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Customers Perception of Corporate Philanthropy Activities of Firms in Nigerian Fast Moving Consumer Goods (FMCG)

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Abstract: *This study examines the customers' perception of corporate philanthropy (CP) activities on the performance of non-profit making organizations among selected FMCG in South West, Nigeria. The research design adopted was a cross-sectional survey design. The main instrument used for data collection was questionnaire. The population consisted of 1,423 staff of the three randomly selected FMCGs (Unilever, P&G, Nestle) in the South West Nigeria. A total sample size of 555 was drawn from the population. The hypothesis formulated was tested using Friedman chi-square statistics. The finding indicates that corporate philanthropy enhanced positive customers' perception of FMCG in South East, Nigeria. It was advised that FMCGs CP should ideally be driven by strategic considerations. This is not to dismiss the other motivations for corporate philanthropy. Hence, the altruistic motives which expect nothing in return for return for a philanthropic gift other than social advancement should dominate the thinking in consumable goods firms*

Keywords: *Corporate Firms, FMCG, Corporate Philanthropy, Altruistic Motives*

INTRODUCTION

The concept of corporate philanthropy is best explained by understanding its assemblance of the meaning of its two concepts: 'corporate' and 'philanthropy'. First, corporate is defined as a public entity organized around a central theme driven by a collectivist culture of economic, legal, and social purpose. Secondly, philanthropy is defined as a means by which public organizations externally exhibit corporate social responsibility – widely defined by a myriad of scholarly authors (Carroll, 1979; Gan, 2006; Halme & Laurila, 2009). Moreover, the term simply put is the love of his fellow men. Philanthropy, from a perspective of business is through the lens of the social sector (Collins, 2009). Alternatively, according to Gan (2006), "Philanthropy, by its definition and in its early forms, assumes a certain degree of altruism and magnanimity". This oft is referred to as "generosity of spirit" which creates a dichotomy for corporations today.

Corporate Philanthropy (CP) by its very definition creates the sense of social responsibility with no strings attached. Corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers see CP as a subset of a larger corporate social responsibility (CSR). Philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization (Gan, 2006; Madrigal & Boush, 2008). An organization is comprised of people who assume the responsibility of cultivating and maintaining a culture supportive of philanthropy and its range of objectives. Successful philanthropy – achieving the goal is as vital to an organization as the "core business" (Bruch & Walter, 2005). Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as a strategic tool.

Firms utilizing philanthropic initiatives as part of an overall market development strategy must not look for an absolute monetary return, but to a certain extent a *balance of returns* comprised of social, ethical, and financial measures (Lockett, Moon, & Visser, 2006). Berger, Cunningham, and Drumwright (2007) furthered this notion and professed, CSR "does appear to make business sense for some, but not all companies". Notwithstanding, firms can use philanthropy as a means to an end through an ethical, enterprise-wide, and cogent focus.

Velasquez (2006) explains that pundits sometimes believes that *business ethics* is a contradiction in terms because there is an inherent conflict between ethics (philanthropic based) and self-interested pursuit of profits. Davidson (1994) further asserted strategic philanthropic such as the charitable giving is not intended to replace ethical corporate performance. Corporations seemingly have a duty to align themselves with philanthropic causes in a strategic investing behavior – with an eye on charitable good and the hope (or intent) of some business return. Burch and Walter (2005) reported two distinct categories of corporate philanthropy. "Marketing orientation" which represents the external strategies and tactics employed which are readily focuses on the customer and other stakeholders who place demands and expectations on the firm. Alternatively, "competence orientation" suggests the need for internal strategies and assessments to ensure alignment of corporate philanthropic initiatives with their companies' abilities and core competencies. Each of these orientations provide support to the theory of multiple factoring in that a value proposition is more than simply a customer focusing mantra.

Specifically, the use of CP has been one of the strategies adopted by many profit making organizations with most not-for-profit making organizations undermining its roles. In this study, evaluation is made on the perception that customers have on the corporate philanthropy activities of fast moving consumer goods organizations in Nigeria.

REVIEW OF LITERATURE

The Concept of Corporate Philanthropy

Derived from the Greek “philanthropos” and Latin “philanthropia”, the term “philanthropy” literally translates as “love of humanity”, or “useful to mankind”.2 First coined by the fifth century BC playwright Aeschylus in *Prometheus Bound*, the modern concept of philanthropy took shape in the eighteenth and nineteenth centuries, and became a very fashionable activity among British and American traders and entrepreneurs. However, Wells (1998) claims that the first American philanthropists were actually Native Americans, as demonstrated by the value placed on concern for the common good within their cultures.

Ricks and Peters (2013) state that individuals, rather than firms, originally engaged in philanthropic activities. However, this situation changed following a 1954 Supreme Court ruling (Smith Manufacturing v Barlow) which removed the legal restrictions for corporate philanthropy. The legal restrictions at that time reflected public and corporate sentiment, which suggested that the firm’s primary social responsibility was to increase shareholder wealth through profit maximization. Often implemented as a component of corporate social responsibility (CSR) programs, corporate philanthropy (CP) today is a way for businesses to give back to local, national or even international communities, via charitable donations to nonprofit organizations. This “giving back” can take the form of financial (cash) donations or non-cash contributions such as time, expertise, or tangible (in-kind) goods.

Morris (2013) suggest that there are two key types of CP: conditional charitable support based on purchases or a percent of pre-tax profits; and an unconditional form of giving in which there is no purchase-based promise or obligation to donate on behalf of the donor, thereby generating a variable charitable support value.

Leisinger & Schmitt (2011) argue that CP should generally address the roots of a social problem, rather than its symptoms (except in cases of humanitarian emergency), to demonstrate the values that a firm stands for. However, the participation of firms in philanthropic activities remains, for some at least, a source of contention. For example, Friedman (1970) argues that charitable contributions should be made by individual stockholders, rather than big business, as the latter’s solitary social responsibility is to maximize wealth for shareholders. Tonello (2011) also suggests that some people still oppose CP today on the grounds that it consumes company resources, and is prone to further the goals of management rather than shareholders.

Liket & Simaens (2015) offer three conceptualizations of CP as economic, ethical, and idealized practices; and conclude that the motives are usually highly contextual. Questioning the lack of empirical studies establishing the extent to which CP motives are altruistic or strategic in nature, Liket & Simaens suggest that this is consistent with the conceptual ambiguity and lack of clarity about the objectives of CP. Ricks and Williams (2013) also identify three key motives underpinning CP. These are:

i. A *normative motive*, encouraging corporate philanthropy on the basis that all stakeholder interests are inherently valuable, even those with no specific financial or contractual arrangements with a firm;
ii. An *enlightened self-interest motive*, in which a firm will help others primarily to promote its financial self-interest, without any specific plan and/or way of measuring the extent to which its CP is responsible for financial results; and
iii. A *strategic motive*, in which the social and economic goals of a firm and the target recipients of CP are measureable, and can be realized simultaneously and complementarily

Corporate Performance Indicators

Research on performance has gone through many phases in the past three decades. Initially, they were focused mostly on financial indicators but with time, the complexity of the performance measurement system increased by using both financial and non financial indicators. Although the concept of organizational performance is very common in academic literature, its definition is not yet a universally accepted concept. Many actions taken by firms do not seem to affect their financial performance much which has led scholars to widen the definition of firm performance.

The concept of "scientific management" by Fredric Taylor in the early twentieth century laid the foundation for the modern concept of organizational performance. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It is one of the most important variables in the field of management research today. Richard, Barnet, Dwyer and Chadwick (2007) view organizational performance as encompassing three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.), (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). Organizational performance as the organization's ability to attain its goals by using resources in an efficient and effective manner; effectiveness being the degree to which the organization achieves a stated goal, and efficiency being the amount of resources used to achieve an organizational goal.

The term performance is sometimes confused with productivity. Ricardo (2012) explains that there is a difference between performance and productivity. Productivity being a ratio depicting the volume of work completed in a given amount of time while performance being a broader indicator that could include productivity as well as quality, consistency and other factors. Waiganjo, Mukulu and Kahiri (2012) note that organizational performance may be measured in terms of its multiple objectives of profitability, employee retention, productivity, growth among many other objectives. Doyle (2004) contends that there is no single or best measure of organizational performance. He posits that profitability is the most common measurement used for organizational performance. Indeed, even the optimal definitions or measures of performance remain controversial.

Corporate Philanthropy and Perception: The Nexus

Godfrey (2005) suggests that firms practicing strategic philanthropy generate intangible strategic assets such as reputational capital, employee commitment, and trust or acquiescence among regulatory institutions and legislative bodies. The extent to which a firm participates in strategic philanthropy is always limited to its strategic interests, thereby ensuring that the primary objective of any business (profit maximization or the generation of shareholder wealth) is adhered to. Godfrey argues that the key determinant of a CP program motivated by strategic reasons is “Does the philanthropic activity of the firm represent a genuine manifestation of underlying intentions, vision, and character, or is the activity simply designed to ingratiate the firm among the impacted customers views?”

Van Kranenburg and Zoet-Wissink (2012) appear to describe the strategic drivers as “impure altruistic” motives. They suggest that firms that engage in CP for impure altruistic reasons do so for a combination of self-centered and other-centered (societal) motives. Gautier & Pache (2015) also highlight a broad consensus in the literature that suggests CP serves the firm’s interests, albeit indirectly, in terms of reputation, prestige, or customers pride. They refrain from using the label “strategic philanthropy” in favor of a concept of “CP as community investment.” However, the core tenets appear very similar. For example, Gautier & Pache suggest that a firm can in the long run benefit from CP based on community investment motives, as the philanthropy will help foster a better environment for business through enhanced positive perception and image among the publics.

Theoretical Anchor

This work hinges on stakeholders’ theory. In order for CP to be effective and meaningful, the interests of different range of stakeholders other than shareowners need to be taken into account by corporations. Stakeholder theory is based on the notion developed by Freeman (1984) that corporations consist of various stakeholders beyond their own shareholders and that they should be managed with those groups in mind. Generally, the term ‘stakeholder’ can include:

- Shareholders, who, unlike other stakeholders, have a direct equity interest in the company;

• Other persons with a financial interest in the company (financiers, suppliers and other creditors), or those in some other commercial legal relationship with the company (for instance, business partners);

• Persons who are involved in some manner in the company's wealth creation (employees and consumers);

The Stakeholder theory focused on the managerial model of an entity and, as a result, narrowly defined 'stakeholder' as a group that impacts on the success of the organization in terms of production outcomes and transactions. The broader definition of the stakeholder view of the firm includes those who may affect or be affected by the organization employees, customers, local community and so on.

METHODS

The study adopts a cross-sectional survey design method. The sources of data comprised of primary source. The information from the primary source consists of responses from the questionnaire administered to the staff from the randomly selected fast moving consumer goods (FMCG) in southwest, Nigeria. One set of questionnaire was used for the study. The information elicited includes information on educational background, qualifications, positions, gender, age and number of years of service. The population of the study is 1,423 which consist of all the staff of three randomly selected FMCG in the southwest, Nigeria (Unilever, P&G, Nestle).

The target population of the study in the selected FMCG in the Southwest, Nigeria stands at 1,423. Thus, using a finite population formula of Krejcie and Morgan (1970), the sample size was determined and a sample size of 555 was derived. The stratified random sampling sample technique was used. The major research instrument used in gathering data for this study was a structured questionnaire. This questionnaire had two (2) sections; question A was on general information concerning the respondents while section B directly addressed the research questions. Close ended and multiple choice questions were used. In order to ensure that the research instrument was valid, the researcher ensured that the instrument measured the concepts it was supposed to measure. The questionnaire was vetted by experts in the field. To ascertain that the instrument is reliable, the test-retest was adopted. The outcome of the test-retest was determined using Cronbach Alpha and the result was 0.841. Since the result was very high, thus we assert that the instrument was highly reliable.

DATA ANALYSIS, RESULTS & DISCUSSIONS

Table 1 below shows that 78.37% of the distributed copies of the questionnaire were returned and used whereas 22.02% were not returned and were not used for the analysis

Table 1: Distribution and Return of the Questionnaire

	Frequency	Percentage (%)
Returned	435	78.38
Not Returned	120	21.62
Total	555	100

Two hundred and sixty (260) respondents representing 60.07% were male, whereas 175 respondents, representing 40.22% were female. This indicated that males were more than the females. The age distribution of the respondents showed that 94 respondents representing 22.00% were between the age of 25-30, 100 respondents with 23.08% were within the age bracket of 35-45, while 241 respondents representing 55.40% were within the age bracket of 45 years and above. This implies that greater proportion of the respondents fall within the age of 45 years and above. The collected data was presented using percentage tables, percentages, mean and standard deviations. The 5 Likert type questionnaires rating of Strongly Agreed (SA), Agreed (A), Undecided (U), Disagree (D) and Strongly Disagree (SD) were assigned numbers 5, 4, 3, 2 and 1 respectively. The formulated hypothesis was tested using Friedman Chi-square at a significance level of 0.05 (5%). The decision rule was based on the sample mean greater than 3 for agreed and otherwise for disagreement.

Table 2: Corporate Philanthropy and Customers Perception of FMCG

Questions	SA(5) Freq %	A(4) Freq %	U(3) Freq %	D(2) Freq %	SD(1) Freq %	Total	Mean	SD
CP encourages FMCG buying influence	214	102	38	40	41	435	3.93	1.34
	49.19	23.45	8.78	9.20	3.85	100		
CP build brand and loyalty for FMCG	89	164	59	72	51	435	3.39	1.30
	20.46	37.71	13.56	16.55	11.72	100		
There is enhanced image of FMCG organizations that uses CP	84	160	72	69	50	435	3.37	1.28
	19.32	36.78	16.55	15.86	11.49	100		
CP has more societal impact on the FMCG	104	147	51	78	55	435	3.38	1.36
	23.91	33.79	11.73	17.93	12.64	100		

Table 2 shows the responses of the respondents on the corporate philanthropy and customers' perception of FMCG. Four questions were formulated in that respect.

As regards to the question on voters buying, 214 (49.19%) and 102 (23.45%) respectively of the respondents, strongly agreed and agreed that CP encourages FMCG buying influence, 38 (8.74%) of the respondents were undecided, while 40 (9.20%) and 41 (9.421%) of the respondents disagreed and strongly disagreed, respectively, that CP encourages FMCG buying influence. It is penitent to note, that mean value of 3.93 shows the high level that signifies that CP encourages FMCG buying influence.

On the aspect of whether CP build brand and loyalty for FMCG, 89 (20.46%) and 164 (37.71%) respectively of the respondents strongly agreed and agreed that CP build brand and loyalty for FMCG firms, respectively. 59 (13.56%) of the respondents were undecided, while 72 (16.55%) and 51 (11.72%) of the respondents disagreed and strongly disagreed on the assertion respectively. In view of the mean of 3.39 based on our decision rule, it is penitent to note that the assertion is positive.

On the aspect of the enhanced image of FMCG organizations that uses CP, 84 (19.32%) and 160 (36.78%) of the respondents strongly agreed and agreed on the assertion respectively. 72 (16.55%) of the respondents were undecided, while 69 (15.86%) and 50 (11.49%) of the respondents disagreed and strongly disagreed that the image of FMCG organizations that uses CP were enhanced.

As regards to whether CP has more societal impact on the FMCG organizations, 104 (23.91%) and 147 (33.79%) respectively of the respondents strongly agreed and agreed that CP has more societal impact on the FMCG organizations. 51 (11.73%) of the respondents were undecided, while 78 (17.93%) and 55 (12.55%) of the respondents disagreed and strongly disagreed, respectively, on the above statement.

The present study tested the hypothesis that corporate philanthropy do not enhanced on the customers perception of FMCG organizations. In testing this hypothesis, the data presented in Table 2 were tested using the Friedman Chi-Square test.

H_O: corporate philanthropy do not enhanced positive customers' perception of FMCG organizations.

Table 3: Friedman Chi-Square Test Result for the Hypotheses

Statistic	Value
N	435
Chi-Square	171.221
Df	4
Asymp. Sig.	.000

The result presented in Table 3 shows that the calculated Friedman Chi-Square value is 171.221. This is greater than the critical chi-square value of 9.49. Having an asymptotic significance of 0.000<0.05, this result is significant. Therefore, corporate philanthropy enhanced positive on the customers' perception of FMCG organizations in Nigeria.

The finding of this study tally with the works of with the findings of studies carried out by Tonello (2011), and Liket & Simaens (2015), who posit that corporate philanthropy and SCR often encourages the growth of firms. Moreover, Gautier & Pache (2015) pointed out that provisions of gifts, instruments, donations etc by corporations go a long way in stimulating the image of such firms; hence, this finding aligns with Gautier & Pache (2015) outcomes. Contrarily, the findings from this study negates the works done by Gan (2006), and van Kranenburg and Zoet-Wissink (2012) who believe that CP is nothing than wasting of organizational resources.

CONCLUSION AND RECOMMENDATIONS

This inquiry has continued applicability due to a keen interest to understand the dynamics between a firm's socially responsible culture and how philanthropy can be a strategic weapon in the competitive business environment. It is assumed that all business firms do not view and utilize philanthropy validation. It is in the execution of a private profit sector corporate philanthropic initiative whereby the organization carries out its ethical mission. In a future study, an assessment of how philanthropy can be best-suited to add influence on a profit making organization plans may add validity and credibility.

To minimize objections and maximize impacts, FMCG organizations CP should ideally be driven by strategic considerations. This is not to dismiss the other motivations for CP. Altruistic motives, in particular, which expect nothing in return for return for a philanthropic gift other than social advancement, are noble and can dominate thinking in business firms. Nevertheless, the alignment of business with the mission, goals, and objectives of the firm can not only reduce skepticism about motives, increase employee participation, and reduce stakeholder suspicions about ingratiation.

Much attention has been paid to CSR, corporate financial performance, corporate reputation, and the intersections of ethics and consumer perceptions. There is need to address and theory to advance focuses on how a corporation can use philanthropic initiatives to validate, differentiate, and make distinctive their strategic marketing process.

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