EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON CUSTOMERS' LOYALTY AND RETENTION

•Oladimeji, Moruff Sanjo (Ph.D.), ••Adebayo, Lateef Abimbola and •••Ogunshola, Bunmi Gabriel

•Department of Business Administration, Faculty of Social & Management Sciences,
Olabisi Onabanjo University,Ago – Iwoye, Ogun State, Nigeria sanjolanre4life@yahoo.com

•• Department of Accounting, Banking and Finance,
College of Social & Management Sciences, Fountain University, Osogbo, Osun State

Abstract

This research work sought to find out effect of corporate social responsibility (CSR) on customers' loyalty and retention. Survey research method was adopted for descriptive and analytical purpose. Customers, employees and dealers of telecommunication giant, MTN Nigeria, a subsidiary of MTN South Africa served as the sample population. 100 respondents were served questionnaires; in the 14 items questionnaire, two elements of CSR were mentioned which are orientation towards customers' affair and orientation towards community/societal affairs. Statistical analyses of the responses generated were done through correlation and regression analyses to test the hypotheses to determine the impacts of CSR on customers' loyalty and retention. The research instruments were face validated by experts in the field of academics and test-re-test method was carried out to test the reliability of the instruments with Pearson's product moment correlation coefficient. The values for reliability were as follows 0.83, 83% for customers' loyalty, 0.81, 81% for retention. Data were analyzed with the use of SPSS - descriptive and inferential statistical tools such as percentages, F -Statistic, and correlation coefficient. The results revealed that there is a positive and significant relationship between the organization orientation towards customers' affairs and customers' loyalty and retention, and there is a significant relationship between the organization orientation towards community affairs and customers' loyalty and retention. Based on the findings, it was recommended that, corporate social responsibility of the organization in community and customer affairs could serve a veritable purpose of image laundering of the organization, which will in turn endear the organization to the customer by building an image of a responsible and responsive corporate citizenship in the mind of the employees.

Key words: Corporate Social Responsibility, Customers, Employees, MTN

Introduction

Constant changes in social values, intense global competition and rapid technological changes have made the business environment more dynamic and complex, necessitating the need for continual adaptation by organizations and orchestration of strategic maneuvering that can keep them ahead of competition. Lee (2008) held that corporate social responsibility (CSR) and an organization's goals share a broader connection and much research supports a positive correlation between CSR and an organization's financial performance (Adeyanju, 2012; Gherghina, Vintilă & Dobrescu, 2015; Folajin, Ibitoye & Dunsin, 2014; Adeleke, 2014; Piriyakul & Wingwon, 2013; Raman, Lim & Nair, 2012). Fang, Huang and Huang (2010) observed that the concept of CSR has became almost universally sanctioned and promoted by all constituents in society from governments and corporations to non-governmental organizations and individual consumer, making it more contingent upon corporate managers to be more socially responsible, and as a matter of fact, the society at large must perceive organizations to be so in this light. Carroll and Buchholtz (2003) noted that the growth of the idea of corporate social responsibility has brought about a society that is more satisfied with business, leading to a reduction in the rate of business criticism while on the other hand leading to an increased level of expectation from business corporation which net result is an increase in the overall level of business performance and social satisfaction.

Business operates according to society's orientations, based on the existence of a social contract, as a set of rights and obligations, similar to the governmental system and that the social contract represents the means by which business ethics are congruent with society's objectives (Gherghina, Vintilă & Dobrescu, (2015).

In the social responsibility school of thought, the role of business is to serve the larger society and this is best accomplished by being responsive to the society, based on this assertion, it is important to focus really on what the role of business is, and what is the necessity of being a socially responsible corporate entity (Jennings, 2006). These concerns have not been adequately answered over the years, and as at today, there is no generally acceptable answer to the questions with regards to the role of business in the society. For well meaning organization, being socially responsible and responsive is a good choice, as Jennings (2006) noted, once a company makes poor ethical choices it carries the baggage of those choices despite successful and sincere effort to reform. It is therefore necessary that business organization be very careful to play their cards well so that from whatever angle they might interpret what social responsibility implies they can still be in the good book of both the corporate shareholders and the societal stakeholders. Hence this study seeks to fill the research gap by providing answers to the role of business in serving the larger society as well as study the overall effect of corporate social responsibility on customers' loyalty and retention.

Literature Review

The Concept of Corporate Social Responsibilities

The concept of social responsibility proposes that a corporation has responsibilities to the society that extend beyond making profit (Wheeelen and Hunger, 2008). Adeyanju (2012) noted that the expectation of the society toward business organization has changed and modern business must think beyond profit maximization toward being at least, socially responsible, due largely to the increased sensitivity and awareness of environmental and ethical issues.

With increased media attention, pressure from society and borderless access to information, there is greater pressure on corporations to conduct sustainable business practices. Adeyanju (2012) observed there should be a symbiotic relationship between corporate organization and the host communities, a sort of on-going reconciliation between the organization's economic orientations. There should be an unwritten "social contract", so that it should not be forced responsibility, but a voluntary social service based on the needs of the community.

Griffin (1954) observed that social responsibility is the set of obligation an organization has to protect and enhance the society in which it functions, while Hill and Jones (1995) considered social responsibility as the sense of obligation on the part of companies to build certain social criteria into their strategic decision-making. The two definitions identify the responsibility of the corporation to the society, and that they are not just responsible to satisfy the desire of their shareholder, but also have a responsibility to their society beyond being profitable to ensure that the notion of economic justice is balanced with that of social and societal justice

Kast & Rosenzweig (1985) noted that, the concept of corporate social responsibility grew out of the change from the predominantly economic model of business towards a broader socioeconomic model. The economic model placed primary emphasis on production, exploitation of resources, individual interest, a minor role of government and a general view of the business as a closed system. This concept of economic model is perhaps what Griffin (1954) termed the shareholders view of business, since in this model, the primary purpose of the business is making profit and providing returns to the shareholders without necessarily considering the impact of business activities on the environment and the society in which the business operates. On the other hand, while the economic model of business is concerned with production, exploitation of resources, without recourse to individual and societal interest, the socio economic model concerns itself not just with the welfare of the business but also of the society in which it operates (Kast and Rosenzweig, 1985)

In an attempt to enhance valuable opportunity for continued business survivals, management and business experts began to see the fundamental need of business not just to be a profit oriented and the interest of the shareholders, but also concerned with the affair of the society and the environment in which it operates. Today, several non-government organization have been mounting various campaigns against business activities that tends to pollute the air, water and land as well as ensuring that the effect of business activities does not lead to negative consequences of climate change (Jones and George, 2009).

This model of business operation is indeed very relevant when one considers the impact of social unrest generated by perceived neglect of a society in the course of performing its business operation. A critical case in point is Nigeria's Niger delta region where most of the nation oil and gas resources are located, several decades of oil exploration leading to pollution, inadequate access to social infrastructure like decent health centers, schools, road and decent accommodation ended up breeding hatred towards the operation of multinational oil giants which gave rise to the era of militancy and communal unrest, leading to kidnapping for ransom and in some extreme cases, killing of expatriates.

Theoretical Framework

Agency Theory

The agency theory describes the relationship between principal and agent. The principal is a shareholder or a business investor while the agent is the one assigned by the principal to take charge of the corporate operations. In other words, the agent operates the principal's business. Tongkachok and Chaikeaw (2012) made use of Agency Theory. Berle and Means (1932) observed that the modern corporation and private property is seen as a beginning of the separation between corporate ownership and internal corporate control and the theory has been improved to be applied in a large corporate management (Jensen & Mecking, 1976).

The separation between the business ownership and the corporate operation according to Fama and Jenson (1983) causes agency problems, which resulted into conflict of interest and mutual risks of both parties. Clarke (2004) and Anand (2008) said that the identified problems could be resolved with appropriate corporate control and transparence in governance.

The theory assumes essential pressure between shareholders and corporate managers (Jensen and Meckling, 1976). An elementary postulation of the agency theory, consequently, is that managers will act unscrupulously to advance their own concern before shareholders; and the elementary inference is that the worth of the firm cannot be exploited since managers have decisions which permit them to confiscate worth to themselves (Turnbull, 1997).

A group of rigorously self-centered actors implied in the agency theory suggests struggles of attention that must be decided through motivations, observing, or controlling action (Cohen and Holder-Webb, 2006), which involve added budget to the firm. Jensen and Meckling (1976) summarize these agency costs as being the cost of: observing management (the agent); connecting the agent to the principal (stockholder/residual applicant); and residual victims. The emphasis of corporate governance is to reduce these budgets and improve firm performance. It turns out to be vital that management is continually examined to guarantee it does not chase policies that are hostile to the success of the enterprise. This observing mission rests directly with the board whose structure mirrors the ownership structure of the firm.

The concept of CSR is related agency theory in that it directs great attention to corporate wealth, profit increase, stakeholders' satisfaction and social responsibility and the theory involves the factors of transformational leadership, corporate governance and stakeholder engagement that influence CSR operations.

Stakeholder Theory

Barnard (1938) proposed social responsibility in his conceptual framework of the functions of the executive Freeman (1984) said that executives have to satisfy those factors that affect corporate achievements.

Post et al. (2002) defines of stakeholder as a groups or people affecting or affected from corporate decision-making process, corporate policies and performances. The stakeholder theory provides a wider perspective of stakeholder to companies. The companies are expected to manage more responsibilities and pay more attention to their stakeholders. This theory is considered as a basis for CSR development and corporate executives are required to concentrate not only on the benefits of shareholders or owners but also on the benefits of stakeholders and these are relevant to transformational leadership (Waldman et al, 2006).

The theory centres on the issues concerning the stakeholders in an institution. It stipulates that a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction. With an original view of the firm, the shareholder is the only one recognized by business law in most countries because they are the owners of the companies. In view of this, the firm has a fiduciary duty to maximize their returns and put their needs first. In more recent business models, the institution converts the inputs of investors, employees, and suppliers into forms that are saleable to customers, hence returns back to its shareholders. This model addresses the needs of investors, employers, suppliers and customers. Pertaining to the scenario above, stakeholder theory argues that the parties involved should include governmental bodies, political groups, trade associations, trade unions, communities, associated corporations, prospective employees and the public. In some scenarios, competitors and prospective clients can be regarded as stakeholders to help improve business efficiency in the market place. Stakeholder theory has become more prominent because many researchers have recognized that the activities of a corporate entity impact on the external environment requiring accountability of the organization to a wider audience than simply its shareholders.

McDonald and Puxty (1979) proposed that companies are no longer the instrument of shareholders alone but exist within society and, therefore, has responsibilities to that society. One must however point out that large recognition of this fact has rather been a recent phenomenon. Indeed, it has been realized that economic value is created by people who voluntarily come together and cooperate to improve everyone's position (Freeman, Wicks, & Parmar, 2004). Jensen (2001) critiques the Stakeholder theory for assuming a single-valued objective (gains that accrue to a firm's constituency). The argument of Jensen (2001) suggests that the performance of a firm is not and should not be measured only by gains to its stakeholders. Other key issues such as flow of information from senior management to lower ranks, interpersonal relations, working environment, etc. are all critical issues that should be considered. Some of these other issues provided a platform for other arguments. An extension of the theory called an enlightened stakeholder theory was proposed. However, problems relating to empirical testing of the extension have limited its relevance (Sanda, Mikailu, & Garba, T. (2005).

In order to differentiate among stakeholder types, (Rodriguez, Ricart & Sanchez, 2002) classification was adopted; consubstantial, contractual and contextual stakeholders. Consubstantial stakeholders are the stakeholders that are essential for the business's existence (shareholders and investors, strategic partners, employees). Contractual stakeholders, as their name indicates, have some kind of a formal contract with the business (financial institutions, suppliers and sub-contractors, customers). Contextual stakeholders are representatives of the social and natural systems in which the business operates and play a fundamental role in obtaining business credibility and, ultimately, the acceptance of their activities (public administration, local communities, countries and societies, knowledge and opinion makers) Rodriguez et al., (2002).

Methodology of Research

Survey research method was adopted for descriptive and analytical purpose. Customers, employees and dealers of telecommunication giant, MTN Nigeria, a subsidiary of MTN South Africa served as the sample population. Using various levels of customers' segmentation, the unit of analysis was individual employees, customers and dealers of MTN Nigeria products and services. Purposive sampling was used to select the company based on two criteria. First, the company has a strong brand presence in Nigeria. Secondly, the organization has experience in implementing CSR related projects.

The research tool used in this study was a five-point scale questionnaire consisting of two sections, which took information on demographic details of respondents and issue related to CSR. For analysis and interpretation of data, 100 respondents were served questionnaires; in the 14 items questionnaire, two elements of CSR were mentioned which are orientation towards customers' affair and orientation towards community/societal affairs. Statistical analysis of the responses generated were done through correlation and regression analyses to test the hypotheses so as determine the impacts of CSR on customers' loyalty and retention.

Research Objectives

The purpose of social research is to identify problems or knowledge gap and solve or fill them; the purpose of this study is therefore:

1. To examine the effect of organization orientation towards customers' affairs on customers' loyalty and retention
2. To examine the effect of organizations orientation towards community affairs on customers' loyalty and retention

Test of Hypotheses

This study presents the test of the two hypotheses formulated in this study. The tests are conducted using regression analysis, which indicates whether there is a significant corporate social responsibility has a significant effect on customer loyalty and retention.

Hypothesis One

H01: Organizational orientation has no significant effect on customers' affairs and customers' loyalty and retention.

Table 1: Regression table

Dependent Variable: Customers' affairs

Method: Regression

Observations: 97

Cust aff = a + b (Org ori)

	Coefficient	Std. Error	t-Statistic	Prob.
a.	0.763683	0.031999	24.01052	0.0000
b.	0.713467	0.008375	85.93427	0.0000
R-squared	0.873			
S.E. of regression	0.173567			
F-statistic	653.296			
Prob(F-statistic)	0.000000			

From Table 1, in analysing the significant effect of organizational orientation on customers' affairs and customers' loyalty and retention, regression analysis was adopted. The analysis ensured no violation of the assumptions of normality, linearity, multi-collinearity and homoscedasticity. The variance of the variable explained by the model as a whole was 87.3%, F = 653.296, p <.005. It can thus be seen that organizational orientation affects customers' affair up to 87.3% which implies that organizational orientation have a significant effect on customers' affair in Nigeria.

Hypothesis Two

H02: Organizational orientation has no significant effect on community affairs and customers' loyalty and retention.

Table 2: Regression table

Dependent Variable: Community affairs

Method: Regression

Observations: 97

Com Aff = a + b (Org ori)

	Coefficient	Std. Error	t-Statistic	Prob.
a.	0.743726	0.015638	22.64920	0.0000
b.	0.703245	0.006527	83.19273	0.0000
R-squared	0.748			
S.E. of regression	0.164524			
F-statistic	282.041			
Prob(F-statistic)	0.000000			

From Table 2, in analysing the significant effect of organizational orientation on community affairs and customers' loyalty and retention, regression analysis was adopted. The analysis ensured no violation of the assumptions of normality, linearity, multi-collinearity and homoscedasticity. The variance of the variable explained by the model as a whole was 74.8%, F = 282.041, p <.005. It can thus be seen that organizational orientation affects community affairs up to 74.8% which implies that organizational orientation have a significant effect on community affairs in Nigeria.

Discussion of Findings

Having dealt extensively with defining the concept of social responsibility of the corporation, this study has empirically examined the effect of corporate social responsibility and customers' loyalty and retention.

The result of finding established that organization orientation has a statistical significant effect on customers' affairs and customers' loyalty and retention, as well as organization orientation has a statistical significant effect on customers' loyalty and retention. For policy makers therefore, it is important to strategically position and tailor corporate social responsibility activities of the organization in such a way that it becomes an important tool of the organization to command the loyalty and retention of the customer to patronize the services of the organization, and this could be achieved by ensuring proper dissemination of information through appropriate media about the activities of the organization and ensuring that such programs and activities touch the very essence of the life of the average member of the community and the society at large.

The finding of this study though contrasts with that of Ali, Rehman, Yilmaz, Nazir, & Ali, (2010) who held that no linkage was found between CSR activities and customer purchase intentions implying that customers in Pakistan do not necessarily consider corporation's contribution towards society in their buying decisions, they however found significant relationship between service quality and customer satisfaction. It is the opinion of researcher that environmental influences might be responsible for this conflict and the fact that Nigerians relies so much on sources other than government to provide basic social amenities as government institutions are found wanting in this important responsibility.

Conclusion and Recommendations

The study examined whether or not the concept of corporate social responsibility can influence customers' loyalty and retention, and empirically established the existence of a strong relationship between the dependent and the independent variables. Leveraging on availability of data sourced through survey questionnaire as administered on various segments of customer representation from one of Nigeria's telecommunication firm together with the employees, it has been established that deploying corporate social responsibility as a strategic tool for gaining customer loyalty and retention could work in favor of the organization as seen in the result of data analyzed.

It is therefore the recommended opinion of the researchers that corporate social responsibility of the organization in community and customer affairs, which include but are not limited to engagement of the organization in water and sanitation, provision of social and economic infrastructures like schools, water works, health centers, mini roads, education and literacy programme, investment in skill development and knowledge acquisition could serve a veritable purpose of image laundering of the organization, which will in turn endear the organization to the customer by building an image of a responsible and responsive corporate citizenship in the mind of the employees, thus should be given adequate attention.

The greater advantage for the organization in this is that the community and the individuals begins to see themselves as inclusive stakeholders in the wellbeing and welfare of the organization and thus less likely to do anything or take any action that may likely hurt the interest of the organization, thereby promoting corporate efficiency and serving as avenues to reach out to more market segment.

References

1. Adeleke, C. J. (2014). *Corporate Social Responsibility in the Nigerian Banking Sector.* Doctoral dissertation submitted to the College of Social and Behavioral Sciences,Walden University. Available at http://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=1084andcontext=dissertations
2. Adeyanju, O. D. (2012). An assessment of the impact of corporate social responsibility on Nigerian society: The examples of banking and communication industries. *Universal Journal of Marketing and Business Research, Vol. 1(1): 17-43.*
3. Ali, I., Rehman, K. U., Yilmaz, A. K., Nazir, S., and Ali, J. F. (2010). Effects of corporate social responsibility on consumer retention in cellular industry of Pakistan, *African Journal of Business Management, Vol. 4(4): 475-485.*
4. Carroll, A. B., and Buewholtz, (2003). Business and Society: Ethics and Stakeholders Management. *5th ed. Thomson South-Western, Ohio; USA.*

5. Cohen, J. R., and Holder-Webb, L. L. (2006). Rethinking the Influence of Agency Theory in the Accounting Academy, *Issues in Accounting Education, Vol. 21(1): 17-39.*

6. Fang, S. H., Huang, C. Y., and Huang, S. W. (2010). Corporate social responsibility strategies, dynamic capability and organizational performance: *Cases of top Taiwan-selected benchmark enterprises. African Journal of Business Management, Vol. 4(1): 120-132.*

7. Folajin, O. O., Ibitoye, O. T., and Dunsin, A. T. (2014). Corporate Social Responsibility and Organizational Profitability: An Empirical Investigation of United Bank for Africa (UBA) Plc. *International Journal of Academic Research in Business and Social Sciences, Vol. 4(8).*

8. Freeman, R. E., Wicks, C. A., and Parmar, B. (2004). Stakeholder Theory and *The Corporate Objective Revisited. Organization Science, 15(3), 364-369.*

9. Gherghina, S. C., Vintilă, G., and Dobrescu, D. (2015). An empirical research on the relationship between corporate social responsibility ratings and U.S. listed companies' value. *Journal of Economics Studies and Research, Vol. 2015.*

10. Hill, C. W. L., and Jones, G. R. (1995). Strategic management; an integrated approach 3rd ed. Boston: Houghton Mifflin Company.

11. Jennings, M. M. (2006). Business: its legal, ethical and global environment. Thomson South-Western, Ohio; USA.

12. Jensen, M. C. (2001). Value Maximization, Stakeholder Theory and the Corporate Objective Function. European Financial Management, Vol. 7(3): 297-317.

13. Jensen, M. C., and Meckling, W. H. (1976). Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure, *Journal of Financial Economics, 3: 305-360.*

14. Jones, G. R., and George, J. M. (2009). Contemporary management, *6th Ed New York: McGraw-Hill: 135-140.*

15. Kast, F. E., and Rosenzweig, J. E. (1985). Organization and management: a system and contingency approach 4th ed. New York: McGraw-Hill.

16. Lee, M. D. P. (2008). A review of the theories of corporate social responsibility: its evolutionary path and the road ahead. *International Journal of Management Review. Vol. 10(1): 53-73.*

17. McDonald, D., and Puxty, A. G. (1979). An Inducement – Contribution Approach to Corporate Financial Reporting, Accounting. *Organization and Society, Vol. 4(1/2): 53-65.*

18. Piriyakul, M., and Wingwon, B. (2013). Effect of corporate ability and reputation on organizations' performance and CSR. *African Journal of Business Management, Vol. 7(9): 738-749.*

19. Raman, M., Lim, W., and Nair, S. (2012). The impact of corporate social responsibility on consumer loyalty. *Kajian Malaysia, Vol. 30(2): 71–93.*

20. Rodriquuez, M. A., Ricart, J. E., and Sanchez, P. (2002). Sustainable development and the sustainability of competitive advantage: A dynamic and sustainable view of the firm. *Creativity and Innovation Management, Vol. 11(3): 135-146.*

21. Sanda, A. U., Mikailu, A. S., and Garba, T. (2005). Corporate governance mechanisms and firm *financial performance in Nigeria. AERC Research Paper, 149, Nairobi.*

22. Turnbull, S. (1997). Corporate Governance: Its Scope, Concerns and Theories, Corporate Governance: *An International Review: Vol. 5(4): 180-205.*

23. Wheelen, T. L., and Hunger, J. D. (2008). Strategic management and business policy 11th ed. *New Jersey: Pearson Prentice Hall.*

❑❑❑