

Effect of Corporate Social Responsibility on Marketing Performance of a Nigerian Manufacturing Company: An Insight From Alex Industries PLC

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Received: November 16, 2018; Accepted: December 3, 2018; Published: December 10, 2018

Abstract

This study examined the effect of corporate social responsibility (CSR) on marketing performance (MP) of a manufacturing company-Aluminum Extrusion (ALEX) Industries PLC Nigeria. Data were generated from the company's internal and annual reports from 2009 to 2015. Using SPSS version 21, stated hypotheses were tested with linear regression analysis. The findings revealed that CSR only has a strong positive relationship with one variable of MP-Market Share. The other two variables (Financial Performance and Sales Growth) were all negatively associated with CSR. Based on these, the study concludes that the negative effect CSR has on profitability and sales growth of the company is as a result of the inconsistent practice of CSR by the company. Therefore, the study recommends among others, that firms should be consistent in the implementation of their CSR projects in order to really understand its effect on the company's marketing performance.

Keywords: manufacturing, marketing, corporate social responsibility, CSR, PLC

1. Introduction

Corporate social responsibility (CSR) and its effect on Marketing Performance (MP) has become a subject of debate and discussion over the years. And because of this, many researchers have argued the significance of companies' engagement in. According to Singh, Sanchez and Bosque (2007) in Bilikova (2015), the traditional view of business of maximizing profits is no longer sufficient and that companies have to realize that they have responsibilities that go beyond their legal and economic obligations. And one of these responsibilities is carrying other stakeholders along together with the shareholders. CSR holds that firms in maximizing shareholders profit, should also identify and carry along different stakeholders that have interest in the activities of the firm. While profit maximization is important in business, they believe that firms should endeavor to be society-oriented. In support of this, Servaes and Tamayo (2012), noted that, many corporations dedicate a section of their annual reports and corporate websites to CSR activities, illustrating the importance they attach to such activities. To Adeneye and Ahmed (2015), CSR defines the voluntary services given by a company to the society. And it is this voluntary service that will help the company to create good image and increase purchasing behavior of their customers.

On the other hand, Hirigoyen and Poulain-Rehm (2015), Nwachukwu and Agu (2018), have found that CSR has negative influence on financial performance. This makes some managers to see CSR as a costly project. And this is why Friedman in Onoh (2006), argued that any managerial action that benefits any group apart from the stockholders is a violation of management trust. According to Mordi, Opeyemi, Tonbara and Ojo (2012), corporate social responsibility is seen as a distraction from the fundamental economic role of business. CSR and its effect on MP still remain unclear because researchers have differed on their findings.

According to Laffety, Barbara and Ronald (1999) in Bilikova (2015), positive corporate image can help consumers to differentiate between individual companies, their products and services. The main reason firms adopt and practice the tenets of corporate social responsibility is for financial benefits, market growth and sales growth among many reasons, (Wali, Amadi and Wali, 2015). But, in whatever form CSR is viewed, Organizations should concern themselves with gaining customers patronage, creating good image and being accepted in the industry. If this is done, CSR will definitely impact positively on the Marketing performance of the Organizations either in the short run, long run or even at both. It is on this note therefore, that this study will join Wali, et al. (2015), to draw from the UNIDO (2002) CSR model to evaluate the impact of CSR on the performance of ALEX PLC.

1.1 Statement of the Problem

CSR has received tremendous attention over the years and this has shown its extent of importance in business. Little wonder many corporations dedicate a section of their annual reports to it. But it is still obvious that some companies are inconsistent in their CSR practices, some others do not see the need for it. There is, therefore, the need to examine the CSR practices of a foreign manufacturing company operating in Imo State, Nigeria and how its marketing performance has been affected. This will help in strengthening the argument whether for or against CSR.

1.2 Objectives of the Study

The main objective of this study is to examine the effect of corporate social responsibility on MP of Aluminum Extrusion (ALEX) Industries PLC, Inyishi in Imo State Nigeria. The specific objectives are:

1. To examine whether CSR has positive effect on market share.
2. To determine whether CSR has positive effect on profitability.
3. To examine whether CSR has positive effect on the Sales growth.

2. Review of Related Literature

2.1 Stakeholder Theory

Stakeholder theory sees CSR as a project that should be extended to different groups and sub-groups that are being affected by the operations of the organization. And this is why Freeman & Reed (1983), in Footea, Nolan, & James, (2010), noted that there are other groups to whom the corporation is responsible in addition to stockholders: those groups who have a stake in the actions of the corporation. These groups can be the employees, customers, host community, government and the society at large. With this therefore, this study will be based on the stakeholder theory in examining the effect of CSR on marketing performance.

2.2 Empirical Framework

CSR and its impact on MP has continued to receive a mixed findings by researchers, ie both positive and negative impact. Duke and Kankpang (2013), while trying to look at the implication of CSR for the performance of Nigerian firms, found out that waste and pollution abatement are both significantly and positively associated with firm performance. The study also found out that social action, fines and penalties are strongly, but negatively related. Based on these mixed results, the study recommended among others that firms should actively invest in proper waste management and pollution abatement. Also, Zaccheaus, Oluwagbemiga and Olugbenga (2014), investigated the effect of CSR performance on stock prices. They studied some listed manufacturing companies in Nigeria and the study came up with findings that, CSR performance has no effect on the stock prices of these manufacturing companies.

In the view of Handayani, Wahyudi and Suharnomo (2017), CSR has significant influence on firm performance by providing social, environmental and economic benefits. Wisdom, Lawrence, Akindele and Muideen (2018), looked at CSR and investment decisions in listed manufacturing firms in Nigeria. Their findings showed a positive and significant relationship between CSR and investment decisions of stakeholders in manufacturing firms in Nigeria. They further recommended that CSR activities should be connected to the corporate processes of value creation. In addition, Akinleye and Faustina ((2017), studied the impact of CSR on the profitability of multinational companies in Nigeria. The study revealed a weak negative correlation between corporate social spending and profit after tax. Furthermore, Wali et al. (2015), while comparatively evaluating the impact of corporate social responsibility practices on marketing performance in the Nigerian and United Kingdom (UK) financial industry, found out that corporate social responsibility practices have significant influence on consumer purchase behaviour, sales growth as well as profitability in the Nigerian financial sector. And also that CSR is poorly practiced by the Nigerian financial firms. While in the UK they found that CSR is striving healthily as a result of its government commitment resulting in the establishment of CSR department and the development of CSR framework to regulate corporate behaviours. The study further recommends that, the Nigerian government should enact laws on CSR that will compel firms to be true corporate citizens, that the Nigerian government should also establish a department saddled with the responsibility of regulating, monitoring and ensuring compliance of firms with CSR laws on a regular basis.

Based on these mixed results from the literature review, the following hypotheses were developed:

H01: CSR has no significant effect on market share.

H02: CSR has no significant effect on profitability.

H03: CSR has no significant effect on sales growth.

3. Methodology

This study made use of secondary data collected from the annual and internal reports of the company (ALEX Industries PLC) from 2009 to 2015. The independent variable is CSR, which was measured with the CSR expenditure. On the other hand, the dependent variable is marketing performance which was measured with market share, financial Performance and sales growth. Thus: market share was measured by the size or number of customers the company has, while financial performance was measured by the profit of the company after tax and finally, sales growth was measured by the total revenue or turnover of the company. Simple Linear Regression Analysis was used to determine the nature of relationship between corporate social responsibility and marketing performance of the firm. Thus, the model specification of the study is:

$$MP=f(CSR)$$

Where MP = marketing performance (measured by market share, profitability and sales growth rate).

CSR = corporate social responsibility.

Data Presentation and Findings

Table 1. Shows the summary of the data.

YEAR	ALEXMS	ALEXPRO	ALEXSG	ALEXCSR
2015	2661	82954	2501414	3382
2014	2603	170079	1897249	1716
2013	2687	135460	1872427	-
2012	2640	45112	1721934	-
2011	2682	50538	1732153	-
2010	2620	60318	1611877	3384
2009	2628	77699	1518222	3083

Source: Compiled from the Annual and Internal reports of the ALEX PLC from 2009 to 2015. (N, 000).

Where:

ALEXMS represents ALEX Market Share.

ALEXPRO represents ALEX Profitability.

ALEXSG represents ALEX Sales Growth.

ALEXCSR represents ALEX Corporate Social Responsibility.

4. Results

Table 2. H01: CSR has no significant impact on market share

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.716 ^a	.513	.269	20.8143	.513	2.104	1	2	.284	1.220

a. Predictors: (Constant), ALEX Industries Corporate Social Responsibility

b. Dependent Variable: ALEX Industries Market share

Table 3. H02: CSR has no significant impact on profitability

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	

1	.024 ^a	.001	-.499	415779.6344	.001	.001	1	2	.976	1.576
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a. Predictors: (Constant), ALEX Industries Corporate Social Responsibility

b. Dependent Variable: ALEX Industries Profitability

Table 4. H03: CSR has no significant impact on sales growth

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change	Durbin-Watson
					R Square Change	F Change	df1	df2		
1	.079 ^a	.006	-.491	541094.6810	.006	.012	1	2	.921	.712

a. Predictors: (Constant), ALEX Industries Corporate Social Responsibility

b. Dependent Variable: ALEX Industries Sales growth

4.1 Interpretation

The linear regression result of hypothesis one shows that ALEX Industries CSR explains/predicts 51.3% of the company's market share. The R value shows a correlation of 0.716 which indicates a strong positive effect of CSR on market share of the company. For hypothesis two, the result shows that CSR has a negative significant effect on the financial performance (profitability) of the firm, with a correlation of (0.24). In addition, the result of hypothesis three shows R value at 0.079, which also shows a negative correlation.

4.2 Discussion of Findings

This study has shown that CSR has a positive impact on market share which is also in affirmation with Nwachukwu and Agu (2018). But it negates the findings of Wali et al. (2015) who found that CSR has significant impact on sales growth. In addition, the study further supports the findings of Akinleye and Faustina ((2017), Hirigoyenand Poulain-Rehm (2015), Nwachukwu and Agu (2018), whose findings showthat corporate social responsibility has a negative influence on financial performance.

5. Conclusion

From the literature review and personal interactions with some key officers of the company, it is obvious that there is still no known law compelling firms in Nigeria to engage in CSR, and this has made the practice of CSR uncompetitive. Also, it was discovered that the company is inconsistent in its CSR practice. And this inconsistency is based on the company's leadership orientation. It was recorded that the company did not engage in CSR for three years (2011 to 2013). So, the study concludes that CSR remains a competitive tool irrespective of its negative, short-run influence on financial performance.

6. Recommendations

Based on the findings of this study, the following are recommended:

1. Firms should be consistent in the implementation of their CSR projects in other to really understand its effect on the company's MP, especially in the long-run.
2. Organizations should create a separate department that will be in charge of CSR activities, which should also give periodic reports on its effect on the firm.
3. The government should established laws that compel firms to engage in CSR practices.

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