



CONSUMER'S PERCEPTION AND STRATEGIC CORPORATE SOCIAL RESPONSIBILITY: THE CASE OF MOBILE TELECOMMUNICATION NETWORK (MTN) COMPANY, CAMEROON



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ABSTRACT

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Present day business models are fast challenging the long standing unidirectional responsibility of corporations to their stockholders. The Enlightened Self Interest concept in business ethics however contends that social performance indirectly supports the financial performance of these corporations. This assertion is based on the logic that consumers who are the ultimate drivers of the economic bottom line always perceive the social actions and sanction accordingly through loyalty and purchase preferences. Do Customers really perceive Corporate Social responsibility as intended by the corporations? This work answers this question by applying the stakeholder theory with five dimensions of social responsibility expenses on; education; sports; health; environment; art and culture in the leading Mobile Telecommunications Network (MTN) Company in Cameroon. The study adopts a time series approach and regresses quarterly expenses on five Corporate Social Responsibility (CSR) dimensions from 2001-2014 against the financial performance of the organization. The study equally applied a stratified random sample of 1000 consumers from different classes. The analyses established a highly significant relationship between corporate social responsibility expenses and the financial performance of the company, depicted by a fitness measure (adjusted R squared) of 0.986.

1. INTRODUCTION

Heightened competition has created the need for soft marketing and elevated Corporate Social Responsibility (CSR) to a higher echelon in corporate practices (especially among multinational companies) and as such CSR concerns have taken the central stage in considerations for corporate decisions (Eccles *et al.*, 2009). However, the integration of CSR into business processes has been very uneven around the globe; from an apparently greater commitment to CSR in the advanced

nations of the west (Europe and North America), to a reluctance to assume such initiatives in most African, Latin American and Asian countries. Reflecting this new trend, the world's Fortune 500 companies (which are mostly western-based multinationals), all have CSR statements and frequently release CSR reports.

These companies equally spend significantly on the different dimensions of corporate social responsibility with the "enlightened self-interest" belief that these initiatives that appear to be detached from the business case create customer awareness and indirectly support the economic bottom line (Owen, 2008). This thus reveals a latent corporate expectation that consumers who hold the ultimate power in an increasingly capitalist global market will notice positive Corporate Social initiatives and reward the company with greater customer loyalty and purchase preferences.

In Africa, consumers' spending however presents a weak force to wield voluntary corporate social responsibility/ Corporate Social Investment (CSI) especially in the primary industry (Ammann *et al.*, 1996). Justifying corporate social spending in terms of the economic bottom line is thus difficult. Legally-backed expectations on companies to assume greater social responsibilities result in corporate/community scandals on social responsibility at many locations on the continent as Liberia (with the Firestone crises), Nigeria (SHELL's operations in the Niger Delta region), Sierra Leone (the diamond conflicts), and the various CSR scandals in the Congo Basin.

The practice in the secondary and tertiary industries in Africa reveals more willingness to undertake CSR initiatives. MTN Cameroon spends more than 200 million franc CFA on sponsorship per football season for club subventions alone and equally disburses substantial amounts in educational support, orphanages and health and non-mandatory personnel welfare. Between 2005 and 2009, the company saw its annual spending on sports support alone (as a dimension of CSR) pass from 200 millions to 450 million, an increase of 125%. MTN further assumes great responsibilities with respect to the environment, principally through its MTN Foundation program by which employees of the company take part in environmental initiatives and prizes are even offered to the best programs. As Owen (2008) puts it, such substantial expenses are motivated by "enlightened self-interest", the belief that supporting CSR initiatives influences the perception of customers and directly supports the performance of the company.

The performance of the company (MTN) Cameroon does not however appear to reflect the enlightened self interest believe in anyway. Revenues for the company witnessed a timid increase of 64.32% (as compared with the 125% increase in CSR spending) The company's market share witnessed an even slower increase of 8% (from 54% in 2005 to 62% in 2009). In terms of national coverage, a similar slow increase of 9% was registered, from 75% in 2005, to 84% in 2009 (MTN Group report, 2009).

With these disparities between trends in corporate spending on corporate social responsibility and financial performance, the extent to which customers perceive CSR initiatives and uphold the performance of the company is therefore still an unanswered question.

Most importantly, they provide a lee way to the fundamental question this study intends to address:

- Do customers really perceive and sanction corporate spending on social responsibility initiatives as suggested by the *enlightened self-interest view*?

The main purpose of this paper is therefore to assess the role of consumer perception in strategic corporate social responsibility spending in MTN. The specific objectives include:

- To examine the impact of the various CSR programs (educational support, health support, cultural support, environmental support expenses) on the performance (Return on Assets) of MTN Cameroon.

- To investigate the link between customer of CSR and MTN Cameroon's economic bottom line.
- To provide possible recommendations on CSR programs for MTN Cameroon.

The following premise sets the direction and guides this study.

- H₀: That the economic bottom line of MTN Cameroon is totally independent of customers' CSR Perceptions.

Corporate social responsibility and performance are however very broad concepts in corporate management and to claim an exhaustive study of these concepts in an academic writing of this nature is simply not feasible. In terms of concept delimitation with performance, return on asset which is the most reliable upstream measure of financial performance will be applied. This particular measure is most appropriate because other downstream measures of performance as return on equity, earning per share which simply represent profit appropriation tools are out of the scope of this study since they tend to be less influenced by the direct periodic returns of the business. Social performance (corporate social responsibility) will be reflected by the expenses of the company in the various corporate social responsibility programs it assumes. The time frame is 42 quarters (2001-2014), depicting the operational life of the company in Cameroon with corporate social responsibility.

2. LITERATURE REVIEW

The empirical study of CSR and performance started over three decades ago in western countries. Empirically, most scholars have used one of two approaches to study the relationship between CSR and performance. One set uses the event study methodology to measure the short-run financial impact when firms engage in socially responsible or irresponsible acts (e.g. Hannon and Milkovich, 1996; McWilliams and Siegel, 2000; Posnikoff, 1997; Wright and Ferris, 1997). The results of these studies have been mixed. For example, Wright and Ferris found a negative relationship; Posnikoff reported a positive relationship; and McWilliams and Siegel found no relationship between CSR and financial performance. Other studies are similarly inconsistent concerning the relationship between CSR and short-run financial returns (McWilliams and Siegel, 2000).

The second set of studies examined the nature of the relationship between some measure of corporate social performance, CSP (a measure of CSR), and measures the long term firm performance, using accounting or financial measures of profitability (e.g Aupperle *et al.*, 1985; Mahoney and Roberts, 2007; McGuire *et al.*, 1988; McWilliams and Siegel, 2000; Simpson and Kohrer, 2002; Waddock and Graves, 1997). The results from these studies have also been mixed.

Most of the studies above were done in the U.S and U.K market settings, the empirical study of CSR and financial performance outside of these markets is very rare, but a study on emerging markets was conducted by Subroto (2002). He used an explanatory survey and multivariate correlations, using cross-sectioned data and critical part analyses, to analyze a correlation study on CSR and financial performance towards ethical business practices in Indonesia. Three hypotheses were tested. Testing results of the first hypothesis, all interests of stakeholders had a significant correlation. Results of the second hypothesis were still positive. Lastly, results from tests of the third hypothesis in his work indicated that the correlation between social responsibility and financial performance was quite low.

The latest study on corporate social responsibility in Cameroon was done by Forgha (2008). In this study, the researcher investigated the effect of corporate social responsibility (captured through corporate utility in AES SONEL) on development. Using the three stage least squares (3SLQ) technique, Chi-square (X^2), Analysis of Variance (ANOVA) and correlation coefficient, the researcher established a strong positive relationship between corporate utilities and development.

In the last decade, global empirical research on CSR has taken on a more psychological dimension, with emphasis on attitudinal and perceptual influences on CSR expenses. In this regards, both the studies of Jayakuma and Geetha (2014), Vahdati *et al.* (2015) all identify a direct relationship between consumer perception and CSR performance.

Theoretically, this study equally identifies with the instrumental (descriptive) theories and normative (prescriptive) theories (Donaldson and Preston, 1995), which explain corporate social responsibility (CSR) phenomenon from different perspectives using empirical data. Thus, they help us to know, for instance, how companies carry out their CSR policies, the correlation between CSR and economic performance, or the executive motivations for CSR, and so forth. Normative CSR theories give us the basic principles for CSR and reasons why firms ought to assume and implement certain responsibilities toward society. In spite of the variety and complexity of approaches related to CSR, there are some proposals which have become mainstream theories on normative Corporate Social Responsibility. Among them the following stand out: Corporate Social Performance Theory, Fiduciary Capitalism Theory, Corporate Citizenship Theory and above all Stakeholder Theory which identifies relevant stakeholder groups and perspectives for corporate social responsibility.

3.METHODOLOGY

This study applies a time series analysis to reveal the effect of the independent variable (CSR) on the dependent variable (Performance) overtime. Given that, CSR actions are taken in most cases after the annual financial position for the period has been established and also that consumers take sometime to fully appreciate such initiatives, the CSR spending of a period will only start paying off in the proceeding business season (if at all they do pay off). For this reason the determinative variables are lagged for at least a business period since the CSR spending of a period can hardly impact the economic bottom line of the business for that same period.

Though MTN Cameroon has Initiatives with substantial amounts as in sports sponsorship, there however exists a wide array of other smaller investments which makes the application of event study in this work less appropriate. For this reason time series, specifically using the ex-post factor research design is applied in this study.

The data covers the duration of the company's operation in Cameroon, 56 quarters (from 2001 when the first financial reports of the company was drawn till 2014.

Return on Asset (ROA) figures are gotten from the annual reports of MTN Group. Data on the CSR expenses of MTN Cameroon is collected from the MTN Foundation's record of activities.

Following the enlightened self-interest concept and the stakeholders theory, CSR spending by MTN Cameroon on the five different dimensions is supposed to be positively perceived by the customers and reflected through loyalty and financial performance. Symbolically these relationships can be expressed as:

$$\text{PERF} = f(\text{CSR}) + U$$

$$\text{ROA}_t = \beta_1 \text{EDUSE}_{t-1} + \beta_2 \text{HETHSE}_{t-1} + \beta_3 \text{ARTCULSE}_{t-1} + \beta_4 \text{ENVSE}_{t-1} + \beta_5 \text{SPSE}_{t-1} + U_1$$

..... (1)

Where:

EDUSE = Expense on Education Support programmes through scholarships and Information Technology.

HETHSE = Expenses on Health Support programmes through HIV prevention and other initiatives

ARTCULSE = Expenses on Arts and Cultural Support programmes

ENVSE= Expenses on Environmental Support Programmes

SPSE= Expense on Sports Support programmes as football sponsorships

Apriori: $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, and $\beta_4 > 0$, $B_5 > 0$

This apriori is based on the stakeholder theory and the “enlightened self-interest” concept that, CSR supports the economic bottom line of the company.

The Ordinary Least Squares technique was applied to get the estimates for the various variables in the multiple regression model above. The quality of the various estimates was ascertained through the use of various tests. The significance of the estimates was ascertained with the use of t-statistics, the F-statistics was applied to ascertain the overall significance of the study. Being a cause-benefit analysis, there was need to ascertain the existence causality between the various stimuli (different dimensions of corporate social responsibility expenses) and the response. This was achieved with the Granger Causality test. Also, the Durbin Watson (D-W) test was applied to test for the presence of Auto/serial correlation. The Augmented Dickey Fuller test was also used to check for stationarity of the model. R squared adjusted was applied to ascertain the fitness of the data.

To capture the customer perception, the exploratory and quantitative design was adopted for this study. A sample of 800 randomly selected customers of MTN who have held the company’s SIM Card for more than ten years was drawn from six state universities in the country ie. Universities of Buea, Douala, Yaounde, Dschang, Bamenda, and Maroua. This relatively educated target was more appropriate because of their higher level of appreciation of CSR.

A self-completion questionnaire was designed and divided into two sections. Section A was divided into two parts. Part I sought for demographic data of the respondents while part II sought for data about consumers’ knowledge of MTN; while Section B sought for data on relevant variables. Section A was designed using closed-ended, open-ended and multiple choice response structures; while section B was designed using the modified version of Saaty’s scale of preference using relevant CSR variables (captured in the regression model above) as identified in previous studies. The data obtained in Section A was analyzed using descriptive statistics while section B was analyzed using the Expert Choice model.

4. FINDINGS

Table-1. Regression results for corporate social responsibility expenses and performance of MTN Cameroon

Dependent Variable: ROA

Method: Least Squares

Date: 12/03/16 Time: 01:10

Sample(adjusted): 2001:2 2014:4

Included observations: 38 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EDUSE	1.0978	0.1868	5.8763	0.0000
HETHSE	0.0123	0.0494	0.2505	0.8042
ARTCULSE	0.5012	0.2666	1.8803	0.0718
ENVSE	0.4979	0.5242	0.9497	0.3514
SPSE	0.0593	0.0509	1.1659	0.2546
C	-18.956	2.3893	-7.9339	0.0000
R-squared	0.9881			
Adjusted R-squared	0.9857			
S.E. of regression	1.7558			
Sum of squared resid	77.0726			
Log likelihood	-58.1038		F-statistic	416.2517
Durbin-Watson stat	1.1250		Prob(F-statistic)	0.000000

Going by the premise of this study, which suggested the inexistence of any statistically significant relationship between corporate social responsibility expenses and the performance of MTN Cameroon (measured in terms of Returns on Assets of the company), from 2001 to 2014. The regression for this same period as presented in Table 1 revealed a positive relationship between educational support expenses in terms of scholarship programs, computer donations and the financial performance of the company. This is in line with the stakeholder theory and the enlightened self-interest concept on which the model of this study was built. Based on this we reject the null premise that educational supports have no significant effect on the performance of the organization. These results are further in line with studies by [Posnikoff \(1997\)](#) and [\(Simpson and Kohrer, 2002\)](#).

Looking at the direct beneficiaries of this dimension of MTN's corporate social responsibility expenses (secondary school students), we realize that the program targets principally a population group that is just ripe for communication network subscription. In terms of the probability of committing an error in the estimation (type II error) such as falsely denying the impact of educational philanthropic expenses on the financial performance of the company, EDUSE has the best probability (0.0000).

Health support expenses as presented above are further in line with the theoretical apriori as they revealed a positive relationship with the performance of the company. The significance test of this covariate however makes these positive results less important in the research since it revealed a less significant relationship with the performance of the company. This is further supported by the high probability (0.804) of wrongful rejection of the impact health philanthropic expenses have on the performance of MTN Cameroon.

Corporate social supports on arts and culture reveal a highly positive relationship with the performance of MTN Cameroon. These results are equally significant as revealed by the test of significance. Based on these facts, we reject the null premise that arts and cultural expenses have no significant effect on the performance of MTN. These results are in line with the normal trend, and equally reflect the reality if an appraisal of the beneficiaries of health philanthropic supports is made. From the background of the company, we realize that the art and cultural support axis of MTN's corporate social responsibility has not been very active with as few as three arts exposition being organised within a three year interval. Going by these trends, it is therefore no surprise that these spending appear to have a marginally significant relationship with the performance of the company. Also, the beneficiaries of these programs were relatively an older population with already existing subscription to networks which raises the switching costs to any beneficiaries of such programs.

The premise of the study held that no significant relationship existed between environmental support expenses, sports supports philanthropy and the performance of MTN Cameroon. Going by the direction of the estimated coefficients for these two parameters, it is observed that the a priori expectation of positive relationship suggested by the stakeholder theory and the enlightened self-interest concept is highly satisfied as shown by Table 1. Environmental philanthropy is however an insignificant influence as revealed by the test of significance, which justifies the non-rejection of the suggested insignificant relationship between environmental philanthropy. Apparently, individual awareness and concern for the environment seems to be very low. This to an extent is enough evidence to confirm why expenses on this dimension of CSR display an insignificant relationship with the performance of MTN Cameroon. Though sports sponsorship highly agree with the a priori of the study in terms of direction, they are still insignificant when the test of significance is conducted. Based on this, the premise that sports supports philanthropy has no significant relationship with the performance of the company is not rejected.

Looking at the preceding four paragraphs, three of the covariates (Health supports, environmental supports and sports support expenses) are insignificant with only educational, arts and cultural support expenses displaying a significant effect on the performance of MTN. In terms of the number of significant regressors it appears no serious relationship exists but the overall significance

as illustrated by the F- statistic confirms a significant impact of CSR expenses on the performance of the organization.

4.1. Results of perceptual rankings from customers

Out of the 800 instruments administered, 703 were returned resulting in a response rate of 87.9%. of the returned questionnaires, 623 (77.87%) questionnaires were correctly filled and used for this study. The analysis revealed that 401(64.36%) of the respondents were male while 222(35.63%) were female. Five hundred and eighty-six (94.06%) of them fell between 17 - 30 years of age. Also, 423 (67.89%) of the respondents had contributed to a charitable cause at least once and perfectly understood the concept of CSR. The consistency ratios of all the pair-wise comparison matrices were less than 0.1, hence the judgments of the respondents were all seen to be consistent and therefore acceptable. The priorities for the critical importance of the five dimension of CSR for MTN Cameroon are as presented in the following table:

Table-2. Customers' perception of priorities of MTN's CSR activities

CSR Initiatives	EDUSE	ARTCULSE	HETHSE	ENVSE	SPSE
Pooled average composite Priority	0.316	0.217	0.226	0.181	0.061
Importance Ranking	1	2	3	4	5

Source: Survey Research (2016)

Table 2 above shows that MTN's consumers' perception of the important CSR activities the company ought to engage in are mostly sponsorship for educational Initiatives (EDUSE), spending on Arts and Cultural support initiatives (ARTCULSE), with the least being Sponsorship of Sports Initiatives(SPSE).

5. CONCLUSION

The above findings provide answers to long standing questions as "can a company do well by doing good?" and "is corporate social responsibility synonymous to public relations?" Overall, the survey results align perfectly with the regression results which showed that only the first two variables (Arts and Cultural Support Expense-ARTCULSE) and Educational Support Expenses (EDUSE) have a significant impact on ROA. This has profound CSR policy implications managers and strategists since CSR dimensions as Sports and Health that receive lower ratings from customers' perception tend to generate an insignificant effects on the company's ROA.

Going by the findings of this study, MTN needs to revise her CSR spending and allocate more resources on these two dimensions of CSR since they support the economic bottom line and are more valued by the customers. Based on the findings of this study, the general rule for undertaking CSR requires corporations to conduct a preliminary customer perceptual survey to identify priority dimensions that will generate significant bottom line support. There is however need for further research into the complementary effect that each CSR dimension in a general portfolio in order to gauge the comprehensive likelihood and impact of dropping lowly rated CSR dimensions from a company's portfolio.

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