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PHILANTHROPIC RESPONSIBILITY AND CUSTOMER LOYALTY IN INTERNATIONAL BREWERIES ILESA, OSUN STATE, NIGERIA

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Abstract

The history of formalized corporate social responsibility in Nigeria can be traced back to the corporate social responsibility practices in the oil and gas multinationals with the focus on remedying the effects of their extraction activities on the local communities. The main objective of this study is to evaluate the relationship between corporate social responsibility and organizational performance in International Breweries Ilesa, Osun State, Nigeria. The specific objective is to; find out how philanthropic responsibility relates to customer loyalty in International Breweries Ilesa, Osun State, Nigeria. The focus is on the Top level management, middle level management and low level management at the International Brewery in Ilesa, Osun state. The population of the study is 174 employees. The sample size (159) for this study was arrived at using Taro Yamane (1964) formula. The findings of the result revealed that the test of relationship between philanthropic responsibility and customer loyalty indicate a strong positive relationship between the two variables (r = 613). The relationship is statistically insignificant (Sig. = 0.000) at 0.05 level of significance. This means that increase in philanthropic responsibility proportionately increases customer loyalty. It was recommended that organizations should establish a committee to oversee the proper implementation and monitoring of their social responsibility activities.

Introduction

The Nigerian oil sector is dominated by multinational companies. To compensate for the government's governance failures and to protect their own business interests, the companies often engage in corporate social responsibility. The history of formalized corporate social responsibility in Nigeria can be traced back to the corporate social responsibility practices in the oil and gas multinationals with the focused on remedying the effects of their extraction activities on the local communities. The companies provide pipe-borne waters, hospitals and schools. Many times these initiatives are ad hoc and not always sustained (Amaeshi, Adi, Ogbechie & Amao, 2016).

Bradshaw (2019) explains that the basic aim of any business organization is to ensure that it is the responsibilities of companies to fulfill the necessities of customers providing facilities at a minimum cost. Through efficient use of resources, this is possible. Angelidis and Ibrahim (2018) explained that company's action which is used to satisfy the people and work for the societies. Enderle and Tavis (2018) described the procedure and policies related to corporate social responsibility. They advocated for the laws and practice which could help the businesses to run in a better way. For them, companies should be involved in corporate social responsibilities to keep and clean the environment. In line with argument, this research work anchors on the thesis that it is the responsibility of the companies to control the environmental pollution and provide economic empowerment for the stakeholders.

The institute of Economic Cooperation was shaped to encourage corporate social activities in 19th century. They started to generate separate budget for corporate social responsibilities & other such activities. The United Nations Environmental Programs organize conferences to protect national environment through various agencies. They adopted the CSR policy for the country advancement worldwide. The Government of Canada selected corporate social responsibility in 2019 for social and environmental improvement, Waheed (2017). Pirsch (2017) recognizes the materialization of CSR activities for Stakeholder speculation, which suggested that companies' existence and achievement is documented by the realization of its financial and non-financial objectives in stakeholder's interest. It is a company's obligation to define and decide where to work. That happens when companies motivate and highlight their works and benefits related to their abilities. After doing that, more often than not, the percentage of employees in their payroll increases (Kotler & lee, 2017).

Corporate Social Responsibility (CSR) has become an emerging issue in the recent business world. It is a known fact that the main reason for a firm‘s existence is that of profit maximization. In a bid to achieve this goal, firm‘s opretions have not been able to avoid leading to the degeneration of the environment within and around it. The result has been unhealthy workplaces and the surrounding environment through emission of toxic substances and other similar issues(Fooks, Gilmore, Collin, Holden, & Lee, 2018). This has not spared such firms sharp criticisms for their actions. CSR is a concept whereby firms commit themselves to improve their environmental and social performance beyond legal obligations(Yoon & Lam, 2018).

Corporate social responsibility (CSR) has emerged and developed rapidly as a field of study. It has emerged as an important approach and framework for addressing the role of business in society, setting standards of behaviour to which a company must follow to impact society in a positive and effective way at the same time as abiding by values that exclude profit seeking at any cost. Empirical evidence suggests that CSR actions lead to superior market performance (Orlitzky & Benjamin, 2016; Dabas, 2017). CSR practices can impact customer satisfaction, employee satisfaction, stronger brand equity and favourable attitudes towards firms (Brown & Dacin, 2017; Maignan, 2019; Valentine & Fleischman, 2018). These relational benefits, in turn, increase firm reputation and financial performance (Luo & Bhattacharya, 2018; Maignan, 2019).

CSR describes a firm's obligation to protect and improve social welfare now as well as in the future, by generating sustainable benefits for stakeholders (Lin, 2019). CSR became an integral part of business strategy for many organizations for addressing the social and environmental impact of company activities (Luo & Bhattacharya, 2018; Lin, 2019; Dabas, 2017; Beret, 2017). Although many firms use CSR, many others still consider the society and environment to be the smaller domain within the economic circle (Berete, 2017). Studies show that the more the companies are socially responsible, the larger the companies are (Moore, 2016). Furthermore, because stakeholders and investors demand that companies become more socially and environmentally responsible, top managements find that they under great pressure to adopt CSR in order to impress such stakeholders and investors (Berete, 2017).

Examining the relationship between social welfare and company profitability is repeatedly the focus of this study and research in the area of social responsibility. A firm could have a great competitive advantage in obtaining economic or social benefits or both when it uses CSR capabilities that support the firm's strategic initiatives (Sirsly & Lamertz, 2017). The relationship between CSR practices and Organisational performance has been the focus of several studies in various settings. CSR is a commitment to improve the well-being of a community through discretionary business practices and contributions of corporate resources (Ruiz de Maya, Lardín-Zambudio, & López-López, 2015).

Statement of the Problem

Organizations are surrounded by environments which impact the business environment as a whole (Lebovits, 2019). Businesses mainly focus on their growth but fail to take stakeholders' benefits into consideration and the stakeholders are the supporting keys to business growth (Carroll &Shabana, 2020). One of the major concerns facing the modern organization is the question of how they can continue to grow, increase innovations and expand across geographic markets, while taking on the additional responsibilities and pressures that comes from their immediate environment (Mackey & Tyson, 2017). As the competitive environment increasingly becomes fierce, the most important issue the firms face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Babor & Robaina, 2018).

Objective of the Study

The main objective of this study is to evaluate the relationship between corporate social responsibility and organizational performance in International Breweries Ilesa, Osun State, Nigeria. The specific objective is to:

1. Find out how philanthropic responsibility relates to customer loyalty in International Breweries Ilesa, Osun State, Nigeria.

Review of Literature

According to Kotler, CSR is a commitment to improve community well-being through discretionary business practice and contribution of corporate resources (Kotler & Lee, 2015). Crawford and Scaletta (2015) stated that CSR has been gathering momentum for the past 10 years. However, Ullmann stated as early as 1985 that CSR by no means is a new issue. This would indicate that corporations' taking social responsibility is not a new phenomenon. Nevertheless, CSR is more in the spotlight now than ever since multinational corporations' power over world economy is stronger than ever and with that society's demands on social and environmental responsibility (Forsberg, 2020). Martin (2019) claims that globalization heightens society's anxiety over corporate conduct. McGuire, Sundgren & Schneeweis (2017) claim that companies need to satisfy not only stockholders but also those with less explicit or implicit claims. This is known as stakeholder theory and is further described by Enquist, Johnson and Skålén (2015) as a strategy that does not separate ethics from business, and argues that the needs and demands of all stakeholders must be balanced.

CSR is a way for a company to take care of all the stakeholders in the organization. Sims (2020) advocates that it requires the continuing commitment by business organizations to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the community and society at large.

Furthermore, Sims (2020) argues that there is an expectation on business organizations to be a good corporate citizen and with that to fulfil voluntary philanthropic (discretionary) responsibility. By that, it means that business organizations are expected to contribute financial and human resources to the community and to improve the quality of life. Moreover, Sims stated that overall, social responsibility is an organization's obligation to engage in activities that guard and contribute to the welfare of society. Carroll (1979), through Meijer & Schuyt, (2015) defines CSR as social responsibility of business encompassing the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time. However, Whitehouse (2016) claims that there exists no universally accepted definition of the term CSR.

Marrewijk (2020) partially explained this fact by stating that vagueness and inconsistency of CSR is to some extent because of language problems. Andriof and McIntosh (2019) want to avoid the limited interpretation of the term Corporate Social Responsibility, and therefore introduced the term Corporate Societal Responsibility. Furthermore, the term includes all dimensions of a company's relationships with, impact on and responsibilities to society all together. Marrewijk (2020) also presented the view that the word responsibility should be replaced by accountability, because it causes problems in the same manner as social did.

Marrewijk (2020) continues by stating that this would make Corporate Societal Accountability (CSA) the new term for CSR. However, Marrewijk himself believes it would be hard to persuade people accept a new generic term. Through corporate social responsibility, businesses reaffirm their principles and values, both in their processes and operations and in their interaction with other social actors. Corporate social responsibility is generally voluntary in nature and refers to activities that exceed a mere compliance with the law. The social and environmental responsibilities of enterprises may reflect the changing expectations of society. For example, what enterprises consider convenient practices today may become indispensable ones tomorrow.

In addition, it is expected that different social actors interested in the activities of a certain enterprise will prioritize different social and environmental demands, which may contradict or compete with one another at times. Corporate social responsibility poses several challenges for enterprises, including the need to define their responsibilities with respect to those of the public sector, determine the extent of their obligations in the supply chain and decide until what point in the future they should anticipate and plan for the consequences of their activities, especially in the case of natural resource use.

Discretional Spending

Firm's discretionary spending responsibilities entail voluntary social involvement, including activities such as philanthropic contributions. These activities are purely voluntary, guided only by business desire to engage in social activities that are not mandated, not required by law and not generally expected of business. They include such things as providing a day care centre for working mothers and providing charitable donations (Maignan & Ferrell, 2016).

Competing business environment has necessitated the company to not only continue in provision of better products but to go an extra mile in acting in a philanthropic manner in order to woo customers. This entails building of schools, hospitals, engaging in societal projects and engagement in sporting activities etc. These acts of contributing more than the legal spending expectation to the society has increased transactional effect by customers continually in demand for the products and/or services of the company (Lichtenstein. 2020). Philanthropic contributions are associated with creating psychological perceptions in the mind of the customers by viewing the company in a positive manner (Sen & Bhattacharya, 2019). This act of the company makes customers to be attached psychologically with the company and its products and/or services.

For managers to act responsibly, they may have created that culture through involvement in some culture. This culture involves the company/ its managers joining a given association which prompts its members to act in a socially responsible manner by creating proper set of incentives for such behaviour (Galaskiewicz, 2017). When managers or corporations belonging to professional associations are dedicated to charitable giving, it will encourage those corporations/managers to engage in philanthropic giving. Members of such organizations act as a driving force for managers or corporations to act in a more ethical spending manner. The seminars provided by such memberships instills in members the virtues and benefits of corporate giving. This is strengthened by the peer pressure accruing from how others are contributing to the society in other localities.

Customer loyalty

Customer loyalty is defined by Oliver (2019) as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behaviour " (Yim, 2018). Loyalty may mean quite a passive improvement of situation. One hopes that bad things will change for the better in the future. A loyal customer has tolerance to approve inconvenient situation for a while, for example, bad price-quality relations. Fornell (2017) thinks that loyalty is the function of satisfaction, switching barriers and voice. Loyal customers may not be always satisfied, but satisfied customers are apt to be loyal (Fornell, 2017). Bitner (2018) describes loyalty as a process. At the end of the process, satisfaction has effects to perceived quality, which could cause loyalty and intention to certain behaviour.

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (2017) defines customer loyalty as a "deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts have the potential to cause switching behavior". Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2018). For a customer, loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to a brand in the future (Kuo-Ming, 2019).

Loyal customers are less likely to switch to a competitor solely because of price and they even make more purchases than non-loyal customers (Bowen & Shoemaker, 2017). Loyal customers are also considered to be the most important assets of a company and it is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2017). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2018).

Theoretical Review

Stakeholder Theory

In stakeholder theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services (Clarkson, 2018) or to serve as a vehicle for coordinating stakeholder interests (Evan & Freeman, 2017).

Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintain the survival of the firm (Evan & Freeman, 2017). The decision making structure is based on the discretion of the top management and corporate governance, and frequently, it is stated that such governance should incorporate stakeholder representatives. Stakeholder theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contact (Jones, 1980).

Thus, stakeholder theory takes into account individuals or groups with a stake in the company including shareholders, employees, customers, supplier and local community.

According to Freeman (2018), the stakeholder concept provides a new way of thinking about strategic management. By paying attention to strategic management, executives can begin to put a corporation back on the road to success. However, it is also a normative theory which requires management to have a moral duty in order to protect the corporation as a whole and, connected with this aim, the legitimate interests of all stakeholders (Friedman, 1970).

Evan and Freeman (2017) stated that management, especially top management, must look after the health of the corporation, which involves balancing the multiple claims of conflicting stakeholders. The term stakeholder was meant by Friedman (1970) to generalize the notion of stockholder as the only group to whom management need to be responsible. 'Stakeholder' can be taken in two senses. In a narrow sense, the term stockholder includes those groups who are vital to the survival and success of the corporation (Freeman and Reed, 2018). In a wide sense, it includes any group or individual who can affect or is affected by the corporation (Freeman, 2018). Thus, stakeholders are identified by their interests in the affairs of the corporation and it is assumed that the interests of all stakeholders have intrinsic value (Donaldson & Preston, 2018).

The base legitimacy of the stakeholder theory is on two ethical principles; principle of corporate rights and principle of corporate effects (Freeman & Reed, 2018). Both principles take into account the Kant's dictum respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is the problem of solving conflicting interests between stakeholders. Several authors, accepting the basic stakeholder framework, have used different ethical theories to elaborate different approaches to the stakeholder theory, and specifically to solve conflicting stakeholder demands. It has been proposed, among others, the following theories: Feminist Ethics (Burton & Dunn, 2016), the Common Good Theory (Argandoña, 2018), the Integrative Social Contracts Theory (Donaldson & Dunfee, 2018) and the Doctrine of the fair Contracts (Freeman, 2018). Freeman accepted these pluralistic ethical approaches by presenting stakeholder model as a metaphor where different ethical theories find room.

Methodology

For the purpose of this study, descriptive research design was used. For the purpose of the research, the focus was on the Top level management, middle level management and low level management at the International Brewery in Ilesa, Osun state. The population of the study is 174 employees. The sample size (159) for this study was arrived at using Taro Yamane (1964) formula. And addition was made to compensate for uncompleted questionnaires, non-response or non- return. The data for this study was collected through the primary data collection method. The questionnaire served as the research instrument. It was divided into two parts. The data was analysed with the use of both descriptive and inferential statistical methods.

Results

The test of relationship between philanthropic responsibility and customer loyalty indicate a strong positive relationship between the two variables (r = 613). The relationship is statistically insignificant (Sig. = 0.000) at 0.05 level of significance. This means that increase in philanthropic responsibility proportionately increases customer loyalty. The null hypothesis which states that there is no significant relationship between philanthropic responsibility and customer loyalty is rejected.

Conclusion and Recommendation

Conclusion

From the study carried out on the selected case study, it was discovered that there is a significant relationship between philanthropic responsibility and customer loyalty.

Recommendations

In view of the conclusions above, the following recommendations are made which is based on the findings presented in the study. Organizations should establish a committee to oversee the proper implementation and monitoring of their social responsibility activities, and partner with the government to ensure effectiveness in running their social responsibility programs.

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