

Investigating the Relationship between Corporate Social Responsibility and Customer Loyalty (Case Study: Karafarin Insurance Company of East Azerbaijan Province)

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Abstract

The purpose of this research is investigating the Relationship between Corporate Social Responsibility and Customer Loyalty that Karafarin Insurance Company as case study in East Azerbaijan Province and for achieving to this purpose has been done one main hypothesis and two minor hypotheses. The current study in terms of purpose is applied research and in terms of methodology and nature is Descriptive - correlation Research. In order to collection data in survey research, two questionnaires (A and B) was used, questioner A includes 20 questions and questioner B includes 15 questions has been designed and it is distributed among research population. This population includes the all employees and customers of Karafarin Insurance Company in East Azerbaijan Province. Its Reliability through calculating the Cronbach's alpha (0.70) with SPSS software was confirmed. In order to determine the existence or nonexistence relationship between variables, estimation and extension of the obtained results from sample size to entire population, Pearson correlation coefficient with Diagram Scatter toward of Correlation Structural Equation Model (SEM), kolmogorov - smirnov statistical test for normality, Model of first order - Confirmatory single Factor have been used to measure the amount of correlation and explaining social responsibility variable with its components and One-way analysis of variance (ANOVA) test is used. The Research findings indicate that these relationships are significant and all of the Research hypotheses have been confirmed.

Key words: Corporate Social Responsibility, Customer Loyalty, Karafarin Insurance

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Introduction

This question has always been considered that, is there any differences between the responding and organizations' social responsibility regarding their social issues and profitability and wealth creation in organizations or not? In recent years, prominent scholars like Prahalad, Mohammad Younes and Philip Kotler have tried to collect various experiences and evaluating the weakness and strength of Philanthropic and charitable project, performed by different companies around the world, moreover they have studied on key questions about corporative social responsibility, questions such as: is it possible to adapt company's profit making process with the motivation of helping poor people? By considering which principles, the productivity of programs with Philanthropic concerns, accomplished by various companies can be promoted? How we can design creative ideas that can have a high efficiency in helping society's deprived groups and on the other hand, it can at least return its Primary Capital? Are there any indirect benefits for a company's business growth in the case of performing various programs with Humanitarian purposes by that company? (Hashemkhani, 2011). Additionally, customers' loyalty can result in more profitability and special value of brand for the company. In this Research we have tried that one of the new issues has investigated in Management area, it means that, this title "Corporate Social Responsibility and its relationship with Customer Loyalty".

Research Problem

Today, organizational managers and stockholders have found out that all of the companies, regardless of the type of their activities, are responsible to all of the stakeholder, environment and the society they are operating in it and therefore a great attention has been concentrated on improving the net consequence of the of organizational effects on society. All of the Organizations including service organizations or productive ones, private or public, have a vital influence on society. So they are responsible for effects and consequences of their activities on society. On the other side, according to the shift of our economy toward a service economy and increase of the service companies compared to previous years in country, insurance companies, as one of the most important service companies, has had a high growth in recent years. Therefore, according to the competitive environment in insurance industry, one way to make profits for companies is keeping customers or in other words makes them loyal to the company. Organizations seek different ways to make their customers loyal to their company. A key index for customer's loyalty has been recognized and one of these factors is service quality. Another factor which has been identified recently is organizational social responsibility (Poltang & Mandachitara, 2011; Salmones et al, 2005). Since organizations have a significant effect on social system, so that their activities should be in such a way that they can maximize the positive effects resulted from their operations and minimize the negative effects up to a minimum level and as one of the society's members, care about the society's long-term needs and demands and try to solve the problems as well. Nowadays, due to the growing number of insurance companies in Iran, and whereby the increase in competitiveness among these companies in order to obtain a greater portion of market and retaining their share of the insurance market, the importance of focusing on customers' loyalty in Iran's insurance industry, is increasing day by day. Customers' loyalty has a great effect on companies' performances and is considered as an important factor of competitive advantage in many organizations. Today, scholars believe that organizations' social responsibility is the fundamental factor for each organization's survival. Since organizations have relationships with society, organizational social responsibility regardless of organization's size or part, has become an Inevitable issue

(Emami, 2005). Actually, the idea that business companies have several responsibilities against society, regardless of profit making for their stakeholders, has been developed (Shabana and Carol 2010). Considering that in recent years, competition among insurance companies has had a considerable increase and also the low influence coefficient in Iran has increased the intensity in order to attain a share in this current relatively small market, insurance companies should find solutions to keep the share attained from this market. Moreover one of the issues that insurance companies are dealing with is the lack of customer's confidence and disloyalty to insurance companies. On the other hand, by growing social and cultural awareness in today's society and more attention to the issue of organization's social responsibility, insurance companies can increase their customers' loyalty by considering this issue. Especially, this research has investigated the role of customers' imageries from service quality in response to the organization's social responsibility and also the effects of customers' behavioral and attitudinal loyalty in insurance companies.

Research Objectives

Main Research Objective

To investigate the Relationship between Corporate Social Responsibility and Customer Loyalty

Minor Research Objectives

- 1-To determine the Relationship between Corporate Social Responsibility against employees and Customer Loyalty
- 2- To identify the Relationship between Corporate Social Responsibility against society and Customer Loyalty

Research Hypotheses

Main Research Hypothesis:

There is significant Relationship between dimensions of Corporate Social Responsibility and Customer Loyalty

Minor Research Hypotheses

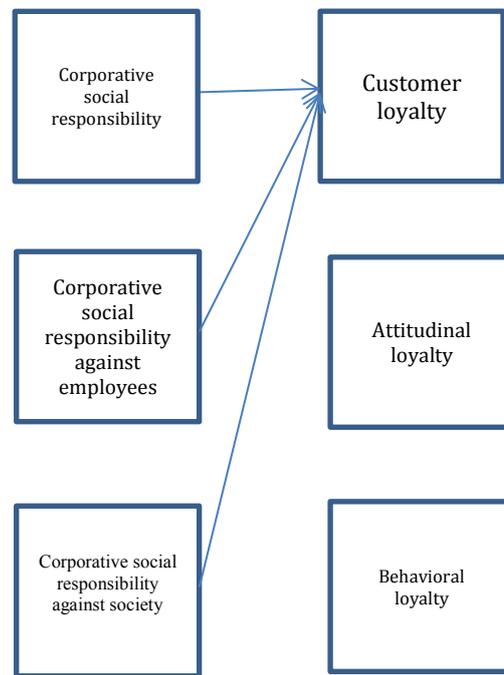
- 1- There is significant Relationship between Corporate Social Responsibility against employees and Customer Loyalty
- 2- There is significant Relationship between Corporate Social Responsibility against society and Customer Loyalty

Literature review

Toures et al. have done a research in 2012, which investigated the effect of five aspects of corporative social responsibility (corporative social responsibility to society, staff, organization, customer and suppliers) on international special value of brand. In this study, international brands of 10 various country during 2002 - 2008 has been investigated. The study's results indicate that corporative social responsibility against all of the stakeholders is effective on the international special value of brand (Toures et al, 2012). Another research related to the present research has been carried out by Fung So and Kerdin King in 2010. Applied model in this research is as a theoretical framework for service brand. The results has indicated that for customers, service experience is the most important effective factor on brand meaning, that this brand meaning has the most influences on the special value of brand, and also brand awareness on special value of brand has been confirmed (Fung So and Kerdin King, 2010). Wang has done a research in 2010 in America that has investigated the relationship between companies' social performance and special value of brand and company size is considered as the control variable. The research's results indicate that corporate's social performance has a positive effect on special value of brand, but special value of brand can affect corporate's social performance, only in very large companies. The effect of corporate's social performance on special value of brand is more, in smaller ones (Wang, 2010). During the research with the title "investigating advertisement based on company's reputation and special value of brand in one of the insurance companies in Taiwan", that Kertah Heso has done in 2010, he has come to this conclusion that the aims of policyholders regarding to social responsibility activities in life insurance companies, has a positive effect on customer satisfaction, company's reputation and special value of brand. Furthermore, customer satisfaction has a mediator influence between relationship among corporate's social responsibility and company's reputation. In Mandachitara and Polteng's study as "customers' expectations of corporate's social responsibility, perceived quality of services and special value of brand in banking industry in Thailand", they found that all of the research's hypotheses have been accepted and has showed a direct relationship between corporate's social responsibilities with services quality, perceived by customers and also relationship between organizational social responsibilities with brand. In another research, Lin et al. has studied on the influence of corporate's social responsibility in financial performance of country in 2009 in Taiwan. They have studied on 1000 Taiwanese companies between years 2002 to 2004. The results indicated positive relationship between corporate's financial performance and its social responsibility. Also, the results have shown that corporate' social responsibility affects long term financial performance, but has no significant effect on short term financial performance (Lin. Et al, 2009). According to Pedran Fakhri's research as "investigating relationships between corporate's social responsibility and special value of brand, case study of insurance companies including Saman insurance, Parsian insurance and entrepreneur of Kermanshah city", these relationships are significant and all hypotheses are accepted (Fakhri, 2014). Neda Rezayim in her research as "investigating relationships between organization's social responsibility and different aspect of organizational effectiveness in Commercial Insurance Companies" in 2013 has come to the conclusion that there is a direct and significant relationship between organizational social responsibility and probability rate in insurance companies related to banks. In this research it has been founded that almost all of the aspects of effectiveness are affected by organizational social responsibility. Habibi has studied on the effect of brand recognition on mental image of Refah chain stores in Arak city, in 2013. The purpose of this research is the effect of store brand presence in customers' mind on image from the store and also the effects of several successful brands offered by the store on customers' mental image from the store. According to the study's results, two variables, store brand presence in customer's mind and successful brand offered by the store didn't show a significant effect on image of the store (Habibi, 2013). Heydari has done a research as "investigating perceived quality on loyalty and commercial brand image in market, in 2010. This researcher has reached the following results by considering 5 star hotels in Shiraz city: different aspects of

perceived quality, tangibility, responsibility and reliability had positive effect on brand loyalty, and also brand loyalty had a positive effect in brand image.

Research conceptual model



(tours et al. 2012 and Monico et al. 2010)

Research Methodology

The current study according to the purpose is applied research and in terms of methodology is Descriptive – Correlation

Research Statistical Population

Statistical population this research is all of the employees and customers of Karafarin Insurance Company in East Azerbaijan Province.

Statistical Sample and determining Sample Size

In this study for employees we have used by method of complete census that it includes 70 employees and representatives. We have used Morgan table for customers that it includes 384 people (Since the number of questions is few and there is no specific variance). Kolmogorov-Smirnov test is applied in this research and the distribution has been normal, so that we have used Pearson coefficient test, which is a parametric test. If the significance level in this test is more than 0.05, it can be deducted that the distribution is normal. In the case of normal distribution, researcher is allowed to use parametric statistics and otherwise he should use nonparametric statistics.

Testing the Research Hypothesis

Main Research Hypothesis:

There is significant Relationship between dimensions of Corporate Social Responsibility and Customer Loyalty

Table 1: Testing the Pearson correlation coefficient and Correlation model for analyzing the main hypothesis
Pearson correlation coefficient

variable	Pearson correlation	Significance level
Social responsibility		
Customer loyalty	0.472	0.001

Considering the results of above table, since the significance level in Pearson table is equal to 0.001 and this amount is less than 0.05, then above hypothesis was confirmed. Amount of correlation coefficient between these two variables is equal to 0.472 and it is positive. It shows that these two variables have moderate correlation and also according to the Pearson correlation coefficient which it is positive, it indicates that there is a direct and linear relationship between two variables. Therefore, we can conclude that: There is significant Relationship between Social Responsibility and Customer Loyalty. So, whatever amount of Social Responsibility increases then customer loyalty also will increase and conversely.

First Minor Hypotheses

1- There is significant Relationship between Corporate Social Responsibility against employees and Customer Loyalty

Table 2: Testing the Pearson correlation coefficient and Correlation model for analyzing the first minor hypothesis
Pearson correlation coefficient

variable	Pearson correlation	Significance level
Social responsibility		
<u>Corporate against employees</u> Customer loyalty	0.187	0.04

Considering the results of above table, since the significance level in Pearson table is equal to 0.04 and this amount is less than 0.05, then above hypothesis was confirmed. Amount of correlation coefficient between these two variables is equal to 0.187 and it is positive. It shows that these two variables have weak correlation and also according to the Pearson correlation coefficient which it is positive, it indicates that there is a direct and linear relationship between two variables. Therefore, we can conclude that: There is a significant Relationship between Social Responsibility against employees and Customer Loyalty. So, whatever amount of Social Responsibility of corporate against employees increases then customer loyalty also will increase and conversely.

Second Minor Hypotheses:

- 1- There is significant Relationship between Corporate Social Responsibility against society and Customer Loyalty

Table 3: Testing the Pearson correlation coefficient and Correlation model for analyzing the first minor hypothesis
Pearson correlation coefficient

Variable	Pearson correlation	Significance level
Social responsibility		
<u>Corporate against society</u> Customer loyalty	0.273	0.02

Considering the results of above table, since the significance level in Pearson table is equal to 0.07 and this amount is less than 0.05, then above hypothesis was confirmed. Amount of correlation coefficient between these two variables is equal to 0.273 and it is positive. It shows that these two variables have weak correlation and also according to the Pearson correlation coefficient which it is positive, it indicates that there is a direct and linear relationship between two variables. Therefore, we can conclude that: There is a significant Relationship between Social Responsibility against Society and Customer Loyalty. So, whatever amount of Social Responsibility of corporate against society increases then customer loyalty also will increase and conversely.

Results of Research Hypotheses

Results of the Main Research Hypothesis

“There is significant Relationship between dimensions of Corporate Social Responsibility and Customer Loyalty” .This hypothesis has been confirmed. Considering the test of Pearson correlation coefficient and correlation model that for investigating the hypothesis has been used, there is a significant Relationship between Social Responsibility and Customer Loyalty. So, whatever amount of Social Responsibility increases then customer loyalty also will increase and conversely.

Results of the First Minor Hypothesis

“There is significant Relationship between Corporate Social Responsibility against employees and Customer Loyalty” This hypothesis has been confirmed. Considering the test of Pearson correlation coefficient and correlation model that for investigating the hypothesis has been used, there is a significant Relationship between Social Responsibility and Customer Loyalty. So, whatever amount of Social Responsibility increases against the employees’ then customer loyalty also will increase and vice versa.

Results of the Second Minor Hypothesis

“There is significant Relationship between Corporate Social Responsibility against Society and Customer Loyalty” .This hypothesis has been confirmed. Considering the test of Pearson correlation coefficient and correlation model that for investigating the hypothesis has been used, there is a significant Relationship between Social Responsibility against the Society and Customer Loyalty. So, whatever amount of Social Responsibility increases against society then customer loyalty also will increase and vice versa.

Suggestions

In this study has done to investigate of affecting the Corporate Social Responsibility and Customer Loyalty by two different dimensions .According to the results of analyzing , it showed that mentioned two dimensions were confirmed. And in total, Significance of the relationship between organizational social responsibility and special value of brand was confirmed. The Results of this study contain valuable points for insurance organization and other organizations, as such that mentioned organizations can improve customer’s loyalty with considering the social responsibility against employees and against society. Also according to the confirmation of Research Main hypotheses, and confirmation of existing the significant relationship between organizations’ social responsibility and customers’ loyalty, this research suggests to organizations that social responsibility consider as the most important item in strategic of improving the customers’ loyalty. Also according to the acceptance of two minor hypotheses, significant relationship between organizations’ social

responsibility against staffs, society and customers' loyalty, by doing performances which can increase organizational social responsibility against each of the variables, customers' loyalty could be strength. For this purpose, the following actions are suggested

Suggestions for the first Minor Hypothesis

Evaluating employees' knowledge in determined time periods in order to evaluate the amount of their knowledge and awareness to the related job affairs

Explaining this belief for employees that customers are the most important factor for organizational survival, therefore much attention should be paid in providing services to them.

Suggestions for the second Minor Hypothesis

1. Respectful and friendly behavior while dealing with customers in any condition, even in conditions that customer is not right
2. Providing Various insurance services with different prices for their different customers
3. Making belief, motivation an interest to provide services properly in employees by management via compensation systems and Spiritual and material rewards
4. Being an assessment board in organization

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