

CORPORATE SOCIAL RESPONSIBILITY AND BRAND EQUITY IN PHARMACEUTICAL COMPANIES IN KENYA

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1.1 Background of the Study

The value of brand name in business has been recognized in marketing studies (Beamish and Ashford, 2007; Aaker, 1991; Moss, 2007), and for a brand to capture the minds of customers and to form the basis for which the customers identify with a product, the quality and image of the brand must be beyond customer qualifiers. The concept of brand equity and customer perception are ideas that managers need a good understanding of if they seek to generate value for their organizations. There are a number of attributes that are associated with brand equity, some of which include brand association, perceived quality, brand loyalty and name awareness. All these factors are important elements that most customers consider in identifying with the image portrayed by a product and its quality.

Brand equity and corporate social responsibility have been found to have a significant degree of correlation. It is one of the methods that organizations use to deflect untoward effects to customers (Cobb-Walgren, 1995; Anunda, 2014). The pharmaceutical industry just like any other business industry views public opinion as an important aspect of corporate development. Friedman (1970) notes that organizations seek to create wealth, and corporate social responsibility is viewed as one of the avenues through which organizations create wealth. The stakeholder theory is one of the theories that explains the strategic value of corporate social responsibility.

The inherent view that businesses are there to maximize their profits and often use their power amiss, has in part contributed to the present drive among corporate organizations in the direction of corporate social responsibility. The connection between society and business responsibility is gaining momentum, and factors such as political considerations have

heightened the debate on theories and approaches attempting to explain the interactions (Davis, 2001).

In Kenya, the pharmaceutical firms contribute significantly to the GDP of the country. Unlike other sectors, the healthcare industry is important in the sense that a health nation is a wealthy country, and therefore the government apart from the private sector has invested heavily in the provisioning of healthcare services, of which drugs availability is a critical element. Thus the practice of corporate social responsibility by pharmaceutical firms potentially creates substantial impact on the communities.

²⁴ **1.1.1 Corporate Social Responsibility**

The concept of corporate social responsibility is thought of in terms of the impact operations of an organization have on the society it is doing business with. The ⁸ definition of corporate social responsibility according to the World Business Council for Sustainable Development (WBCSD) is seen as the commitment that a business has to make in the economic development of the society in its location, the improvement that the firm makes in the ²³ quality of life of its employees together with their families, and the community as well. Corporate social responsibility is also considered as the commitment a firm has to the society, to minimize, and if possible to eliminate harmful effects that its operations may have on the society (Mohr et al., 2001). Ellen, Webb and Mohr (2006) describe corporate social responsibility as the effort made by a corporate organization to portray itself as being responsive to the needs expressed by the society

The construct of corporate social responsibility as the same meaning as corporate citizenship and corporate sustainability, and in the business world of today, where public concern about

the degradation of the environment is gaining currency coupled with the free flow of information accessioned by technological development, corporate organizations that have strengthened their competitive edge are those that have adopted corporate social responsibility as a strategic business instrument, however, it is important for corporate organizations to weigh critically the desire to behave in an ethical manner with profit motives of the shareholders (Juholin, 2004)

¹² 1.1.2 Brand Equity

A brand as defined by the American Marketing Association (AMA) refers to the name, sign, term, design and symbol or even a combination of these elements, and meant to identify the goods and services that a firm sell as a means of differentiating itself from other players in the market. A brand is what creates the perception about the company, and, according to Fries (2006) it is the value created for the consumers and the promise given to the consumers that the product in question can satisfactorily meet the functionality specified, and is also capable of providing experiential enrichment as well a meet the aspirational needs of the customer (Kapferer, 2004; Keller, 2008).

Brands are the embodiment of the promise delivered by a firm that it cares about the customer as well as the employees and the environment including the humanity at large. The relationship between brand equity and corporate social responsibility as been researched at length, however the differences in methodological procedures as well as ideology. A brand develops strong familiarity when its activities are to a large measure favourable to the customers, and a company becomes well known within a community when its corporate social responsibility is strong (Kapferer, 2004; Keller, 2008).

The business community is increasingly seeing the value of corporate social responsibility in the development of a strong brand equity, furthermore brand equity is viewed as an asset, which can improve the competitiveness and the financial value of a firm. The perception of customers is critical in brand equity since their knowledge about a brand makes manufacturers respond in a way that fulfils their concerns, especially through marketing (Ramachandran, 2010). Brand equity is about outcomes that accrue to a product as a result of its brand name, and it basically includes trust, brand loyalty, brand awareness, brand association and the perceived quality of the product.

1.1.3 Pharmaceutical Companies in Kenya

The pharmaceutical companies play an important role in society, and in the developed countries, they command a sizeable market share worth over 300 billion US dollars. Marketing accounts for over a third of revenue generated by the leading pharmaceutical firms, exceeding even the funds allocated for research and development (World Health Organization, 2014). The pharmaceutical firms in western countries are facing stiff competition from the Asian countries such as China and India, and Brazil in South America (Imshhealth, 2013)

In Kenya the pharmaceutical industry is dominated by foreign multinational firms such as GlaxoSmithKline (GSK). The pharmaceutical industry in Kenya includes a total of 42 firms, which operate under the Pharmacy and Poisons Act, Cap 244. The essence of the act is to provide regulatory oversight over pharmacist and the manufacturing and trade as well distribution of pharmaceutical products. The pharmaceutical industry in Kenya also faces a lot challenges from counterfeit products, which is a menace to other sectors as well. The Anti-

Counterfeit Act of 2008 provide a framework that prohibits trade in counterfeit goods and pharmaceuticals.

Although the pharmaceutical firms in Kenya have the capacity to produce the same categories of pharmaceutical products of equivalent nature to the multinational firms, they still suffer from inadequate technology and efficient utilization of capacity. Most of the pharmaceutical firms operate at between 50 to 70 per cent capacity, and the production costs per unit is not cost effective. The World Health Organization (WHO) has developed minimum standards which reflect good practices in the pharmaceutical industry, but most of these standards have not been, as yet, met by the pharmaceutical industry in Kenya, especially when it comes to investment in plant and equipment. Most pharmaceutical firms, however face financial challenges, which has made it difficult for them to upgrade their infrastructure to the required standards.

1.2 Research Problem

A brand that is powerful has the capacity to enhance a customer's attitude. The best way for a firm to ensure that customers develop the right attitudinal strength towards a product is to ensure that the needs and wants of customers is reflected in the product characteristics. Keller (1993) posits that brand loyalty is generated when the threshold to customers perceived quality is reached or superseded. What influences customers to associate with certain product attributes are the derived utility of the product. The concern of manager when they develop their marketing programs is to find the best way possible that can ensure that the value of their brand is positioned better in the minds of the customers (Hatch and Schultz, 2001; Rao et al., 2004). The pharmaceutical industry is faced with challenges that are both internal and external to the firms, and such complexities affect the level of influence that a firm can have on the perception of critical stakeholders (Hoffman, 2006).

The level of competition within the pharmaceutical industry in Kenya involves both local and international players, and firms that are able to brand and develop new products, and to capitalize on the existing markets or new markets speedily acquire the benefits of first movers. The limited patent life of products also is a challenge to firms that have heavily invested in research and development of products. To keep up with fierce competition, pharmaceutical firms are keen to transform their businesses through branding to improve customer loyalty (Muyia and Kamau, 2013). So far little effort has been concentrated on corporate branding or valuation as a competitive advantage to firms, firms tend to focus on the determinants of brand loyalty, particularly in the context of Kenyan pharmaceutical firms. This study therefore seeks to understand the relationship between corporate social responsibility and brand equity in Kenyan pharmaceutical firms.

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1.4 Research Objectives

The objectives of this study are as follows:

- i. To assess existing corporate social responsibility practices by pharmaceutical firms in Kenya.
- ii. To determine the influence of corporate social responsibility on brand equity of pharmaceutical firms in Kenya.

1.5 Value of the Study

The findings of the proposed study are expected to contribute to the development of theory in the subject area of brand equity, and to managerial practice. The study also adds to the existing brand management best practices, especially to the corporate brand equity valuation. The study will contribute as well to better managerial decision making especially on questions of

corporate social responsibility in relation to the pharmaceutical industry in Kenya. The government and corporate policy makers can also have a better understanding on how corporate social responsibility policies can be used to improve brand equity, and ultimately translate to better performance for the firms. The study also contributes to the body of knowledge that researchers can review to provide better understanding of brand equity, especially in the pharmaceutical industry.

2.1 Introduction

This chapter discusses the theoretical background of the study, and, specifically focuses on the theories of corporate social responsibility and brand equity, and thereafter, the chapter discusses Corporate social responsibility and brand equity, and thereafter concludes with the conceptual frameworks.

2.2 theoretical Framework

The theories that the study is anchored upon are the stakeholder theory and the political theory. Both the theories are discussed in the following sections.

2.2.1 The Stake Holder Theory

The stake holder theory views corporate social responsibility in terms of a strategic approach through which a firm can achieve its economic goals and objectives of wealth creation. Friedman (1970) holds the view that the only purpose of a firm in the society is maximization of profit to the benefit of shareholders while taking into account the regulatory framework and the ethical considerations of a country. the stakeholder theory is one of the instrumental theories in business that has enjoyed considerable application in the performance of firms.

According to Windsor (2001), the fixation on profits by firms should not take absolute preference and serve the interest of shareholders at the expense of other stakeholders. In most firms, the idea of a firm existing solely to make profit seem to consume the actions of managers at the expense of other interested parties in the environment in which the firm is operating in. Odgen and Watson (1999) argue that the long held view that the existence of a firm is premised on profits may not in the long run sustain a firm's competitiveness, and that firms that temper

their profit making goals with philanthropic investments in the communities in which they are operating within may in the long run generate more value for itself than otherwise (Siegel, 2001).

2.2.2 Political Theory

Scholars (Davis, 1960; Donaldson, 1982) have also discussed corporate social responsibility in terms of power politics. The power and position of a firm within the societal framework and its responsibility therein have occupied the minds of scholars for a long time, especially when considerations of corporate social responsibility implementation is concerned. Two theories, the corporate constitutionalism and corporate citizenship, have, however, tried to explain the interactions and connections between business and the society, and the power that some of the firms wield in the society and the role they play in terms of corporate social responsibility.

Davis (1960) contend that firms are social outfits, and on account of the power they wield in the society, they should do so in a responsible manner by bearing in mind that they do not operate in isolation of the environment they are in, but are influenced by externalities, which are constantly in flux, and as such a social contract presents the most reasonable relationship between firms and the society. Such a social contract denotes obligations of firms to the communities in which they are located.

2.3 Evolution of Brand Equity

The early discussions about branding and its value in marketing was noted by scholars such as Smith (1915) and thereafter by notable scholars such as Copeland (1923). The ideas mooted by these scholars was that buyers are reluctant to buy a product unless there is recognizable

brand name of a manufacturer, a producer or a service provider with good standing in the society.

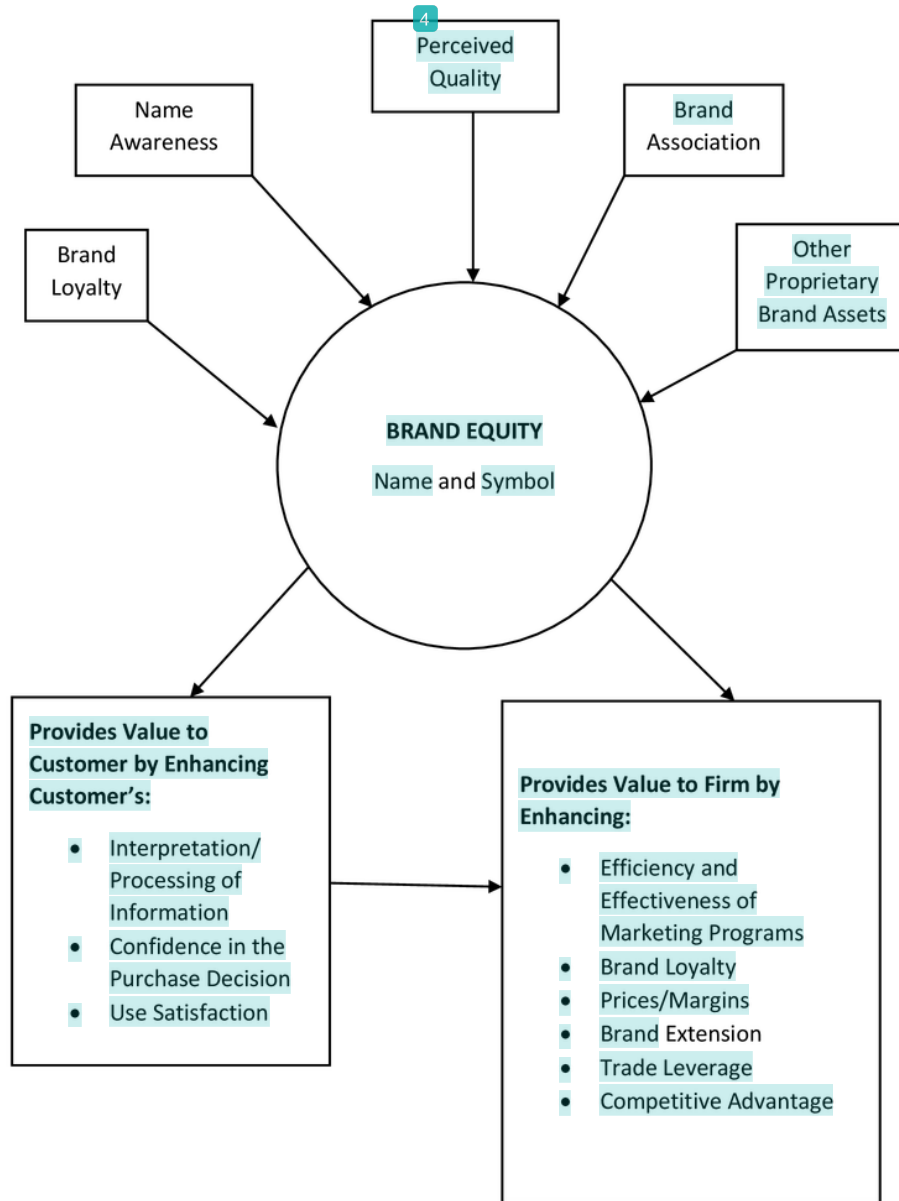


Figure 1: Brand Equity

To understand a brand, one needs to visualize the embedded attributes and ideas behind the symbolism or a name. It is quite unlikely for scholars to arrive at a single definition of what a brand is, however, a brand may be construed as an addition to a product that identifies the product in a subtler way. A brand is also seen as a bundle of product attributes, both tangible and intangible, which enhance the satisfaction of consumers. The contemporary definition of a brand infers certain guarantees to the customer concerning the product, in particular, that the product will continuously and consistently guarantee what it purports are its utilities within a specified quality limits (Kotler, 1999).

The conceptualization of brands in the present times refer to attitudes, perception and loyalty of customers. The redefinition of brands in terms of brand equity gained currency as a result of works by scholars such as Kotler and Keller (2012) and Aaker (1991). The modern marketing thought sees brand equity as a factor of strategic importance to organizations, whereby it manifests as brand loyalty, awareness of brand name, perceived quality and the strength of brand association. In the marketing literature the idea of brand equity is largely viewed as the product value add resulting from the name of a product. Thus brand equity can be surmised as the gains made from the marketing activities of a product or service purely on the basis of name differentiation. Due to the conflicting nature of brand equity definition, it is the more reason for research to generate perspectives that can refine understanding of the concept. Figure 1 shows the integrated view of brand equity.

2.4 Corporate Social Responsibility and Brand Equity

Kapferer (2012) notes that the proponents of big is beautiful, where by multinational organizations operate in a manner that is absolutely focused on profit maximization is no longer tenable, and firms are gradually realizing that big is responsible approach is more likely to

serve their interests much better. Thus large firms have taken it upon themselves to engage in responsible behaviour with respect to the environment, and the humanity that they interact with and accommodate them. Ethical concerns have taken centre stage and is increasing presented, to most firms, the competitive edge (Blumelhuber, 2011).

Corporate social responsibility plays a significant role in consumer brand awareness (Klein and Dawar, 2003), and it is among the causes of product elevation and consumer judgement. The level at which the present day consumers are empowered makes it hard for firms to solely focus on maximization of profits. Thus, consumers can use their power and authority to decide which type of product of service conform to their view of ethics a firm need to abide by in its dealings with them, and if a firm does not comply, they have the option to decline its products outright in favour of a competitors (Pelsmacker et al., 2005).

Brand equity according to Christodoulides and De Chernatony, 2010) refers to the ³¹ set of assets and liabilities linked to a brand, such as the name and symbols. Assets and liabilities in this case must reflect customers' perception of value created. Bagozzi, et al. (1998) contend that brand equity is about the value created by a firm for whose utility the customer is happy about. The characteristics that promote brand equity include an environment that enhances efficient information processing, a decision making environment that builds confidence and reinforces buying, and an environment that promotes self-esteem. When firms get brand equity right, they are likely to increase their market share, efficiency and effectiveness, improve their brand loyalty, profit margin and ultimately, a competitive edge (Tuominen, 1999).

2.5 Conclusion

The extant literature reviewed show that the brand equity concept has different perspectives to different players in the business environment, and the main players include the shareholders, the producers, the retailers and the consumers, all of which have conflicting interests that

impact the practice of brand equity. Thus it is important to shed more knowledge on the conflicting interests that stifle brand equity. This is justified because without having a clearer way to manage the conflicting interests, the performance of a firm may be gravely impaired. The literature reviewed on brand equity was not exhaustive, however, the gaps in the knowledge concerning brand equity management is quite stark, especially in the context of pharmaceutical industries. Thus further investigation of brand equity in firms very much a fertile ground for scholarly exploration. This study therefore seeks to investigate the effect of ² corporate social responsibility on brand equity in the pharmaceutical industry

CHAPTER THREE: ³³ RESEARCH METHODOLOGY

3.1 Introduction

The objectives of this study was to assess existing corporate social responsibility practices by pharmaceutical firms in Kenya and ⁶ to determine the influence of corporate social responsibility on brand equity of pharmaceutical firms in Kenya. This chapter presents the research design, population of the study as well as data collection and data analysis techniques

⁵ 3.2 Research Design

The research design used in the study was descriptive and cross-sectional in nature. The cross-sectional design was preferred because it enabled the study get an accurate means of capturing the true characteristics of the source population at a single point in time, and enabled the study also to integrate the what, how, where, who and when of the research. Cooper and Schindler (2005) infer that the method of cross-sectional survey is best analysed descriptively. The research design afforded generalization about the phenomenon. Mugenda and Mugenda (2003) considers cross-sectional study as a good method for studying the population at one point in time.

3.3 Population of the Study

The target population consisted of all the pharmaceutical manufacturing firms registered with the Pharmacy and Poisons Board of Kenya. As at 30th may 2017, there were a total of 38 registered pharmaceutical companies in Kenya. A census study was conducted since the population was small.

3.5 Data Collection

The study used both primary and secondary data, and the primary data was collected using a semi-structured questionnaire. The questionnaire was designed in two parts: Section A of the questionnaire sought to address the attributes of the respondents such as demographic and the pharmaceutical firm's general information. Section B sought to respond to corporate social responsibility and brand equity. the marketing managers were the key informants in each firm since they had the specific knowledge that the study was seeking. In this case one of the respondents was interviewed in each firm.

The instruments of data collection were administered to the respondents through electronic mail and the drop and pick up later method. A letter of introduction explaining the intention of the data and collection was presented, which assured the respondents of confidentiality. Follow-up was also done via telephone calls, emails and personal visits to the respondents to increase the response rate. Additionally, secondary data was collected from published sources such as newspapers, magazines, websites and other publicly available sources.

3.6 Data Analysis

The questionnaires were collected coded and edited for completeness and consistency and entered into statistical package for social sciences (SPSS version 20). The analysis included descriptive statistics and inferential analysis. the descriptive analysis technique included simple summaries of the data, which include means, standard deviation, frequencies and percentages. The Pearson correlation analysis was done to establish the relationship between corporate social responsibility and brand equity.

The regression analysis included the following model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Brand Equity

α = Constant

ε = Error Term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficients of corporate social responsibility factors (X_1 to X_4)

X_1 = Community

X_2 = Customer

X_3 = Corporate Governance

X_4 = Suppliers

4.1 Introduction

This chapter contains the analysis of demographic data, descriptive statistics and inferential analysis. The inferential statistics such as correlation and regression were used. The methods of analysis were in line with the proposed data analysis in the previous chapter.

4.2 Demographic data of Respondents

The purpose of this section was to analyse the ability of the respondents to provide the information required. The findings are as represented in the following sections.

4.2.1 Departments of Respondents

The response indicated that most of the respondents were from the marketing department (83%). This is explained by the fact that the data desired for purposes of the study, these were the parties best placed to provide the required information. The objective of the study contained a lot of marketing related information and therefore the only relevant persons would be people in the marketing department.

4.2.2 Positions occupied by respondents

The responses indicate that 67% of the respondents were marketing managers while 24% were in brand management. The remaining 9% were from related departments such as sales and field support staff. All these were deemed persons who could provide relevant information.

4.3 Stakeholders considered when making Branding Decisions

The findings indicate that 96% of the pharmaceutical companies consider the input of their stakeholders when making branding decisions. This is in line with Kapferer (1999) when he asserts that branding is a collaborative effort that requires the input of both internal and external stakeholders. Attempts to seek both internal and external opinion on branding gives the brand both internal and external legitimacy.

4.4 Extent of Stakeholder consultation

This part sought to determine the extent to which the various stakeholders are deemed important when making brand decisions. The results are summarised in Table 4.1 below.

Table 4.1 Extent to which Stakeholders are Considered Important in Branding Decisions

| Stakeholder | Mean | Std. Dev | COV |
|-------------------------|------|----------|-------|
| Consumers/ customers | 4.56 | .004 | 1.0% |
| Competitors | 4.44 | .021 | .5 % |
| Managers | 4.32 | .023 | .5 % |
| Government | 3.90 | .043 | .45 % |
| Distributors | | .041 | 1.01% |

| | | | |
|-----------|------|------|-------|
| | 3.78 | | |
| Media | 2.67 | .056 | 2.1 % |
| Suppliers | 2.56 | .067 | 2.6 % |

Source; Primary Data (2017)

The results on Table 4.1 above indicate that the most considered stakeholder in making brand decisions is the consumer (Mean= 4.56, std.dev= 0.004, COV = 1%). This finding is supported by Aaker (2000). Aaker (2000) posits that the consumer is the most valuable consideration when making brand decisions. The finding is also in agreement with the principles of Consumer Based Brand Equity (CBBE). The findings also indicate that competitor branding activities are a consideration when making branding decisions (Mean=4.44 std.dev= 0.21%, COV=0.5%). It is not possible for companies to completely ignore their competitors when it comes to making branding decisions. While consideration makes it possible for companies to benchmark against corporate best practices, it also enables the company to position their brand away from the competition thereby avoiding unnecessary competition (Aaker, 2000).

The results indicate that managers and other senior staff members are considered in branding decisions (Mean, 4.32 std. dev= 0.23, COV= 0.5 %). This could be explained by the fact that managers draw from a lot of institutional memory and experience. Without hard data, managers may still be in a position to provide branding directions based on their experiences.

The government and middlemen (distributors) posted mean 3.90 and 3.78 respectively. The implication is that the two are somewhat critical considerations when making branding

decisions. The government is considered possibly because of legal issues appertaining to branding. Middlemen may be considered because of the role they play in the value addition process.

4.5 Company Branding Practices

This question sought to determine companies branding practices. The respondents were required to rate the extent that each statement was applicable to their company in a scale of 1 to 5. The findings are reported in Table 4.2 below.

Table 4.3 Branding Practices

| Branding Practice | Mean | Std. Dev |
|---|------|----------|
| ¹ Our firm competes by facilitating self- Expression | 4.97 | 0.56 |
| ¹ The corporate reputation of our firm helps to reduce transaction costs. | 4.76 | 0.44 |
| ¹ Our firm's value chain activity is consistent with experiential value creation. | 4.67 | 0.43 |
| ¹ Our firm competes by creating appropriate emotions (fun, pleasure, excitement, relaxation, etc.) | 4.56 | 0.34 |
| ¹ Our firm's corporate reputation implies efficient sales and marketing. | 4.52 | 0.32 |

| | | |
|---|------|------|
| ¹ Our firm competes by facilitating social relationships (bonds, attachments, and togetherness). | 4.21 | 0.31 |
| ¹ Our firm's corporate reputation promises good quality products and service to customers | 4.15 | 0.33 |
| ¹ Our firm competes by offering economic value (low prices, value in use, life costs). | 4.13 | 0.32 |
| ¹ Our firm's resource allocation is consistent with functional value creation. | 3.90 | 0.23 |
| Our firm competes by creating personal meaning. | 3.87 | 0.23 |
| ¹ Our firm competes by enhancing its customers' self-worth. | 3.57 | 0.24 |
| Our firm competes by appealing to the senses. | 3.56 | 0.32 |
| ¹ Our firm competes by enhancing its customers' self-identity. | 3.45 | 0.33 |
| ¹ Our firm competes by creating useful products. | 3.23 | 0.32 |
| Our firm competes by creating epistemic value (knowledge, novelty, fantasy). | 3.12 | 0.31 |

Source: Primary Data (2017)

According to Table 4.3 above, firm's indicated that they compete by facilitating self-expression (Mean= 4.97, Std. Dev.= 0.56). The respondents also felt that ¹the corporate reputation of their

firms helps to reduce transaction costs (Mean=4.76, Std. Dev.= 0.44). This is probably explained by the fact that corporate reputation is correlated to loyalty which ultimately leads to lower costs of doing business in the long term. The statement on whether firms compete by creating appropriate emotions such as fun, pleasure, excitement, and relaxation (mean= 4.56, std. dev. 0.36). This finding is consistent with literature. Aaker (2000) argues that one of the strongest sources of competitive advantage in marketing and branding happens to be exploitation of fun, pleasure, excitement and relaxation among others.

Statements such as whether the firm's corporate reputation implies efficient sales and marketing, the firm competes by facilitating social relationships such as bonds, attachments, and togetherness, the firm's corporate reputation promises good quality products and service to customers and whether the firm competes by offering economic value such as low prices, value in use and life costs all had Means of above 4.00 indicating that they were considered to be important. Statements on whether the firm's resource allocation is consistent with functional value creation, firm compete by creating personal meaning, firm competes by enhancing its customers' self-worth and firms compete by appealing to the senses all had means of less than 4.00 but above 3.50 indicating that they considered to be relatively important but not critical.

4.6 Corporate Social Responsibility activities pharmaceutical companies are involved in

Respondents were required to indicate the activities regarding their companies' corporate social responsibility practices for corporate brand equity on a scale of 1 to 5 where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

Table 4.4

| CSR Activity | Mean | Std. Dev |
|--------------|------|----------|
| | | |

| | | |
|--|------|-----|
| We provide free drugs to special interest groups | 4.56 | .13 |
| We arrange free clinics | 4.44 | .14 |
| We educate the public on various diseases | 4.14 | .05 |
| we donate to charitable causes touching on health | 4.00 | .02 |
| We organize funds raising activities | 3.56 | .34 |
| Employees participate in environmental cleaning activities | 3.45 | .34 |

Source: Primary Data, 2017

The responses according to Table 4.4 above show that a majority of respondent institutions involve themselves in the provision of free drugs to special interest groups (Mean = 4.56, std. dev=.13). This could be explained by the fact that these special interest groups give the company a lot more visibility than any other group. Arranging for free clinics was also heavily supported as a corporate social responsibility activity that companies engage in to improve on their on their corporate brand equity (Mean= 4.44, std. dev= .14). The high number of people turning up and the accompanying positive publicity probably is seen as a driver of corporate brand equity.

Educating the public on the causes and prevention of various diseases and donating to charitable causes touching on health were also heavily supported with means of above 4.00 indicating that they were considered to be serious drivers of corporate brand equity.

4.7 Test of the relationship Between CSR and Corporate Brand Equity

To test the relationship between CSR and corporate brand equity, simple regression analysis was performed. The results are presented hereunder.

Table 4.5

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .413 ^a | .345 | .212 | .305 |

a. Predictors: (Constant), CSR

ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 2.544 | 1 | 2.944 | 12.601 | .001 ^b |
| | Residual | 7.121 | 40 | .254 | | |
| | Total | 9.665 | | | | |

a. Dependent Variable: Corporate Brand Equity

b. Predictors: (Constant), CSR

Coefficients

| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
|-------|-----------------------------|---------------------------|---|------|
| | | | | |

| | B | Std. Error | Beta | | |
|------------|------|------------|------|-------|------|
| (Constant) | .102 | .892 | | .113 | .910 |
| CSR | .847 | .249 | .413 | 3.406 | .002 |

a. Dependent Variable: Corporate Brand Equity

The results in Table 4.5 above show that corporate social responsibility had a statistically significant influence on corporate brand equity. Corporate social responsibility explained 34.5% of corporate brand equity ($R^2 = .345$). The standardized regression coefficient of the composite scores of CSR was 0.847 with a t-test of .113 and a significance level P-value of .002. The results indicate a linear relationship between corporate social responsibility and corporate brand equity.

RECOMMENDATIONS

5.1 Introduction

This study sought to determine the relationship between corporate social responsibility and corporate brand equity. The methodology employed was as discussed in chapter three. Data was analysed by use of means, standard deviation and regression analysis. This chapter prides a summary in line with the objectives and concludes in view of literature as in chapter two and also gives recommendations for further research.

5.2 Summary

This study sought to determine the influence of corporate social responsibility on brand equity in the pharmaceutical industry in Kenya. The findings in chapter four show that the stakeholders considered most important in the determination of CRS programs to involve companies in are consumers and the competitors. The government, distributors, suppliers and the media were considered very important (all had a mean score of less than 4.00).

Respondents indicated that they involve the company in branding practices because of varied reasons. The most prominent reasons given by respondents included; involvement of the firm as a means of self-expression, the belief that proper corporate image helps reduce transaction costs, the firm's reputation drives quality and practices regarding quality among others. Practices such as aligning resource allocation with functional value creation, competing by appealing to the senses and competing by enhancing customers' self-worth were not considered very important.

On the CSR activities, respondents indicated that they are involved to a large extent on activities such as; providing drugs to special interest groups, organizing for free clinics,

educating the public on various aspects of health and donating to charitable causes. The regression model shows ¹³ that the relationship between CSR and brand equity is linear and significant.

5.3 Discussion

The findings as summarised above may be synthesized against the backdrop of related literature as follows; The finding that a company's reputation helps reduce transactional costs is significant in that it is in line with Keller's (2000) argument that companies involve themselves in CSR activities to reap from the benefits of positive corporate image. This is again in line with the thinking behind branding generally; to create brand equity which finally translates to better relations with the target market (Aaker, 2014; Keller, 2000). The finding that the company's image is aligned with quality philosophy in the company is also supported in literature.

On the CSR activities that pharmaceutical company in special interest groups within the society involves itself in the finding that companies do invest in the provision of free drugs to special interest groups in the society companies probably do it because it gives it free publicity and visibility. The findings also indicate that companies organize free clinics and also educate the members of the public on certain diseases. These results are consistent with Ndambuki (2000). The regression results indicate a linear and significant relationship ¹³ between CSR and brand equity. This means that an increase in one variable leads to an increase in the other. It can therefore be concluded that Companies stand to reap massively in terms of brand equity from investments in CSR activities.

5.3 Conclusion

The ²¹ objective of this study was to determine the influence of CSR on the brand equities of companies in the pharmaceutical industry in Kenya. Data was analysed and presented in chapter four, a summary and discussion of that data has been done above. From the data, the following conclusions can be drawn;

It is shown by the data that the most important stakeholders considered in the choice of CSR activities are the target customers and competitors. The conclusion on this is that companies are guided by who their target customers are in the choice of CSR activities. This implies that companies practice customer orientation even in CSR. On the consideration of competitors as stakeholders, the implication may be that companies also practice competitor orientation. Both orientations are necessary for success of the marketing outcome.

The regression analysis results imply ²⁵ that there is a linear and significant relationship between CSR and brand equity. The conclusion is that if companies intend to increase brand Equity, then that could be achieved by increasing its investment in CSR activities.

¹⁶ 5.4 Recommendations

The following recommendations can be made from the findings of this study

5.4.1 Managerial recommendations

The results of the data ³⁵ analysis show that there is a linear and statistically significant relationship between CSR and brand equity. To the management of pharmaceutical companies, brand equity can be positively adjusted by increasing the company's involvement in CSR activities.

5.4.2 Policy Recommendations

It is clear from the findings ²⁰ that there is a significant and positive relationship between a company's involvement in CSR activities and brand equity which ultimately leads to increased profits. It is therefore to the benefit of all that the management invests in CSR activities. The regulatory institutions may have to compel pharmaceutical companies to file reports on CSR activities on a regular basis with the regulator. This will ensure long term stability of these firms.

5.4.3 Recommendations for Further Research

It is recommended that other studies in this context of pharmaceutical industry be done but on a longitudinal scale. That is data will have to be collected a number of times. The results may illuminate on the whether the relationship established above is stable over time.

Future researches can be done on the effect of brand equity on branding practices. This kind of a study will indicate the nature of the relation when brand equity becomes the independent variable.

¹⁹

5.5 Limitations of the Study

The following have been identified as the limitations from which this study suffers;

The study was carried out in the context of pharmaceutical industry only. This is an industry domiciled within the larger manufacturing industry in Kenya. The results may therefore lack generalizability across the manufacturing industry in Kenya.

The study was a cross sectional study. By nature, cross sectional studies enable the collection of data at only one point. Such data is usually deficient especially because it does not capture the degree of stability of the relationship especially in the face of environmental fluctuations.

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