

MARKETERS' PERCEPTION OF CORPORATE SOCIAL RESPONSIBILITY AND THE IMPACT ON
COMPANY'S PERFORMANCE: A STUDY OF COMPANIES IN THE NIGERIAN SERVICE
INDUSTRY IN LAGOS METROPOLIS

ISSN 2277-5846

Bolajoko N. Dixon-Ogbechi*

Faculty of Business Administration
University of Lagos, Akoka – Yaba, Lagos, Nigeria

Joseph F. Aiyeku

Bertolon School of Business
Salem State University, Salem, MA, USA

Elizabeth Haran

Bertolon School of Business
Salem State University, Salem, MA, USA

Piyachat Jarutirasarn

Institute of International Studies, Ramkhamhaeng
University
Bangkok, Thailand

Abstract

The field of corporate social responsibility (CSR) has grown exponentially in the last decade and is gradually becoming a global trend. Companies are now expected to take explicitly into account all aspects of their performance, i.e., not just their financial results, but also their social and environmental performance. Therefore more organizations are now engaged in serious efforts to define and integrate CSR into all aspects of their businesses. The aim of our study is to understand this trend in the Nigerian service industry and specifically to investigate (i) The status of CSR in Nigerian service industry; (ii) Different CSR practices in the Nigerian service industry; and (iii) Future diffusion of CSR in the Nigerian service industry. To answer these questions, we have conducted a survey of the perceptions of marketers in selected companies in the Nigerian service industry. Our results suggest that firms that participate in CSR will have more customers, and they will face low business conflict and have more loyal employees.

1. Introduction

In the past decades, the concept of CSR continues to grow in popularity as the relationship between business and society continues to change around the globe. The major drivers of this change include: the globalization of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation among others. Various studies have shown that the decision to incorporate CSR in any company is usually initiated by the management team. In Pumas (2009) study on the reason for incorporating CSR, in a company, 63.33% of the respondents opined that it was inspired by the managerial staff. So he concluded that managers' attitude toward CSR was the key factor determining whether or not the company would carry out a CSR program. Given the foregoing, this study investigated the marketers' perception of CSR and its impact on organizational performance in the Nigerian service industry.

2. Statement of Problem

Both attitude and behavior have long been studied and confirmed that they are strongly related. By understanding an individual's attitudes towards something, one could predict individual's overall pattern of responses (Ajzen & Fishbein, 1980). This notwithstanding in order to succeed in implementing CSR program in any company, everyone in the organization should be involved. Thus, this study focused on the investigation of the attitudes of marketers in the Nigerian service industry towards the CSR concept. This is expected to contribute significant information and provide guidelines for incorporating CSR into the Nigerian service industry. It also focused on the effect of CSR on the performance of companies in the Nigerian service industry. At the end, the CSR supporting guideline for companies in the Nigerian service industry would be developed to provide useful information to help companies in the Nigerian service industry perform better and be more competitive.

3. Theoretical Framework

3.1. Corporate social responsibility

Various researchers have defined corporate social responsibility or CSR from different perspectives. Kotler and Lee (2005) defined CSR as a duty of a corporate to make

the involving society become better using their knowledge, business experiences and also resources. Hopkins (2007) defined CSR from a moral perspective as what a corporate contribute to its stakeholders both internal and external toward a better way of living while maintaining the corporate profitability; while Vogel (2005), defined CSR as an ethical action that a corporate initiated to solve social problems of its stakeholders. And Werther and Chandler (2006) gave a general definition of CSR as an operation that a corporate do to its society. Thus, we can conclude that the concept of CSR is a matter in which a company responds to the economy, society, and environment aspects with the aim of benefiting people, groups, and societies. CSR is also concerned with the role of a company in a society and expectation of the society upon it. CSR should be done willingly by the company and its executives should be involved in pursuing various activities leading to a sustainable development that meet the needs of the society. In achieving the goals, these activities must be evaluated from three dimensions including economic, social, and environmental aspects (Gathinji, 2004; MacLeod, 2005). Jenkins (2009) and Tencati, Perrini, and Pogutz (2004) stated that the advantages of participating in corporate socially responsible actions includes better image, improved relationship with stakeholders, better market position, easier access to funding resources, higher efficiency, higher working motivation for employees, and ultimately reward in cash flow. Thus, success in doing CSR should demonstrate benefits to both society and environment at the same time while maintaining the profitability and the competitiveness of the corporate leading to sustainability in doing business.

3.2. Stakeholders

Stakeholders are the people who share risks as well as benefits with a company (Carroll and Buchholtz, 2002; Post, Preston, and Sauter-Sachs, 2002; and Weiss, 2003). These people have a significant influence on company and vice versa (Garriga & Melé, 2004). Furthermore, Cooper (2004) also studied various literatures related to stakeholders identification and summarized that the key stakeholders were shareholders, other investors, managers, employees, customers, suppliers, and the environment. In other words, stakeholders can be anyone, any group or anything which affect or is affected by the organizations' thoughts and/or behaviors. Some might affect the organization directly while others may affect it indirectly.

3.3. Firm's performance

There are various methods of measuring the firm's performance depending upon the suitability of the method. Goll and Rasheed (2004), Lu and Beamish (2006), and Wei and Lin (2009) have tried to measure a firm's performance by applying Return on Sales (ROS) and Return on Assets (ROA) as an indicator and productivity which is measured by average sales per employee. Apart from this, many scholars attempted to measure a firm's performance by using various indicators such as: productivity, quality, percentage of sales resulting from new products, profitability, capital employed, Return on Assets (ROA), Return on Investment (ROI), Return on Sales (ROS), Earnings per Share (EPS), Net Income after Tax (NIAT), total assets, sales and number of employees, total sales revenue, firm growth, sales per full-time employee, growth in sales, total profit and total margin.

3.4. Attitude-behavior theory

The concept 'attitude' has been defined by many authors. However, those defined before 1935 were gathered and reviewed by Newman and Martin (1982). According to them, attitudes allowed a person to react to an object in a positive or negative way and that attitudes can be trained and taught. This was supported by Sinnott (2003) who later added that attitude and behavior are closely related and that the former determined the latter. Therefore, to promote an interest of companies in the Nigerian service industry toward CSR, one should pay more attention to the approach in directing the marketers' attitudes toward CSR.

3.5. CSR in Service Industry

Though scholars like Zhang (2007) as cited in Xu & Zhang (2011) opined that CSR is the production-oriented enterprises' matter and has nothing to do with the service enterprise; this may not be true because of the strategic importance of CSR to organizational success since CSR can be a source of opportunity, innovation and competitive advantage for companies (Veera, 2010). Thus, there is a need for service organizations to also engage in CSR because of the benefits derivable from CSR activities like: positive effects on company image, reputation, employee motivation, retention and recruitment, cost savings, revenue increase from higher sales and market share, and CSR related risk reduction or management (Weber; 2008); and also because a growing body of evidence asserts that corporations can do well by doing good and by taking responsibility for the well-being of the societies and environments in which they operate (Pohle & Hittner, 2011). However, compared with other

industries, service industry's corporate social responsibility has its own characteristics, for instance, according to Xu and Zhang (2011) the service industry contributes to industrial growth because it provides employment for a lot of people given that many sectors of the service industry are labor-intensive; and also because the service industry is the main spreader of new technology and promotes mutual communications and interactions between the many technologies (Xu & Zhang, 2011).

4. Methodology

4.1. Research Objectives

1. To investigate the relationship between the attitudes of marketers in the Nigerian service industry towards corporate social responsibility and company's performance.
2. To identify the CSR factors that are related to the performance of companies in the Nigerian service industry.

4.2. Research Hypothesis

- H₁: Marketers' opinions of the CSR components will be positive overall.
- H₂: There will be significant differences among demographic grouping of Marketers in their attitudes toward CSR factors. Specifically, attitudes will vary by level of education and by size of company, but not by age, or gender.
- H₃: Marketers' CSR attitudes will be positively related to company performance.

4.3. Research Instrument

A constructed questionnaire was used in this study to find out the marketers' attitudes toward corporate social responsibility, stakeholders, socially responsible behaviors, corporate social performance, and CSR activities. It was composed of 6 parts including details of sampling firms, attitudes of managers toward CSR, stakeholders, CSR activities, firm's performance, and respondent profile. The questionnaire was designed to be a self-completed form for marketers to evaluate various dimensions related to the CSR. The Likert scales, the most common and widely used scale in measuring attitudes and perceptions were applied to this questionnaire (Achyar, 2008).

4.4. Population and Sample Size

The population of this study was the marketing staff of companies in the Nigerian service industry in Lagos metropolis. The sample size for this study is 550. The 550

respondents were selected using multistage sampling from a total of 13 companies in the Nigerian service industry in Lagos metropolis.

4.5. Data Collection and Analysis

The data were collected based on using self administered questionnaires. The research instruments were administered over a period of three months. Out of the 550 questionnaires administered, 516 were returned with a response rate of 93.8%.

Descriptive statistical analysis of the data was done using the Statistical Package for Social Sciences (SPSS); inferential analyses were performed to identify factors comprising the scale and to test the hypotheses. They included Factor Analysis, Analysis of Variance (ANOVA) with Post Hoc tests and Chi Square Analyses.

5. Results and Discussions

5.1. Respondent Profiles

The respondents classified by gender were 51.6% male and 48.4% female. Six percent (6.3%) of the respondents were age 25 or below, but most were between 26 and 55: 21.7% were between 26-35 years old; 26.2% between 36-45 years old; and 20.3% between 46 and 55. The majority, 55.7%, had some college or a bachelor's degree. Another 29% had a high school or technical diploma. Only 10.7% had an advanced degree and very few, 4.7% had less than a high school education. Most respondents reported that they worked in large firms, 31.8%, followed by medium 21.8%, and semi-medium, 18.1%. Only 13.4 reported they were from small firms and 14.9 said medium-large firms.

5.2. Marketers' Attitude toward CSR

Attitudes toward CSR were measured by a 5 level scale of agreement to statements about CSR. Factor analysis indicated that the statements covered 3 components, described as "information about CSR"; "characteristics of firms with CSR"; and "employees in high participation CSR firms." The statements which loaded on the first factor included: A firm will participate more actively in social responsibility in prosperous economic times than in recession; A firm is participating in CSR because it wants to gain a good image from the public; Participating in CSR is called Public Relations (PR); A firm with a high socially

responsible image will face low levels of business conflict; Corporate social responsibility is a part of running a business. The statements which loaded on the second factor were: A firm with high reputation does not need to participate in CSR in order to gain more reputation; A firm with more activities in social responsibility will have more profitability than a firm with less or none; A firm with high participation CSR needs to spend lots of money on CSR activities. The employee factor was comprised of: Employees in a firm with high participation in CSR will work more efficiently for the firm; Employees in a firm with high participation in CSR will have more loyalty to the firm.

In general the attitudes toward each of these statements related to CSR were in the neutral range. The means ranged from 2.96 to 3.26, with all medians equal to 3. Respondents were more neutral to whether CSR is in conflict with pursuit of profit, with whether CSR activities are affected by economic times and whether companies participate in CSR to gain public image. They were more split in their opinions on whether CSR is PR, and on whether firms with high reputations do not need to participate in CSR. The highest percentages of agreement were with the statements about firms with high levels of CSR will have more customers, more profits, will spend more money and will have employees that are more efficient (although it is not clear if this is due to the CSR or the perhaps mitigating opinion that large companies are more likely to participate in CSR).

Analysis of Variance with Post Hoc tests was used to analyze differences in attitudes by size of firm, level of education, age, and gender. Size of firm showed significant differences on three attitude statements, about image, high reputation and profits. Medium-large firms showed significantly more agreement to the opinion that firms participate in CSR to improve public image than medium sized firms. The idea that firms with high reputations need not participate in CSR was disagreed with by the small firms and they were significantly different than the medium, medium-large, and large firms in this regard. Medium large firms were significantly higher in agreement with the statement that firms active in CSR will have more profits than medium sized firms.

Level of education showed significant difference in three attitude statements as well: image, high reputation and efficiency of employees. The first two overlap with those in size of firm, above. Those with less than a secondary education were significantly more in disagreement to the idea that firms use CSR to gain good image than those with a bachelor's degree. They were also significantly more in disagreement that firms with high

reputations need not participate in CSR to gain more reputation than those with advanced degrees. They were also significantly more in disagreement that firms with high CSR will have more efficient employees, in this case they differed from those with a high school diploma, a technical degree, a bachelor's or an advanced degree.

Analysis by age showed significant differences on many CSR attitude statements. Post Hoc analyses showed these significant differences to be between the older age group(s) which tended to be more in disagreement and the younger age group(s) which tended to be more in agreement. With the prosperous economic times statement, the CSR is PR statement, that CSR firms will have more customers statement, that a firm that participate in CSR has to spend lots of money and that employees in a high participation CSR firm will be efficient the difference was between the 65 and up (more in disagreement) and the 26-35 group (more in agreement); with the statement that firms participate to gain image and that CSR is part of running a business the split was under 45 (more agreement) vs. over 45 (more in disagreement.)

There were many significant differences between the genders. In almost all cases the males were in more agreement with the CSR statements. The one exception was that the females were more in agreement that firms with high reputations need not participate in CSR to enhance their reputations. More were significantly more positive that: CSR was for prosperous economic times; that firms participate to gain image; that CSR is PR; that firms that participate in CSR will have more customers; and that they will face low business conflict; and that they will have more loyal employees.

5.3. Relationship between attitudes and performance

Analysis of the relationship between attitudes toward the CSR statements and the items that indicated firm's performance after involvement with CSR were analyzed via Chi-Square analysis. Problems with low cell count were handled by collapsing strongly agree with agree to create an agreement category in the attitude items and similarly for disagreement. Categories of decrease and remain the same were combined and compared to the increase category on the performance measures.

Almost all relationships showed significant relationship of agreement with CSR statement with an increase in performance measure of: profitability, ROA, ROI, sales income, and net income. This relationship existed for 10 of the 12 statements of CRS. The

only exceptions were that high reputation does not need to participate in CSR to gain more reputation: this statement was significantly more related to neutral or negative growth than positive. Interestingly, respondents who were neutral with the statement that firms with more activities in social responsibility will have more profitability were more likely to report increased ROA, ROI, increased sales, increased net income and increased net profit. They were not sure in attitude about profit yet their reports on performance were positive.

6. Conclusions

Results show that hypothesis 1 was not supported. The respondents were clearly neutral in their attitudes toward CSR.

Results indicate that Hypothesis 2 was supported in general but not in its specifics. The differences by gender were much more wide-reaching than expected. The differences by age were as expected, as were the differences by level of education; the differences by size existed but were less than expected. Few differences existed by sector.

Hypothesis 3 was almost totally supported. Agreements to statements regarding CSR were related to indications that the firms had increased profitability, ROA, ROI, sales income and net income. Few exceptions existed.

7. Future Researches

Future researches should;

- i. Extend the study to identify other factors e.g. attitudes of customers toward CSR. The outcomes will be helpful for companies in the Nigerian service industry to establish any strategies to push forward CSR actions.
- ii. Study obstacles and limitations of doing corporate social activities
- iii. Compare the best practice examples among industries and nations. The outcomes will be helpful for government units or related organizations to adapt the activities that best match the Nigerian context.

8. *Recommendations*

1. Government units at both federal, state and local should promote and encourage Nigerian industries including those in the service industry to participate in CSR activities and provide more resources such as budgets, humans, and information to help industries realize the added values gain from participating in CSR activities.
2. Like in many countries, Nigerian Government at various levels should also encourage customers and create strong awareness of the importance of CSR activities and its direct impacts to their societies, as a result, encourage Nigerian consumers to support and be loyal to products and services from companies that participate in CSR.

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