Market share as an indicator for corporate social responsibility (CSR) spending: The study of Coca Cola’s market

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Although, prior research has addressed the influence of corporate social responsibility (CSR) on perceived customer responses, market value, and bottom line, among other drivers for CSR, it is not clear whether the market share of a firm is an indicator for CSR spending in different markets. The study examined the relation between Cola-Cola’s market share in traditional soft-drinks markets and new markets to see if there is a correlation between spending on CSR and market share. The hypothesis that there is a negative correlation between market share and CSR spending was not corroborated with clear evidence. However, the interesting finding was that markets with low relative market share were found to have low spending, markets with medium relative market share (MS) show rather high spending and from there, generally speaking, the social spending declines with increasing market share. Hence, managers appear to invest more on CSR in areas with fierce rivalry, where they have medium market share.

Key words: Corporate social responsibility (CSR) spending, market share (MS), business unit level (BUL), national level (NL), per capita spending, absolute spending.

INTRODUCTION

In today’s competitive marketplace, corporate social responsibility (CSR) is of strategic significance to companies. In fact, CSR has acquired an increasingly important role in the practice of corporate management and in corporate decision making (McGuire et al., 1988; Quinn et al., 1987). Firms may benefit from socially responsible actions and policies in terms of community reputation of commitment to the public good, enhanced employee morale and productivity, and in terms of stock- and bondholders’ perceptions of management skill at risk reduction as indicated by social responsibility (Owen and Scherer, 1993). To that effect, more than 90% of the Fortune 500 companies now have explicit CSR initiatives (Kotler and Lee, 2005; Lichtenstein et al., 2004). In 2005, in a special report in Business Week, Berner (2005) indicated that large companies disclosed substantial spending in CSR initiatives (that is, Target’s donation of $107.8 million in CSR represents 3.6% of its pretax profits, General Motors’s donation of $51.2 million represents 2.7% of its pretax profits, General Mills’ donation of $60.3 million represents 3.2% of its pretax profits, Merck’s donation of $921 million represents 11.3% of its pretax profits, and Hospital Corporation of America’s donation of $926 million represents 43.3% of its pretax profits).

By dedicating ever-increasing amounts to cash donations, in-kind contributions, cause marketing, and employee volunteerism programs, companies are acting on the premise that CSR is not merely the "right thing to do" but also "the smart thing to do" (Smith, 2003). Many companies base their socially responsible actions on the belief that these actions provide or will provide some benefit to the company, a strategy referred to as...
Figure 1. Theoretical framework.

EditText

Figure 1: Theoretical framework 
CSR action 
of a firm 
(IV)
Market share of 
a firm (DV)
Managerial 
Perception of 
CSR benefits 
(MV)

enlightened self-interest. This has been emphasized in the studies on the business case for CSR that explored the relationship between corporate social performance (CSP) and corporate financial performance (CFP) (Carroll and Shabana, 2010). It is important to clarify here that Baron (2010) distinguishes between CSP and CSR, where the latter involves a moral duty to undertake social activities. In contrast, CSP need not arise from moral responsibilities. CSR implies CSP, but CSP need not be morally motivated, since CSP could be strategically chosen to serve the interests of the firm.

Studies in exploring the CSP-CFP relationships have had inconclusive results evident in the inconsistencies in the results of previous empirical studies investigating the CSP-CFP relationship (Roman et al., 1999). One category shows a positive link in the CSP-CFP relationship, the second shows a negative link, and the third shows no link. The results of several studies support a positive relationship between CSR and CFP (McGuire et al., 1988; Solomon, and Hansen, 1985). A study by Bragdon, and Marlin (1972), for instance, using five different measures of financial performance concluded that the companies within the pulp and paper industry that had the best record on pollution control and the environment were also the most profitable. However, other studies provide conflicting conclusions, suggesting that firms may incur costs from socially responsible actions that put them at an economic disadvantage compared to other, less responsible firms (Aupperle et al., 1985).

Motivated, in part, by this mounting importance of CSR in practice, several marketing studies have found that CSR programs have a significant influence on several customer-related outcomes (Bhattacharya and Sen, 2004). In these marketing studies, there is evidence to suggest that all other things being relatively equal, a company's level of social responsibility can actually attract customers. In a national survey, Smith and Alcorn (1991) found that 45.6% of the respondents indicated that they were likely to switch brands to support a manufacturer who donates to charitable causes. This means that CSR investment can affect market share of a firm.

Consumer and investor concerns about corporate social behavior can be a compelling factor in determining what is in a company's best interest in terms of CSR impact on market share. It has been suggested that corporate managers will take social initiatives seriously only when they are convinced that their company's social record affects market share and thus CFP. In fact, Lydenberg et al. (1986) posit that companies struggle for even a small percentage increase in market share for their products. If and when corporate managers become convinced that their company's social record affects market share, they will be obliged to take social initiatives seriously (Owen and Scherer, 1993).

In an effort to ascertain the extent to which companies are and will continue to be committed to CSR (Owen and Scherer, 1993) measured the beliefs of top management about the relationship between social initiatives and market share. This study found out that managers do believe that socially responsible corporate actions have an impact on market share. This delineates CSR action as independent variable (IV), market share as dependent variable (DV) and managerial perception of CSR benefits as moderating variable (MV) in the relationship (Figure 1).

Although, this stream of research has contributed a great deal of insight, there is still no empirical study that has investigated whether and how market share is an indicator (IV) for companies CSR spending (DV), a proxy for CSR action.

In order to better examine the relationship between market share and a company's CSR activities, the study used the case of the Coca-Cola Company's CSR practices in Kenyan and Egyptian markets for illustration purposes but not as empirical data. Coca-Cola's actions lead to the conjecture that the firm adjusts its CSR actions to each market in terms of success within the market with regard to market share.

Examining the case of both Coca-Cola and Pepsi in the Kenyan and Egyptian market, we observe that Coca-Cola has obtained a larger percentage of the market share in the Kenyan soft drink market and at the same time the firm appears to be less motivated to spend money on social activities. In Egypt, Coca-Cola is still trying to gain market share as their main competitor, Pepsi, has...
conquered this market. In this case, however, Coca-Cola is spending proportionally higher amount of money on socially responsible activities in Egypt than Kenya. In fact, Coca-Cola’s market share relative to Pepsi’s market share is 4800 in Kenya and 0.8 in Egypt while Coca-Cola’s per capita spending is 0.00375 in Kenya and 0.00311 in Egypt.

These two examples plastically lead to the postulation (which is the hypothesis of the study) that there is a negative correlation between the market share and the respective CSR spending in different markets. This would indicate that companies like the Coca-Cola Company could be using CSR activities rather as a means to a (positive) end for the own company.

H1: Market share is negatively correlated with CSR spending in different markets (Figure 2).

PREVIOUS RESEARCH

There are numerous motivations for companies to engage in CSR. Mostly, they pursue CSR because they believe that these actions will, in return, bring certain benefits to them. This strategic approach is referred to as enlightened self-interest. Studies, conducted, for example, by McGuire et al. (1988) and Solomon and Hansen (1985) support this perspective. As stated earlier, Bragdon and Marlin (1972) found that the most profitable firms were the ones with the best record of pollution control. Related studies on the other hand, concluded different results, such as CSR actions lead to additional costs for a company, which would lead to a disadvantage in contrast to their rivals without such actions (Ullmann, 1985).

Preston and O’Bannon (1997b) and Waddock and Graves (1997a) summarize previous conceptual explanations for CSP-CFP negative, neutral and positive relationships. Consistent with the neoclassical economist’s theory, a negative correlation is occurring as CSR is decreasing profits and shareholder wealth (Preston and O’Bannon, 1997b; Waddock and Graves, 1997b). Preston and O’Bannon (1997b) and Waddock and Graves (1997a) presented a “managerial opportunism hypothesis” as the reasoning for the negative relationship. With stronger financial performance, managers reduce social expenditures in order to increase short-term profitability as well as their personal compensation. Conversely, poor financial performance leads to more social spending as managers try to divert attention to these social programs. These arguments support our hypothesis that CSR spending is negatively correlated with market share of a company if market share is used as a proxy to CFP.

In a study that investigated CSR in the food retail industry, Piacentini et al. (2000) found the reasons behind companies’ social actions. However, Piacentini et al. (2000) did not find evidence that any of the firms were acting responsibly for philanthropic reasons. Nevertheless, the study came up with dual implications. On the one hand, CSR actions are likely to boost consumer orientation of the firms, with marketing as the function “through which ethical retailing is most likely to be mediated.” On the other hand, Piacentini et al. (2000) concluded that responsibility indeed can be profitable. Both implications, especially the first one, support the hypothesis that companies use CSR for strategic reasons. Thus, CSR is more likely to be used in new markets, where companies have less market share than their competitors as here the marketing function of CSR leads to higher gains than in traditional markets.

Another study by Luo and Bhattacharya (2006) examined the circumstances that need to be present for CSR activities to result in a positive financial performance, especially investigating the mediating role of customer satisfaction. According to the research, CSR leads to a higher customer satisfaction, which is defined as “an overall evaluation based on the customer’s total purchase and consumption experience with a good or service over time” (Luo and Bhattacharya, 2006). This connection is due to several linkage points: as companies influence consumers not only economically but also as being a member of a family or community (Handelman and Arnold, 1999). Such consumers can be described as “generalized customers”. They do not only care about the consumption experience and should be considered members of other stakeholder groups. Thus, generalized customers will be more satisfied by buying from more socially responsible companies. Furthermore, according to Brown and Dacin (1997), CSR efforts are improving consumers’ general attitude towards the firm and help them identify with the company. If consumers’ attitude
Figure 3. Conceptual framework of the study.

towards socially responsible companies is improved through higher CSR efforts, not only the customer satisfaction improves as a result, but it is likely to lead to a higher market share for the company as well.

In measuring the CSR efforts in order to find a link to market value, Lou and Bhattacharya (2006) confirmed that customer satisfaction is indeed partially influenced by CSR activities. However, like other studies concluded before, the effects can be of positive or negative nature. These results have built the foundation for the current study to test its hypothesis that posits that market share is negatively correlated with companies’ CSR spending. While some studies, as mentioned earlier posits that CSR spending would lead to a poorer financial performance due to unnecessary costs, most of the previous research concluded a positive influence of CSR. For Luo and Bhattacharya (2006), a high CSR spending would improve the attitude of stakeholders, which would lead to a better performance such as higher market share. Placentini et al. (2000) achieved the same outcome concluding that CSR can be used as a marketing tool.

In the eyes of Lydenberg et al. (1986), companies have no choice but to act in a socially responsible manner as soon as company managers have the impression that CSR has a positive effect in market share. As these managers are the ones to decide, Owen and Scherer (1993) conducted a research, which investigated the top managements’ perception of the relationship between CSR and market share. As a result, they found that managers believe in a positive effect of CSR, especially of actions regarding environmental pollution, corporate philanthropy and disclosure of social information. Since they also included managements’ demographics, Owen and Scherer (1993) realized that while age, industry, managerial level or the company-size did not influence the managers’ perception regarding the relative importance of CSR significantly, there was a difference in the strength of the impact of the investigated CSR actions. According to Owen and Cherer (1993), for instance, younger managers rated the effects on market share as more significant than older managers did, contrary to prior statement. As a result, their findings indicate that managers do believe in a positive effect of CSR actions on the company results and therefore it is likely that there will be “a continuing emphasis on CSR in managerial decision making”. This means that, if managers, as the decision-makers within the company, see a positive impact of CSR spending on the company results, it is likely that companies with lower results, that is, market share, could use CSR in order to improve the market share. In that regard, companies would have high CSR spending in markets where they have not got the bigger share of the market and once they have conquered the market they would begin to decline in their CSR spending as the market share increases.

In that regard, the study reiterates that previous studies mostly focused on the Consequences of CSR than the antecedents of CSR. In contrast to that trend, it is probable that the corporate performance, namely the market share (antecedent of CSR), also influences the amount of money a company spends on CSR. Since the study by Owen and Scherer (1993) explains that top managers also do see a positive impact of CSR-activities, one can postulate that companies with lower market share use CSR more intensely than the ones with huge market shares. Furthermore, Coca-Cola’s actions in the aforementioned regions also back this assumption. This forms the basis of our theoretical framework and hence the hypothesis as well (Figures 1 and 2). Therefore, the current study will examine the possible negative relationship between market share and CSR spending.

**METHODS**

**Design of the study**

With respect to the mentioned findings on Coca-Cola’s CSR spending in Kenya and Egypt, due to its presumed impact on the firm’s market share, the study investigates the correlation between Coca-Cola’s market share and their CSR spending. The study starts with a descriptive analysis. However, in order to be able to draw conclusions, nations are grouped according to Coca-Cola’s market share in comparison to Pepsi's market share. After the descriptive analysis of each group, a comparison gives conclusions about a possible nature of correlation. Figure 3 illustrates the conceptual framework for the descriptive analysis with three groups
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National 
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It should be noted that the two companies do not operate 
completely in the same single business segment, for example, 
Pepsi has a snack product line. However, as the study is 
concentrating on the Coca-Cola Company's relationship between 
market share and CSR spending, the research takes the company's 
core business. In order to enhance the comparability, the research uses 
the product segment of "Soft Drinks" as the basis. This 
segment is composed of bottled water, carbonates, concentrates, 
functional drinks, juices and ready-to-drink- tea and coffee, which 
represent Coca-Cola's core business. Therefore, the variable 
market share (MS), explaining the ratio of Coca-Cola's market 
share and PepsiCo's MS, uses the soft drink market as a common 
basis and is measured as shown in Figure 4. As a result, traditional 
markets, where Coca Cola is market leader will be signed a MS 
value higher than 1, markets in which Pepsi is the stronger player, a 
MS value less than 1 will be assigned.

Market share data

In order to examine the market share data of Coca-Cola, the study 
is not looking at Coca-Cola's absolute market share in the various 
regions. Since the research is trying to find differences in CSR 
behavior between traditional markets and new markets, the study is 
looking at the relative market share of the Coca-Cola Company in 
respect to its major competitor, Pepsi. Although, in almost all 
markets, local companies with smaller market shares but larger 
local market share can be found, the study decided to disregard 
these companies in order to get a clearer picture of the relationship 
of Coca-Cola to its global major rival, Pepsi.

It should be noted that the two companies do not operate 
completely in the same single business segment, for example, 
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value higher than 1, markets in which Pepsi is the stronger player, a 
MS value less than 1 will be assigned.

National level data source

For the analysis on the national level, the study once again uses 
the global market information database (GMID). To have a better 
comparability of the market shares, the company shares of off-trade 
soft sales by volume in the year 2008 are compared.

The sample of countries used for the national level analysis 
consists of 36 countries (Appendix 1). The reasons for choosing 
these countries were threefold. First, the research uses the GMID 
database and hence was restricted to the market share data the 
database could provide. Secondly, only regions could be used, for 
which data for spending regarding CSR activities were available.

Thirdly, these regions are as far as possible spread throughout the 
five geographical business units of the Coca-Cola Company.

Since Coca-Cola Company predominates almost all of the 
respective soft drink markets, the study will try to get a clearer 
picture of the nature of the company’s spending by not only dividing 
the markets in traditional and new markets but make an additional 
distinction between markets, where Coca-Cola is clearly ahead of 
its competitor and markets, where it is leading in the market but 
only with a small advantage. Therefore markets are grouped as 
shown in Figure 5.

Coca Cola’s CSR spending

The Coca-Cola Company uses “The Coca-Cola Foundation”, which 
refers to as its “global philanthropic arm” to work with bottling 
partners, local organizations, governments and NGOs. Coca-Cola 
committed itself to give one percent of its annual operating income 
for charitable contributions. This proportion of its annual operating 
cost (one percent) is distributed to communities around the world.

As a result, in 2008, the charitable contributions made amounted to $ 
82 million (Figure 6).

In order to be able to draw conclusions, it is necessary to 
Enhance the comparability of the different expenditures 
in the various regions and territories. For both analysis types, the study 
uses official spending data from the Coca-Cola Company. However, 
only using the absolute dollar amounts for social spending could 
bias the analysis, as it is obvious that countries with more 
inhabitants are also more likely to get more money for their CSR. In 
that regard, in a second analysis, the study used the per capita 
spending for the sake of comparability across all the regions.

Regarding the results of the descriptive analysis, more than half 
of the absolute spending is done in North America. Per capita 
spending in this area is also considerably higher than any other 
region. Especially in Europe, which seems to be a quite important
market with significant purchasing power, the expenditures, both, in absolute numbers but also and particularly per capita, are noticeably low. This could be seen as an indicator for the accuracy of the study’s hypothesis, as Europe can be regarded as a rather traditional strong market for Coca-Cola. As a result, Coca-Cola might not feel the need to sink money in these areas, therefore investing in areas where they might find a fierce rivalry. However, the immense expenditures in North America seem to indicate the opposite.

Nevertheless, the fact that North America is the home market of Coca-Cola, it is likely to be the reason for the immense share of spending in this region, most of the other differences are not that easily explainable. Nonetheless, these findings are interesting and nurture the assumption that, instead of the sales distribution, there are other variables such as the market share affecting the geographical allocation of such charitable contributions.

For the figures used for the National Level Analysis, the study exclusively used the data provided by The Coca-Cola Foundation in its report “2008 Corporate Contributions and Grants Paid”.

Analysis of national level data

The national level (NL) analysis is divided into two parts. In a first component, the research investigates the connections of the two variables within two single business units. Therefore, the study uses the two business units with the most values available, namely the Eurasia and Africa and Pacific segments. The second half of the NL analysis will then investigate this relationship across business units. In contrast to the business unit level (BUL) analysis, data of all the available countries instead of solely the overall business unit data is used.

Analysis across business units

Once again, the “Low MS” group, where Coca-Cola has less market share than Pepsi, is rather small with 4 values. The “Medium MS” group with MS-values between one and two contains 12 countries and the biggest group is again the “High MS” group with 21 regions. Table 1 gives an overview.

Table 1. Grouping of the countries of analysis across business units.

<table>
<thead>
<tr>
<th>Category</th>
<th>MS-value</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low MS</td>
<td>&lt;1</td>
<td>South Korea, Vietnam, Egypt, Pakistan</td>
</tr>
<tr>
<td>Medium MS</td>
<td>1&lt;x&lt;2</td>
<td>Colombia, Thailand, UK, Russia, Portugal, Dominican Republic, India, Morocco, Canada, Costa Rica, United States, Japan</td>
</tr>
<tr>
<td>High MS</td>
<td>&gt;2</td>
<td>Mexico, Argentina, Belarus, China, Brazil, Australia, Nigeria, Philippines, Malaysia, Germany, Chile, Turkey, Spain, France, Ukraine, Belgium, Kenya, South Africa, Hong Kong, Peru, Indonesia</td>
</tr>
</tbody>
</table>

Data analysis

After giving a short descriptive analysis of the market share data, we now test the effect of the market share values on first the absolute spending of Coca-Cola on CSR followed by the effect on the per Capita spending.

In the analyses, the research differentiates between results about absolute spending for charitable contributions and per capita values of this spending. Also, the fact that the United States is the home market of the Coca-Cola Company and the extreme extent of spending in comparison to other regions leads to the assumption that the values for the United States might bias the results for the total analysis. Therefore, this research furthermore distinguishes into parts with the United States (US) included and others where US is omitted from the examination.

Figure 6. Coca-Cola’s sustainability contribution in 2008.
Table 2. Absolute spending (in m US $).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Low MS</th>
<th>Medium MS</th>
<th>High MS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min</td>
<td>0.1</td>
<td>0.026</td>
<td>0.026</td>
</tr>
<tr>
<td>Max</td>
<td>0.25</td>
<td>16.95</td>
<td>1.84</td>
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Figure 7. Absolute spending (grouped).

Figure 8. Absolute spending (grouped, limited to 2.1 m).

Figure 9. Correlation MS and absolute spending across all business units.

Absolute spending

Looking at the three groups, the two groups with Coca-Cola as the leading company have their minimum values at more or less $26,000, while the "Low MS" group has its minimum at $100,000 (Table 2). The maximum values, like in the analyses before, are also higher in the two groups with medium and high MS. Here, the medium group has its maximum significantly higher ($16.95 m) than then the "High MS" ($1.84 m) and the "Low MS" group ($250,000) (Table 2). This is due to the enormous value of the United States spending; factoring in the special role of the home market by disregarding the United States, however, the "Medium MS" group’s maximum still lies at $2 m.

The expected trend of this study’s hypothesis could only be found regarding the minimum values. The more important maximum values and especially the mean values portend a different trend. While MS values below 1 have the lowest spending, the highest spending is found in regions where Coca-Cola is slightly ahead of its competitor.

Figure 7 shows the spending in the 37 different countries allocated to their respective groups. The interesting thing is the enormous values for the United States that makes it hard to draw further conclusion as it destroys the clarity of the diagram. Therefore, figure 8 shows the same diagram, but is limited to the value of $2.1 m (Figure 8).

The group with low MS values has generally lower spending as well. The "Medium MS" group contains many of the highest spending values. This backs up the suspicion that the spending is highest in areas with market share slightly above the MS-value of 1 (Figure 9).
Looking at the correlation analysis, a correlation coefficient of -0.097 (Figure 9) is indicating a low negative correlation between the MS-variable and the absolute spending. Due to the two values located on the far right on the x-axes with MS-values of 45 and 48. Figure 10 shows the graph until the MS value of 9. Here, the figure allows a better view on the graph. Although, the trend line has a very low fit with an $R^2$ value of 0.0095, some results can be concluded from this. The only significantly high spending values can be found between the MS values of 1 and 3. However, this correlation and its graph are mainly influenced by the extreme value of the United States.

Keeping the strong value of the United States out, the following graph shows the correlation between Coca-Cola’s market share and its absolute spending abroad. This leads to a correlation coefficient of –0.18 (Figure 11), which still stands for a low negative correlation, which definitely increases when the home country is included (Figure 11 and Table 3).

Furthermore, the fit of the trend line has improved, whereas it still has a low fit with an $R^2$ of 0.035. The graph also further strengthens the assumptions that there might be a negative correlation between the two variables especially due to high values between MS-values of 1 and 3, meaning the “Medium-MS” group and the lower values of the “High-MS” group.

Per capita spending

On a per capita basis, the descriptive analysis delivers similar results as in the absolute spending analysis before. While the minimum value is the highest in the “Low MS” group ($0.0011), the “Medium MS” group follows with a value of $0.0004. The lowest minimum is found in the “High MS” group with $0.0002 (Table 4).

As in the absolute spending analysis, the maximum value of the “Medium MS” group is the highest with $0.055. The group with high MS-values follows with $0.041. The smallest maximum value contains the “Low MS” group with $0.0031 per person.

The same accounts for the mean values. The highest mean value with $0.0134 is found in the “Medium MS” group, followed by the “High MS” group with $0.0056. The “Low MS” group contains the lowest mean with $0.0020 (Table 4).
Both in the absolute spending analysis and in the per capita analysis across the various nations of the study, there is no real and clear trend to be found. In both cases a low, insignificant negative trend is to be found. However, the values of the “Medium MS” group contain the highest spending values in both analyses.

RESULTS

In the NL analyses, there was only slight evidence of a negative correlation. Although, in almost all of the observed correlation coefficients that were negative, it was very weak correlation. In fact, the negative trend was mainly driven by high spending values in regions with relative market shares between 1 and 3, meaning a moderate leading position of Coca-Cola. As a result the general picture of the national analysis showed quite low CSR spending in markets where Coca Cola’s competitor

Also the median values show the same picture. The group with MS values between 1 and 2 has a median of $0.006, the “High MS” group a median of $0.0026. Lowest median is found in the “Low MS” group with $0.0019 (Figure 12).

The comparison of the grouped country spending in the per Capita analysis shows the same picture as in the absolute spending analysis.

Once again, the correlation coefficient shows a slightly negative correlation with a value of -0.14. Although, this correlation is only slightly negative and the fit of the regression line is also very low with an R² of 0.02, it still shows that, like in the absolute spending analysis, the high spending values are to be found between MS-values between 1 and 3.

As Figure 13 does not provide a very good overview due to the MS-values at 45 and 48, Figure 14 shows this correlation until a MS-value of 12 in order to provide better. Here, it becomes even clearer. The three highest values of the analysis are to be found within MS-values of 1 and 3. MS-values of below 1 are connected to very low per Capita spending. However, the amount of these values below 1 is quite limited.
Pepsi was in a leading position, higher spending in markets with relative market shares between 1 and 3 and rather low social expenditures in markets, where the company was in a clear and significant leading position. This is presumably due to the lack of need for positive publicity effects of social actions, whereas in less secure markets, CSR helps is still beneficial to the market share with respect to the costs of CSR.

Omitting the North American Segment, home market showed these trends more clearly as Coca-Cola allocated a disproportionately high share of its CSR spending to this market, presumably due to its regional relatedness rather than market share.

**DISCUSSION**

This study examines the nature of and the motivation behind immense spending on CSR. Building on CSP-CFP relationship, this study proposes that the market share of multinational corporations (MNCs) is an important indicator for CSR spending behavior of firms. In addition, the findings offer an insight into which kind of market (low market share, medium or high market share) should MNCs use CSR spending to enhance firm performance, market share.

From the descriptive analysis, more than half of the absolute spending is done in North America. Per capita spending in this area is also considerably higher than any other region. Notably in Europe, which seems to be a quite important market with significant purchasing power, the expenditures, both, in absolute numbers but also particularly per capita, are noticeably low. On the surface level, this could be seen as an indicator for the accuracy of the study’s hypothesis, as Europe can be regarded as a rather traditionally strong market for Coca-Cola. As a result, Coca-Cola might not feel the need to sink money in these areas, therefore investing in areas where they might face more fierce rivalry. However, the immense expenditures in North America seem to indicate the opposite. This necessitates an explanation.

There are two possible explanations for this unexpected finding. The first possible explanation can be due to the fact that the North American market is the home market for Coca-Cola and so it is for Pepsi, therefore, Coca-Cola could be fighting very hard not to lose to its main rival in the home market. This argument is analogous to the home and away matches in soccer where teams fight harder not to lose on their home grounds. Moreover, derbies in football are always very interesting. For instance, analogously, the fight for the North American market share between Coca-Cola and Pepsi resonates with a derby fixture.

The second possible explanation is the national differences with regard the forms of business responsibility among countries. Comparative research in CSR between Europe and the United States has identified remarkable differences between companies on each side of the Atlantic (Matten and Moon, 2008). In the same line, Brammer and Pavelin (2005), in a United States–United Kingdom comparison of one of the long-standing areas of CSR- corporate community contributions- that the value of contributions by U.S. companies in 2001 was more than ten times greater than those of their U.K. counterparts (Unite States, $ 4,831 billion; United Kingdom, $ 428 million). Matten and Moon (2008) argue that US style CSR has been embedded in a system that leaves more incentive and opportunity for corporations to take comparatively explicit responsibility. European CSR has been implied in systems of wider organizational responsibility that have yielded comparatively narrow incentives and opportunities for corporations to take explicit responsibility. This could explain the unexpected finding that in spite of the fact that both Europe and North America are traditional markets for Coca-Cola, there is huge variation in CSR spending.

**THEORETICAL IMPLICATIONS**

This study provides several insights to academia. First, the study confirms and extends the common challenge of making the business case for CSR whereby studies that explored the CSP-CFP relationship have ended up with inconclusive results. This is evident in the work of Preston and O’Bannon (1997b) and Waddock and Graves (1997a) who summarized previous conceptual explanations for negative, neutral and positive relationships CSP and CFP. Similarly, from the hypothesis of this study, a negative correlation between market share and CSR spending could not be validated with clear evidence. The negative correlations in this study are rather due to the sections with relative market shares above the value of 1, that is, the regions where Coca-Cola is already in a leading position. This finding elucidates to the CSR scholars that there is more motivations and indicators for CSR behavior of firms that goes beyond CFP hence the weak negative correlation between market share and CSR spending of Coca-Cola.

Secondly, the study also extends the managerial opportunism proposition that was used by Preston and O’Bannon (1997b) and Waddock and Graves (1997a) to explain the CSP-CFP negative relationship. The authors argued that with stronger CFP, managers reduce social expenditures in order to increase short-term profitability, which consequently increases their personal compensation. Following the same line of thought, we propose that after firms have captured the market share, managers could be reducing social spending which could increase the firm’s profitability hence managerial compensations.

Thirdly, this study expands the scope of CSP-CFP relationship by adding the relationship between CSR spending and the market share of MNCs to what prior research has addressed such as the influence of CSR on perceived customer responses, market value, and bottom line, among other drivers for CSR. Particularly, the study
found that although there is no significant negative correlation between market share and CSR spending, one could still find a certain pattern throughout the various regions. Markets with low relative market share have low spending, markets with medium relative share show rather high spending and from there, generally speaking, the social spending declines with increasing market share. It seems that Coca-Cola spends most in markets where they might have a hard time staying in the leading position against Pepsi, while they spend less in markets where they are far ahead of their main competitor. The study demonstrates that market share is an important factor for any academic who wishes to study CSP-CFP relationship. In that regard, not considering market share in the framework for analyzing CSP-CFP relationship as either a mediator or a moderator variable could affect the validity of the conclusions and real relationship between predictive (independent) variables and outcome (dependent) variables.

Fourthly, the study confirms the results of Comparative research in CSR between Europe and the United States. Previous studies identified remarkable differences between companies on each side of the Atlantic. The study extends the theory that since Europe has more social welfare compared to US, CSR spending also reflects that in the sense that in a United States-United Kingdom comparison of one of the long-standing areas of CSR- corporate community contributions- that the value of contributions by U.S. companies in 2001 was more than ten times greater than those of their U.K. counterparts. Matten and Moon (2008) argue that US style CSR has been embedded in a system that leaves more incentive and opportunity for corporations to take comparatively explicit responsibility. European CSR has been implied in systems of wider organizational responsibility that have yielded comparatively narrow incentives and opportunities for corporations to take explicit responsibility. This could explain the unexpected finding that in spite of the fact that both Europe and North America are traditional markets for Coca-Cola, there is huge variation in CSR spending.

Managerial implications

This research offers further insights to practitioners. First, the study examined the nature and motivation behind immense spending in CSR, which has been viewed, not only as the right thing to do but also the smart thing to do. In particular, the findings of the study demonstrate that market share of MNCs is an important indicator for CSR spending behavior of firms. In response to the finding, CSR directors would use market share of their firms in strategic CSR hence it gives room for adoption of CSR into the core of their firms’ business strategy.

Secondly, with respect to organizational structure influence on strategy and vice versa, the results demonstrate that markets with low relative market share have low spending, markets with medium relative share show rather high spending and from there, generally speaking, the social spending declines with increasing market share. As this pattern is found in several different geographical areas across and within business units, a national responsive nature of the social activities of Coca-Cola is rather unlikely. In that regard, in as much as structure follow strategy and vice versa, there are certain aspects that are better centrally managed in as much as multinational wishes to be regional responsive. This enables organizations that use CSR for strategic reasons get value for the resources they invest in society. This postulation is made based on Coca-Cola’s CSR spending behavior, as Coca-Cola is arguable among the most successful MNC in international trade.

Thirdly, the findings offers an insight into which kind of market (low market share, medium or high market share) should MNCs use CSR spending to enhance firm performance, market share. This is from the finding that markets with low relative market share have low spending, markets with medium relative share show rather high spending and from there, generally speaking, the social spending declines with increasing market share. This findings insinuates that it is smarter to be more aggressive with strategic CSR in areas where a company is neither with low market share nor with high market but medium MS since there more chances for the company to capture and penetrate the market. Moreover, CSR spending is also appropriate in markets where a company has got medium market share and maybe there is fierce competition that the company has problems staying in them so they become more aggressive in their CSR spending.

Fourthly, the findings further indicate that Coca-Cola had usually high CSR spending in North America, the home market, both in absolute spending and per capita spending. This indicates the importance of home market for MNCs. This could be a credibility issue since research has indicated that company performance in their home region is better indicator of their potential to internationalize. It can be even as psychological as football where every team no matter weak it is struggles to win more at home than away.

Additionally, the study also suggests in its explanation for negative CSP-CFP correlation that after firms have captured the market share, managers could be reducing social spending in order to increase the firm’s profitability hence managerial compensations. This calls for more stringent role of corporate governance to curb such possible managerial opportunism.

Finally, since the results of this study confirms Comparative research in CSR between Europe and the US whereby US gives more incentives and opportunities for CSR spending as opposed to Europe, managers of multinational corporations ought to consider deeply these national differences in their CSR strategy. Different dynamics could also be in place in other regions like Asia...
and Africa. Therefore, managers of multinational corporations that use global strategy in their business decisions may need at least to consider the socio-political environments of each market when it comes to CSR policies in order to work in tandem with the comparative national differences.

LIMITATIONS AND FURTHER RESEARCH

Despite the important findings presented in this study, some limitations and issues warrant further discussions. Firstly, due to the fact that Coca-Cola is leading the soft drink sector in almost all the world’s markets, it is also hard to get a clear picture of the spending behavior in the non-leading groups as they contain also very few values. Nonetheless, the research chose to include this group and add another group with medium market share values in order to get a clearer picture. Still, it must be kept in mind that the groups with low market share contain only low explanatory power.

Secondly, another limitation of the research is other, often small and local, companies in the various markets. In many markets besides the two big players Coca-Cola and Pepsi, there are various local brands that are somehow successful. In some markets, these local brands are even more successful in comparison to the two big players. For example, in Japan, where Coca-Cola has nearly 17% of the soft drink market, smaller companies together account for over 60% of the market. Therefore, the competitive market seems to be the catalyst for CSR spending.

Thirdly, there is the limitation of comparing Pepsi with Coca-Cola. Pepsi also produces a variety of other products such as snacks, which are completely disregarded by this research as it only focuses on the core segment of The Coca-Cola Company. However, there could be external effects from these other product segments on the behavior of Coca-Cola within the Soft Drink segment. For example, a high dominance of Pepsi in the Snacks segment within one market could influence The Coca-Cola Company’s actions regarding their CSR activities without a change in the Soft Drink market share.

Fourthly, although taken into consideration by the various per Capita analyses, the market size itself could potentially be the variable with the main influence on CSR spending. Bigger markets are most probably of a higher importance to the company and therefore, more money could be spent on the bigger ones. However, as the per Capita spending analyses across regions was in most cases very similar to the absolute spending analyses, the study decided to omit a separate section solely about market sizes, as it is not really related to the main hypothesis of the research.

Finally, the low social spending in areas where the Coca-Cola Company is behind its rival Pepsi might be explained by other factors. A possible reason for this low spending could be a different approach for these countries, for example, by focusing the financial means on traditional marketing actions in order to reduce the gap to its competitor. As a result, lesser means would be used for social spending as the traditional means lead to a higher result. However, this correlation between market share, spending for social purpose and spending for classic marketing is not part of the underlying study and is still to be examined. Moreover, CSR spending could also be due to sensitive markets in terms of their awareness of and consideration of CSR of firms in their purchasing behavior.

Future research ought to perform a longitudinal study in order to view more clearly how CSR spending behavior of MNC relates to changes in market share for more conclusive results.

REFERENCES

## APPENDIX

**Appendix 1. National level analysis: Country selection.**

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