The Influence of Corporate Social Responsibility on Customer Perspective in Private Universities

Fahmi Fadhl Al-Hosaini¹, Saudah Sofian² *

¹Department of Accounting and Finance, Faculty of Management, Universiti Teknologi Malaysia, 81310 UTM Johor Bahru, Malaysia, ²Department of Accounting and Finance, Faculty of Management, Universiti Teknologi Malaysia, 81310 UTM Johor Bahru, Malaysia, *Email: Saudah@utm.my

ABSTRACT

The goals of organizations, despite maximization of profits should be directed at satisfying customers, particularly with respect to societal values, purposeful and strategic business gains. Previous studies have been on enhancing the financial gains without adequate prospects for corporations’ responsiveness to their operational environment and customers. However, there are no substantial empirical studies on the influence of organizations corporate exercises, perceptions, and responsibility to those of customers’ satisfactions, principally when considered in the context of Private Universities (PUs). In this paper therefore, the effects of organization’s corporate social responsibility (CSR) on customer perspective (CP) was investigated with respect to Yemen’s PUs and Higher Education Institutions. A structured questionnaire using Partial Least Square-Structural Equation Modeling methodology was used for data collection; respondents were top-management staffs from these organizations. Results revealed that CSR has a positive influence on the Customer Perception of Yemen’s PUs. This study therefore justified the support and contribution to the dearth of knowledge on the impacts of CSR on organisational CP.

Keywords: Corporate Social Responsibility, Customer Perspective, Private Universities, Higher Education Institutions, Structural Equation Modeling

JEL Classifications: G30

1. INTRODUCTION

The global trends in organisational strategic goals have been inclusive of the roles corporations should play to the society, involving both short and long term prospective for not only the operating environment but also the patronising customers of such organisations. As such, (van der Wiele et al, 2001) opined that CSR is the obligation of the firm to use its resources in ways to benefit the society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society at large independently of direct gains of the company. Whereas, (Smith, 2012) viewed corporate citizenship or organisational Corporate Social Responsibility (CSR) to be a business system that enables the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices. Chalmeta and Palomero, (2010) considered CSR to represent frameworks for different management capabilities. It is therefore imperative that organisations must only be interested at maximizing profit with strategic business gains alone, they must also feel the sense of ownership and be responsive to societal values, and purposeful engagement to both the society and their customers.

Moreover, earlier studies have been on enhancing the financial gains without adequate prospects for corporations’ responsiveness to their operational environment and satisfactions of the customers, which could affect their financial breakthrough. Thus, the emergent of CSR as a business method, according to (Jones, 2005) stems from a long-term shareholder value by accepting opportunities and managing risks from economic, environmental and social developments, with the integration of CSR concept
with organisations’ social and environmental factors. On the other hand, (Sufian and Zahan, 2013) examined CSR with respect to Bangladesh’s corporate governance structure in terms of an organizational strategic social investment and social well-being of the society, with attendance positive and significance impacts of CSR to government agencies, investors and stakeholders at large.

On the other hand, customer perspective (CP) in organisations is also important, particularly with enhancing their perception about the organisations themselves and the nature of their operating status. Studies have also revealed that CP can directly or indirectly influence the financial status of organisations. So in effect, organisations’ can be evaluated based on viewed expressed by the customers. This view is supported by those of Gokhale (2010), since customers’ satisfactions with operational side of the business and their deliverables in terms of measuring the product or service attributes, customer relationships, and image as well as the reputation of the organization. (Niven, 2011) highlighted three of these values (Khan et al., 2014b).

It is therefore viewed in this paper that strategic management tools and frameworks could be apt and adapted to the performance evaluation of Private Universities (PUs) and HEIs so that the overall success of these organisations based on their vision and mission could be achieved.

In this paper therefore, the impacts of CSR on CP were investigated with respect to Yemen’s PUs of Higher Education Institutions (HEIs). Thus, the subsequent sub-sections are therefore arranged as follows; literature review with respect to CSR, CP and their inter-relationships are further explained in the section that follows. Thereafter, this is followed by the methodology adopted using structural equation modeling (SEM) via SmartPLS software. After which the results analysed are presented and is followed by the discussion and conclusion section.

### 2. RELATED LITERATURE REVIEWS AND RESEARCH HYPOTHESES

Reviews of important literature for this paper are based on the following areas: CSR, CP and their inter-relationships in order to investigate the effect of CSR on CP.

#### 2.1. CSR

The reason for the emergence of CSR lies in the fact that there are needs in the society that should be fulfilled. A corporation will emerge in order to serve its needs when societies have demands. According to (Handy, 2002), a community is not something to be “possessed” and a good business is a community with a purpose. Therefore, the existence of the corporation is not only to accomplish the needs of society, but also be in charge of the society as a whole.

According to (Elkington, 1998), the triple bottom line is a performance reporting structure that concentrates on the sustainability of the corporate requirements on a global scale. The authors noted that large colorations are socially responsible to assist society in enhancing economic development, environmental protection and social equity. The triple bottom line model proposes consistent progress reporting of each of the three categories of social responsibility (Qureshi et al., 2014a).

Bearing in mind the above conflicting view on CSR perspective and financial performance in HEI in Yemen, social responsibility perspective is included in this study theoretical framework.

#### 2.2. CP

The CP represents the user evaluation. It ensures that the customers are satisfied with the business and its deliverables by measuring the product/service attributes, customer relationships, and image and reputation of the organization (Gokhale, 2010). Its process involves organizational practices and methods that concentrate on developing value and differentiation in the eye of the consumer (Kaplan and Norton, 2001a).

According to (Kaplan and Norton, 1992), there are two measurement standards. First is the “core measure group,” which includes customer retention, satisfaction, acquisition, profitability and market share. The next performance driver guides the organisation to the customer value position, and includes lead times, quality, attributes of product and quality, image and relationship. It was therefore argued in (Kaplan and Norton, 2001b), that these will be achievable with the right choice of customers with highest value propositions. These values, according to (Niven, 2011), can be achieved in any of the following three ways: (i) Operational excellence concentrates on reasonable price and quick response; (ii) there are many innovate drives aimed towards improving both product and service quality in organisations; and (iii) creating an enabling customer intimacy based on long-term relationship due to vivid understanding of customer needs.

On the other hand, the assessment of non-financial measures with customer satisfaction was reported to have link with future organisational financial performance. Also, there was an improvement in financial and non-financial performance due to adequate provision non-financial measures of performance incentive packages.

From the report of research by (Ittner and Larcker, 1998) it is revealed that customer behavior and financial performance observed to be constant satisfaction of the customer. Thus, supporting the argument as in (Kaplan and Norton, 1996), (Nazir et al., 2014) and (Ittner et al., 1997).

From the aforementioned discussion, it is clear that there is a potential relationship between CP and financial performance in HEI in Yemen. Thus, CP is included in this research theoretical framework.

#### 2.3 The Relationship between CSR Perspective and CP

Previous studies have established a positive relationship between CSR and the CP of the BSC (Lee and Moon, 2008; Liu and Ji, 2010; Luo and Bhattacharya, 2006; Pérez and del Bosque, 2014; Saeidi et al., 2014; Song et al., 2013). Hillman and Keim, (2001) addressed the importance of CSR in strengthening the customer
relationship with the firm. Effective management of customer relationships who are key stakeholders in a firm, leads to superior financial performance (Godfrey, 2005; Hillman and Keim, 2001; Ogden and Watson, 1999; Ruf et al., 2001), may lessen the possibility of negative regulatory, legislative or fiscal action (Hillman and Keim, 2001), attract the attention of CSR conscious customers (Hillman and Keim, 2001), obtain financial resources from investors who are socially responsible (Kapstein, 2001), and maintain and improve corporate reputation (Fombrun, 2005; Hull and Rothenberg, 2008).

In an evaluation study reported by (Mangos and O’Brien, 2000) on global Australian firms to establish whether CSR activities improve financial performance in a 3 year period, findings indicate a strong positive relationship between CSR and customer relationships. Becchetti et al., (2008) were more emphatic from their findings where they revealed that although the shareholders gain are small, for companies with CSR, the total number of sales made by each employee was higher. On the other hand, they identified a sharp decrease in the number of customers from firms that pay less attention to CSR. This could be an indirect penalty by customers to companies which neglect CSR initiatives.

Luo and Bhattacharya, (2006) using large scale secondary data in a series of hypothetical lab experiments. They established a significant positive relationship between CSR and Customer satisfaction, replicating similar conclusions made by many previous marketing studies. In particular, they illustrated how CSR programs in a firm contribute to various forms of positive customer responses, which results in customer satisfaction.

In an evaluation study on the impact of CSR to customer loyalty, their findings indicate a relationship between perceived CSR and several antecedent factors that make up customer loyalty (Liu and Ji, 2010). They contended that once a certain brand is perceived in the eyes of the consumer as a contributor to CSR, many people will feel comfortable in acquiring and identifying with that particular brand. Their overall conclusion spells out that customers become more attached to the company as the company engages more and more in CSR initiatives. In a more recent study, (Pérez and del Bosque, 2014), asserted that a company’s positive CSR image influences customers to identify themselves with the firm. They argued that the emotions generated as a result of the company’s engagements in CSR programs leave a lasting impression to the customer which in turn results into customer royalty. Thus, as per their conclusion, CSR image directly and positively influences customer-company identification. Relating to the current study, in effect a private HEIs may be influenced by a similar trend. The hypothesis tested for this paper therefore is stated as follows: The CSR perspective has a direct, positive significant impact on the CP.

4. STATISTICAL ANALYSIS AND RESULTS

The PLS-SEM statistical analyses were implemented using SmartPLS 2.0 software for models’ evaluations and fitness of the model. The fitness of the model in PLS are usually analysed through the measurement model and the structural model (Hair Jr et al, 2014; Hair et al., 2011; Chin, 1998) and are generally assessed by the following fit indices: Validity and reliability of the inner model, composite reliability, average variance extracted, R² value, effect size, predictive relevance, and bootstrapping. In this paper, the following fit indices: convergent validity, discriminant validity, internal consistency reliability (CR) were used to assess the measurement model through their respective measurement items from the main constructs. Also, for the structural model, the fit indices used were the R² value, goodness of fit (GoF), and bootstrapping.

4.1. Measurement Model/Outer Model

The measurement model or outer model is usually evaluated by the following fit indices: Construct validity, convergent validity and discriminant validity (Hair Jr et al, 2014; Hair et al., 2011; Chin, 1998), according to the following criteria (Hair et al., 2011; Hair Jr et al., 2014): factor loading ≥ 0.70;AVE value > 0.50; CR and Cronbach’s alpha values > 0.70 thresholds.

4.1.1. Convergent validity

The convergent validity according to Hair Jr et al. (2014) is defined as the extent to which a measure correlates positively with alternative measures of the same construct, and could be assessed by factor loadings and the AVE values (Hair, 2010). The Convergent Validity obtained is shown in Table 1. It can be seen that the factor loadings values for the measurement items are highly loaded and statistically significant, they are more than the required all threshold values of 0.70. In addition, the values obtained for the AVE are higher than the 0.50 threshold value which further shows the significance of the results obtained.

4.1.2. Discriminant validity

The discriminant validity according to Hair Jr et al. (2014) is defined as the extent to which a construct is truly distinct from other constructs by empirical standards. Thus, establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model (Hair Jr et al., 2014, p. 104). According to (Hair et al., 2011; Hair Jr et al., 2014), identified two measures for the assessment of discriminant validity: Cross Loading and Fornell–Larcker’s 1981 criterion. Likewise, the discriminant validity can be established from the correlation matrix if its diagonal elements are the average variance square root extracted from the latent constructs.
As shown in Table 2, the crossing loadings for the discriminant validity revealed the correlation of the component scores of each latent variable with all other items. In addition, this means that the outer loading of an indicator on a particular construct that is greater than all of its loadings on the other constructs. The correlations among constructs and discriminant validity using the Fornell–Larcker’s 1981 criterion is shown in Table 3. Moreover, the values for the Fornell–Larcker’s 1981 criterion states that each latent constructs’ AVE should be higher than the constructs’ highest squared correlation with other latent construct and that the indicators’ loadings should be greater than all its cross loadings. The results show therefore shows that for the measurement outer model for this paper, there exist an appropriate discriminant validity.

### 4.1.3. Internal consistency reliability

The internal consistency reliability of the model can be evaluated by composite reliability and Cronbach’s Alpha values for each construct, except for the demographic variables. Thus, on the one hand, Cronbach’s alpha and Composite Reliability values should be higher than 0.70 (Fernandes, 2012; Hair et al., 1998; Hair et al., 2011; Khan et al., 2014a; Nunnally, 1978). The value of alpha coefficient of 0.70 is considered good, but if the value is more than 0.60, it is acceptable (Nunnally and Bernstein 1994; Sekaran and Bougie, 2010). This shows that an acceptable Cronbach’s alpha values in the range of (0.6< Cronbach’s alpha <0.7) can be declared as supported by (Bhattachary et al., 2014), (Kline, 2013), (George and Mallery, 2003). The values of Cronbach’s alpha and Composite Reliability for CSR and the measurement items as shown in Table 4 are within the above indices.

<table>
<thead>
<tr>
<th>Item/indicators</th>
<th>Measurement variable</th>
<th>Loading</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer CP2</td>
<td>0.707</td>
<td>0.575</td>
<td></td>
</tr>
<tr>
<td>Customer CP3</td>
<td>0.805</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer CP4</td>
<td>0.750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer CP5</td>
<td>0.768</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Eco4</td>
<td>0.899</td>
<td>0.833</td>
<td></td>
</tr>
<tr>
<td>Economic Eco5</td>
<td>0.925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic1</td>
<td>0.792</td>
<td>0.654</td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic2</td>
<td>0.762</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic3</td>
<td>0.835</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic4</td>
<td>0.798</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic5</td>
<td>0.839</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Ethic6</td>
<td>0.824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low L1</td>
<td>0.762</td>
<td>0.602</td>
<td></td>
</tr>
<tr>
<td>Low L2</td>
<td>0.738</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low L3</td>
<td>0.811</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low L4</td>
<td>0.862</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low L5</td>
<td>0.716</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low L6</td>
<td>0.757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic P1</td>
<td>0.760</td>
<td>0.618</td>
<td></td>
</tr>
<tr>
<td>Philanthropic P2</td>
<td>0.808</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic P3</td>
<td>0.780</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic P4</td>
<td>0.785</td>
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<td></td>
</tr>
<tr>
<td>Philanthropic P5</td>
<td>0.830</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic P6</td>
<td>0.761</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic P7</td>
<td>0.775</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AVE: Average variance extracted

4.2. Evaluation of the Structural Model (Inner Model)

The second step of analyzing in PLS-SEM is the evaluation of the structural/inner model. Thus, the analyses involve the use of the following fit indices (Awang, 2012; Chin, 2010; Fernandes, 2012; Hair et al., 2013; Hair et al., 2011; Masrom and Hussein, 2008): Coefficient of Determination (R² value), effect size (f²), predictive relevance of the model, and GoF; as well as the final testing of the initially hypothesized relationships.

<table>
<thead>
<tr>
<th>Items</th>
<th>Customer</th>
<th>Economic</th>
<th>Ethical</th>
<th>Low</th>
<th>Philanthropic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>0.758</td>
<td>0.912</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>0.541</td>
<td>0.907</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical</td>
<td>0.332</td>
<td>0.507</td>
<td>0.809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>0.380</td>
<td>0.467</td>
<td>0.611</td>
<td>0.776</td>
<td></td>
</tr>
<tr>
<td>Philanthropic</td>
<td>0.387</td>
<td>0.278</td>
<td>0.284</td>
<td>0.333</td>
<td>0.786</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Names of constructs</th>
<th>Composite reliability</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>0.844</td>
<td>0.757</td>
</tr>
<tr>
<td>Economic</td>
<td>0.909</td>
<td>0.800</td>
</tr>
<tr>
<td>Ethical</td>
<td>0.919</td>
<td>0.894</td>
</tr>
<tr>
<td>Low</td>
<td>0.900</td>
<td>0.867</td>
</tr>
<tr>
<td>Philanthropic</td>
<td>0.919</td>
<td>0.897</td>
</tr>
</tbody>
</table>

The goodness of the model used in this paper were the coefficient of determination (R² value), and GoF.

The coefficient of determination (R² value), according to (Hair et al., 2011). Hair et al., (2011), is considered as one of the
means of evaluating the PLS-SEM structural model. However, the R² values are considered according to research discipline. Thus, the acceptable values ranged between 0.25 and 0.75 for the management discipline, and are therefore classified as either being weak, moderate, or substantial (Hair et al., 2013; Qureshi et al, 2014b). The R² value is 0.261, and is within the moderate region. This shows that 26% of the variance in the CP of the PUs could be explained by the CSR perspective. Thus, Figure 1 shows the Item loading, path coefficient and R² values for this study with SmartPLS software.

The GoF of the model is the geometric mean of the AVE and the R² and can be expressed according to this equation:

\[ \text{GoF} = \sqrt{(R² \times AVE)} \]

Therefore, the computed GoF value is given by:

\[ \text{GoF} = \sqrt{(0.260686 \times 0.5753)} = 0.387 \]

This shows that when compared with Wetzels et al. (2009) threshold values (small = 0.1, medium = 0.25, and large = 0.36), the value is within the large region, since the computed value is more than the threshold value for large = 0.387.

4.2.2. Hypotheses testing
This involves the assessment of the earlier postulated hypothesis by bootstrapping method in PLS-SEM. The results obtained are usually expressed in terms of the t-values, path co-efficients, and the bootstrapping. The critical t-value obtained was above the 2.58 region with a significance level of 1% and a value of 7.202. This shows that the hypothesis being tested revealed that the relationship between CSR and financial performance was highly significant (Part = 0.511, t = 7.202) and therefore the hypothesis is accepted. Thus, the initial hypothesis formulated is therefore supported, which therefore shows the positive influence of CSR on Internal Business Perspective.

5. DISCUSSION AND CONCLUSION

The findings of this study indicate that the CSR Perspective has a direct, positive significant impact on the classical BSC non-financial CP. The CSR from the instrument designed for this study are significant in determining the CP of the PUs based on the integrated model developed. The reasons for these findings are in line with the customers’ perceptions of the CSR strategies by the PUs and other HEIs. As stated before, the lengthy discussions on CSR were covered in section 5.3.2, based on four types of constructs that were used for the assessment of the indicators from the constructs, therefore they are intentionally omitted instead of repeated. On the other hand, the indicators for the CP revealed that the level of student’ satisfactions on the services provided by the PUs to have been progressively increasing, along with increment in the number of students. This progression is also portrayed in the parents’ satisfactions of the quality of the academic programmes offered in the PUs, as well as in the numbers of graduates from these institutions. Through the satisfactory records in services
provided to the customers, it is shown that the PUs have taken care of most of the customers’ needs, making them to be directly inclusive.

The elaborate CSR capabilities and participations will therefore positively affect customers’ perceptions towards the PUs. These are thereafter been translated into the planned budgets of the PUs activities, being the most highly prioritized, with an attendant increment in the net total revenues for the faculties. Consequently, the PUs are able to utilize these strategic opportunities as evident from their unexpected losses from students’ withdrawal or dropped out cases to have reduced tremendously. These trends make the rationalization of the total cost of running the faculties and fees paid by the customers, and prudency in dealing with financial matters not be given serious considerations.

Examination of the measurement model revealed that student’ satisfactions on the services provided by the Yemen’s PUs have progressively been increasing for the CP construct, along with increment in the number of students and parents’ satisfactions in the quality of the programmes as well as the number of graduates. Furthermore, the provisions of adequate CSR strategies improved the customers’ perceptions towards the PUs.

The results obtained from this study as earlier hypothesized supported this hypothesis strongly. Thus, this indicates that there is a strong positive and significant relationship between CSR and CP. This is quite consistent with earlier reported studies (Anderson et al., 2004; Galbreath and Shum, 2012; Liu and Ji, 2010; Luo and Bhattacharya, 2006; Martinez and Rodriguez del Bosque, 2013; Mittal et al, 2005; Pérez and del Bosque, 2014; Saeidi et al, 2014; Yusoff and Khan, 2013).

This finding reveals the significance of CSR effects to their customers. With a comprehensive and well-packaged CSR capability, the customers and the general populace will feel the influence of the PUs, particularly, within the operating environment. This will influence the customers’ views, patronage of the PUs, and an increased financial performance of these HEIs generally, and the PUs in particular. Moreover, there will be sense of loyalty, connectedness, and support of marketing strategies adequate social security, which will eventually lead to customers’ satisfaction.

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