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Research Paper

Effect of Corporate Social Responsibility Strategies on Firm Performance: A Sub-Saharan experience.

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ABSTRACT

Purpose: The dynamic and complex nature of today's business environment has made achieving and sustaining a high level of corporate performance a very important issue. The study examined the effect of Corporate Social Responsibility (CSR) strategies on firm performance. The dimensions of CSR explored were corporate Volunteering, employee welfare schemes, and service quality.

Methodology: A cross-sectional research design that employed the use of a self-structured questionnaire to gather data from 361 employees of Flour Mills of Nigeria PLC Golden Penny House, Apapa, Lagos State. The statistical tool employed was partial least squares-structural equation model (PLS-SEM) which was in two stages namely measurement and structural models.

Results: With $p < 0.05$ achieved during hypotheses testing showed there are significant relationships of the variables tested. This concludes that CSR strategies have a substantial and positive influence on all performance indicators used in the literature review which are: market shares, employee satisfaction, and customer satisfaction.

Research limitations: It was difficult accessing and administering questionnaire to the employees at the Corporate Headquarters of Flour Mills of Nigeria PLC Golden Penny House, Apapa, Lagos State. The policy for access to the retrieval of the expected number of questionnaires.

Practical implications: A framework developed will add to the pool of knowledge on CSR research and development. The study recommends that companies should identify their stakeholders' needs before taking CSR initiatives; also, top management must understand the strategic benefits of CSR activities and include them in their strategic plans.

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Originality: The conceptual framework helps to understand the interactions between the sub-variables and Corporate Social Responsibility of firms.

Keywords: *CSR; Volunteering; Service quality; Firm performance; Welfare schemes*

1. Introduction

In today's dynamic and highly competitive business environment, achieving and sustaining a high level of corporate performance has become a critical issue. The potential success of every business depends on its organizational performance, which refers to its ability to implement strategies that will effectively and efficiently achieve its set objectives. Corporate Social Responsibility (CSR) and the sustainability of firms' performance have become two key catchphrases and important issues for economic agents in the management of business today; however, the justification behind them is not always clearly understood as there is need for organizations to be socially responsible for the needs of the stakeholders (Stanisavljević & Bostrom, 2017).

The Increasing demand for social responsibility initiatives from the stakeholders is a clear indication of the corporate world, making business leaders highlight the social issues in business operations (Tamvada, 2023), to gain the confidence of their ultimate customers and convert loyalty into a competitive edge (Calabrese, 2016; Stern, 2010). Strict adherence to conventional business principles which channels profits to only shareholders at the expense of the environment of firm's operation is a major problem of CSR in the sub-Sahara. Firms focus on earning and maximizing wealth with little or no consideration for social effects and conditions that are environmentally friendly (Taylor, 2023). However, some managers view CSR as an immoral idea violating the rights of the owners of the businesses (Chima, 2015).

CSR are the practices organizations engage in to add value to non-shareholding stakeholders and society without endangering the shareholders' interest. Firms empower employees through corporate volunteering to engage in social activities that benefit society while improving the firm's market share, employee and customer satisfaction (Cook & Burchell, 2018). Firms pivot from aligning their corporate volunteering projects to their primary business models. Consequently, Institutions have presented projects to

help employees acquire new skills that will possibly help to extend the effects of CSR projects on the education, health, and wellness of the public at large.

This study examined the effect of corporate social responsibility practices on a firm's performance. The study, however, poses these questions to explore the topic further: In what ways does corporate volunteering affect firm performance? To what extent do employee welfare schemes affect firm performance? How does service quality affect firm performance? To this end, the study focused on Flour Mills of Nigeria Plc. for the research.

2. Literature Review

Scholars have worked on CSR but the aspects of corporate volunteering, employee welfare schemes and service quality need to be researched further to ascertain the effects these sub variables have on firm performance.

2.1 Theoretical Review

Stakeholder theory underpins this research article. The theory posits that the essence of business primarily lies in building relationships and creating value for all its stakeholders. The basic premise is that an organization needs to manage its relationship with many stakeholder groups that affect or are affected by its business decisions (Freeman, 1984, Basuony, 2014). The theory identifies the connection between stakeholder management and the CSR approach (Pavlo & Mohammad, 2019). Basuony (2014), argues that there are wider groups of stakeholders in a corporation than merely shareholders and investors.

2.2 Corporate Social Responsibility and Firm Performance

Corporate Social Responsibility means that companies take into consideration the concerns of a wide range of corporate stakeholders and incorporate principles of social fairness and environmental sustainability into the business process (Alkababji, 2014). However, CSR is viewed as economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Adeyanju, 2012, Babalola, 2012). Meanwhile, Irabora (2019) examined the effect of corporate social responsibility on

organizational performance in Guinness Nigeria Plc. The study points out that corporate social responsibility has no significant effect on organizational performance. Basuony, (2014) was of the contrary opinion that CSR has a positive impact on organizational performance, especially on older firms. This study considers three dimensions of corporate social responsibility namely corporate volunteering, employee welfare schemes and service quality.

2.3 Corporate Volunteering and Firm Performance

Corporate volunteering can also be defined as individuals investing their time or skills for a planned activity aimed at an external group or organization (Rodell, Breitsohl, Schröder and Keating, 2015). Cook and Burchell, (2018) view corporate volunteering as one of the most effective ways for firms to implement corporate social responsibility and also to contribute to strategic development goals. To achieve goals, employee welfare is necessary. Im and Chung (2018) examined the moderating and mediating effects of perceived organizational support, pride, and trust on the relationship between employee volunteering meaningfulness and organizational citizenship behavior. The study concludes that organizational pride and trust mediates between volunteering and employee behavior while perceived organizational support moderates between volunteering and organizational pride and trust. Volunteerism perhaps is one of the effective means of developing or enhancing several types of job-related skills and job satisfaction.

Yapor and Correa (2020) identified factors like the development of strategic CV, networking, department to oversee CV activities, senior management commitment, and the firm's culture as major contributors to the management of corporate volunteering in organizations. Saz-Gil, Cosenza, Zardoya-Alegria, & Gil-Lacruz, (2020) opine that organizations can improve their corporate and social images by utilizing the strategic action of social responsibility and also improving the wellbeing of the people. However, this study examines this proposal thus:

H_{01}: Corporate volunteering has no significant effect on firm performance

2.4 Employee Welfare Scheme and Firm Performance

Employee welfare means anything done for the comfort and (intellectual or social) improvement of the employees, over and above the wages paid (Manzini and Gwandure, 2011). It is the efforts to make life worth living for workmen for them to give services qualitatively. Musyoka (2015) assesses the extent to which welfare programs affect employees' satisfaction among commercial Banks and concludes that compensation programs enhance customer satisfaction. Consequently, Daddie, Andrews, Iroanwusi & Princewill (2018) examined the Employee Welfare Scheme as a Driving Force to Workers Performance. The result revealed that the employee welfare scheme has a significant effect on the performance of their employees.

H_{02}: Employee welfare schemes have no significant influence with firm performance

2.5 Service Quality and Firm Performance

Service quality is viewed as an assessment of how well a delivered service conforms to the client's expectations. Service quality is an important determinant of customer satisfaction in both the manufacturing and service sectors (Nguyen, Phan, &Yoshiki, 2015). Zeleke (2012) analyzed the impact of service quality on customer satisfaction. The finding indicates that five service quality dimensions were positively related to overall service quality and are indeed drivers of service quality which in turn has an impact on customer satisfaction. Ehigie et al., (2018) examined a case study on service quality and customer satisfaction which showed that Responsiveness, empathy, and assurance are influential to customer satisfaction; however, price of service is the most influential variable on customer satisfaction. Kwok, Jusoh, & Khalifah, (2016) pointed out that service quality was positively associated with satisfaction and the relationship was found to be moderated by gender. Additionally, the findings also show that service quality perceived by women was found to influence the satisfaction level greater than that of men in the tourism context.

H_{03}: Service quality has no significant effect on firm performance

Firm performance is a set of financial and non-financial indicators that provide information on the level of achievement of goals and objectives of an organization (Taouab & Issor, 2019). The non-financial performance consists of market share (Lee &

Masao, 2014), employee satisfaction (Blackstone, 2019) and customer satisfaction (Uzir et al, 2020). This study seeks to fill the literature gap proposed by Okoye, Amaefule, and Onyekpere (2016) that suggested using multiple measures of performance like employee welfare, customers'/societal satisfaction, and government feelings in measuring firm's performance vis a vis corporate social responsibilities practices in the manufacturing sector.

3. Methodology

A cross-sectional research design employed the use of a self-structured questionnaire to gather primary data from employees at the Corporate Headquarters of Flour Mills of Nigeria PLC Golden Penny House, Apapa, Lagos State. The firm was chosen because they have a variety of products, and all the divisions are well represented at the corporate headquarters. The population of the study area was given as 3680 employees (FMN Annual Report, 2020) and a sample size of 361 was derived using Yamane, (1967). A multistage sampling technique was employed. The first stage is the purposive sampling technique, and it was chosen because the firm is a public liability company, which means that the firm's information can be accessed online. The second stage is a stratified proportionate sampling technique that splits the appropriate number of questionnaires to different respondents and divisions in the firm.

The study employed partial least squares-structural equation model (PLS-SEM) to test the proposed model with the aid of SamrtPLS 3. The analysis was carried out in two phases. The measurement model and the structural model. The measurement model analyses the validity of the proposed model by examining the composite reliability (CR), Roh_A, convergent and discriminant validity. The structural model examines the strength of the paths of the relationship amongst the latent variables.

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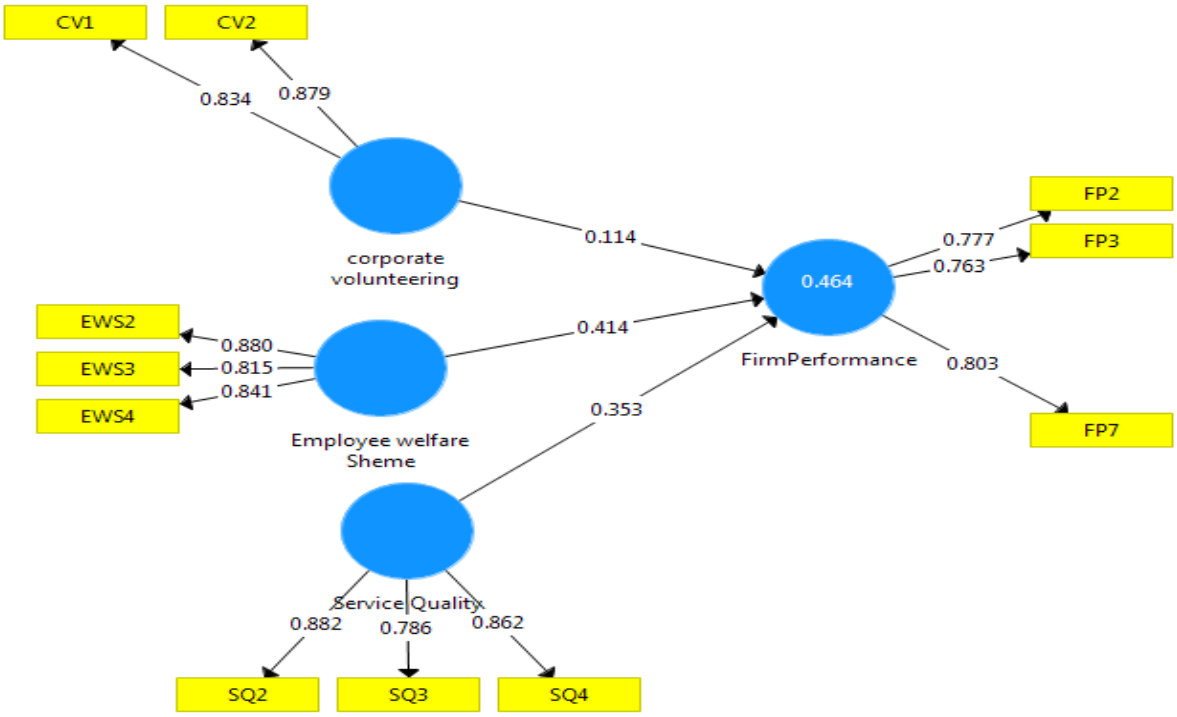
4. Results

4.1 Data analysis and interpretation

Figure 1: Measurement Model



Source: Researchers own (2024).

The measurement model shows how the indicators logically represent the constructs, and all items must possess a significant outer loading which must be higher than 0.708 and lesser than 0.905 (Hair *et al.*, 2019). Figure 1 depicts the final measurement model for the study with their respective outer loadings of the construct which is within the recommended threshold.

Table I: Reliability analysis

Note:CR: Composite Reliability, AVE: Average Variance Extracted.

Variables	Items	Loading	AVE	CR	Rho A
Corporate Volunteering	CV1	0.834	0.735	0.847	0.75
Employee Welfare Scheme	CV2	0.879			
	EWS2	0.880	0.715	0.883	0.805
Service Quality	EWS3	0.815			
	EWS4	0.841			
	SQ2	0.882	0.713	0.882	0.834
	SQ3	0.786			
Firm's Performance	SQ4	0.862			
	FP2	0.777	0.61	0.824	0.784
	FP3	0.763			
	FP7	0.803			

Source: Researchers own (2024).

The table i displayed the adequacy of the level of reliability and internal consistency of the adapted measures. The study employed composite reliability and Rho A for all the standardized and unstandardized constructs, and they are within the threshold of 0.70 and not above 0.95. Fornel & Larker, (1981) was used to verify the convergent validity of the study construct and each of the average variance extracted were calculated. The threshold for the AVE was above 0.50 and the convergent validity was confirmed for the study. Table i displayed result confirmed that the measurement model has good convergent validity and internal consistency. This shows that questionnaire measurement items are reliable in making decisions on the study area.

Table II: Discriminant Validity: Fornell Larcer Criterion

Note: EWS: Employee Welfare Scheme, FP: Firm Performance, SQ: Service Quality, CV: Corporate Volunteering

Variable	EWS	FP	SQ	CV
Employee Welfare Scheme	**0.846**			
Firm Performance	0.566	**0.781**		
Service Quality	0.306	0.52	**0.845**	
Corporate Volunteering	0.388	0.4	0.355	**0.857**

Source: Researchers Own (2024).

Table II display part of the discriminant validity of the study construct. This shows how the manifest variable in any construct is distinct from other constructs in the model. The Fornell Larcer and Heterotrait-Monotrait criterion were employed to evaluate the discriminant validity (Hair, Hult, Ringle & Sarstedt, 2017). The Fornell Larcer revealed the interaction of each construct with itself at the highest point than when it interacted with other constructs. This shows how accurately this test measured the outcome.

Table III: Discriminant validity: Heterotrait-Monotrait Criterion (HTMT)

Note: EWS: Employee Welfare Scheme, FP: Firm Performance, SQ: Service Quality, CV: Corporate Volunteering.

Variable	EWS	FP	SQ	CV
Employee Welfare Scheme	-			
Firm Performance	0.753	-		
Service Quality	0.381	0.674	-	
Corporate Volunteering	0.554	0.592	0.502	-

Source: Researchers Own (2024).

Table III displayed the correlation of the HTMT which must not be more than 0.85 (Henseler, Ringle & Sarstedt, 2015). The result calculated the ratio of correlations between heterotraits and monotraits of the constructs. It ensures accuracy of the findings.

Table IV: Collinearity Statistic- Formative second-order construct

Note: EWS: Employee Welfare Scheme, FP: Firm Performance, SQ: Service Quality, CV: Corporate Volunteering, VIF: Variance inflation factors.

Formative Construct	**Dimensions**	**Outer VIF**	**Inner VIF of Firm Performance**
Corporate Volunteering	Cv1 Cv2	1.285 1.285	1.269
Employee Welfare Scheme	Ews2 Ews3 Ews4	1.943 1.555 1.801	1.224
Firm Performance	Fp2 Fp3 Fp7	1.513 1.18 1.574	-
Service Quality	Sq2 Sq3 Sq4	1.765 1.592 1.897	1.189

Source: Researchers Own (2024).

Table IV displays the result of the collinearity statistics, and the values of the variance inflation factors are not above 5. The result shows a close linear relationship between the predictor variables.

4.2 Structural Model

To measure the structural model outcomes, it is necessary to observe the predictive relevancy and the relationship between the constructs. The coefficient of determination (R^2), t-statistic value, goodness of fit and the predictive relevance of the model (Q^2) which are key standards for evaluating the inner structural model.

4.2.1 Structural Analysis

The explanatory power or coefficient of determination (R^2) of the study was 0.464 which implied that 46.4 percent of the variation in the endogenous variable is explained by CV, EWS and SQ. In line with Hair, et. al., (2012), R^2 is found to be satisfactory. The predictive relevance (Q^2) of the model exceeded zero and it is satisfactory at 0.259.

Table V: Hypothesized Parameter estimate

Paths	**Path coefficient**	**t- statistic**	**p-value**	**Sig-Level**
H1.CV→ FP	0.114	3.450	0.001	**
H2. EWS → FP	0.414	14.086	0.000	**
H3. SQ → FP	0.353	8.227	0.000	**

*Note: **p < 0.05*

Source: Researchers Own (2024).

Table V revealed the test of hypotheses. The null hypotheses were rejected while the alternative was accepted. Hence, the total model showed a significant effect of corporate volunteering on firm performance in H1 (path coefficient of 0.114; $p < 0.05$). H2 revealed the significant influence employee welfare scheme has on firm performance with H2 (path coefficient of 0.414; $p < 0.05$) and H3 showed that service quality can significantly affect firm performance with H3 (path coefficient of 0.353; $p < 0.05$). These implied that all the independent sub variables have significant effect on firm performance. From the computation of goodness of fit (GOF) index for this study was 0.565 (56.5%) implying that the study model is fit given that the value must lie between 0 and 1.

5. Discussion

The result revealed that firm performance can be achieved by enabling the employees of the firm to give back and contribute to the communities through volunteering time off (VTO) or other policies that empower employees to work with a larger purpose outside of their world of work. This makes the employees more confident and provides a positive image for the firm which increases their market share. Employee welfare can be affected by providing facilities and policies in the workplace that will enhance employee satisfaction, which in turn improves the firm's human and economic capital. A satisfied employee will deliver qualitative service that will retain customers and satisfy them.

6. Conclusion

The study concludes that firm performance can be achieved and continually improved upon through the effective implementation of CSR strategies. The study recommended that firm's core values need to align with the norms of the host societies in order to promote efficient and effective implementation of these activities. In addition, employees need to be motivated to boost their morale and performance because they are the ones that mostly interacts with customers.

The major limitation of this study is the administration and retrieval of questionnaires. Due to the COVID-19 Pandemic policy resulting in partial resumption of businesses, it

was difficult accessing, administering, and retrieving the expected number of questionnaires to the population. Hence, the findings of this study cannot be generalized to all industries or sectors of the economy. Therefore, future research should expand the scope of study to other industries and sectors of the economy like the banking and educational sectors.

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