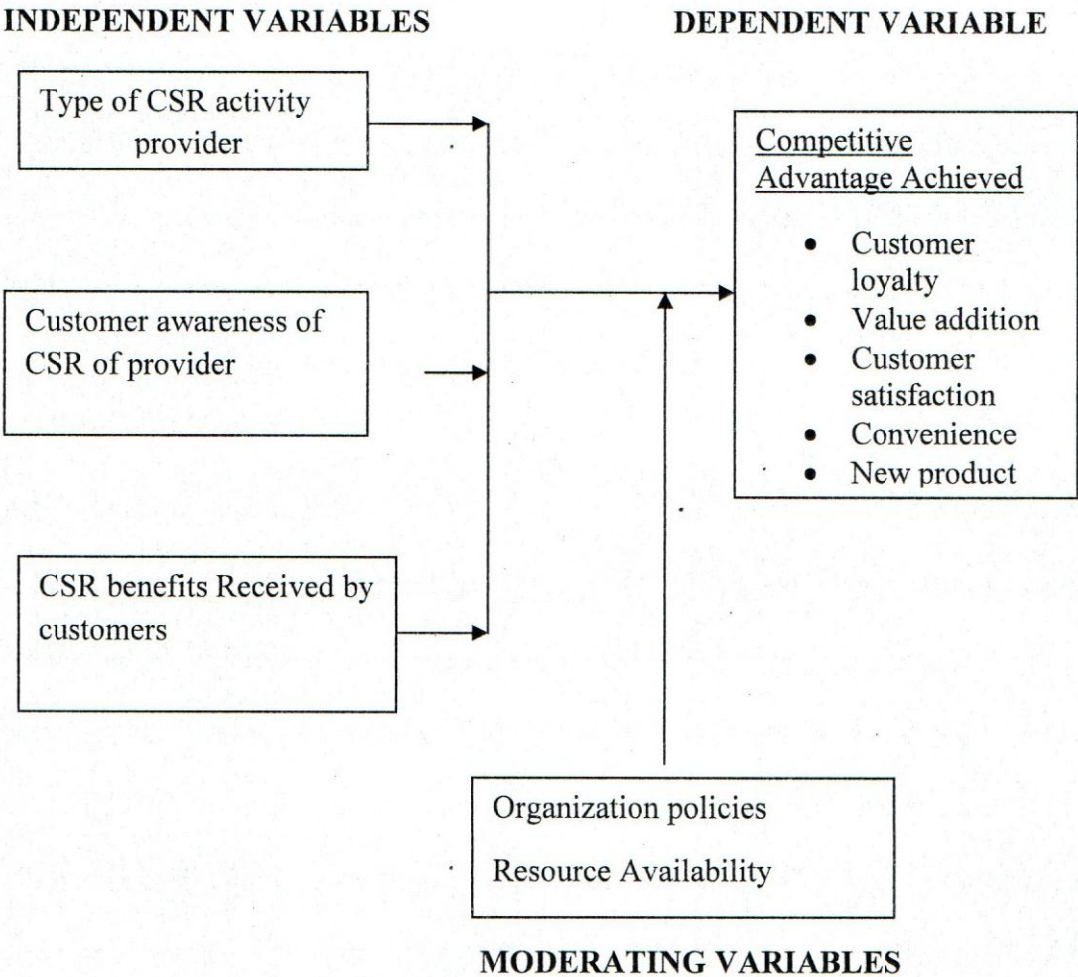
Muturi (2004) researched on the factors that determine customer loyalty to a mobile phone service provider, a case study of mobile phone users in Nairobi. She found out that when company delivers super value though it's corporate abilities, customer loyalty, market value and revenues go up and the cost of acquiring and servicing customers goes down. She asserts that customer loyalty leads to improved financial performance and long term sustainability for company and employees. Staff for these

mobile phone companies tends to be more committed and innovative. Wambugu (2002) in her study found out that when loyalty exists value is created in the eyes of the customers. Loyalty is important because it has crucial effects on profitability and market share of a company. It is further claimed that companies with loyal customers have a competitive advantage over their rivals.

The firms with high level of corporate abilities generate positive market value from positive market value from CSR actions. When coupled with high corporate abilities, CSR actions of a firm can generate favourable attributes and customer identification, thus leading to performance enhancing behaviours like customer loyalty. The type of CSR activities engaged in is highly dependent of the value of resource set aside for the program, the need prevailing within the surrounding community and the strategy adopted for the CSR activities in line with the intended objectives. Customer's awareness of the firm's engagement in CSR activities is likely to influence their perception and attitudes towards the firm's products or services leading to the loyalty, higher perceived value derived from their products or services and satisfaction translating into a competitive advantage. The benefits accrued to the customers through the CSR activities undertaken has a key input in the purchase decisions is always will contribute to the levels of commitments that the customer will have towards the firm and the product hence creating more competitiveness for the firm.

2.8 Conceptual framework

Figure 2.2: The role of CSR on Firms' Competitive Advantages



Source: Own Conceptualization (2014)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study employed a cross-sectional survey design. According to Owens (2002), Cross-sectional surveys involve collection of data whereby, data is collected at one point in time from a sample selected to represent a larger population. The design is an efficient method of collecting descriptive data regarding characteristics of a sample of a population, current practices, conditions or needs and preliminary information for generating research questions. In this study the researcher dealt with these weaknesses of the cross-sectional survey by selecting a sample through randomization and using a relatively large sample size of the of mobile phone customers.

3.2 Target Population

The target population was all mobile phone customers living within Nakuru Municipality. According to the population census of 1999 the approximate population was 300,000 people. The number of mobile users in the town is very dynamic and no exact figures are available since most of the customers are also highly mobile. The study was specifically focused on mobile phone customers who were using Safaricom and Airtel service. However some of the subscribers were using both Safaricom and Airtel services and for this research, they were requested to choose their most preferred provider in their feedback.

3.3 Sample determination

The customers' study sample size was determined using the formula provided by Mugenda and Mugenda (1999).

$$n = \frac{Z^2 pq}{d^2}$$

Where

n = the desired Sample size (if the population is greater than 10,000).

z = the standard normal deviate at the required confidence level

p = the proportion of the target population estimated to have characteristics being measured.

q = 1-p

d = the level of significance set

Since p and q are unknown, both are set at 0.5, z = 1.96 and the study desires accuracy at 0.05 significance level, Thus, the sample size n will be:

$$n = \frac{(1.96)^2 (0.50) (0.50)}{(0.05)^2} = 384 \text{ respondents}$$

To ensure adequate representation of both firms in the study, the sample was divided as per the national subscriber numbers in the ratio of 12 million from Safaricom to 4 million subscribers for Airtel giving a distribution of 288 respondents for Safaricom and 96 respondents for Airtel. Quota sampling was used where those who were using both subscribers' services were requested to indicate their most preferred and grouped into their respective provider.

3.4 Data Collection Instrument and Procedure

For purposes of collecting primary data, the study used a questionnaire containing structured questions. The questionnaire was developed to establish the information on

3.6 Data analysis

The responses to the various items were first coded then keyed in a matrix to facilitate ease of coding and entry in to SPSS analysis software. Both descriptive (frequencies percentages and mean) and inferential statistics was used in the analysis. The role of the type of CSR engaged in by the provider in creation of competitive advantage was tested using logistic regression while the contribution of CSR awareness and benefits received by the customers to competitive advantage was tested using Pearson’s correlation. The variables involved in the analysis were as indicated in Table 3.5.1

Table 3.6.1

<i>Variable Operationalization</i>			
Variable	Measurement	Scale	Test
Type of CSR	Different types of CSR activities	Ordinal	Logistic regression
CSR Awareness	Level of awareness	Likert Scale	Pearson’s Correlation
CSR Benefits	Benefits received by the customer	Likert Scale	Pearson’s Correlation
Competitive advantage	Customer loyalty, satisfaction and empowerment	Likert Scale	

CHAPTER FOUR

4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION

This chapter presents the findings in line with the data collected by use of the questionnaire distributed among mobile phone users within Nakuru Town. Specifically the chapter is divided into two sections: descriptive analysis and inferential analysis where the hypotheses were tested to establish the relationship between the dependent and the independent variables.

The data was successfully collected from all the 384 expected questionnaires based on desired sample proportions of 288 for Safaricom to 96 for Airtel. Preliminary screening of the questionnaires led to 16 questionnaires being disqualified due to incomplete response. The remaining 368 questionnaires representing 95% with valid response in a proportion of 224 for Safaricom, 76 for Airtel and 68 who used both were used as a basis for this analysis.

4.1 General Information of Respondents

To understand the general characteristics of the respondents, analysis was done on several attributes and the outcome was as presented below:

4.1.1 Gender of the respondents

Each of the respondents was requested to indicate their gender as one of the key attributes of mapping out respondent's characteristics. Their responses were as provided in Table 4.1.1 below:

Table 4.1.1***Gender of Respondents***

Gender	Count	Percent
Male	174	47.3%
Female	194	52.7%
Total	368	100%

From the analysis 47.3% of the respondents were male while 52.7 % were female. This shows a near balance of both genders in the analysis with a tilt towards more female. This provided a balanced view of both gender in relation to the content of the study.

4.1.2 Mobile Service Provider

The next attribute to be evaluated was their choice of mobile phone provider and the outcome was as presented in table 4.1.2 below:

Table 4.1.2***Mobile phone service provider***

Provider	Count	Percent
Safaricom	224	60.9%
Airtel	76	20.7%
Both	68	18.5%
Total	368	100%

Proportionately (60.9%) of the respondents involved in the study were Safaricom users while 20.7% were using the Airtel services. Notably 18.5 % of the providers were using both service providers. This clearly supports the market share of the two service providers.

4.1.3: Preferred Provider

The respondents were further asked to indicate their preferred service provider which was to provide a clear choice on which analysis will be based. Their responses were as indicated in table 4.1.3 below:

Table 4.1.3

Preferred service provider

Preferred Provider	Count	Percent
Safaricom	279	75.5%
Airtel	89	24.2%
Total	368	100%

The final proportion of the respondent's service provider after identifying the most preferred provider were 75% for Safaricom to 24.2% for Airtel indicating that 79.4 % of those who used both providers preferred Safaricom and 20.6% preferred Airtel giving Safaricom a three quarters proportion of market share as compared to a quarter for Aitel.

4.1.4. Period of Subscription

The researcher also sought to establish the length of time that the respondents have been using the preferred providers' services as an indication of their knowledge in their CSR activities. Their responses were as indicated in Figure 4.1.4 below:

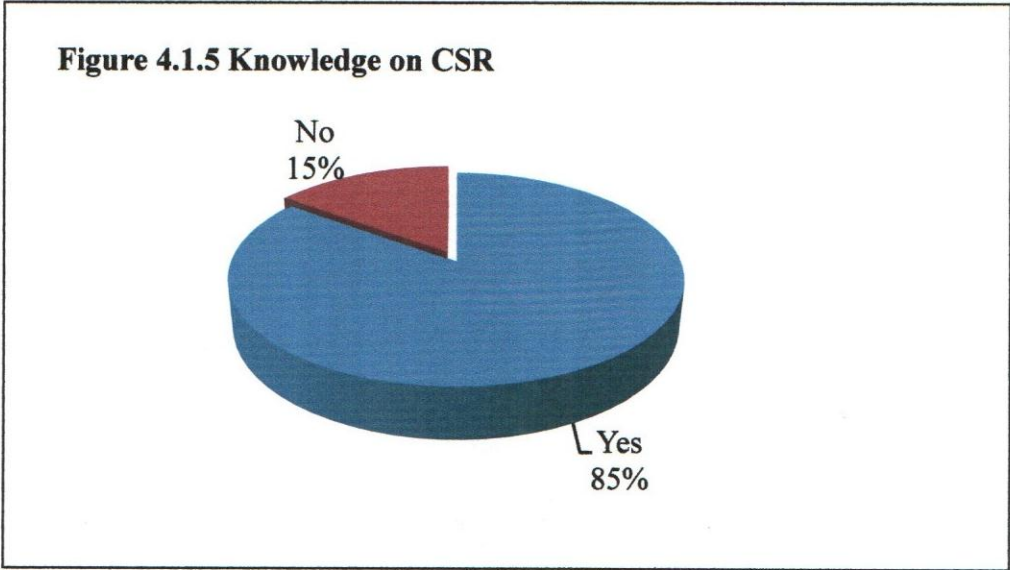
Table 4.1.4***Years of using the provider's service***

Preferred Provider		Length of Use				Total
		Below 1 Year	Between 1- 3 Years	Between 4-5 Years	Over 5 years	
Safaricom	Count	10	77	49	143	279
	% of Total	2.7%	20.9%	13.3%	38.9%	75.8%
Airtel	Count	4	20	22	43	89
	% of Total	1.1%	5.4%	6.0%	11.7%	24.2%
Total	Count	14	97	71	186	368
	% of Total	3.8%	26.4%	19.3%	50.5%	100.0%

Slightly more than half (50.5%) of all the respondents had used their current providers for over 5 years of which 38.9% percents were Safaricom users and 11.7% were Airtel users. this was followed by those who used the providers services for between 1-3 years with a representation of 26.4 % 20.9% of which were Safaricom users while 5.4 % were Airtel users. Those who had between 4-5 years of engaging the services of the providers were represented by 19.3 % where 13.3% were Safaricom users and 6% being Airtel users. The least represented category were those who had less than 1 year engagement with their current provider (3.8%) of which 2.7% and 1.1% were representing Safaricom and Airtel users respectively . Users of both providers exhibited a common increasing trend for providers with the majority having used their services for over five years. For this study trend give more confidence on the information provided as an indication of most participants have a clear understanding of providers competitiveness and their CSR activities.

4.1.5 Awareness of CSR

The researcher first sought to establish if the respondents were knowledgeable about the concept of CSR and their responses are presented in Figure 4.1.5.



A majority of the respondents (85%) were aware of the CSR concept while 15% were not conversant with the concept. This is clear that most of the respondents were knowledgeable in the research area further supporting the validity of the information received for the study.

4.2 CSR activities Involved in by the Providers

It was important that the research sought the respondents' knowledge of the specific CSR activities that the two operators were engaged in. their response were as presented in Table 4.2.1 below:

Table: 4.2.1***Knowledge of CSR activities supported by the providers***

CSR Activity		Safaricom		Airtel	
		Yes	No	Yes	No
Environmental Protection	Freq	193 69.2%	86 30.8%	69 77.5%	20 22.5%
Access to clean Water	Freq	119 42.7%	160 57.3%	36 40.4%	53 59.6%
Promote Culture & Heritage	Freq	180 64.5%	99 35.5%	63 70.8%	26 29.2%
Promotes Quality Healthcare	Freq	167 59.9%	112 40.1%	64 71.9%	25 28.1%
Affordable Products & services	Freq	223 79.9%	56 20.1%	71 79.8%	18 20.2%
Community service	Freq	208 74.6%	71 25.4%	69 77.5%	20 22.5%
Promotes Sports	Freq	239 85.7%	40 14.3%	77 86.5%	12 13.5%
Sponsor Education for the Needy	Freq	209 74.9%	70 25.1%	65 73.0%	24 27.0%

The feedback from the analysis indicated that 69% were aware of Safaricom's engagement in environmental protection activities while 77% recognized Airtel participation in the same. On support for access to clean water 42.7% and 40.4% were aware of Safaricom and Airtel participation while 64.5% and 70.8% were aware of their support for promotion of culture and heritage activities. Further, 59.9%, and 71.9% identified their participation on promotion of healthcare respectively.

On provision of affordable products and services, 79.9% and 79.8% of Safaricom and Airtel customers indicated that they were aware of the providers' participation. On the support to community service, promotion of sports and sponsoring education for the

needy, 74.6%, 85.7% and 74.9% of Safaricom customers had knowledge their providers' participation while 77.5%, 86.5% and 73% of Airtel customers indicated the same respectively. In general it was clear that more than half of the respondents were aware their provider's participation in the various CSR activities highlighted in the study.

4.3. Extent to which the providers are engaged in the CSR activities

The research went further and sought the extent to which the providers were using them. Their feedback was as presented in Table 4.3.1 below;

Table 4.3.1

Rating on knowledge of operators CSR activities

			Response					Mean score
		Provider	SD	D	N	A	SA	
Employed many		Safaricom	2.2%	1.8%	7.9%	30.5%	57.7%	4.40
Kenyans		Airtel	6.7%	0%	11.2%	34.8%	47.2%	4.16
Sell		Safaricom	8.2%	14.7%	31.5%	29.0%	16.5%	3.31
Environmentally friendly Products		Airtel	9.0%	9.0%	36.0%	30.3%	15.7%	3.35
Sponsors Sports		Safaricom	3.2%	2.5%	13%	36.9%	43.7%	4.15
		Airtel	5.6%	4.5%	18.0%	27.0%	44.9%	4.01
Sponsor street children		Safaricom	7.2%	13.3%	29.7%	29.7%	20.1%	3.42
Rehabilitation		Airtel	4.5%	14.6%	32.6%	22.5%	25.8%	3.51
Country wide		Safaricom	2.9%	2.5%	3.9%	30.1%	60.6%	4.43
Network		Airtel	5.6%	2.2%	10.1%	27.0%	55.1%	4.42
Works with		Safaricom	6.5%	10.4%	20.4%	29.7%	33.0%	3.75
Police		Airtel	11.2%	6.7%	19.1%	28.1%	34.8%	3.69
Sponsor HIV		Safaricom	8.6%	6.5%	41.2%	29.7%	14.0%	3.34
AIDS programs		Airtel	11.2%	5.6%	43.8%	23.6%	15.7%	3.27
Poverty		Safaricom	3.9%	11.5%	24.7%	42.7%	17.2%	5.58
Eradication		Airtel	7.9%	9.0%	28.1%	28.1%	27.0%	3.57
Gender		Safaricom	3.9%	15.4%	33.7%	34.8%	12.2%	3.36
Empowerment		Airtel	10.1%	7.9%	36.0%	31.5%	14.6%	3.33
Human Rights		Safaricom	6.1%	12.5%	37.6%	33.3%	10.4%	3.29
Sponsor		Airtel	5.6%	14.6%	32.6%	28.1%	19.1%	3.40
Sponsor Medical		Safaricom	5.7%	15.1%	36.2%	23.7%	19.4%	3.36
Camps		Airtel	5.6%	10.1%	29.2%	39.3%	15.7%	3.49
Natures Talents		Safaricom	4.3%	7.2%	15.1%	36.2%	37.3%	3.95
		Airtel	5.6%	2.2%	23.65	30.3%	38.2%	3.93
Engages in		Safaricom	2.9%	9.7%	17.2%	37.3%	33.0%	3.88
ethical business		Airtel	4.5%	11.2%	14.6%	27.0%	42.7%	3.92
Provides Tailor		Safaricom	3.9%	6.5%	18.6%	44.1%	26.9%	3.84
made Products		Airtel	5.6%	3.4%	30.3%	30.3%	30.3%	3.76
Supports		Safaricom	5.4%	7.9%	19.7%	37.3%	29.7%	3.78
Educational Programs		Airtel	3.4%	9.0%	27.0%	31.5%	29.2%	3.74
Support Health &		Safaricom	6.1%	10.0%	28.7%	37.6%	17.6%	3.57
Safety Programs		Airtel	4.5%	6.7%	36.0%	29.2%	23.6%	3.61
Support culture		Safaricom	9.0%	10.0%	21.9%	38.7%	20.4%	3.52
and heritage		Airtel	6.7%	3.4%	34.8%	23.6%	31.5%	3.57

Where: **SA** strongly Agree. **A** Agree. **N** Neutral. **D** Disagree. **SD** strongly Disagree

From the results of the analysis as presented in table above, Majority of the respondents (57.7% and 47.2%: Mean 4.40 and 4.16) were in strong agreement that their provider has employed many Kenyans. On whether they agree with the concept that their provider was selling environmentally friendly products, majority were neutral with a representation of 31.5% and 36% (Mean 3.31 & 3.35) for Safaricom and Airtel respectively.

However a majority of both set of customers strongly agreed (43% and 44.9%, Mean: 4.15 & 4.01) that their provider was engaged in sponsoring sport activities. An equal percentage of Safaricom customers (29.7% Mean 3.42) were neutral and did agree that Safaricom was in support of street children rehabilitation while a majority (32.6%Mean 3.51) of Airtel subscribers were neutral. Both set of respondents strongly agreed that their provider had a nationwide network coverage as represented by 60.6% and 55.1% (Mean: 4.43 & 4.24) for Safaricom and Airtel respectively. The respondents rating of their providers supports for security by working with the police resulted in a majority (33% & 34.7%, Mean: 3.72 & 3.69) indicating strong agreement for Safaricom and Airtel respectively.

The level of support that the providers were giving to HIV and AIDs programs received an neutral response for both of the providers with 41.2% & 43.8% (Mean: 3.34& 3.27) forSafaricom and Airtel respectively while an equal proportion (28.1% Mean 3.58) of Airtel users were equally neutral and in agreement as compared to 42.7% (Mean: 3.57) for Safaricom users who were in agreement. Gender equality promotion and sponsoring human rights received a neutral verdict for both providers

with 33% & 37% (Mean: 3.36 & 3.33) and 36% & 32% (Mean: 3.29 & 3.40) for Safaricom and Airtel customers respectively.

Sponsoring medical clinics saw a majority (36.2% Mean: 3.36) of Safaricom customers neutral while most (39.3% Mean: 3.49) Airtel customers were in agreement. When the concept of nurturing talent was evaluated, the outcome received a majority (37.3% & 38.2% Mean: 3.95 & 3.93) rating for both providers was a strong agreement. Engagement in ethical business was by the majority (37.3% Mean 3.88) of Safaricom customers were given a rating of an agreement. The same element received a strong agreement (42.7% Mean 3.92) by Airtel users. As to whether their providers were providing tailor made products, a majority (44.1%, Mean 3.88) of Safaricom were in agreement while Airtel customers equally gave a 30.3% (Mean 3.92) for strong Agreement.

Consensus rating of an agreement for support of educational activities was received with 37% & 31% (Mean: 3.84 & 3.92) respectively for Safaricom and Airtel customers. Finally, majority (37% & 38% Mean: 3.51 & 3.61) of Safaricom users gave their provider an agreement in support health safety and cultural activities while on the same, a majority (36% & 34%, Mean: 3.52 & 3.70) of Airtel respondents were neutral. From the response it was evident that most respondents were in agreement of their providers support for CSR activities.

4.4 Benefits achieved the provider for engaging in CSR

The respondents were requested to indicate the extent to which they agree with the benefits enjoyed by their provider to have associated with their engagement in CSR activities. Their response were as summarized in Table 4.4.1 below

Table 4.4.1

Benefits and CSR engagement

Response	Provider	SD	D	N	A	SA	Mean
Offers Superior Services	Safaricom	3.30%	3.90%	10.00%	41.90%	40.90%	4.13
Quality	Airtel	2.30%	6.70%	9.00%	41.60%	40.40%	4.11
Better Satisfying Services	Safaricom	2.50%	4.30%	9.00%	45.20%	39.10%	4.15
Handles	Airtel	5.60%	6.80%	11.20%	34.80%	41.60%	4.12
Complaints	Safaricom	2.20%	3.90%	11.80%	40.90%	41.20%	4.14
Efficiently	Airtel	2.20%	5.60%	9.00%	43.90%	39.30%	4.00
Enjoys flexible market	Safaricom	4.30%	4.70%	14.70%	41.20%	35.10%	3.98
	Airtel	2.20%	2.20%	16.90%	41.60%	37.10%	4.09
Enjoy Higher societal standing	Safaricom	2.50%	4.70%	15.10%	43.00%	34.80%	4.03
	Airtel	4.50%	1.10%	14.60%	37.10%	42.70%	4.12
Greater customer loyalty	Safaricom	1.40%	3.90%	12.90%	44.40%	37.40%	4.12
	Airtel	1.10%	6.70%	18.00%	34.80%	39.40%	4.04
Greater market share	Safaricom	2.50%	2.90%	7.50%	34.10%	53.00%	4.32
	Airtel	2.20%	2.20%	7.90%	37.10%	50.60%	4.31
Better customer relationship management	Safaricom	1.10%	4.70%	14.70%	42.70%	36.90%	4.10
	Airtel	1.10%	2.20%	13.50%	37.10%	46.10%	4.25
Newer Service delivery strategies	Safaricom	2.90%	2.90%	18.30%	39.40%	36.60%	4.04
	Airtel	3.40%	5.60%	21.30%	36.00%	33.70%	3.91
Better market positioning	Safaricom	1.80%	2.90%	13.60%	38.00%	43.70%	4.19
	Airtel	1.80%	2.90%	13.60%	38.00%	43.70%	4.06
Better relations with public and government	Safaricom	2.90%	2.50%	17.60%	37.30%	39.80%	4.09
	Airtel	4.50%	0.00%	29.20%	32.60%	33.70%	4.91
Better staff motivation	Safaricom	2.50%	3.90%	26.90%	37.30%	29.40%	3.87
	Airtel	2.20%	5.60%	36.00%	25.80%	30.40%	3.76
Better products	Safaricom	3.60%	2.90%	10.00%	47.00%	36.60%	4.10
Offered	Airtel	4.50%	7.90%	6.70%	43.80%	37.10%	4.01
Affordable	Safaricom	10.00%	8.60%	14.30%	39.10%	28.00%	3.66
Products	Airtel	11.20%	14.60%	14.60%	31.50%	28.10%	3.51

Where: **SA** strongly Agree. **A** Agree. **N** Neutral. **D** Disagree. **SD** strongly Disagree

From the above findings most of the respondents were in agreement that their provider was offering superior service quality as were represented by the highest percentage of 41% (Mean 4.13 & 4.11) for both providers respectively with those who strongly agreed having 40%.

On customer handling, a majority (41.9%, Mean: 4.15) of Safaricom customers strongly agreed with their providers handling of their complaints while there is an agreement for the same by Airtel customers (43.8% Mean: 4.12). Further the respondents view of whether the products provided were satisfying, 45.2% (Mean: 4.14) of Safaricom customers were in agreement while 41.6% (Mean: 4.00) of Airtel customers were in strong agreement with the proposition. The same trend was also exhibited by their response on whether their provider was handling their complaints efficiently where 41.2% (Mean: 3.98) of Safaricom customers were in strong agreement while 43.8% (Mean: 4.09) of Airtel customer were in agreement.

The providers market flexibility received the highest rating of 41.2% (Mean: 4.03) and 41.6% (Mean: 4.12) in agreement from both Safaricom and Airtel users respectively. Majority (43% Mean: 4.12) of Safaricom's customers gave an agreement to their providers societal standing while 42.7 % (Mean: 4.04) of Airtel customer strongly agreed that it enjoys a higher societal standing. In their rating for customer loyalty, 44.4% (Mean: 4.32) of Safaricom respondents were in agreement while 39.3% (Mean: 4.31) as a majority of Airtel customer were in a strong Agreement. On the respondents rating on the providers market share, 53% and 50.6% (Mean: 4.10 & 4.25) of Safaricom and Airtel customers respectively were in strong agreement while 42.7% (Mean: 4.04), a majority of Safaricom customers and 46.1 % (Mean:

3.91) of Airtel users were in agreement of their provider having better customer relations. The ability of the service providers to use newer service delivery strategies received a strong agreement by both providers majority with 39.4% and 36% (Mean: 4.19 & 4.06) for Safaricom and Airtel respectively.

Equal strong agreement of represented 43.7% (Mean: 4.09 & 3.91) of both providers customers was received for having a better position in the market, the same trend in response was received in relation to how the provider was relating with the general public and government agencies where 39.8% and 33.7% (Mean: 3.87 & 3.76) being the majority of Safaricom and Airtel customers who were with a Strong agreement. Motivation of employees received the 37.3% and 36% (Mean: 4.10 & 4.01) as the majority for agreement and being Neutral from Safaricom and Airtel users respectively while their views on their providers offering better products receives a majority of 47% and 43.8% of Safaricom and Airtel customers respectively being in agreement.

The last attribute to be rated by the respondents was in relation to affordability of providers products and services where 39.1% (Mean: 3.66) of Safaricom users and 31.5% (Mean: 3.51) a majority of Safaricom and Airtel user were in Agreement. It was evident that a most of the respondents were in either in agreement or with a strong agreement towards the benefits their providers were benefiting from the use of CSR activities except for staff motivation where majority of Airtel responds were neutral.

4.5 The Benefits Arising to the Customers from Using CSR

The respondents views on the benefits accrued to the customer as a result of the CSR were as presented in Table 4.5 below:

Table 4.5

CSR benefits to the Customer

Benefits of CSR	Provider	SD	D	N	A	SA	Mean
Very Satisfied with Provider	Safaricom	2.9%	6.1%	15.4%	41.6%	34.1%	3.98
	Airtel	2.2%	5.6%	16.9%	41.6%	33.7%	3.99
Very Loyal to My Provider	Safaricom	2.5%	7.5%	13.3%	39.4%	37.3%	4.01
	Airtel	3.4%	3.4%	22.5%	39.3%	31.5%	3.92
Received Value for Money	Safaricom	5.4%	11.5%	22.6%	37.3%	23.3%	3.62
	Airtel	5.6%	12.4%	14.6%	40.4%	27.0%	3.71
Convenience of transacting	Safaricom	3.9%	5.0%	9.7%	41.2%	40.1%	4.09
	Airtel	2.2%	3.4%	13.5%	38.2%	42.7%	4.16
Empowered by the provider	Safaricom	5.0%	9.3%	15.8%	38.7%	31.2%	3.82
	Airtel	6.7%	3.4%	18.0%	36.0%	36.0%	3.91

Where: SA strongly Agree. A Agree. N Neutral. D Disagree. SD strongly Disagree

The response received in relation to the user’s view on the benefits accrued to them indicative a competitive advantage achieved by the providers saw a majority (41.6%, Mean: 3.98 & 3.99) of Safaricom and Airtel respondents were in agreement that they were satisfied with their provider. The same rating of agreement was also received in relation to their loyalty to the provider where 39% were of Both Safaricom and Airtel respondents (Mean: 4.01 & 3.92). On whether the providers engagement on CSR has created more value for them, a majority of both Safaricom 37.3% and 40.7%, Mean: 3.62 & 3.71) were in agreement. On convenience of transacting, majority (41.2%

Mean: 4.09) of the Safaricom customers were in agreement while a majority (42.7% Mean: 4.16) of Airtel customers were in strong agreement.

On the last attribute on whether the providers having empowered the respondents, a majority of Safaricom customers were in agreement while an equal proportion 36%, (Mean: 3.82 & 3.91) of Airtel were either in agreement and also with a strong agreement. It was evident that a majority of the customers were in agreement of the benefits attributed their providers engaging in CSR activities.

4.6 Hypothesis testing

The researcher was guided by three hypotheses that were to guide the development of appropriate conclusions for the study by testing the relationship between the dependent and independent variables. The outcome of each tests were as presented in the following sub sections:

4.6.1 Relationship between type of CSR engaged in and Competitive Advantage

To test the relationship between type of CSR engaged in and competitive advantage the researcher multiple regression where the types of CSR activities adopted was tested against competitiveness. The results from the regression model contained eight independent variables representing the different types of CSR against the levels of competitiveness achieved by both firms, and individually were as indicated in Table

4.6.1

Table 4.6.1

Multiple Regression Results

Model R ²			Model Summary				
			Sum of Squares	df	Mean Square	F	Sig.
Combined	0.059	Regression	10.245	8	1.281	2.802	0.005
		Residual	164.056	360	0.457		
		Total	174.302	368			
Safaricom	0.063	Regression	8.492	8	1.062	2.257	0.024
		Residual	126.999	270	0.470		
		Total	135.491	278			
Airtel	0.157	Regression	6.085	8	0.761	1.859	0.078
		Residual	32.724	81	0.409		
		Total	38.809	89			
Both	0.11	Regression	3.880	8	0.485	0.916	0.510
		Residual	31.237	59	0.529		
		Total	35.118	67			

The combined test including both Safaricom and Airtel customer's significantly explained 5.9% of the variations in competitiveness achieved by both firms. Individually, the CSR activities used by Safaricom significantly explained 6.3% of the variances in its competitiveness while the choice of Airtel CSR activities explained 15.7% of the variances in its competitiveness; however the model did not attain statistical significance. Based on the P values of the three tests, the null hypotheses for the combined model and for Safaricom were rejection while that of Airtel was accepted. For both providers the model explained 11% of the variances in competitiveness achieved but was not statistically significant. This led to the conclusion that that the type of CSR engaged in by the providers does play a role on

creation of competitive advantage achieved by Safaricom, while it does not for those using Airtel or both providers.

4.7 CSR Engagement and Providers Competitiveness

Pearson's Correlation was used to test the second hypothesis on whether there was relationship between the level to which the provider was using the mean score of both CSR activities and competitiveness achieved. The outcome was as presented in table below 4.7.1.

Table 4.7.1

Level of CSR Engagement and Competitiveness

Preferred Provider				Level of CSR Engagement	Competitiveness
Safaricom	Level of Engagement	CSR	Pearson Correlation	1	0.176**
			Sig. (2-tailed)		0.003
			N	279	279
	Competitiveness		Pearson Correlation	0.176**	1
			Sig. (2-tailed)	.003	
			N	279	279
Airtel	Level of Engagement	CSR	Pearson Correlation	1	0.202
			Sig. (2-tailed)		0.058
			N	89	89
	Competitiveness		Pearson Correlation	0.202	1
			Sig. (2-tailed)	0.058	
			N	89	89

** Correlation is significant at the 0.01 level (2-tailed).

Form the analysis, it was established that only Safaricom had a significant relationship between the level of engagement in CSR and the competitiveness seen from the view of subscribers. For Airtel it was found not to be significant and hence the null hypothesis was accepted leading to the conclusion that there no relationship between the level of CSR engagement by Airtel and competitiveness achieved.

4.8 CSR benefits and providers Competitiveness

The third objective of the study was to establish the level to which the benefits due to engaging in CSR activities have influenced the competitiveness of the Mobile phone providers. Pearson correlation was used as a test statistic and the results are as presented in table 4.8 below.

Table 4.8

CRS Benefits and Competitiveness

Preferred Provider		Competitiveness		Benefits of CSR
Safaricom	Competitiveness	Pearson Correlation	1	0.630**
		Sig. (2-tailed)		0.000
		N	279	279
	Benefits of CSR	Pearson Correlation	0.630**	1
		Sig. (2-tailed)	0.000	
		N	279	279
Airtel	Competitiveness	Pearson Correlation	1	0.746**
		Sig. (2-tailed)		0.000
		N	89	89
	Benefits of CSR	Pearson Correlation	0.746**	1
		Sig. (2-tailed)	0.000	
		N	89	89

** . Correlation is significant at the 0.01 level (2-tailed).

From the findings, the benefits customers had received due to the provider engaging in CSR activities were found to have significantly strong relationship for both Safaricom and Airtel with the level of competitiveness achieved by the providers.

4.9 Hypotheses test results Summary

The summary of the hypotheses test results were as presented in Table 4.9

Table 4.9

Hypothesis Test Summary

Hypothesis	Test	Outcome	Decision
Ho: The type of CSR engagement by the service provider do not contribute to the competitive Advantage achieved	Multiple regression	Safaricom: $P=0.024$ Airtel $P=0.078$	Reject H_0 Accept H_0
Ho: CSR awareness among customers do not play a role in creation of competitive advantage achieved	Pearson's Correlation	Safaricom $P=0.003$ Airtel $P=0.058$	Reject H_0 Accept H_0
Ho: A CSR benefit to customers has no role in the competitive advantage achieved.	Pearson's Correlation	Safaricom $P=0.000$ Airtel $P=0.000$	Reject H_0 Reject H_0

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion of Findings

From the analysis it was established that the majority (60.9%) of the respondents involved in the study were Safaricom users while 20.7% were using the Airtel services. Notably 18.5 % of the providers were using both service providers which was a reflection of the current market share of the two service providers. For those who used both providers they were also found to have more preference to Safaricom. This can be attributed to the provider having been the first entry into the market before airtel and has continued to carry out aggressive marketing. It was notable that majority of the respondents were aware of the CSR concept and acknowledged that their providers were actively undertaking various CSR activities.

While relating the involvement in CRS activities by the providers with the level of competitiveness achieved through a multiple regression, it was noted that the type of CSR played a significant role in the competitiveness of Safaricom while to the contrary it does not for Airtel. Based on the argument of Lippman & Rumelt (1982) pioneering firm will find the impact of their CSR being well sustained as compared to those coming in later who will in most cases be duplication already existing programs. Safaricom being the market leader may have perfected on its CSR activities giving their competitors no room to strategically perfect the act but are overshadowed by its success.

When the relationship between the level of CSR engagement was tested against competitiveness using Pearson's correlation test, it was established that there was a statistical significant relationship with competitiveness achieved by Safaricom while

it wasn't with Airtel. As established by Hillman & Keim (2001) there is a positive correlation between CSR and financial performance. Since its formation Safaricom has consistently made supernormal profits providing it with an opportunity to invest substantial amounts in CSR activities across the country. Its CSR activities are known to a large proportion of its subscribers as a result of their magnitude and accompanied by promotions which may be closely linked with its contribution to the competitiveness achieved.

On the benefits customers had received due to the provider engaging in CSR activities, it was found to have statistically significantly strong relationship for Safaricom and for Airtel with the level of competitiveness achieved by the providers. The ability of CSR to give direct service the community is closely related to the benefits that will accrue to the company (Barney 1991) as it is closely related to improved brand image, reputation and increased ability to relate with the customer. The relationship between the providers benefits can be related to Potter & Kraner (2002) proposition recommending business not to engage in CSR for the sake of pure philanthropy, rather it should transform its use into a competitive context in which a business benefits choosing a pressing but carefully chosen need that benefits both the company and the customers. It has been notable that both providers have been keen in choosing the CSR activities mainly through evaluating the benefits to be accrued to their communities involved.

5.2 Conclusion

From the findings the researcher can conclude that majority of mobile phones users within Nakuru town were clearly aware of their providers participation in different CSR activities. This gives a strong indication of good publicity that has always

accompanied engagement in CSR activities as a marketing tool. It was also very clear that the two providers were engaged in almost all eight types of CSR activities that were indicated in the study. The level to which the providers were engaged in the CSR activities having received approval of an agreement by the majority is a clear indication that the users were also knowledgeable of the extent that providers were committed to the activities as a sign of community support and giving back to the society.

It can also be concluded clearly from the finding that engagement by mobile phone providers in the specific types of CSR activities cannot be ascertained to influence a specific elements associated with attainment of competitiveness as measured using the five indicators adopted in the study. This clearly points out a picture that suggests provider's engagement in several different rather than a single CSR activity as a way of attaining the desired levels of competitiveness collectively. The collective effect of engaging in different CSR activities bring about a collective influence that can be identified with the level of competitiveness achieved.

On the level to which the different provider should engage themselves in the different CSR activities, there is need for an independent critically evaluate by each provider to ascertain the extent to which they are able create a competitive edge. This was based on the fact that Safaricom was found to achieve statistically significant relationships between its levels of engagement and competitiveness while Airtel could not.

The benefits perceived to have been received by the users of mobile phone services was found to play a very significant role in creating competitiveness sought by the firms. Just like any user of products or services, it is critical for mobile services to deliver a bundle of benefits that each customer can identify with. Ultimately it can be concluded that irrespective of the type or level of engagement in CSR activities by the

providers, it is the perceived benefits that played an important role in creation of the desired competitiveness.

5.3 Recommendations

As much as there are several activities that qualify to be considered as areas of engagement as a CSR, it is important that they are critically evaluated to determine their impact on the firm's competitiveness. Mobile phone service providers therefore should critically analyse their portfolio of CSR activities and select strategically those that are likely to generate the desired levels of competitive advantage. More, so they should select projects or activities that can be identified with specific attributes identified with their competitiveness.

Based on the relationship between the levels of subscriber's awareness on the CSR activities undertaken by their provider, it is recommended that they should continue to attach adequate levels of publicity to any activity engaged in. As a marketing tool CSR activities need to be effectively communicated to the general public and indeed to their customers so as to give it the desired impulse and influence consumer attitudes and perceptions. It is also recommended that the providers adopt effective publicity tools that will ensure that their activities are widely communicated and influential in the mind of the consumer with the aim of creating the desired levels of loyalty and commitment.

Finally, in relation to the perceived benefits accrued from engaging in CSR activities that defines competitiveness, it is of key interest that the providers should consider clearly identify, packaging and delivering through their CSR activities visible benefits that can be identified by their customers. Customer participation, involvement and awareness at any stage of the CSR activity should be considered to effectively transfer

the benefits to them. It is also of paramount importance for every CSR activity chosen to carry specific benefits relevant to the specific market.

5.4 Areas for further research

This research study primarily focused on the role of corporate social responsibility in creation of competitive advantage among mobile phone service providers with emphasis on Safaricom and Airtel Kenya. Based on the findings it is prudent for further research to explore on the three key issues: The influence that different CSR activity portfolio have in creation of competitive advantage achieved by the operators, How involvement of consumers in CSR benefits influences the attainment of competitive advantage and the role of CSR communication/ publicity in creation of competitiveness. Hopefully this will provide more in-depth and broader view of understanding the relationship and justification of engagement in CSR activities.

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APPENDIX I: QUESTIONNAIRE

(To be filled by Safaricom/Airtel Subscribers)

Please provide me with the requested information from the questionnaire. The information obtained will be used for the sole purpose of compiling a report for the requirement of a Master's degree in business administration. Thank you in advance for your cooperation.

PART A: GENERAL INFORMATION

1. Please specify your gender

Male

☐

Female

☐

2. Please indicate which mobile phone provider you use amongst the two companies below.

Safaricom

☐

Airtel Kenya

☐

Both

☐

3. If Both, Please indicate which one do you prefer amongst the two companies

Safaricom

☐

Airtel Kenya

☐

4. For how long have you been using their services?

Below 1 year

☐

2- 3 years

☐

4- 5 years

☐

Over 5 years

☐

5. Are you aware of the concept of corporate social responsibility?

Yes

☐

No

☐

PART B:

Please identify the CSR activities that your mobile phone provider has been involved in doing. Tick the box where applicable **YES or NO**

		YES	NO
5	Promotes environmental preservation programmes		
6	Improving access to clean water in Kenya		
7	Sponsors education programs for needy and bright Kenyans		
8	Promotion of culture and heritage activities		
9	Promoting access to quality health care services		
10	Providing Kenyans with services and products that are affordable		
11	The provider is involved in community services		
12	Promoting sporting activities in Kenya		

PART C:

Please indicate on a scale of 1 to 5 the extent to which your mobile service provider uses the following types of corporate social responsibility (CSR)

(5) Strongly Agree Agree (4) Not sure (3) Disagree (2) (1) strongly disagree

	Corporate social responsibility activity	5	4	3	2	1
13	The provider has employed many Kenyans					
14	The provider sells disposable environment friendly products					
15	The provider sponsors and participate in sports					
16	The provider sponsor street children rehabilitation programs					
17	The provider has set up mobile network in most parts of Kenya					

18	The provider works with police to restore security to citizens					
19	The provider sponsors HIV-AIDS related programmes					
20	The provider participate in poverty eradication programmes					
21	The provider participate in gender empowerment programmes					
22	The provider sponsors human rights related programmes					
23	The provider sponsors medical camps in Kenya					
24	The provider identifies and nurtures talent among Kenya youth					
25	The provider carry's out business ethically and with accountability					
26	The provider has tailor-made products and services for its customers					
27	The provider supports education activities in the country					
28	The provider supports health and safety programmes in the country					
29	The provider supports cultural heritage activities in the country					

PART C:

The mobile phone provider has achieved the following benefits due to its CSR activities. Please indicate to what extent you agree using the following

5 – Strongly Agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly Disagree

		5	4	3	2	1
30	The provider offers superior service quality					
31	The provider is more efficient in handling customer complaints					

32	The provider offers better satisfying services					
33	The provider enjoys more flexible market					
34	The provider has a higher societal standing					
35	The provider enjoys greater customers loyalty					
36	The provider has had a greater market share					
37	The provider has better customer relationship management					
38	The provider has newer service delivery strategies					
39	The provider is better positioned in the market.					
40	The provider has better relations with general public the government					
41	The provider motivates its staff better					
42	The provider offers better products					
43	The provider's product are more affordable					

Part C:

Please indicate to what extend you agree with the following statements about benefits of CSR?

Use the key below for your response.

Strongly Agree =5, Agree=4, Not Sure=3, =4, Disagree =3, Strongly Agree=2,

		5	4	3	2	1
44	I am very satisfied with the services of my provider .					
45	I am very loyal to my mobile phone provider					
46	The provider has given me value for my money					
47	The Provider has given me convenience to transact					
48	The provider has empowered me					

APPENDIX II: RELIABILITY TEST RESULTS

Case Processing Summary

		N	%
Cases	Valid	10	100.0
	Excluded ^a	0	0.0
	Total	10	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
0.771	54

