The Effect of Corporate Social Responsibility on Relation Quality with Customers

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Abstract

The social responsibility has been regarded as an important issue among the companies in recent years. Nowadays, this issue has been emphasized more than before. The companies' Social Responsibility includes the collection of activities done by the investors as a voluntary activity among the members of a community. In real, the Companies' Social Responsibility is an approach for business which views the Social Responsibility of an organization on a society either internal or external, and its main goal is to provide the total parts including public, private and volunteers for cooperating with together. The population of this study is the manufacturing firms in Tabriz. The statistical samples were specified with regard to the relationship of samples in limited societies; that is, 386 companies. In this research, the structural equation modeling techniques method was utilized to analyze the data. The results show that E csr and L csr have the significant and positive effect on customers' commitment, trust and satisfaction. P csr and Et csr do not have any effect on satisfaction and trust but it has positive and significant effect on customer's commitment in a company.

Keywords: Relation Quality with customers Corporate Social Responsibility), Economic Corporate social Responsibility Legal Corporate social responsibility ,Ethical Corporate social responsibility ,Philanthropic Corporate social responsibility

Introduction

CSR is defined as a "voluntary corporate commitment to exceed the explicit and implicit obligations imposed on accompany by society's expectations of conventional corporate behavior" (Falck and Heblich, 2007, p. 247). For corporations, the adoption of CSR strategies can enhance their relationships with multiple stakeholders. Therefore, it is necessary to communicate CSR activities and use effective relationship management to satisfy stakeholders' expectations and achieve the expected goals of CSR initiatives (Clarke, 2000; Podnar, 2008). To date, there have been several studies examining the practices and communication of CSR in different industries (e.g., Chen and Bouvain, 2009; Sweeney & Coughlan, 2008). Many firms seek to ensure that their employees feel attached to their organization in order to ensure a low turnover rate. Toward this end, a good corporate social responsibility (CSR) reputation can generate positive attention from both current and prospective employees (Turban & Greening, 1996). A good CSR reputation may indirectly contribute to job satisfaction and lower employee turnover by invoking positive reactions from external groups, such as family and friends (Riordan, Gatewood, and Bill, 1997).

Customer's Relationship Quality or CRQ increases the vital and important factor in evaluating the good and bad, weak and strong relationship between the economic institution and the customer. Garbanio and Johnston found that the customers who had strong relationship with institutions had positive perspective to the customers' relationship quality factors like trust, satisfaction and commitment. People want to work for companies that are responsible citizens in

their communities (Riordan et al., 1997; Sims and Keon, 1997; Viswesvaran and Ones, 2002). Employees that have a favorable view of an organization's CSR tend to have positive views about the organization in other areas, such as senior management's integrity, senior management's leadership and the organization's competitiveness in the marketplace. Firms are under increasing pressure to pursue socially responsible behavior from a variety of stakeholder groups (Berman, Wicks, Kotha, and Jones, 1999; Donaldson and Preston, 1995; Kapstein, 2001).

The company's responsibility can be mentioned in four dimensions:

- Economic : the responsibility of company to the profit for owners
- Legal: the responsibility of company in obeying the rules and conditions
- Ethical: the responsibility of company in doing whatever is correct and fair
- Voluntary and Humanitarian: the responsibility of company in increasing the quality of life and human welfare and the company's tend to that a person will be a good company for that society (Carroll, 2004, 1991).

If the complete image of business be as an ethical policy, it is natural that whatever is Just, fair and equitable will happen. Thus, the ethical responsibility includes the activities that are not defined by law but it is expected that they will be done by business unites for respecting people, preventing the loss and social damages. These responsibilities has rooted from human rights (Yegane and Barzgar, 2009).

Literature review

Social responsibility of company: The history of CSR includes the different definitions of its structure. For example, the European commission defines the CSR as concept which according to that the companies attract the social and environmental attentions for its business functions and their interaction with stakeholder which is done voluntary. The comprehensive and famous definition in the history of management is related to Davis (1973, 312) who defined a CSR as "the companies' needs in economic, technic and rule is limit which the social and environmental profits should be done with traditional economic merits which the companies look for". It is thought that the most parsimonious definition which is related to the above mentioned perspectives is that the CSR shows the voluntary efforts which is suitable for that society.

Economic Corporate social responsibility (ECSR) : The responsibility which is economic naturally and includes the investment return for owners and stakeholders, creating the occupation, fair pays for workers and discovering the new sources.

*Legal Corporate social responsibility (LCSR):*It includes the expectations, regarding the rules and role with regarding the playing rules. By attending to this, the society expects that the business unites consider to the Legal framework of the social-legal system with doing the economic mission.

Ethical Corporate social responsibility (ECSR): The Ethical responsibility includes the activities that is not defined by law but it is expected that they will be done by business unites for respecting people, preventing the loss and social damages. These responsibilities has rooted from human rights.

Philanthropic Corporate social responsibility (PCSR) : Companies have the wide range for judging and selecting in decision situation for special activities or humanitarian cooperation for helping a society. The roots of this responsibility direction is in this belief that business unites and society are intertwined through the Inherent and intrinsic methods.

Relation Quality with customers (RQC): Relation Quality with customers is an important index for evaluating the strong relationship between supplier and customer.

Trust: Trust is one of the important bases of business.

Satisfaction: The satisfaction of customer is one of the companies' internal activities, and its direction is to satisfy the customers' will, and it shows the direction of production's quality improvement and services (Faryabi et al. 2011).

Commitment : Commitment is one of the other important described bases for business (Daier et al., 1987), and it was defined as an explicit or implicit commitment to the continuing relationship between the exchange parties.

Methods and materials

By attending to the realm of research place and time, the population of this research is the great productive companies of Tabriz.

The sample can be accessed by using the Cochran formula. The degree of precision of 5% and 95% confidence level, the sample size of 384 is reached.

$$n = \frac{z^2 pq}{d^2} = \frac{1.96^2 \times 0.5 \times 0.5}{0.05^2} = 386$$

In this research for analyzing the data, the Structural equation modeling techniques was used. Our goal was to know the effect of CSR elements on SRQ elements to find that if each factor of CSR impacts on the customer's relationship quality or no.

In this research, the social responsibility of company is studied from four dimensions which are economic, law, ethical and humanitarian. In this research, the quality of relationship with customers is studied from three dimensions which are trust, commitment and customers' satisfaction.

The objective of the study

- Regarding the objective of the study, the following can be mentioned:
- Studying the impact of E csr on customer's trust, satisfaction and commitment in company
- Studying the impact of L csr on customer's trust, satisfaction and commitment in company
- Studying the impact of Et csr on customer's trust, satisfaction and commitment in company
- Studying the impact of P csr on customer's trust, satisfaction and commitment in company

Result and discussion

Hypothesis testing

For studying the hypotheses, the structural equation model was used. The computing was done in AMOS software. At first, the complete model was studied and then the hypotheses were investigated one by one. The chi-square statistic is 80.633 and the significance level is 0.063. By attending to the significance level of chi-square which is greater than 0.05, it can be resulted that the gathered data is corresponded with theoretical model of research. Also, the goodness of fit index is 0.903 which show its credibility for the model's goodness.

The root mean square error of the assessment (RMSEA) is 0.048 which is smaller than 0.05, so it is accepted and shows the model's verification. Also, the Toker-Louis Index is 0.948; the comparative fit index is 0.911 and fit index is 0.618 which all of them show the suitable fit and research model's verification. The regression table of factor loading shows that items related to the dependent and independent variable are significant and meaningful (the significance level is smaller than 0.05). Thus, none of the items will be omitted and they will be stayed in the model. Therefore, it is resulted that the reliability and validity of structures are continued. Totally, the model includes the suitable validity about the variables' relations (Table 1).

Table 1: The fitness index of structural model

Fit index		Deal	Accepted deal	Result
Absolute	x2	df		Accepted
	p value	0.063	More than 0.05	accepted
	Goodness-of-fit index (GFI)	0.903	More than 0.09	accepted
Comparative	Talker-luiss index (TLI)	0.948	More than 0.09	accepted
	Comparative fit index(CFI)	0.911	More than 0.09	accepted
Residual	Root mean square error of approximation (RMSEA)	0.048	Less than 0.05	accepted
	Parsimonious normed fit index(PNFI)	0.618	More than 0.05	accepted

Table 2: Regression estimations and their significance test

Independent variable		Dependent variable	Estimated coefficient	S.E	C.R	P	Estimates
Ecsr	<---	Satisfaction	.210	.054	3.926	<0.001	.435
Ecsr	<---	Trust	.523	.079	6.611	<0.001	.952
Ecsr	<---	Commitment	.545	.086	6.367	<0.001	.857
Lcsr	<---	Satisfaction	.383	.078	4.894	<0.001	.813
Lcsr	<---	Trust	.133	.043	3.084	.002	.249
Lcsr	<---	Commitment	.191	.049	3.929	<0.001	.309
Etcsr	<---	Satisfaction	.086	.044	1.935	.053	.172
Etcsr	<---	Trust	.070	.044	1.595	.111	.123
Etcsr	<---	Commitment	.225	.055	4.092	<0.001	.340
Pcsr	<---	Satisfaction	.254	.080	3.168	.002	.347
Pcsr	<---	Trust	.105	.067	1.574	.116	.126
Pcsr	<-- Commitment		.226	.076	2.977	.003	.235

Hypotheses 1: Ecsr has a positive impact on customer's satisfaction in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.211, the estimated coefficient of standard is 0.435 and the significance level is 0.000. Since the significance level is smaller than 0.05, it can be resulted that the impact of Ecsr on customer's satisfaction in company is significance. That is, Ecsr has significance and meaningful impact on customer's satisfaction in company. The overall standardized of Ecsr on customer's satisfaction is 0.435.

Hypotheses 2: Ecsr has a positive impact on customer's trust in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.523, the estimated coefficient of standard is 0.952 and the significance level is 0.000. Since the significance level is smaller than 0.05, it can be resulted that the impact of Ecsr on customer's trust in company is significance. That is, Ecsr has significance and meaningful impact on customer's trust in company. The overall standardized of Ecsr on customer's trust is 0.952. Hypotheses 3: Ecsr has a positive impact on customer's commitment in company.

Hypotheses 3: Ecsr has a positive impact on customer's commitment in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.545, the estimated coefficient of standard is 0.857 and the significance level is 0.000. Since the significance level is smaller than 0.05, it can be resulted that the impact of Ecsr on customer's satisfaction in company is significance. That is, Ecsr has commitment and meaningful impact on customer's commitment in company. The overall standardized of Ecsr on customer's commitment is 0.857.

Hypotheses 4: Lcsr has a positive impact on customer's satisfaction in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.383, the estimated coefficient of standard is 0.813 and the significance level is 0.000. Since the significance level is smaller than 0.05, it can be resulted that the impact of Lcsr on customer's satisfaction in company is significance. That is, Lcsr has significance and meaningful impact on customer's satisfaction in company. The overall standardized of Lcsr on customer's satisfaction is 0.813.

Hypotheses 5: Lcsr has a positive impact on customer's trust in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.133, the estimated coefficient of standard is 0.249 and the significance level is 0.002. Since the significance level is smaller than 0.05, it can be resulted that the impact of Lcsr on customer's satisfaction in company is significance. That is, Lcsr has trust and meaningful impact on customer's trust in company. The overall standardized of Lcsr on customer's trust is 0.249.

Hypotheses 6: Lcsr has positive impact on customer's commitment in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.191, the estimated coefficient of standard is 0.309 and the significance level is 0.001. Since the significance level is smaller than 0.05, it can be resulted that the impact of Lcsr on customer's satisfaction in company is significance. That is, Lcsr has commitment and meaningful impact on customer's commitment in company. The overall standardized of Lcsr on customer's commitment is 0.309.

Hypotheses 7: Etcsr has positive impact on customer's satisfaction in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.086, the estimated coefficient of standard is 0.172 and the significance level is 0.053. Since the significance level is greater than 0.05, it can be resulted that the impact of Etcsr on customer's satisfaction in company is not significance. That is, Etcsr does not have significance and meaningful impact on customer's satisfaction in company. The overall standardized of Etcsr on customer's satisfaction is 0.172.

Hypotheses 8: Etcsr has positive impact on customer's trust in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.07, the estimated coefficient of standard is 0.123and the significance level is 0.111. Since the significance level is greater than 0.05, it can be resulted that the impact of Etcsr on customer's trust in company is not significance. That is, Etcsr does not have significance and meaningful impact on customer's trust in company. The overall standardized of Etcsr on customer's trust is 0.123.

Hypotheses 9: Etcsr has positive impact on customer's commitment in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.225, the estimated coefficient of standard is 0.34 and the significance level is 0.000. Since the significance level is smaller than 0.05, it can be resulted that the impact of Etcsr on customer's commitment in company is significance. That is, Etcsr has significance and meaningful impact on customer's commitment in company. The overall standardized of Etcsr on customer's commitment is 0.34.

Hypotheses 10: Pcsr has positive impact on customer's satisfaction in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.254, the estimated coefficient of standard is 0.347and the significance level is 0.002. Since the significance level is smaller than 0.05, it can be resulted that the impact of Pcsr on customer's trust in company is significance. That is, Pcsr has significance and meaningful impact on customer's trust in company. The overall standardized of Pcsr on customer's trust is 0.347.

Hypotheses 11: Pcsr has positive impact on customer's trust in company.
The results of analyses in Table (2) are presented. The estimated coefficient is 0.105, the estimated coefficient of standard is 0.126and the vignificance level is 0.116. Since the significance level is greater than 0.05, it can be resulted that the impact of Pcsr on customer's trust in company is

not significance. That is, Pcsr does not have significance and meaningful impact on customer's trust in company. The overall standardized of Pcsr on customer's trust is 0.126.

*Hypotheses 12: Pcsr has positive impact on customer's commitment in company.*

The results of analyses in Table (2) are presented. The estimated coefficient is 0.226, the estimated coefficient of standard is 0.235 and the significance level is 0.003. Since the significance level is smaller than 0.05, it can be resulted that the impact of Pcsr on customer's commitment in company is significance. That is, Pcsr has significant and meaningful impact on customer's commitment in company. The overall standardized of Pcsr on customer's commitment is 0.235.

Table 3**: The overall impacts of standardized variables in the model**

	Pcsr	Etcsr	Lcsr	Ecsr
Commitment	.235	.340	.309	.857
Trust	.126	.123	.249	.952
Satisfaction	.347	.172	.813	.435

Table 4: Regression estimations of loading factors and their significance test

Independent variable		Dependent variable	Estimated coefficient	S.E	C.R	P	Estimates
s12	<---	Ecsr	1.000			<0.001	.767
s11	<---	Ecsr	.951	.098	9.727	<0.001	.705
s10	<---	Ecsr	.717	.093	7.722	<0.001	.562
s15	<---	Lcsr	1.000			<0.001	.762
s14	<---	Lcsr	1.019	.105	9.681	<0.001	.769
s13	<---	Lcsr	.848	.095	8.894	<0.001	.681
s18	<---	Etcsr	1.000			<0.001	.742
s17	<---	Etcsr	.935	.113	8.243	<0.001	.705
s16	<---	Etcsr	1.061	.127	8.352	<0.001	.737
s21	<---	Pcsr	1.000			<0.001	.617
s20	<---	Pcsr	1.310	.200	6.548	<0.001	.671
s19	<---	Pcsr	1.441	.220	6.553	<0.001	.730
s1	<---	satisfaction	1.000			<0.001	.378
s2	<---	satisfaction	1.250	.290	4.313	<0.001	.455
s3	<---	satisfaction	1.626	.331	4.912	<0.001	.627
s4	<---	Trust	1.000			<0.001	.484
s5	<---	Trust	1.465	.234	6.249	<0.001	.642
s6	<---	Trust	1.304	.227	5.754	<0.001	.551
s7	<---	Commitment	1.000			<0.001	.473
s8	<---	Commitment	1.317	.206	6.383	<0.001	.694
s9	<---	Commitment	1.216	.194	6.272	<0.001	.668
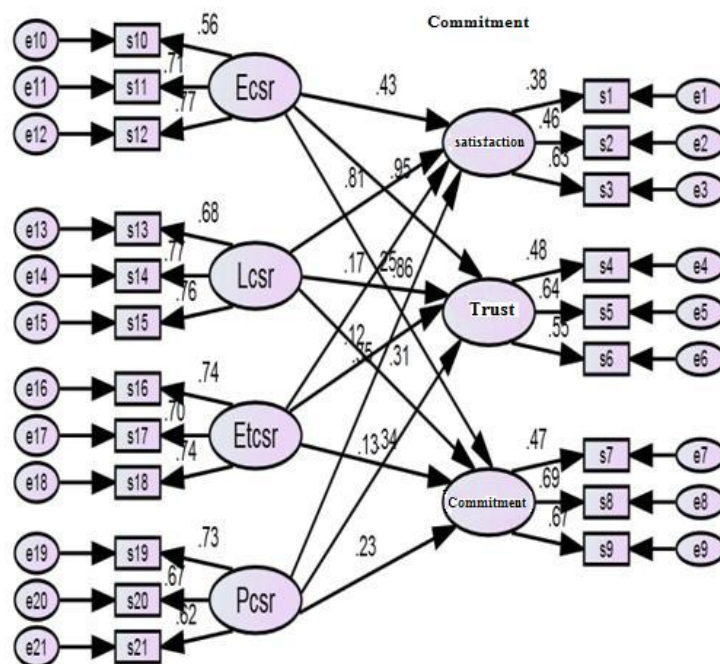
Conclusion

By considering the above tables, the following ones can explain the final results:

Table 5: The correlation table and the impact of CSR on customer's relationship quality

R	R-square	Adjusted R-square	Std. error of estimates	Durbin-Watson
.737	.543	.541	.41500	1.928

For exploring the existence of liner relationship between factor and foreseen variables, the F test was used. The significant level of F test is 0.000. As the significance level is less than 0.05, it is shown that there is a significant liner relationship between variable factor and foreseen variables.

Table 6: The significant test of liner relationship, and the impact of CSR on customer's relationship quality

	Sum of squares	Df	Mean square	F	P
Regression	44.010	1	44.010	255.538	.000
Residual	37.028	384	.172		
Total	81.038	385			

The non-standardized and standardized coefficients with their significant levels are presented in table 7. The non-standardized coefficient shows the variables' coefficient in regression model and the standardized coefficient are used for showing the value of impacts. Whatever the absolute value is greater, the impact is stronger. By attending to the Table, it is resulted that the CSR has the direct and significant impact on customer's relationship quality (the regression coefficient is positive and the significant is less than 0.05).

The regression was used for studying the effect of CSR on customer relationship on quality. Coefficient determination is 0.543. The coefficient of determination shows the explained variance by the model. The numerical value of coefficient determination is between 1 to 0. Whatever this value is close to 1, so it indicates the strong relationship of model.

Table 7: Table of regression coefficient on the impact of CSR on customer's relationship quality

	Unstandardized coefficient		Standardized coefficient	T	P
	B	Std.error	Beta		
Constant	1.109	.138		8.014	.000
CSR	.653	.041	.737	15.986	.000

One of the pre-conditions of regression is that the variable does not have autocorrelation and the errors are independent. This condition is tested by Durbin -Watson test. If the value of Durbin-Watson test is the number between 1.5 and 2.5, it can be resulted that the factor will not have autocorrelation and the errors are independent. The value of Durbin-Watson is 1.93. Since this value is between 1.5 and 2.5 so, the factor does not have autocorrelation and the errors are independent.

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