

The Effect of Community Initiative on Performance of Supermarkets in Eldoret Town, Kenya

Cheptum Florence Jemutai

PhD Candidate, PhD in Business Administration, Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract: The main purpose of this study was to establish the effect of Community initiative on performance of Supermarkets in Eldoret Town, Kenya. The reason why the study was done is because most of the supermarkets have been experiencing financial problems which have led some of them collapse. This study therefore sought to find out how community initiative can affect the performance of supermarkets and provide some remedies which may help reduce the problems facing these supermarkets. The study adopted the descriptive research design. Stratified and simple random sampling was used to select respondents. The study made the following recommendation; it is vital for supermarkets to provide recreational services to the community in order for it to increase its sales volume. The study contributed to literature review, policy making and development of measurements of scale. The study recommends that further studies should be carried out to explore the relationship between community initiative and profitability and to determine whether those relationships hold consistently over time.

Keywords: Community Initiative, Performance, Supermarkets, Multinational Companies.

1. INTRODUCTION

Community initiative has been prioritised by business partners as a catalysing factor for the accomplishment of business success. According to Nwachukwu (2006), a number of stakeholders are highly demanding that business organizations should be accountable towards the social, natural environment and economic impacts that they cause to every community in which they operate on.

It is argued that for a firm to be more competitive, it should adapt to new demands from the market and the society in which it operates, Brammer & Milligton (2008). Socially responsible organizations consider the full scope of their impact on communities, society and the environment when making decisions, balancing the needs of stakeholders with their objective of growth and profit making, Nejadi & Amran (2009).

2. LITERATURE REVIEW

A key priority for a socially responsible business is to develop and maintain strong and mutually beneficial relationships with its community. Businesses that take an active interest in community well-being can generate community support, loyalty and good will. This is often referred to as building a company's social license to operate, an important business objective for any business. Businesses engaging in community relations or community involvement typically conduct outreach to the community aiming to prevent or solve problems, foster social partnerships, and generally contribute to the community quality of life. They also participate in community relations to help improve their business by getting valuable community and other stakeholder input.

There is a proof that external stakeholders which consist of key communities impact on how and why a company becomes environmentally friendly as documented by (Christmann, 2004), who in his study analysed the determinants of global

standardisation of multinational companies (MNCs) environmental policies. Using survey data from the chemical industry he was able to show that MNCs standardise different environmental policy dimensions in response to pressures from different external stakeholders. Yet external pressure was not the only driver as MNCs' internal characteristics also affected how and if they standardise environmental policy. Findings demonstrated that the nature of stakeholder demands affects firms' responses to stakeholder pressures since environmental policy standardisation reduces MNCs ability to exploit cross-country differences in environmental regulations, these findings also have important implications for the self-regulation of MNCs environmental conduct. The question raised is whether this standardisation limits a company's ability to maximise profit from a given situation. On one hand, it could be inferred that if a company is not able to fully maximise profit because of a CSR policy, then that policy has a negative effect on the company's financial performance. On the other, the effect of not meeting or exceeding external stakeholder's expectations might prove to be more costly than possible inefficiencies arising from CSR initiatives (Lin *et al.*, 2009).

Community relations responses are suggestive of closed system thinking. This is too common approach and is apparently based on two assumptions: that the purpose of public relations is limited to affecting changes in the environment, and that organizations have the power to change their environments, thereby eliminating the need to change them. Open system approach cast public relations in the role of bringing about changes in both environments and organizations as a result of environmental inputs. Public relations functionaries attempt to preserve and promote a favourable image of the organization in the community on the hypothesis that if the organization is liked, the public will continue to absorb the organization's outputs. Such functionaries are only concerned with supplying information about the organization to the environment and not with supplying information to the organization about the environment (Cutlip *et al.*, 2000). In addition, a functional view of public relation calls for an open systems approach, changing both the organization and the environment. Relations between the organization and its public are maintained or changed on the basis of reciprocal output-feedback adjustment. Public relation has the potential to act in an advisory capacity and to have impact on decision making. The potential in turn might lead to some control over its own domain in times of crisis and, as a sensing device; public relation can be effective in preventing many potential crisis situations. Management properly remains the large wheel but the small wheel that is public relations may occasionally be capable of influencing the large one (Pagés, 2010) Two way-symmetrical communications in public relations calls for an open system approach, changing both the organization and the environment. Relations between the organization and its public are maintained or changed on the basis of reciprocal output-feedback adjustment.

CSR towards community is seen in terms of philanthropic giving, public-private partnerships, community relationships, and participation in social and economic development issues. Companies are moving towards pursuing meaningful partnerships with non-governmental organizations (NGOs) to empower the local community (Singh & Bhagat, 2004). When firms focus their social actions on communities in and around their area of operation, they reap the benefits of a socially responsible image among their employees and the local community. Though past evidence suggests a negative relation between CSR towards the community and firm performance (Lin *et al.*, 2009), it is also observed that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labour.

3. RESEARCH METHODOLOGY

This study used the descriptive survey design since it is cost effective in enhancing fast collection of information among a large population within a short time (Awoyemi & Quartey, 2002), reported that that the descriptive survey design does more than merely uncover data for its synthesis since it integrates data and points to implications and interrelationships. (Mugenda & Mugenda 1999), also indicate that descriptive survey research seeks to obtain information that describes existing phenomena by asking questions to individuals about how they perceive an something, or a certain behaviour, and that surveys are excellent vehicles for measuring characteristics of large populations.

The target population for this study was seven selected Supermarkets that were currently operating in Eldoret town. Both the managers, employees and the clients of the supermarkets were targeted for the study.

The sample size for the managers, employees and the clients of supermarkets selected was determined using the coefficient of variation formula given by Nassiuma (2000),

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where n = Sample Size N = Total Population
 C = Coefficient of Variation e = Tolerance level

The study used both primary and secondary data. Primary data was collected from respondents in the field. While secondary data was obtained from financial statements, bulletins, books among other sources.

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION

The data was coded for editing and analysis purposes. The researcher employed descriptive data analysis procedures for example data from questionnaires was analysed using descriptive statistics. The data was manually coded and entered into the Statistical Package for Social Scientists (SPSS) while descriptive statistics were used to determine frequencies of various variables in the study. Tabulation was used to facilitate data interpretation.

In response to the question as to whether the firm participates in community development projects, 38.9% of the respondents agreed, 31.4% were undecided, and 22.1% strongly agreed, this result shows that the supermarkets participated in community development projects. Response on whether supermarkets support education facilities or not revealed that majority with 68.8% strongly agreed, 48.2% agreed and 37.0% were undecided. The result on whether supermarkets support recreational facilities in the community revealed that 46.3% strongly disagreed, 27.8% disagreed, 12.0% agreed, 6.5% were undecided and 0% strongly agreed. On whether or not supermarkets provide welfare programmes to the aged, 37.0% of the respondents agreed, 18.5% strongly agreed, 18.5% disagreed, 9.3% were undecided and 9.3% strongly disagreed. On whether, due considerations to the minorities and disadvantaged groups in the society are provided by my supermarket, 37.0% agreed, 18.5% strongly agreed, 18.5% were undecided, 11.1% disagreed and 7.4% strongly disagreed. A question on provision of employment opportunities to the locals by my supermarket indicated that respondents with 46.3% strongly agreed, 27.8% agreed, 13.8% were undecided and 4.6% disagreed.

On charitable donations are provided by my supermarket, respondents with 46.3% agreed, 27.8% strongly agreed, 13.8% were undecided and 4.6% disagreed. Transportation services are provided by my supermarket, the result was, 37% agreed, 20.3% were undecided, 18.5% strongly agreed, 9.3% strongly disagreed and 7.4% disagreed. On question about whether my supermarket supports housing facilities to the locals, 46.3% strongly disagreed, 27.8% disagreed, 9.3% were undecided, 5.6% agreed and 3.7% strongly agreed. On welfare programmes being provided to the undernourished by my supermarket, 37.8% agreed, 18.5% strongly agreed, 18.5% were undecided, 11.1% disagreed and 7.4% strongly disagreed. Under the question, my supermarket support cultural facilities majority with 37% agreed, 18.5% strongly agreed, 18.5% were undecided, 13% disagreed and 5.6% strongly disagreed. The result on health facilities are provided by my supermarket showed that, 47.2% strongly agreed, 36.1% agreed and 9.3% were undecided.

Table 4.1: Community Initiative on Firm Performance

| Community Initiative | SD | | D | | UD | | A | | SA | |
|--|----|------|----|------|----|------|----|------|----|------|
| | F | % | F | % | F | % | F | % | F | % |
| A1. My supermarket actively participates in community development. | 0 | 0.0 | 0 | 0.0 | 34 | 31.4 | 42 | 38.9 | 24 | 22.2 |
| A2. My supermarket supports educational facilities. | 0 | 0.0 | 0 | 0.0 | 40 | 37 | 52 | 48.2 | 70 | 68.8 |
| A3. We support recreational facilities in the community. | 50 | 46.3 | 30 | 27.8 | 7 | 6.5 | 13 | 12.0 | 0 | 0.0 |
| A4. We provide welfare programs to the aged. | 10 | 9.3 | 20 | 18.5 | 10 | 9.2 | 40 | 37.0 | 20 | 18.5 |
| A5. Due considerations to the minorities and disadvantaged in the society are given by my supermarket. | 8 | 7.4 | 12 | 11.1 | 20 | 18.5 | 40 | 37.0 | 20 | 18.5 |
| A6. Employment opportunities to the locals are provided by my supermarket. | 0 | 0.0 | 5 | 4.6 | 15 | 13.8 | 30 | 27.8 | 50 | 46.3 |
| A7. Charitable donations are provided by my supermarket. | 0 | 0.0 | 5 | 4.6 | 15 | 13.8 | 50 | 46.3 | 30 | 27.8 |
| A8. Transportation services are provided. | 10 | 9.3 | 8 | 7.4 | 22 | 20.3 | 40 | 37.0 | 20 | 18.5 |
| A9. We support housing facilities to the locals. | 50 | 46.3 | 30 | 27.8 | 10 | 9.3 | 6 | 5.6 | 4 | 3.7 |
| A10. The undernourished get welfare programs from supermarkets. | 8 | 7.4 | 12 | 11.1 | 20 | 18.5 | 40 | 37.0 | 20 | 18.5 |
| A11. Supermarket support cultural facilities. | 6 | 5.6 | 14 | 13.0 | 20 | 18.5 | 40 | 37.0 | 20 | 18.5 |
| A12. Health facilities are supported by supermarkets. | 0 | 0.0 | 0 | 0.0 | 10 | 9.3 | 39 | 36.1 | 51 | 47.2 |

(Source: Field data, 2015)

5. CONCLUSIONS AND SUGGESTIONS

From the result on community initiative, the study concluded that Supermarkets in Eldoret town do not support recreational facilities in the community. This led to lower sales volume especially during the weekends and holidays since most people could go to other places where they could find recreational facilities to have fun with their families and friends.

With regard to the study findings on community initiative as a determinant of performance in supermarkets; it is vital for supermarkets to provide recreational services to the community in order for them to increase their sales volume. The moment they provide this facility, most people will do more shopping especially during the weekends and holidays since they will buy food and refreshments among other items.

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