

Moderating influence of corporate social responsibility on organizational performance of brewing transnational corporation

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ABSTRACT

In recent time, corporate social responsibility (CSR) has been a critical item on the agenda for many business firms. Organizations now go beyond their economic obligations and are particularly meticulous in considering and assessing the impact of their activities on the environment. The objectives of the study are to examine the effect of Environmental focused CSR activities on corporate image and also to investigate the effect of Ethical CSR activities on Customer Relation. 240 copies of questionnaire were administered to Nigeria brewery staffs in Ogun State, Nigeria to get primary data that treated and tested appropriate research questions and hypotheses accordingly. The study adopted survey method and Cronbach Alpha for test retest reliability. The study found out that there was a significant relationship between ethical activity and customer relations and the relationship between environment activities and corporate image was significant. The study recommends the managements should ensure they plan strategically to enhance corporate social responsibility.

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1. Introduction

For a life to be acclaimed as accomplished, there are two things of paramount concern; the concern to improve on existing state or conditions of life and the need to solve problems to make progress in various aspects of life (European Union 2006). In view of this it is not to say immediate profit should be responsible in the growth, survival and adoption of an organization but its contribution cannot be over emphasized. The claim for corporate social responsibility arises in two (2) aspects. In the view of Drucker (1974) the first stage arises from the negative social impact of business organization, such as erosion, pollution, rural urban drift and negative advertisement etc. Secondly, it arises from the problems of society itself which includes illiteracy, poor infrastructure, and lack of social amenities. Government and private companies in Nigeria do not bother to contribute to the improvement of their host communities. Examples are agencies like Nigeria ports, FAN, PHCN and other government owned parastatals. It

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should be noted that this has adversely affected the status of these business organizations among the people. Environmental sustainability and growth have been the focus of attention in recent years. In the past years, most policies on firms focus on growth at the expense of environmental quality and these policies were premised on the expectation that gains in material wellbeing would far exceed losses incurred in environmental degradation (McWilliams et al., 2006; Garriga & Melé, 2004).

2. Statement of Research Problem

Environment has significant influence on the performance of an organization or a business. It determines whether the continuity or the winding up of a business force in the environment maybe internal or external, however the extent to which these forces and ethical issues affect CSR initiatives in relation to image and customer relations remains inconclusive (Mory et al., 2016). Business must include these forces of environment and ethical practices in each plan to successfully thrive in the environment where it operates. This can be achieved through the involvement in activities in the environment .i.e. sponsoring students, financing programs and construction of roads, etc. This paper answers the following research question (i) How does an environmental focused corporate social responsibility (CSR) activity affect Corporate Image? (ii) How does an Ethical CSR activity affect Customer Relation?

Research Hypothesis

Ho₁: Environmental Activity does not significantly affect Corporate Image

Ho₂: Ethical Activity does not significantly affect Customer Relation.

3. Literature Review

The mission of business firms in the early 1900's was exclusively economic. Today, partly wing to interdependencies of the many groups in our society, the social involvement of business has increased. There is indeed a question as to what the social responsibility of business really is. Moreover, the question of social responsibility originally associated with business, is now being posed with increasing frequency in regard to governments, universities, non-profit foundations, charitable organizations, and even churches. Lantos (2001) states that "Corporate Social Responsibility (CSR) is the intelligent and objective concern for the welfare of society that restrains individuals and corporate behavior from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment". The shareholders have invested money in business for the purpose of generating adequate returns on their investments, hence, business managers tend to secure stock holders' investments and endeavor to provide a reasonable return. In recognition of this fact, corporate managements try to wisely manage the resources available to the business in order to make sufficient profit. Drucker (1974) states that enterprises first duty must be towards their workers as Amaeshi et al. (2006) note that society wants its social resources to be used as wisely as its economic resources. Social needs and goals are now compelling managers to work towards high quality of life as well as towards economic productivity. Organization managements should consider the effects of their business decisions, upon the stakeholders, interested in the enterprise directly or indirectly, and who may be adversely affected by those corporate decisions. (Amaeshi, et al., 2006; Secchi, 2006). Akindele (2011) considers five dimensions of social responsibility and compromising important stakeholders to which every organizations must be socially responsible which are responsibility towards employees, responsibility towards consumers or customers, responsibility towards stakeholders, responsibility towards the community or society and responsibility towards the government.

3.1 Responsibility to the Employees

Management has certain obligation to employee's quality of work and issues that affect both the satisfactions of employees and managers as deemed from their works and in turn, the productivity of the

corporation. The pressures generated by these issues have significant effect on corporations cost operating efficiency and employees productivity. Mehralian et al. (2016) summarize the responsibilities of business to employees as follows:

- i. To provide good working conditions for employees such as health and safety,
- ii. To provide adequate opportunity for management,
- iii. To provide continues employment and guarantee job security,
- iv. Employee communication so that employers may be provided with fund information and management,
- v. To provide the opportunity for training at all level with sample incentive for promotion

3.2 Responsibility to the Customers

- i. The full disclosure to the customers about the product starting the negative and the positive factors of the production,
- ii. Make sure that product sold to customers is not dangerous,
- iii. Abstaining from exaggeration to the misrepresentation in advertisement,
- iv. Guaranty the customers about the product they are buying from the organization,
- v. Creating of maintenance department where customers can easily reserve their products where ever it has problem..

3.3. Responsibility to the Government

Business must obey the law of government so that others can as well cultivate respect for them for this reason; Kotler and Lee (2005) discuss that the corporate is a creature of law controlled by laying down laws for its existence. Apart from the corporate, social responsibility, corporation should support the government by fulfilling their financial obligation in the following ways:

- i. The payments of taxes and exercise duties,
- ii. Business organization should be a good law abiding organization with government rules and regulations,
- iii. Business organization should support government program, also the corporation could help the government through private by financial contribution in solving the major problem of the society.

3.4 Responsibility to the Society

Business organizations do not operate in vacuum. Business firms explore the environment for production input therefore must be expected form business firms to get the people and society compensated by embarking on social responsibility activities that could benefit the society at large. Akindele (2011) points out that the corporate responsibility of business firm to the society in general could include:

- i. Business organization should be the supporter of ethnical idea by or adapting and observing ethical practice. Ethics is a branch of philosophical inquiry which concern itself with right or wrong conduct
- ii. It is part of society responsibility of business to embark on equal employment of citizen of the country and also should offer people different employment opportunities Sponsoring program and events that will benefit society as a whole
- iii. This should include education, science and technology, art and culture and society event.
- iv. Business organization should provide social responsibility to the minority in the society in the following ways
- v. Providing for the handicap donating to the indigence of ministry states or minority for group

3.5 Inference to Stakeholder Theory

This work takes its footings from the stakeholder theory proposed by Freeman (2010) who sees stakeholder as any individual or group who can affect, or is affected by, the achievement of the organization's objectives. Stakeholder theory is central to the debate on corporate responsibility and ownership, and the role of organizations in society. The notion of corporate social responsibility became clear in Britain with the 1970s social legislation which created the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the Consumer Product Safety Commission. Specific interest groups were officially recognized to be significant and legitimate stakeholders of business (Carroll, 1991).

Donaldson (1989) describes the purpose of the corporation as deriving from the social contract which business has with society. He believes that the current direction of policy - allowing income tax deductions for corporate charitable contributions will lead to the creation of a true divorce between ownership and control and assist the environment. In his view this undermines the basic nature of our society, as it leads us away from an individualistic society toward the corporate state. From another direction Freeman and Liedtka (1991) agree with this convergence; they suggest that community-wide ethics are changing and that the values of business are increasingly becoming the values of society.

4. Methodology

The study adopted survey method with the aid of questionnaire to get data from respondents which is basically the employees of Nigeria Brewery Otta Ogun State Nigeria which qualifies as a transnational brewing corporation due to its ownership structure with Heineken Brouwerijen B.V owning about 37.73% holdings and serving the West Africa market with its products since 1946. The purpose of the survey was to get primary data. A pilot study was employed to test the quality, clarity, time scale and bias of the questionnaire as pointed by Asika (1991) and Driver (2006). Due to difficulty in studying the whole population, the researcher considered simple random sampling technique. A total of two hundred and forty (240) questionnaires were distributed to the staffs of Nigeria Brewery Otta Ogun State Nigeria. The reliability test of the instrument was conducted using test re-test reliability approach measured by Cronbach Alpha of 0.854

Table 1
Distribution of respondents and response rate

| Respondents Occupation | Questionnaire administered (sampled) | Percentage of total response (%) |
|----------------------------|--------------------------------------|----------------------------------|
| Partner | 16 | 7.5 |
| Senior Manager | 24 | 11.2 |
| Manager | 14 | 6.5 |
| Senior | 73 | 34.1 |
| Audit Assistant | 87 | 40.7 |
| Total | 214 | 100.0 |
| Gender/Category | Questionnaire administered (sampled) | Percentage of total response (%) |
| Male | 121 | 56.5 |
| Female | 93 | 43.5 |
| No of Returned | 214 | 89 |
| No of Not Returned | 26 | 11 |
| Total no of Questionnaires | 240 | 100 |

Source: Field Survey 2017

4.1 Data analysis and Hypothesis Testing

Table 2

The Descriptive statistics of Organizational Learning and Corporate Performance

| Responses | | |
|---|-----------|------|
| Ethical Activities | Total (N) | Mean |
| Customers are encouraged to buy more when they have perfect knowledge of product information | 214 | 4.46 |
| product behavior determine how well customers are committed to buying the product | 214 | 3.84 |
| Customers feel safe and are willing to buy more when products perform as claimed | 214 | 3.57 |
| Customers go for products which are non-injurious to health no matter the price | 214 | 3.89 |
| Sponsoring environmental activities promotes company's image | 214 | 3.86 |
| Environmental Activities & Corporate image | | |
| Products of companies close to customers in value and deed are adopted by customers | Total (N) | Mean |
| Sponsoring environmental activities promotes company's image | 214 | 3.78 |
| Customers are unconcerned about hazards injected into the community so far products are sold at reduced prices and are safe | 214 | 3.47 |
| A company with good image thrives even when its products are not doing well in the market | 214 | 3.58 |
| Open system of operation promotes a company's image | 214 | 3.73 |
| Customers are willing to be identified with companies with good image | 214 | 3.55 |

Source: Field Survey 2017

4.2. Hypothesis One

Ho₁: Environmental Activity does not significantly affect Corporate Image

| | | ENVIRONMENT ACTIVITY | CORPORATE IMAGE |
|-------------|---------------------|----------------------|-----------------|
| ENVACTIVITY | Pearson Correlation | 1 | 1.000(**) |
| | Sig. (2-tailed) | | .000 |
| | N | 214 | 214 |
| CORP IMAGE | Pearson Correlation | 1.000(**) | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 214 | 214 |

** Correlation is significant at the 0.01 level (2-tailed).

Coefficient of Determination (C.O.D)

Coefficient of determination OF the research is derived with the formula $C.O.D = r^2 \times 100\%$

Where r =Pearson Correlation

Thus;

$$C.O.D = (1.000)^2 \times 100\%$$

$$C.O.D = 1 \times 100\%$$

$$C.O.D = 100\%$$

Interpretation of results

The Pearson correlation of $r=1.000$ therefore shows that Environmental activity and corporate image reveals 100% shared variance. The relationship between the variables (environmental activity and corporate image) was examined with Pearson correlation coefficient. The results reveal a 0.0001 level of significant correlation between both variables. Which can be seen from the table $\{r=1.000, p<0.0001, n=214\}$

Decision

From the test of hypothesis 1, the research observed that there was a significant relationship between environment activities and corporate image, the study hereby rejects the null hypothesis (H_0), and accepts the alternative hypothesis (H_1).

4.3 Hypothesis Two

H_{02} : Ethical Activity does not significantly affect Customer Relation.

Table 3

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|----------------------------|
| 1 | .817(a) | .667 | .666 | .42301 |

a Predictors: (Constant), ETHCUSTOMERRELATION

Table 3 represents the model. In this case the R square value is .667. Expressed by a percentage, this means that our model explains 66.7% of the variance in the dependent variable of customer relation. The adjusted R square shows .666, while the error of estimate indicates .42301 which signifies the error term that was not captured in the model.

Table 4

The results of ANOVA (b) test

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|---------|
| 1 | Regression | 76.152 | 1 | 76.152 | 425.580 | .000(a) |
| | Residual | 37.935 | 212 | .179 | | |
| | Total | 114.086 | 213 | | | |

a Predictors: (Constant),

b Dependent Variable:

Decision

The ANOVA table tests the null hypothesis to investigate whether or not it is statistically significant. From the results it was revealed that it is statistically significant (Sig = .0001) and hence the null hypothesis should be rejected.

Table 5

Coefficients (a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | T | Sig. |
|-------|-------------|-----------------------------|------------|---------------------------|---|--------|------|
| | | B | Std. Error | Beta | B | | |
| 1 | (Constant) | .559 | .164 | | | 3.416 | .001 |
| | ETHACTIVITY | .845 | .041 | .817 | | 20.630 | .000 |

a Dependent Variable: CUSTRELATIONS

In this table, the beta co-efficient of the independent variable is .845. This means that change in Ethical Activity contributes strongly to explaining the dependent variable which is Customer Relations. The result of hypothesis one which confirms that there was a significant relationship between Ethical Activity and Customer Relations is tangential to the findings of (Obusubiri, 2006).

5. Empirical Findings from the study

- i. The significance of this research is show how corporate image gives competitive advantage. Schuler and Cording (2006) pointed that the most important competitive advantage companies can have come through commitments and how effectively its overall performance fits with its socio-political environments. CR also is “a fundamental intangible element in the generation of competitive advantages for organization” as found by Adeyanju (2012). These propositions further strengthen the relationship between environmental activities and corporate image.
- ii. It is expected that for the pollution an organization ejects into the community which damages human organs, resources organizations tap from the locality where they operate and in some cases spillage of oil and gaseous substance which renders water and plant useless, organizations must give back in form of sponsorships, provision of amenities, employment, engaging in ethical philanthropic activities (Auka 2011)

6. Conclusion

It is obviously not enough by the findings for organizations to only invest in communities where they operate and for community dwellers or customers to buy organization products as a result of its attitude towards them, the relationship between organizations and customers or consumers should be ‘sine qua non’ which makes both party depend on one another and be ready to give their all in seeing to the success of other party. Government on the other hand should ensure it performs its obligations and not shift the whole load of corporate social responsibility on organizations.

7. Recommendations

- Since it has been reflected in this study that organization that are socially responsible maximizes profit through corporate image, management should ensure to have appropriate plan strategically to enhance corporate social responsibility.
- Existing Laws, public policies and regulation governing operation or co-operation should be re-shape to enable them for betterment of the society.
- The organization should constantly undertake social audit and this will enable the companies to assess their contributions toward the society and determine the next line of action.

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