Using life quality perception to define corporate philanthropy in emerging markets

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Keywords: strategic philanthropy, emerging, corporate social responsibility, life quality, Africa

Abstract

A principal component analysis based upon over 3000 interviews with Kenyan consumers identifies ten key dimensions of concern or worry that have negatively impacted respondents’ quality of life over the past year. Organizations that use these dimensions as a focus for their philanthropic activities are more likely to achieve a positive impact upon the community, creating shared value for consumers and businesses alike. The analysis also reveals potential to develop targeted activities that will match an organization’s chosen market segments.

Emerging markets present strong growth prospects for multinational organizations. Many companies attempt to ameliorate the challenges of operating in these regions by using CSR and strategic philanthropy to relate to local communities, but frequently this is done without clear understanding of which facets of life quality they should be trying to improve. This paper helps to direct and define corporate philanthropy in emerging markets.

Introduction

Numerous and sometimes inconsistent definitions of corporate social responsibility (CSR) can be found (Freeman and Hasnaoui, 2011). Kotler and Lee (2005, p.3) define CSR as "a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources". The World Bank (2003) provides a somewhat more elaborate description of CSR defining it as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development” (Petkoski and Twose, 2003, p.1). It is this link between corporate philanthropy and quality of life that is a core tenet in this paper.

Corporate philanthropy is a facet of CSR that “has not attracted much academic effort to date” (Namin et al. 2011, p.1049). Porter and Kramer (2002) discuss strategic philanthropy in relation to organizations engaging in local community development projects. The advantages and benefits of CSR are widely recognised (e.g., see Carroll and Shabana, 2010) and the logic of such initiatives is aptly described by Porter and Kramer (2011) in terms of the shared value created for both business and society. Improving community social and economic conditions, has a positive impact upon quality of life and also results in long term benefits for business; not least because improved community strength has a positive impact upon economic vitality (KPMG, 2008). As illustration, Akdemir et al. (2010) show that corporate driven community development “can indeed have both quality of life benefits and that there is some transfer of good will to the sponsoring organization” (Akdemir et al., 2010, p.6).
Extensive research has been conducted on the CSR and philanthropic activities of organizations operating in the developed world. However, far fewer studies focus on emerging regions (Anheier and Winder, 2007) and “much less is known about CSR in developing countries” (Li et al., 2010). Many firms find it challenging to establish the most appropriate mix of philanthropic activities (Namin et al., 2011) and in developing markets this situation is exacerbated by the lack of research and information available to guide decision making. For multinational organizations in particular this is a troubling situation given the growing significance of emerging markets to their revenues. Unilever for example now generates more than half its sales in emerging markets (Bleby, 2010).

A recent evaluation of multinational CSR activities in emerging markets indicates that “none of the corporations CSR initiatives evaluated had supporting higher living standards as a key objective” (World Growth, 2011). This is perhaps surprising given the World Bank’s quality of life oriented view of CSR and because the very nature of emerging markets should mean that per dollar spent corporations should be able to make a more significant impact upon living standards compared to developed countries.

This research makes a contribution by identifying the foci for strategic philanthropy and CSR initiatives that are most likely to improve perceived living standard for consumers living in an emerging market. More specifically it attempts to identify and understand the factors affecting life quality and living standard of consumers living in Kenya. By appreciating these companies should be able to identify philanthropic initiatives that are most likely to improve life quality and thereby maximise shared value outputs for both the organisation and society as a whole.

Kenya is an interesting market for this study to focus on. It is a regional business hub for East and central Africa and is typical of Sub Saharan Africa (SSA) countries with a rapidly rising population that almost quadrupled to 38.6 million between 1969 and 2009 (Kenya National Bureau of Statistics, 2012). Unsurprisingly Africa is gaining increasing attention from multinationals (Cropley and Hirschler, 2011; McKinsey, 2010; Wallace, 2011) who have recognised the opportunities afforded by the regions rapidly expanding population and growing economic clout (International Monetary Fund, 2011). In terms of social structure Kenya is typical of SSA markets with a majority of consumers coming from lower income households, who coexist alongside a burgeoning middle class (McKinsey, 2010). This poses an interesting marketing conundrum for multinationals operating in the region. Should they adopt an undifferentiated approach targeting the entire market; focus on the mass market lower socio-economic segments, or go for the smaller but growing segments with greatest purchasing power?

SSA countries present companies with numerous challenges relating to economic development, weak infrastructures, as well as political and social instabilities. In such markets strategic philanthropy makes even more sense as business can have significant positive impact upon the environments in which they operate. Within Africa corporations are spending substantial amounts of their operating budgets on community development: “They are using strategic philanthropy so they can relate directly to local communities and civil society within Africa. This means they are making their own independent contributions to community development” (Barnes, 2005, p.235). This research seeks to offer some assistance by identifying worthwhile initiatives for CSR and corporate philanthropy to focus on, namely the areas that are most likely to have a positive impact upon consumers’ perceived life quality.
Research design

The research comprised an exploratory qualitative phase and a questionnaire survey

Exploratory research

Exploratory research was conducted to identify the variables and issues affecting consumers’ quality of life and living standards. Qualitative research was conducted in the form of 250 individual in-depth interviews. Respondents were asked to identify three things that had had a positive and three things that had a negative impact on their quality of life and living standards over the past year. They were then probed in greater detail regarding factors that had affected them specifically in relation to companies selling goods and services; the economy; personal finances; society; health; the environment; security; education; religion; tribal and social groups, as well as corruption. Data were collected through a semi structured questionnaire with open ended questions and responses were hand written.

Quantitative phase

On the basis of the exploratory research findings 53 attributes negatively affecting life quality were identified and included in a questionnaire, which was piloted before roll out. The questionnaire focused upon factors having a negative impact rather than a positive one, since these appeared to be attributes that organisations could then try to improve upon in order to enhance life quality. The questionnaire asked respondents to think about their household’s living standard and quality of life. They were then asked to indicate the extent to which each attribute had been a particular concern or worry over the past year. Attributes were rated on a one to five scale where one is of no concern or worry and five is an extremely significant concern or worry. The questionnaire was interviewer administered as part of a national survey and responses were received from 3039 consumers. The sample was designed to be representative of the population in terms of the socioeconomic composition of Kenya’s population. Respondents were randomly selected and recruited on a door to door basis.

Data for both research phases were captured by experienced local interviewers working for Nairobi based market research agencies. Survey data were entered into and analyzed using SPSS. Top-line findings are presented and discussed in the results section.

Results

A principal component analysis (PCA) was performed, using the SPSS default factor analysis setting. PCA was used since the key objective was to identify the core themes represented in the data Hair et al. (2010). A varimax rotation was applied to minimize the number of variables that have high loadings on a particular factor and to help generate factors that are more easily interpreted (Allen and Bennett, 2010). The PCA of the 53 variables affecting living quality resulted in 10 factors (with Eigenvalues exceeding one). In total, these factors accounted for around 54% of the variance in the questionnaire data (see Table 1).

Cronbach’s Alpha statistics were calculated for each factor using components with loadings of greater than 0.5. Cronbach’s Alpha is a dependability measure that indicates the extent to which separate questionnaire items measure the same underlying construct. Hair et al. (2010) indicate that values of 0.6 and above are acceptable and in this analysis all ten factors achieve Cronbach Alpha scores above this amount.
Table 1 Ten components affecting life quality and the attributes loading onto each

To explore differences between the different social groups the sample was divided according to socio-economic classification (SEC). This is based upon the occupation and employment
status of the household’s main income earner (Higgs, 2002). Such social classification systems divide the population according to some hierarchy such as lower, middle and upper classes (Hoyer and MacInnis, 2000). The socio-economic system grades respondents on a scale A to E (Monk, 1978), where A represents the most senior managerial, skilled workers with higher earning potentials and E the poorest unemployed. Exploratory analysis of the different factor scores for the different SEC groups was conducted using ANOVA. For a majority of the factors no significant differences were observed. However, several exceptions were observed (see Table 2).

<table>
<thead>
<tr>
<th>Component</th>
<th>Observation or otherwise of significant difference at the 99% level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Personal needs &amp; aspirations</td>
<td>No significant difference between SEC groups</td>
</tr>
<tr>
<td>2 Health &amp; education</td>
<td>No significant difference between SEC groups</td>
</tr>
<tr>
<td>3 Business &amp; economy</td>
<td>Significantly greater concern for higher SEC groups</td>
</tr>
<tr>
<td>4 Infrastructure &amp; communication</td>
<td>No significant difference between SEC groups</td>
</tr>
<tr>
<td>5 Safety &amp; protection</td>
<td>Significantly greater concern for lower SEC groups</td>
</tr>
<tr>
<td>6 Social support &amp; guidance</td>
<td>No significant difference between SEC groups</td>
</tr>
<tr>
<td>7 Personal financial stability</td>
<td>Significantly greater concern for lower SEC groups</td>
</tr>
<tr>
<td>8 Political stability &amp; integrity</td>
<td>Significantly greater concern for higher SEC groups</td>
</tr>
<tr>
<td>9 Social misbehaviour</td>
<td>No significant difference between SEC groups</td>
</tr>
<tr>
<td>10 Social stability &amp; equality</td>
<td>No significant difference between SEC groups</td>
</tr>
</tbody>
</table>

Table 2 Significant differences between the factor scores of different SEC groups

Discussion and conclusions

Emerging markets such as Sub Saharan Africa present strong growth prospects for multinational organizations. Many are using CSR and strategic philanthropy to relate to local communities, but without necessarily having clear insight into which facets of life quality they should be trying to improve.

This research identifies ten factors that represent the key dimensions of concern or worry that have negatively impacted Kenyan consumers’ quality of life. If organizations operating in this market adopt these as the foci for philanthropic activities then they are more likely to achieve a positive impact upon the community. Interestingly, devising ways to help consumers to fulfil their personal needs and aspirations appears to be the factor that will have most positive affect. Variation observed in the relative significance of several of the components by different socio-economic groups suggests that there may also be some potential to develop targeted philanthropic activities that will match an organization chosen market segments.

This paper presents exploratory findings only. Subsequently some form of regression analysis will be conducted to identify the key drivers of consumers’ satisfaction with life quality, which should help to further define corporate philanthropy in this important African market.
References


The author acknowledges the extensive support from the Market and Social Research Association, Nairobi (MSRA) and its members working in Kenya’s market research industry.