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Upholding competitive advantage through endorsing corporate social responsibility: case study Pepsico Egypt

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Abstract

Corporate Social Responsibility (CSR) involves the marriage of good business principles with the desire to solve social problems, to improve the environment and to empower communities. The shift in the paradigm of managerial studies and the introduction of new trends and concepts in both Public and Business administration fields paved the way for CSR to rise as a topic of research under the limelight of academic studies creating the opportunity to search it as a concept as well as its related research area. CSR invaded the socially motivated business ranging from the smallest and most localized efforts to the largest and ambitious national and international enterprises. These companies shift to incorporate an environmental social welfare based theme and translate it into business plans and products. The field of scholarly investigation about CSR provides the arena for opportunities to challenge and rethink concepts and assumptions from different fields of management and business research.

The importance of the study arises from the institutional reform process in managerial styles and practices, paving the way to address many research gaps in the development of multi strategies to understand the influence of CSR in management practices and applications as the study tends to highlight the importance of CSR activities to maintain competitive advantage for the Egyptian organizations.

Accordingly, on the academic level, this paper aims to shed the light on CSR concept as a crucial development since the turn of this century showing its importance and contribution to the new trends of management studies. In addition, the study aims to bridge the research gap between business practices and public administration views of CSR within the framework of the Egyptian context. On the practical level, the importance of this study arises from the fact that there are few studies in the field of public administration reflecting on the CSR concept’s application in Egypt. Moreover the current conceptualization sometimes considers the unique characteristics of the Egyptian society’s enterprises seeking to achieve competitive advantage. In addition, studying the concept and its applications from the point of view of activities associated with perceiving the opportunities to create a balance between maintaining competitive advantage and achieving both profit and society welfare as applied in a case study of PEPSICO Egypt.

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1. Introduction

Corporate Social Responsibility CSR invaded the field of business since the year 2000 in a vigorous way. So many corporations worldwide wanted to become more involved in the social welfare of the community and its citizens. The local development goal became crucial for several corporations out of the conviction that the supporting and the focus on the citizen and his human rights will yield profits for both the company and the community served. CSR as a new tendency in the market of both national and multinational corporations is widely used. The paper is that in such a competitive global environment of business, the edge of competition for a company is achieved through both the economical and the social advancement in the market. According to Kotler, achieving CSR through a company in the community is a desire to reach equilibrium between acquiring profit and reinvesting them in the social welfare services of the citizens (Kotler, 7). The implications of social responsibility in the business community entail not only the objective of commercial success but the vision of social involvement and equality. According to Porter, the marriage between good business principles and the desire to solve social problems became crucial in the field of competitive strategy in the market environment. In one of his articles, he advocated the notion that “social responsibility became a priority that is impossible to avoid by the business leaders of any country and any field” (Porter, 4). The idea here is the collaboration between the social environment and the economic needs of any corporation under the umbrella of a clear communication plan conveyed to the community to achieve an integrated competitive strategy. The question here is how can a company maintain a competitive advantage within the market while following the guidelines of the CSR concept within its development plan? Or in other words, what is the nature of the relationship between competitive advantage and CSR concept in the typology of our global business environment? This study tends to review the CSR in terms of its different definitions, history, components, functions, dimensions and approaches. Then it will move to discover the essence of the working relationship between the CSR and the realization of competitive advantage outcome in any organization through highlighting the different strategies used in such process. Secondly the study will practically show how multinational corporations as PEPsICO Egypt can enhance its competitive edge through its CSR activities.

2- Literature Review

CSR: Definitions

The World Business Council for Sustainable development defines CSR as the “engagement of the business environments to contribute to the durable economic development working together with the employees, with their families, the local community and society as a whole to improve their life quality” (Hristea, 2011). The European Commission Forum defines the CSR concept as a phenomenon by which the company is involved in the creation of a better social environment for the citizens of its community in order to gain respect. Both definitions assume the voluntarism of the company in being engaged in such actions, to create a socially added value to the community in which it is working. From this point of view, CSR can be perceived as a “profitable management strategy” as it generates long term credibility between the company and its social environment, affecting accordingly the durability of the company to maintain its competitive advantage (Hristea, 2011). In some research, CSR as a concept is perceived as a bundle of business decisions in the company that would trespass the technical and economic interests of the company to sustain social causes and to fulfill the involvement in the welfare of the community and the citizens (Crisan, 2012). This would yield positive relationships with the society at all its levels covering all possible areas of needs for example as health, education, safety, crime prevention, job creation, environment, poverty and discrimination. As a result, the company here would be entailed to minimize risks and maximize economic and social benefits. The balance here is not easy to achieve. According to Carroll,
the idea is to promote development in accordance with parallel social and moral values embedded in the society reflecting on the needs of the people (Carroll, 1991). Many researchers found that some companies would develop internal codes of conduct and management systems that highlight the standards and the guidelines followed by their business leaders in maintaining competitive strategies along the application of CSR approach (Waddock, 2005). According to Hristea, the term of CSR is highly associated with the economic development and prosperity, the improvement of social solidarity and the respect of the environment. The terminology of CSR in this sense would be highly correlated to the ‘triple- bottom- line” notion advocated in many literatures (Hristea, 2011 and Pendleton, 2004). The integration of the three effects: economic, social and ecological can be seen in the following scheme of the CSR’s Effects on Society:

(Hristea, p.61)

According to Smith, these effects directly and indirectly reflected on the stakeholders involved in the whole system of CSR application. These people are mainly: employees in the company, customers dealing with the company, suppliers, stockholders and the local community within the context of the company activity (Smith, 2011). Then the main responsibility of the company in this sense would be to maximize profits for the stockholders to pay employees fairly, to sell goods and present services to the customers at a fair price to meet suppliers’ requirements regarding payment and times delivery, adding to invest in the community to ensure social welfare and an added value to its citizens. Therefore, the above directions and definitions of CSR concept would fall into the broad category of defining the responsibility towards the society.

Our definition in this study will highlight CSR concept as an ultimate decision by the company to ensure the fulfillment of its competitive advantage plan parallel to the achievement of societal needs within the community in which it operates. Therefore, the company in this sense has to jump above itself and create a socially added value to its various stakeholders.

CSR: History
1950’s -1960’s: According to Bowen, the concept raised from the fact that the actions of the firms affect the life of the population and that business people’s responsibility would refer to their obligation to pursue policies in favour to the values of their societies (Rosemaria, 2011). Ethics played an important role in Bowen’s literature
that was followed by Peter Drucker who expanded the work in his book “The Practice of Management” focusing on the notion of doing public good as one of the pillars of CSR, as well as the enhancement of stability, strength and harmony (Drucker, 2006). Another work by Frederick would reflect in this period that CSR would deal with corporate managers as public trustees and stresses on the idea of balancing the corporate resources to the competing claims (Rosmaria, 2011). Later towards the 1960’s, the main focus for Frederick was that firms must widen the scope of their social involvement above their interests using their resources for broad social end (Frederick, 2012).

1970’s-1980’s: In 1970, Friedman reinforced the idea of free market rules, laws and ethical boundary of CSR. However, putting financial profit at the tip of the pyramid of priorities for the company requiring long term planning that would yield profit. Therefore this period was tackled by many authors as Friedman Davis and Fitch focusing on the content and the implementation process of CSR that didn’t oppose the financial interest of the business (Rosmaria, 2011). In 1980’s business and social interests came closer as the companies realized the presence of their stakeholders and their influence on the business. The new public management arena of study paved the way to CSR concept to prevail subject it realizes the benefits of stakeholders in the society. The term “Public Liability” was used widely to focus on the public aspect of responsibility. In 1982, Donaldson converted the notion of public liability to another terminology involving social contract between business and society (Rosemaria, 2011).

1990’s onwards: The concept of CSR widely prevailing all aspects of business societies but grew under the limelight with the turn of the century. This is mainly because of the growing use of social networks to improve and foster new CSR projects. The human capital investment, the goodwill and reputation of the company were the core of any business development plan. The essence of CSR in year 2000 was “doing good to do well” (Rosmaria, 2011), by going beyond maximizing shareholder values to reach better corporate responsibility including social, environmental and governance issues. This idea also was reflected in making companies good citizens to contribute to society’s welfare (Nazari, 2012). The following figure would highlight the changes of CSR activities during the past 5 years, showing that the sustainability of the environment is increasing tremendously. Where it started with 1.7% to increase to 50% and this is due to the worldwide movement towards applying CSR.
Anticipated Change in CSR Activities over the Past 5 Years

Percentage of Respondents

<table>
<thead>
<tr>
<th>Percentage of change</th>
<th>Environmental</th>
<th>Social</th>
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<tr>
<td>Decrease Substantially</td>
<td>5</td>
<td>10</td>
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<tr>
<td>Decrease Slightly</td>
<td>20</td>
<td>30</td>
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<tr>
<td>Remain the Same</td>
<td>15</td>
<td>25</td>
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<tr>
<td>Increase Slightly</td>
<td>40</td>
<td>50</td>
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<tr>
<td>Increase Substantially</td>
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(Harwood, p. 287)

CSR: Components

There are four components that envisage the concept of CSR. First is the philanthropic component which entails serving the community as a good corporate citizen. This means that the company becomes the citizen with all its needs and responsibilities. Secondly, the humanistic and traditional essence of CSR concept as the company in this essence has to perform in a manner consistent with what the society expects regarding the norms and ethics. Thirdly, the legal component of CSR would draw on the notion that the company has to obey the laws of the society. Finally, the profitable component of CSR which is the cornerstone for any company’s success plan because in order to serve the society a company has to have a high margin profit to boost its development plans and inject it into the above three components (Caroll, 1991). According to Cunningham, the four stated components of CSR can fall into the trap of conflict of interest. Several questions would pertain about the appropriate responsibility of the government, the overlap between the cost and profit as well as the priority level of the numerous project that the society needs (Cunningham, 2011). So there is always a tradeoff between CSR’s components and ultimate profit to the company. Many scholars advocate a Zero-Sum formulation of the concept while pertaining to the social obligations of the business. The Neo-classical school of economics would rely in this sense, that with tougher competition the firms exercise pressure on its stakeholders to fulfill social commitment in order to gain wide acceptance from its opponents (Burke, 1996). The key role played here is by the government in order to ease regulations on firms and corporations giving them the spacious areas to breeze in order to fulfill their social obligations. This would include tax alleviations, less rents on land and corporate tax exemptions.
CSR: Functions

CSR concept entails the following functions required by the company:

1. Protection of the environment.
2. Insurance health and security of the population of the society.
3. The creation of civilized work conditions for employees.
4. Developing a motivational plan for employees.
5. Working on upgrading the standards of living in the community to eliminate inequity and poverty.
6. Ensuring transparency and accountability for projects and actions taken by the company.
7. The application of anti-corruption measures (Hristea, 2011).

The essence of those functions goes parallel to the fundamental values advocated by Kofi Annan, January 1999, in worldwide economic forum from Davos, when he highlighted the force of the collective action to boost CSR towards citizens. He stressed on the universality of human rights as well as the freedom of labor. Moreover he added the elimination of child labor and discrimination of wage pay. Finally the environmental protection was on the top of those values urging several companies to adhere to the responsibility towards the environment using clean technology (Annan, 1999).

CSR: Dimensions

There are 5 dimensions to the concept of CSR: Centrality, specificity, proactivity, voluntarism and visibility. First, centrality refers to how close is the company’s objective from achieving the CSR program. It helps to create feedback for the organization to check the consistence of the actions to the mission. Secondly, specificity refers to the ability of the company to gain the benefits of a CSR program in the specific line of their industry. Thirdly, proactivity refers to how behavior is planned and scanned in the absence of crisis conditions. The anticipation of any changes that occur in the environment is crucial in regard to this dimension and is usually achieved through regular SWOT analysis. Fourthly, voluntarism refers to the scope of the decision taken by the company as the business decisions to achieve CSR programs are taken willingly. Finally, visibility refers to company’s ability to gain recognition from internal and external stakeholders (Burke, 1996).

Therefore, any company willing to adopt a CSR program has to look and examine those dimensions in order to succeed in the yielding of a socially added value to the community. This value creation would refer to a double faced coin: the economic benefits that a company expects to receive and the surplus in those benefits and profits injected in community service projects. The CSR department in some multinational corporations would include investment in new machinery, new methods of clean technology, brand awareness training and customer services. According to Nazari, companies have to act on the notion of being ‘moral agents within the society”. Therefore the above dimensions stated in any CSR program have to fall within the guidelines set by the society. If we look to CSR concept as a social action targeting the satisfaction of social needs, so the underlying principles of CSR dimensions will be as follows:

- The business company is a social institution that has to exercise power responsibility
- The business company has to target the involvement with societal issues and needs related to the internal and external environment.
- Individual managers of the business company have to act as moral agents beyond their profitable self-interest they should force CSR as an obligation (Nazari, 2012).

CSR: Approaches

According to Wood, the basic framework of CSR concept in business prevails with the basic rule that ‘business and society are interwoven rather than distinct entities” (Wood, 1991). The urge behind this notion comes from the increase in stakeholders’ awareness of corporate ethical behavior and social responsibility. Moreover, the increasing issues of image and reputation together with the globalization trend advocated changes in the whole business environment. There are two main fashionable approaches that are used by companies in this sense the
Push vs. Pull approach. The Push approach would envision business as sitting in the middle and the pressure actors (societal as well as political) are coming at it from outside. Both are pushing the firm to adopt the CSR program.

Political Pressure → Business Firm → Societal Pressure

On the other hand, the Pull approach would see CSR program coming from the business idea and reflecting on both society and external environment with the effects.

Environment

Politics & Policies ← CSR Program initiated → Society

 Stakeholders

Therefore, the Pull approach would rely on voluntary & self-regulation with no outside pressure, whereby the proactive nature of the CSR concept would prevail (Vassileva, 2009). According to Hartmann, there are 3 views to CSR approach. First from the economic theory point of view, a firm’s only social responsibility is to increase profits as long as it stays within the legal framework and ensure the sustainability of economic development. Secondly, from the employees’ point of view, CSR is positively related to employees seeking a job in the organization as they identify with the cause and perspective of the company. Job satisfaction and involvement increase in this sense and CSR would play the role of non-monetary reward for the employees. Thirdly, from a stakeholder’s view, the credibility of CSR program is crucial to reap CSR’s strategic benefits. The stakeholder would look to the company’s authenticity, communication, motives, community affairs and development (Hartmann, 2011).

CSR: Upholding Competitive Advantage

With the growth of globalization, there is an urgent need to emphasize on the design of new international standards for the management of most business organizations. The competitive advantage trend is considered to be one of the new trends in both Business and Public administration, paving the way for so many institutional reforms in business practices. These reforms include the reorganization and re-regulation of so many businesses to encompass economic, social, and political developments within the environmental context. The concept grew under the limelight since the 80’s following the ‘factor endowments’ and ‘the comparative advantage’ theories and was introduced by Michael Porter in his famous “Diamond Theory”. According to the international institute for management and Development, competitive advantage’s requirements would include the competencies derived from economic and administrative performance of the government and the good business environment in the country allowing to create a socially added value to the community (Younis, 2009). Along this line of understanding competitive advantage, the major question advocated by many researchers is where does CSR concept stands from achieving competition for the company? Well, CSR as previously noted, helps the company to grow its financial and commercial performance positively while emphasizing competitiveness by creating a socially added value to all stakeholders involved with its programs. There is a strategic intersection between CSR and competitive advantages as two faces of the same coin in business development meeting in the area of creating social welfare for the community. As the implementation of CSR programs in any company would yield social, economic and financial advantages, so the major cornerstone of this intersection will be shown in the resulting
positive reputation improvement of the company: “investing in CSR records a plus in image building of reputation, with positive effects in the plan of economic performance” (Hristea, 2011). The second cornerstone of this relationship is the improvement of the market position and competitively of the company. If policies of innovation and differentiation through CSR practices would facilitate the access of new markets, it would also increase the competitive edge of the organization as differentiation strategies is one of Porter’s advocating in the study of competitive advantage.

The existence of CSR concept in today’s life of business organizations cannot be denied. According to the World Business Council of Business development CSR and competitive advantage go in parallel line yielding positive results in along the organization” (Hristea, 2011). According to Vassileva, the major benefits of applying CSR activities that would go in accordance with the achievement of competitive advantage are listed as follows:

- Image and reputation enhancement
- Financial efficiency
- Staff motivation and loyalty
- Market position support
- Customer satisfaction
- Recognition by stakeholders
- Product brand support
- High quality of goods and services
- Promotion of social commitment
- Providing better social services (Vassileva, 2009)

CSR: Competitive Advantage Strategies

**CSR Traditional Enlighten Strategy:** It focuses on products and processes and aims at achieving profits by cutting costs and improving efficiency through new innovations. The managerial scope of the strategy would entail the company to make decisions in line with the evolution of demands and change anticipated in the society. Moreover, the managerial decisions involve investment and cost of implementation (Lanoizelee, 2011).

**CSR Reputation Strategy:** Reputation is the intersection between the company’s interest and the public interest and it is the source of competitive strategy in this sense, as reputation would help the company to build the image of competency related to CSR. The company is reintegrated within the society which improves both public interest and its economic performance (Fombrun, 1990)

**CSR Ethical Strategy:** the demand for virtue in accomplishing business transactions and relating the developmental plans of so many companies is the notion behind this strategy. There is a global demand for green products and cleaner technology as well as the increasing demand for CSR related programs to the society. So many paradoxes aroused around this strategy emphasizing the extent of whether acting by ethics would yield better results in sales or not. Some would argue that this is only feasible for small business enterprises or the shop around street corner, but never applicable to business multinational tycoons. In this sense and according to Vogel, the company’s responsibility or irresponsibility was not a modifying factor related to its increase of sales, its attractiveness to its employees or its access to its capital (Vogel, 2005).

**CSR: Competitive Advantage in Balance**

If CSR behavior becomes a competitive advantage that a company would enjoy its positive results if it applies its programs, opinions would discourage competitors from adopting those programs. The companies in trying to achieve this balance would stress on influencing market expectations on social and environmental quality to gain the interest of CSR stakeholders and to ensure reaching its competitive advantage in the market (Bardelli, 2005). According to Mc Williams, the environment competitive situation in the business market depends on price, degree of product differentiation, the existence of entry barriers and substitutable non CSR products (Lanoizelee,
Both companies and stakeholders will be affected by the above factors. Therefore the strong demand for CSR would yield probable economic advantages whereas the low demand for CSR would result in uncertain economic advantage. If we build upon Porter’s analysis of competitive advantage, we follow the line of competitive edge generated by CSR strategy which would only depend on the added value to the community. This added value would be granted by the economic powerful stakeholders in the company as customers, suppliers and investors. Moreover this value is added by many members of the active civil society who defend the values of development and who look to competitive advantage as being derived from intangible resources such as human capital knowledge (Lanoizeleec, 2011). The balance between CSR and competitive advantage is reached evenly when there is a positive relationship between CSR and corporate financial performance CFP. This depends on firms and industry characteristics as well as timing of delivery and the relationship between CSR activities and stakeholders’ satisfaction. As Hartman points out “doing good doesn’t have to be at the expense of doing well” (Hartman, 2011). The perfection of the balance is a far away dream especially in times of uncertainty, economic unrest and environmental changes. Sometimes, stakeholders themselves as customers would cause an imperfection in the balance when you find a discrepancy between a consumer lifestyle and value on one hand and CSR activities on the other hand. Therefore, CSR programs have to go parallel with the competitive intentions of the company in gaining the credibility, the customer satisfaction and trust, adding to the reputation of the brand or the company as well as the consumer loyalty and which will lead to what we call responsible competitiveness (Hartman, 2011).

**CSR: Criticism vs. Praise**

The CSR concept falls into the trap of criticism and praise when it comes to the judgment of modern businesses that have to achieve competitive advantage while maintaining socially added value to the society. The controversy arises in the way CSR programs are developed and introduced to the society. Within the ethical route of delivering goods and services some companies adopting CSR programs fail to stick to their promises. Researchers identified six areas of controversies as follows:

- The defense of public image: reflecting on whether CSR program yield positively or negatively to the society
- The attraction of investors; relating to whether CSR program will attract the support of investors or not
- Permission to operate: referring to the risks involved with some operations that put CSR programs at negative opinions of stakeholders
- Good public relations: referring to the maneuvering of CSR programs through social networks that can be sometimes twisting
- Engagement through campaigns: some NGOs work on campaigns and induce companies to work on CSR. When the cause finishes, usually it is not repeated and accordingly it loses its sustainability
- Lobbying against legal regulations: the legal framework is sometimes trespassed by some companies to realize the CSR program and covering up illegalities and in this sense it can yield very negative effects

In order to avoid such controversy, firms should adhere to the business codes of conducts developed by the international organizations supervising CSR programs worldwide as OECD (Iilies, 2012). Moreover, business firms should accept that the best practices of CSR are not universal and that situational factors direct what’s best for each community. One of the main critics of CSR was published in the work of (Henderson, 2004) where he emphasized on the fact that CSR can lead to business disasters as investment in some projects defined as social cause can be unfair in yielding profits. In most cases, a company is attracted to be a global savior leaving behind plans of long term efficiency and competitiveness (Henderson, 2004). Some governments are not also helping with modified regulations and there are worldwide calls to strength and empower those entities for the avocation of CSR (Mattera, 2011).

As the reality regarding CSR and CSI (Corporate Social Irresponsibility) is complex and dynamic, several comparative studies were conducted in this sense. CSI would lead to environmental degradation and pollution of
ideas. It would exploit the ethical problems into a sense of irresponsibility towards the society. Looking to the profits of the company adopting CSI, one can find profit is achieved at any cost and in an unfair manner (Ilies, 2012). On the other hand, CSR would help to correct market inefficiencies and promote ethics. The HR department in the company through a long range of selection and recruitment is the boosting engine towards better CSR project in the community. Moreover, the adherence to the concept positively would promote good intentions within the financial boundary and would minimize risks (Vallaster, 2012). For them the multiple benefits would be the reduction of costs, motivation of employees within the organization, environmental protection values and ethics in enterprises, better management of human resources and meeting clients’ needs and diminishing risks. These multiple benefits can only be perceived if CSR resilience is high in the face of external environment shocks. Actually, some studies argued that CSR is at “cross roads” and it can fade away by 2015 if it doesn’t undergo radical changes (Harwood, 2011). These studies were in favor of the reinvention of CSR programs in order to include proactivity of good force and willingness to perform a revolution in the socially added value to the society. Resilience approach to CSR reflects the intensity of its programs to withstand stress, shock or change as a result of competing initiatives” (Harwood, 2011).The changes suggested in the society in order to maximize the benefits of CSR include setting new rules for governments, more involvement of NGOs and trade associations, strict measurement against corruption and more involvement of the local cultural in the society to help with the program.

3- CASE STUDY
According to Orman, Egypt is one of the first countries that come to mind when one thinks of CSR. More than 80 million populations are striving for better life, social justice and structural reforms. Egypt is a country where entrepreneurial economy plays a vital role (Orman, 2010). Vast business areas would call for help in education, housing, state owned enterprises, NGOs, small business enterprises, social insurance and health services. Government interference and the distrust due to lack of organized rules and regulations, had stifled major venues of CSR in Egypt and distorted the management of their programs. With the dawn of the January 25th revolution, hopes are that the human agency of business entrepreneurs in Egypt would help to alleviate poverty and enhance justice and social welfare within the society. The Egyptian population now is freer to vote, to create, to solve problems, to be more transparent and accountable for their actions which would improve the environment in which we are living. The road map for the enhancement of CSR projects in Egypt was enhanced by some of the multinational companies in the country. Our case study would present the efforts of one of the most renowned multinational enterprise in Egypt PEPSI CO EGYPT to create a comprehensive CSR strategy to yield better results and boost competitive advantage.

PEPSICO EGYPT
PEPSICO is one of the world largest food and beverage companies, with 2008 annual revenues of more than $ 43 billion and employs around 198,000 employees worldwide. PEPSI CO has 18 mega brands, each of which delivers retail sale of $ 1 billion. The brands are enjoyed around the world in more than 200 countries such brands are Pepsi, Mountain Due, Doritos, Chipy, Aquafina, Frito, Lays snacks, Ruffles and Tropicana Juice, Miranda, 7Up and others as well. For PEPSICO, doing business is not just about making a profit. The company listens to its customers’ needs: well treatment of employees, better society services, not harming to the environment and better investment to the human talents. The business of PEPSICO relied on a vibrant society and healthy planet to grow and to meet customers’ future needs. The notion of offering better tomorrow than today goes parallel with the responsibility to improve all aspects of the operation process whether socially, economically and environmentally.
PEPSICO EGYPT: CSR Vision

In a world that continues to experience unprecedented economic, environmental and social challenges, PEPSICO Egypt employs corporate social responsibility CSR to help making a difference. The responsibility to improve all aspects of life to create an added social value to the society and to increase the social welfare of its citizens strives the way to achieve good profit with socially good performance. PEPSICO Egypt is one of a long history of delivering strong financial performance increasing revenues, market share, volume of sales and profits earned per share. This policy is going parallel to the achievement of a competitive advantage among its rivals together with the CSR that is embedded in the management culture of PEPSICO.

The vision of “Performance with Purpose” is the strategy of its corporate Social Responsibility. According to Indra - Nooyi, PEPSICO Chairman and CEO, Performance with purpose is the foundation of every aspect of PEPSICO’s business. The financial achievement as well as the layout of the competitive advantage of the company goes hand in hand with sustainability. The following sections of the case study will review the different aspects of sustainability that PEPSICO invest socially in them in order to achieve its message of delivering good performance.

![Diagram](image)

The commitment of PEPSICO Egypt under the notion of ‘Performance with Purpose’ is to human, environmental and talent sustainability. Human sustainability refers to PEPSICO’s Egypt efforts to nourish consumers with a wide range of products, from treats to healthy eats. Environmental sustainability on the other hand reinforces the commitment of PEPSICO to protect the natural resources of the planet and to reduce any environmental stains on its sides. Finally, the talent sustainability focuses on developing employees in a diverse and inclusive environment to ensure that PEPSICO Egypt is an attractive destination for the world’s best talent.

PEPSICO EGYPTCSR Vision: Human Sustainability

The goal of human sustainability is to make a great progress towards the PEPSICO Egypt’s goal to improve the overall nutritional profile of their portfolio as follows:

- Offering a variety of great tasting food and beverage.
- Reformulate to improve nutritional profile.
- Launch healthier, nutritious food and beverages.
- Act as a responsible company to address global nutrition concerns and encourage healthy life styles through activity.
- The reformulation to improve nutritional profile include removing trans fats, moving to healthier oils, develops and use sugar substitutes, adding whole grains and reduce added sugars.
According to Ms. Sherine Shahine, the CSR, Public Relation, External Communication Manager of PEPSICO Egypt, the slogan that gathers all projects of sustainability is to “create a better tomorrow for future generations”, while the objective is to achieve a financial success and to maintain the competitive advantage with a positive imprint on society. Regarding the cornerstone of human sustainability, PEPSICO Egypt is working to develop products that balance cost and nutrition. Moreover, it is trying to solve the global paradox where more than 1 billion of people are hungry and more than 1 billion are overweight, accordingly they are trying as a team in PEPSICO Egypt to let consumers improve their diet and motivate them to adopt healthier life styles and helping them with the cost. In doing so, PEPSICO Egypt launched a project for renovation of medical units in 10 different governorates that are underserved. The project was launched with the Egyptian cure bank and the Egyptian Ministry of Health.

PEPSICO EGYPT CSR Vision: Human Sustainability: The Egyptian Cure Bank Initiative
PEPSICO Egypt decided to fund the cure bank to improve and renovate the health care in communities near selected PEPSICO EGYPT factories. The Egyptian Cure Bank actually plays an important leadership role in providing medical treatment and improving medical services for underserved children and adults in several governorates. This responsibility arises from endless aspiration to serve the Egyptian people and specifically to improve healthcare in their communities. The plan of work with both the Egyptian Ministry of Health and cure Bank is to renovate the outdated and inadequate status of existing health units and assist in supplementing the training and salaries of medical personnel. These two objectives will be covered through upgrading the medical equipment such as the sonar, X-ray and other important medical devices, adding to providing other essential medical equipment such as surgical utensils and cardiac stunts. In addition to enhancing the medical services through providing variety of training courses for doctors and nurses, to be related to supplementing their salaries because of these experienced professional certificates.

PEPSICO EGYPT CSR Vision: Environmental Sustainability
In 2007, PEPSICO Egypt agreed on vigorous companywide methods to help better understand and track the global footprint. The company decided a goal for environmental sustainability to reduce water consumption by 20%, electricity consumption by 20% and fuel consumption by 25% by year 2015. PEPSICO Egypt is considered the first company of its size in their production sector to publicity state long term resource reduction goals. They gained the ISO 14001 for their successful environmental compliance. Therefore, all their individual business in the regions have specific one year and three years conservation goals. These goals go parallel into the performance objectives of their senior leaders just as financial goals. On the contrary, sometimes those socially friendly environmental goals win over financial transactions for PEPSICO Egypt to maintain both the competitive edge and the company’s image as Ms. Shahin clarified.

The three major areas of interest of environmental sustainability for PEPSICO Egypt are as follows:

1. Reducing water usage through conservation, reuse and replenishment as PEPSICO Egypt uses inventive techniques, including water recycling for plant maintenance, waste water irrigation and air rising of beverage bottles. The objective is to use proactive working plans to improve water supplies in water scarce communities.
2. Reducing greenhouse gas emissions through energy conservation and use of clean energy sources as PEPSICO Egypt continually improves processes to reduce energy use, through actively engaging in renewable energy projects.
3. Reducing, recycling and reusing packaging and solid waste as PEPSICO Egypt is trying to sustain the Global packaging policy by saving plastic consumption of more than 60 million pounds through manufacturing light weight beverage containers.
The “spillover effect” according to Ms. Shahine, is contagious to other companies in the field which try to apply some related CSR projects for environmental sustainability.

PEPSICO EGYPT CSR Vision: Human Talent Sustainability
PEPSICO Egypt’s strength is in its people who continue to deliver exceptional results. PEPSICO is committed to hiring, training and retaining the best people. The accumulation of human capital knowledge in PEPSICO Egypt is the base of increasing and sustaining the talent for work. The projects that PEPSICO Egypt undergoes to achieve human talent sustainability are: Grass root project and Ambition program.

PEPSICO EGYPT CSR Vision Human Talent Sustainability: Grass Root Project
The aim of the project is the talent scouting inside schools of children to encourage both education and sports. PEPSICO Egypt tried to discover talented football players in 27 governorates in Egypt. It started 2003 and the program will continue until 2017. The pillars of the program stand on providing a career path for such children, through discovering best Egyptian young players and formulating a team in each governorate. Throughout the tournament, PEPSICO Egypt is committed to provide players with the following benefits: Healthy living via healthy meals, transportation and logistical allowances, courts rental, time management workshop, cash prizes for the first three winning teams on the governorate level and on the level of Egypt, mobiles and computer gifts, career advising for those young children and distribution of T-shirts on all participating players covering the 3 stages of school students in Egypt.

The CSR notion behind the Grass Root Project is to help the community within its boundaries and also parallel with giving PEPSI a football competitive edge. The program initiated a set of criteria that ensure good behavioral manners among participants and minimum level of academic performance. The tournament player has to present a proof for a minimum of maintaining academic pass for 3 years and not failing exams during the program. Moreover, a player is required not to engage in any behavioral misconduct during the program course. The socially added value for such children through “Grass Root” program, according to Ms. Shahine, is to promote educational standards, enhancing youth healthy living and empowerment in the community and leveraging the PEPSI talents.

The pillars of CSR intervention lie on the following:
The Grass Root program includes:

a. Life and educational development pillar to carry out PEPSICO Globe mission towards youth through taking a personal responsibility not only by training and coaching but by implementing and designing a full integrated program for empowering them into their community. The program is a renewed 5 years plan including rotation of different students within their age group.

b. Mobile computer lab as a rotation mobile lab visits all governorate where tournaments are held twice a year. The objective is to spread computer literacy among all students across all Egypt enlisted in the program. This would encourage e learning and the support of on time access to the program. Moreover, it would help to eradicate problems of technology faced by several schools in poor governorates.

c. Healthy living enhancement as the program, offers during the trip the service of a mobile clinic facility. This is in order to check health conditions reaching out to all participants who do not usually get proper health care. The mobile clinic is held at the site of every tournament and has several responsibilities as treatment of overall body performance, teeth checkups, eyes, ears, nose and throat checkups as well as pains and injuries.

d. Youth Empowerment as the program allows for several streams to support workshops along the tournament. These workshops encourage soft skills and future employability. [PEPSICO does this with the cooperation of “Sona’a El Hayah” program of “Ressala” organization. The top ten
performers in the tournament receive free gifts and certification at the end of the program to enrich their CVs.

e. Leveraging the talents of the winners as the Youth ministry and ministry of Health in Egypt honors and rewards the winners with certificates. [PEPSICO Egypt provides the school of the winning team with mobile computer lab and offers free scholarships as well educational English courses programs. The CSR notion here is that the society will be rewarded by those talented people to benefit themselves and their communities to create a role model and a sense of social responsibility.

f. PEPSICO Egypt volunteer mobilization as the awareness scope is the intervention pillar. It is a cause related project whereby each tournament carries a social, health or environmental cause. So the PEPSICO Egypt volunteers and the players wear T-shirts on which a slogan related to the cause appears. This helped PEPSICO Egypt through many years for fund raising campaigns for many social causes.


The program is designed, in cooperation with the United Nation World Food Program UNWFP, to support children education, health and welfare in “SOUHAG” governorate in Egypt. The program is designed to empower the youth to provide them with the opportunities they need and deserve to become successful in their lives. The program was initiated 2003 at “the Arab Economic Forum’ where Mr. Saad Abdel Latif PEPSICO International, Asia, Middle East and Africa president pledged 1000000 US$ to promote education in the Arab world. It started mutually in Egypt and Jordan 2007 and aimed to improve school attendance and combat malnutrition among school children in Upper Egypt. PEPSICO Egypt contributed 1.6 million LE. To the program which provided school feeding support to 84 targeted communities based schools in Dar El Salam, Geheina and saqulta districts located in Sohag governorate. This program helped 130000 children and 2600 students. The attendance of the children in those district schools was increased by 90% due to the food distribution during the sessions. The Tomouh program organized trips for students of Sohag governorate to visit PEPSICO Egypt plants of both PEPSI AND CHIPSY and gifts were distributed. Many of those students came to Cairo for their 1st visit. They shared in the manufacturing process as a way of encouragement and they were exposed to the optimum standard used in production. During the program at Sohag governorate, the students attended orientation sessions on the importance of education, nutrition and health. PEPSICO branded bags and caps were distributed at the end of each session to encourage attendance. In June 2011, the “Tomouh’ program was sponsored by Chipsy in a new venue for the campaign of “food for education” announcing that Chipsy will cover more than 30 new schools in Sohag and 35 other schools in Upper Egypt through allocating a portion of its sales for 2 months to fund the food for education project. Under an innovative slogan by Chipsy “give them back their childhood, give them back their smiles”, Chipsy launched a big on line donation campaign to give every Egyptian the opportunity to contribute to this valuable cause by simply visiting www.chipsyegypt.com and clicking the yellow box to help needy children to continue their education free of charge. It also launched a video campaign in Fayoum on the 6th of July 2011 and shared it on all channels celebrity figures in Egypt were volunteering in this program to market its components. From a CSR perspective, the indicators for the success of this program were the number of student beneficiaries and their families. An assessment is done every 6 months for the students and monitored as a project every 3 years. The UNESCO accredited the program to develop the children talent and make them upgrade their knowledge. According to Ms. Shahine, PEPSICO Egypt tends and favors to be focused and not to be sporadic. The media helped in the success of PEPSICO Egypt projects especially after the Egyptian revolution January 2011 where there is a change in the media, not centralized and not censored and with more open campaign and strategies. The youth are the decision makers, upgrading the importance of such projects for the community. In an attempt to engage PEPSICO Egypt employees and associates in Tomouh program, the CSR team arranged three school visits in Sohag with the help of 5 volunteers during Ramadan to distribute Ramadan Charity bags on 11th of August, 2011. In September 2012, the CSR team with some of the volunteers from
PEPSICO Egypt employees conducted two visits in Bany-Sowaif where they met the kids and spent the day with them. Moreover, there is an attempt from PEPSICO Egypt to engage in Mutual cooperation with some NGOs to extend Tomooh Program to children with disabilities.

**PEPSICO EGYPT: CSR Vision and Competitive Strategy Formulation**

Working under the umbrella of “Performance for Purpose”, the competitive strategy formulation of CSR in PEPSICO Egypt lies on the following steps:

1. Project – Impact Diagnosis:
   a) Monitoring System
   b) Assessment of the monitoring tools currently being used
2. Recommendations based on research encompasses areas of intervention
3. Reporting and evaluation of the project.
4. Partnership strategy.
5. Communication and public image strategy

The area of researching encompasses the potential stakeholders in the strategy as employees, government, future generations, competitors, business partners, customers, community as shareholders. This allows the pointing out of rooms of intervention following the usual strategic path of what to produce? to whom to produce? Where to produce?

**PEPSICO EGYPT: CSR Vision and Competitive Strategy Communication**

Regarding communication of the strategy in PEPSICO Egypt, it is usually done through the channels of Public Relations in order to sustain the public image. The focused approach of sustaining CSR through communication lies on the following:

- Talking to the right stakeholders.
- Raising awareness in an innovative and inexpensive way through UNDP ambassadors.
- Attending and organizing events to promote company’s image of CSR.

**PEPSICO EGYPT: CSR Vision and Competitive Strategy**

CSR strategy in PEPSICO Egypt is a 4 years strategy for developing any project. It focuses on celebrity association and it is a fragmented one encompassing many venues. The strategy focuses on the engagement of employees in CSR community projects and is very responsive to the expectations of both stakeholders and customers’ requests and concerns. Another venue is the communication of their goals, initiative and image building as a company. This communication pattern allows PEPSICO Egypt to tap the markets leader in them and not just the follower. The global initiative report GIR is a tool in this matter whereby stakeholders and customers know about all aspects of the company’s performance. The monitoring and evaluation of the strategy according to Mrs. Shahin is developed through the standards of result based methodology to improve management effectiveness and accountability. It is based on defining outcomes to ensure the success of the strategy ongoing performance monitoring, assessment and integrating lessons learned into future planning and improving accountability based on benchmarking and continuous feedback to improve performance.

**The significant achievements according to those monitoring the results in the last 8 years:**

- Expansion of healthful product portfolio through innovation
- Improved significantly water, fuels and electricity efficiency
- Saved nearly 5 billion liters of water and 500 million kilowatt hours of energy worldwide in 2007
- Managing more than 13000 children and 2600 students in Suhag governorate on educational and health level through “Tomooh program”
• Engaging in short term intervention like Floods in Aswan 3 years ago, where there was collaboration between PEPSICO Egypt and “Food Bank” in Egypt to distribute food to the homeless families
• INJAZ program launched to increase “Talent Sustainability”. INJAZ is an already established NGO in the field of education and in collaboration with PEPSICO Egypt, they started to distribute feast clothes last year and they also have a volunteer group managed by PEPSICO Egypt to teach syllabus and deliver effective education for students in remote poor areas.
• Hand in Hand program in cooperation with Chipsy, aims at recuperating 100 job opportunities for handicapped people through an extension of “Tomooh program”.
• Launching a campaign of safer roads in Egypt: PEPSICO Egypt bought 3000 cars equipped with the black box of the driver supervision from the head quarter.
• Working on Ramadan “Generosity” Program: with the collaboration of the ‘Food Bank” in Egypt, they raised from 1 million Short Messages (sms with the word KARAM, which means generosity) from PEPSICO Egypt around 2,140, 000LE to the “Food Bank”.

4- CONCLUSION & RECOMMENDATION

The importance of CSR is to create value for the society through several programs of aid activities, investment in new technology and new products brand awareness facilities, training and customer services. This value creation is the strategic outcome that helps to boost the company’s competitive advantage gaining the positive image reputation and the trust of its stakeholders and thus reflecting on the environment and the community in which it is operating. The idea of relating the business world to the society’s need through CSR projects and the rise of business ethics and value is in vogue and will continue as long as the company succeeds to maintain the sustainability of its competitive edge in the market (Ioannou, 2010). Nowadays leaders of companies committed to CSR must realize that the issue of promoting business ethics is at stake and that they must review and work closely with their investor community in order to achieve strategic positive results of both profitability and commitment. This is achieved by highlighting the short as well as the long term costs and benefits through what many firms call CSR Awareness programs (Ioannou, 2010). This would also include the various stakeholders as investors, buyers, sellers, producers, managers, shareholders, employees, civil society and the government. According to Hristea, the intersection between business ethics and CSR would be realized through balancing economic assets and durable competitive advantage in the market on one hand and managing the social capital emphasizing goodwill and social welfare programs on the other hand (Hristea, 2011). Finally, the study of the relationship between competition and CSR highlights the idea that the business corporate communication plan is a device behind encouraging economic operators to use CSR strategies. A good communication is crucial for the delivery of CSR community services and creates collaborative action for the support of such delivery. The communication with the desired or intended segment of the public would indicate the ‘problem recognition, constraint recognition, level of involvement of the society”, adding to processing the information needed for realizing CSR goal (Byrd, 2009). The relationship in this sense between plans of media communication specially the social one and the achievement of CSR goal will be mutual benefit to both the society and the company.

As recommendations to upholding competitive advantage through endorsing corporate social responsibility:
• There should be laws to regulate CSR activities. In India, there is a law that all companies abide by and execute it within their yearly plan. However in Egypt, it all depends on the cause of the company and while so many international companies located in Egypt execute CSR as a part of their plan, the public and private sectors organizations don’t yet. For public organizations, they have to wait for the approval and allocation of budget for CSR from ministry of finance which seldom happens. Accordingly the companies either public or private cannot change policies alone but they need the government to regulate CSR through set of laws and regulations.
• Avoid the over expectations regarding the return of CSR projects as it is not a magic wand to resolve all the community problems which is faced by corruption, red tape, and the lack of transparency.
• CSR activities should be proactive to mitigate risk and it should be set on the long term to ensure its sustainability and strategic intentions.
• Lots of NGOs work under the framework of the charity concept not as CSR activities. Accordingly, there should be more mobilization of volunteers to encourage CSR activities and there should be more coordination and organization of CSR activities to avoid duplication of CSR activities to enlarge the scope of benefits in the society.

5- REFERENCES

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6- AUTHORS PROFILES

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