



The Effect of Corporate Social Responsibility on the Profitability of the Industrial Companies in Jordan

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Abstract

This study aimed to identify the effect of corporate social responsibility (CSR) on the profitability of the industrial companies in Jordan. We used a descriptive approach for the purposes of the study. The sample of the study consists of (50) workers in the industrial companies in Jordan to obtain the answers of the questionnaires. Statistical packages for social sciences (SPSS) program was used for descriptive analysis for the variables of this study (awareness & guidance campaigns, donations & establish non-profit projects and support projects and charities associations).

The most important findings indicate that there is a significant relationship between CSR activities and profitability of the industrial companies in general and there is effect of the variables Provide donations & establish non-profit projects and support projects & charities associations on the profitability of industrial companies in particular. The study recommends that the Industrial companies should increase the efficiency of workers constantly in order to improve efficiency and productivity to maximize profits, Industrial companies should pay more attention to public interest for the community.

Key words: CSR; Industrial; Companies; Marketing; Profit; Jordan

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INTRODUCTION

A corporate social responsibility (CSR) from marketing perspective is an obvious challenge for marketing management in their interaction with the surrounding environment due to wide range of social and environmental changes.

This will make organizations today pay attention to (CSR) to achieve individuals' life quality parallel with its quest to provide successful product to market.

Modern business managers are focusing on the fact that their organizations should extend its activities to the community and not limited only to goods or service. (Bakri, 2005).

CSR emerged as a new trend in marketing along with other dimensions and formed a turning point for marketing management in the organizations. The product through its production stages should not be a source to harm the environment or the customers, taking into consideration that pricing should be suitable to consumers. producing high quality products could be add to the unit cost, but should be aimed at the consumers disposal, as well as taking in to account promotion, information and policies. (Kotler, 2000). Skilled labor and training are also essential for raising the efficiency of CSR.

"Corporate social responsibility is more than an expedient response to momentary social pressures. It is, instead, a manifestation of deep, far-reaching social changes in our society. If it is indeed akin to the Industrial Revolution, then the implications for business of the new social responsibility may be very different from those usually forecast" (Votaw, 1972, p. 26).

CSR could be resulted from a minor social change, or a substantial lifestyle change as it linked to Europe's industrial revolution more than it linked to movements reforms in the world (Bakri, 2006).

Study Problem

The study problem can be expressed to answer the following main question:

What is the level of CSR activities (awareness and guidance campaigns, Provide donations and establish non-profit projects and support projects & charities associations) on the profitability of the Jordanian industrial companies?

Study Importance

The importance of this paper could be summarized in the following points:

There is an increase attention to CSR world wide and its positive role in increasing corporate profit.

Corporate recognition of positioning in the community will increase profits.

Study Objectives

This study aimed to identify the CSR activities and their role in increasing profit, analysis the effect of all independent variables, awareness & guidance campaigns, donations & establish non-profit projects and support projects and charities associations on the profitability of Jordanian industrial companies.

1. THEORETICAL FRAMEWORK

CSR is vital for the business sector and society. The World Business Council for Sustainable Development (WBCSD) in its publication Making Good Business Sense defines CSR as "...the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large" (Holme & Watts, 2000, p. 6).

Some models of CSR are based on the primacy of a corporation's economic responsibility to survive by making a profit. These models suggest other responsibilities to abide by societal expectations and ethical principles, to meet legal standards and to indulge in discretionary charitable actions (Carroll, 1979).

"Others argue the emphasis should be placed first and foremost on the responsibility of business to support individual managers to make socially responsible decisions, followed by the imperatives of conforming to ethical behaviours and obeying the law, and lastly, making a profit" (Wood, 1994).

The concept of CSR was not known clearly in the first half of the twentieth century, where corporate were trying to maximize their profits by all means but with continuous criticism of the profit concept, motivation has been appeared to adopt a greater role towards the working environment. Despite difficulty of precise definition of Social of responsibility, there are several definitions.

It is known as a social contract between corporate and the community for Organizations operations towards the community. It also known as the agreed relations and duties related to joint effects in achieving the community welfare (Serefi, 2007).

The organization that depends on the customer information in the development of marketing strategies

will lead to profit maximizing and could perform better than those that do not rely on customer information. (Bakri, 2005). The organization is better to use marketing differentiation strategies that leads to maximizing profit and should deal with market as a homogeneous unit in order to improve its performance (Porter, 1985).

Moreover, this approach will increase the cost for the organization due to dispersion of efforts which will lead to low in revenues. On the contrary, some believe that a focus solely on information of current clients will make the institution lose the ability to see the changes and opportunities that appear in the environment and thus are affected negatively and not positively (Christensen, 1997).

2. PREVIOUS STUDIES

Attar (1988) discusses CSR and consumption rationalization. He used a sample of 165 consumers, employees and managers. The study aims to show social responsibility in consumption rationalization and then how to reduce unnecessary consumption depending. He found that there is a positive relationship between CSR and consumption rationalization.

Twaijri (1988) investigates the availability of CSR in the administrative structure and its role in the Saudi Arabia society. The main result of the study is that there is no response and interact of the companies with the community and contributions are still limited compared to the financial capacity and managerial expertise of these companies.

Turkestani (1995) argues that there is disagreement about the concept of social responsibility of those in charge for this activity in the Saudi companies. There are three concepts of social responsibility, the social concept, the religious concept and the concept of administrative or economic concept. The study found that there is a positive relation between the company size and its social responsibility practices.

Eweje and Bentley (2006) examine the notion that there is a relationship between CSR and staff retention in organizations. They found that there is a relationship between CSR and staff retention in organizations by translating the general principles of CSR into business practices, developing better measures of CSR, and empowering and engaging employees.

Anselmsson and Johansson (2007) discuss how to enhance the understanding of what significance consumers place on different aspects of CSR when evaluating and purchasing grocery brands and products. They found that CSR dimension has an impact on overall CSR image as in product responsibility and human responsibility influences the customer purchase intentions. While Environmental responsibility is recognized to exert least impact on both overall CSR image and on purchase intentions.

Al-Farah and Al-Hindawi (2011) examine the disclosure of the elements of (CSR) in the annual reports

of Jordanian industrial companies listed in Amman stock exchange for the years 2007-2008. They found that the disclosure was still below average. Preserve the environment ranked at the first place and reached 73.6%.

The study also found that there was no statistically significant effect of the size of assets and sales volume on the level of CSR disclosure.

Al-Dmour and Askar (2011) investigate if there is an impact of CSR on the perceived business performance of two groups of companies in Jordan, local and foreign. The study concludes that CSR is implemented among companies with differences in the practices of the environmental part of CSR, where foreign companies show positive implementation while the local showed negative implementation and there is a positive impact of CSR on marketing performance only.

Spitzeck, Hansen, and Grayson (2011) describe the emerging practice of joint management-stakeholder-committees (JMSCs) in which corporate executives take decisions in collaboration with stakeholders. They analyzed 51 companies regularly participating in Business in the Community's Corporate Responsibility Index in the UK. The research finds that JMSCs strongly influence corporate governance mechanisms such as monitoring and measurement as well as the policy development of firms.

3. STUDY HYPOTHESIS

Based on the study aim and objectives, the following hypotheses can be formulated:

Main hypothesis:

H0: There is no relationship between CSR activities and profitability of the industrial companies.

H01: There is no relationship between awareness & guidance campaigns and the profitability of the industrial companies.

H02: There is no relationship between Provide donations & establish non-profit projects and the profitability of the industrial companies.

H03: There is no relationship between support projects & charities associations and the profitability of the industrial companies.

6. FINDINGS

6.1 Descriptive Analysis

Table 1
The Level of CSR Activities

Variable	Mean	Standard deviation	Rank	Level
Awareness and guidance campaigns	4.0	0.543	3	High
Donations and establish non-profit projects	4.21	0.512	1	Very high
Support projects and charities associations	4.11	0.527	2	High
Overall	4.10	0.527	-	Very high

4. METHODOLOGY

4.1 Sampling

A random sample of 60 persons was selected. 50 questionnaires were returned, and (10) were excluded.

4.2 Instrument

A five point likert scale was used with weighed Mean of 3.00 and above as the criteria cut off point for the level of agreement.

The study instrument was based on the theoretical literature of the social responsibility concept and a number of questionnaires used in previous studies.

The first part of the questionnaire devoted to gather personal and professional data for workers of the industrial companies.

The second part of the questionnaire was devoted to measure the independent and dependent variables. It consists of 12 paragraphs of which paragraphs (1-4) measure the independent variable (awareness and guidance campaigns). Paragraphs (5-8) measure the independent variable (Provide donations and establish non-profit projects) and paragraphs (9-12) measure the independent variable (support projects and charities associations).

4.2.1 Validity

The questionnaire was reviewed by accountant professors to verify the validity of the paragraphs and I have rewritten some paragraphs in accordance to their notes.

4.2.2 Reliability

Cronbach's α (alpha) as a coefficient of reliability was used to measure the internal consistency for all variables. Coefficient ranged between (0.77-0.84) which indicates the reliability of the study.

5. ANALYTICAL PROCEDURE

Statistical packages for social sciences (SPSS) program was used to for descriptive analysis for the study questions and test hypotheses as follows:

Arithmetic means and standard deviations were used to answer the study question.

Significance to test hypotheses of the study.

To answer the problem question which states that what is the level of CSR activities (awareness & guidance campaigns, Provide donations & establish non-profit projects and support projects & charities associations) on the profitability of the Jordanian industrial companies?

Results from Table 1 shows that the level of awareness & guidance campaigns is high where the mean score is (4.0), standard deviation (0.543). It ranked in the 3rd

place. The variable donations and establish non-profit project ranked in the first place with mean of (4.21) and standard deviation of 0.512. While support projects and charities associations ranked in the 2nd place with mean of (4.11) and standard deviation of 0.527.

6.2 Hypotheses Testing

H0: There is no relationship between CSR activities and profitability of the industrial companies.

Table 2
CSR Activities Effect on Profitability of the Industrial Companies

Independent variable	R2	F	F. significance	Decision
CSR activities	0.72	123.54	0.00	Reject

Table 2 shows that that calculated f (123.54) with (0.00) significance is less than (0.05), ($\alpha \leq 0.05$). Providing CSR activities awareness and guidance campaigns, donations and establish non-profit projects and support projects and charities associations explain (72. %) of the variance in the profitability of the industrial companies.

Based on these results we reject the null hypothesis

and accept the alternative hypothesis which states that “There is a significant relationship between CSR activities and profitability of the industrial companies”.

H01: There is no relationship between awareness & guidance campaigns and the profitability of the industrial companies.

Table 3
The Effect of CSR Variables on Industrial Companies’ Profit

Variable	T. calculated	T. tabulated	T. significance	Decision
Awareness and guidance campaigns	1.294	1.671	0.912	accept
Donations and establish non-profit projects	1.940	1.641	0.0443	Reject
Support projects and charities associations	1.840	1.652	0.0413	Reject

Results obtained from Table 3 shows that calculated T (1.294) is less than the value of tabulated T (1.671) with (0.912) significance which is grater than (0.05), ($\alpha \leq 0.05$). Based on these results we accept the null hypothesis which states that “There is no relationship between awareness & guidance campaigns and the profitability of the industrial companies” and reject the alternative hypothesis.

H02: There is no relationship between Provide donations & establish non-profit projects and the profitability of industrial companies.

Table 3 shows that calculated T (1.940) is grater than the value of tabulated T (1.641) with (0.0443) significance which is less than (0.05), ($\alpha \leq 0.05$). Based on these results we reject the null hypothesis and accept the alternative hypothesis which states that “There is a significant relationship between Provide donations & establish non-profit projects and the profitability of industrial companies”.

H03: There is no relationship between support projects & charities associations and the profitability of industrial companies.

Results from Table 3 also shows that calculated T (1.840) is grater than the value of tabulated T (1.652) with (0.0413) significance which is less than (0.05), ($\alpha \leq 0.05$).

Based on these results we reject the null hypothesis and accept the alternative hypothesis which states that “There is a significant relationship between support projects & charities associations and the profitability of industrial companies”

CONCLUSIONS

- 1 There is a significant relationship between CSR activities and profitability of the industrial companies. Adopting such activities will improve the company’s reputation and positioning in the community and increase customer satisfaction. This however will lead to increase the market share and maximize profits.
- 2 There is no relationship between awareness & guidance campaigns and the profitability of the industrial companies.
- 3 There is a significant relationship between Provide donations & establish non-profit projects and the profitability of industrial companies.
- 4 There is a significant relationship between support projects & charities associations and the profitability of industrial companies”

RECOMMENDATIONS

1. The industrial companies should work on intensive field visits instead of social awareness campaigns.
2. Industrial companies should increase the efficiency of workers constantly in order to improve productivity to maximize profits.
3. Industrial companies should pay more attention to public interest for the community.
4. To benefit from customers feedback to avoid problems with the companies.
5. To care more about new customers to these companies to keep up with positioning images and reputation of the companies.
6. Companies should pay more attention to preserve the environment through dumping waste in designated areas and to recycle of industrial waste

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APPENDIX

Questionnaire

Sex	Male	Female
Qualification	Below community college diploma	Under graduate degree
Experience	Less than 5 years	5-10 years
		More than 10 years

1st: Awareness & Guidance Campaigns

s/n	Paragraph	Strongly agree	Agree	Not sure / undecided	Disagree	Strongly Disagree
1	Awareness and guidance campaigns has an impact on the company's reputation and profit					
2	Seminars on products increase profit.					
3	Awareness seminars in educational organizations increase profit.					
4	Participation in sports activities improve the corporate image and increase profit.					

2nd: Donations and Establish Non-profit Projects

5	Donate for local community services projects satisfy consumers, increase demand of products and profit.					
6	Donations to social and charity organizations satisfy customers, increase demand of products and profit.					
7	Provide assistance for those of special needs increase customer satisfaction and increase profit.					
8	Participation in religious charity campaigns and provides funds to poor families increase trust between the companies and local community and maximize profit.					

3rd: Support Projects and Charities Associations

9	Providing Scholar ships, training, job opportunities contribute in celebrity and increase productivity and profit.					
10	Charity festivals satisfy customers and increase profit.					
11	Recycling waste and remanufacturing lead to decrease production cost and increase profit.					
12	Distributing products as gifts lead to more celebrity and increase profit					