

**Research Article**

**THE EFFECT OF SOCIAL RESPONSIBILITY, MARKET ORIENTATION  
AND CUSTOMER RELATIONSHIP MANAGEMENT ON  
PERFORMANCE USING A BALANCED SCORECARD APPROACH  
(CASE STUDY DAIRY COMPANIES SHIRAZ)**

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**ABSTRACT**

The aim of this study is investigating impact of social responsibility, Customer relationship management and market orientation on company performance by means of balanced scorecard approach. Methodology in terms of aim is a practical research and in terms of procedure is a correlation research in which data is collected using questionnaire and survey. Statistical society in this study is staff of dairy companies in Shiraz and random sampling and 120 accepted samples are collected among 10 companies. SPSS and LISREL were used for data analysis. The result showed that customer relationship management (41%), market orientation (33%) and social responsibility (27%) respectively have the most impact on performance.

**Keywords:** Social Responsibility, Market Orientation, Customer Relationship Management, Performance

**INTRODUCTION**

Performance evaluation is one of major responsibilities of organizations and is one of dimensions of performance management that was performed by applying financial indicators (Wong and Yang, 2006). Performance evaluation is an applicable tool for managers and specialists of organizations that is used for performance improvement. In fact evaluation is a continuous comparison of real performance of organizations with a pre planned model for improving performance that is used to achieve desirable aims of organization. In the past, financial return of a company was the only factor for evaluation of performance. But now as a result of complicating organizational structure, highly competent techniques should be use for organizational structure and processes to evaluate performance. Moreover, their provided result should be defendable. Among various methods proposed until now, balanced scorecard approach with considering implementation strategy is the only method that shows effectiveness of organizational performance. This method which is considered as the newest evaluation method includes qualitative criteria and is recent management innovative that proposed as a performance measuring tool by Norton and Kaplan (1966) (Chen and Popovich, 2006).

Balanced evaluation changes strategic themes to applicable and measurable aim in all levels of organization (Brewton, 2006). In recent decades, social responsibility of company became an important issue for many countries and social and environmental stability is considered as a legal source which is enforced and approved (Tsotsou, 2010). Nowadays, it is proved that market orientation behavior leads to better performance and has positive effect in satisfaction, loyalty and motivation of customers and satisfaction of staffs and companies (Schalk and Gudlaugsson, 2008). Customer relationship management (CRM) can decrease distance between customers and organization, so that loyalty of customer, better service, better data collection and organizational education can lead to company success (Nguyen *et al.*, 2007).

Several factors can be effective for performance of company, such as macro national and international environmental factors (economic, social, cultural, political and technological), micro environmental or industrial elements (providers, new competitors, alternative products, sale intermediate and customers) and internal factors of company (visible and intangible asset and competency). Among all factors if this study, social responsibility, customer relationship management, market orientation are considered as

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effective and important factor for competitive ability of company and its relationship with performance of company is investigated. Therefore, major issue of this study includes:

How is the impact of social responsibility, market orientation and customer relationship management of company on performance of company?

#### Theoretical Framework and Hypotheses

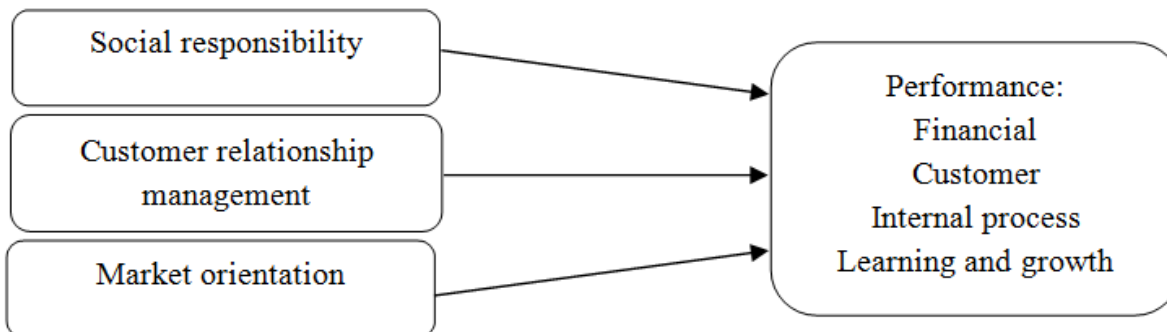


Figure 1: Structural model

#### Social Relationship

According to research of Kontzo, Adanel (1977) responsibility is defined as “personal commitment of individuals, so that they work based on their interest to insure that others rights and interest are not violated” (Mouly and Zelalem, 2013).

#### Relationship between Social Responsibility and Performance of Company

Based on Commission of European Communities (2003), social responsibility of companies is the concept that an enterprise is responder for its impact on all beneficiaries. It is essentially a concept that companies decide voluntary for better cooperation with society and cleaner environment (Morimoto and Ash, 2005). Customer social responsibility is ability of company for providing better product and services. But, the results such as limiting unhealthy consumption patterns among customers, health of customers during using the product and moral publicity increase customer social responsibility (Supriti and Domodar, 2010). Companies believed that having good social responsibility leads to attract better staff and to motive current staff to be more committed and loyal to the company increases (Smith, 2011). In recent decades, social responsibility of company as an important strategic issue for many countries and social and environmental sustainability is considered as an important logical source and to be executive guarantee and approved of it (Tsiotsou, 2010). In a research with the title “Impact of market orientation and social responsibility of companies on performance” which was done in china with 143 hotels as a population investigated common impact of market orientation and social responsibility. In the study questionnaire and structural equation were used and the result was that MO and CSR increase performance of company (Riliang, 2009).

Based on above discussion the hypothesis is:

**H01:** Social responsibility affects performance of company.

#### Market Orientation

Market orientation is considered as a strategic approach lead to improvement of performance of organization (Esteban *et al.*, 2002). This can be said about manufacturing and service organization. In fact, market orientation means producing information throughout organization in relation to current and future needs of customers, publishing and distribution of information in organization sectors and accountability and reaction (Kohli and Jaworski, 1990).

#### Relationship between Market Orientation and Performance

John and his colleague (2005) reported positive role of market orientation and innovation.

Based on above discussion the hypothesis is:

H02: Market orientation has a direct effect in performance.

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**Customer Relationship Management**

Customer relationship management is an organizational comprehensive strategy that integrates innovation, processes and all organizational activities for customer (Feinberg and Romano, 2003). Customer relationship management means making and maintaining relationship with profitable customers by using communication and information technology (Payen and Frow, 2004).

**Relationship between Customer Relationship and Performance of Company**

In many companies customer relationship leads to increase of competitive power, increase of income and reduce of operational cost. Effective and efficient causes increase of customer satisfaction, making loyal customers and increase of customer maintenance rate (Kevork and Vrechopoulo, 2006). In a research titled “accepting customer relationship management in small and medium companies” is done with California companies as a population. The method was analyzed by multivariate and logistic regression and the result was that staff understanding about customer relationship management system leads to better performance, so they decided to apply customer relationship management system in these companies (Nguyen et al., 2007).

Based on above discussion the hypothesis is:

**H03:** Customer relationship management has direct effect on performance.

**MATERIALS AND METHODS**

**Mythology**

Population of the study is managers and staffs of dairy companies in Shiraz and 120 questionnaires were distributed among managers and staffs. Method of the study with regard to aim is practical and with regard to data collection procedure is descriptive and correlative. SPSS18 and LISREL8.72 were used for data analysis. The samples were selected randomly and because the population size was specific and limited, population size was estimated by Cohran formula and it was calculated as follow:

In Table 1 Cronbach’s alpha and some questions related to the whole questionnaire and questionnaire variants are provided. Since Cronbach’s alpha of whole questionnaire and variants is more that 7%, the test has acceptable stability.

**Table1: Cronbach's alpha coefficient for the questionnaire variables**

The questioned variable	Alpha coefficient
Operation	0.886
Customer Relationship Management	0.830
Market orientation	0.799
Social Responsibility	0.930

**RESULTS AND DISCUSSION**

**Data Analysis and Results**

Investigating measuring models along with T statistic, standard rate and error value in various factors There are measuring equations as the number of variants. Each equation includes path coefficient between observed variants and latent variable, observed variant measurement error and along with the test its significance based in characteristic t and R<sup>2</sup> value that is determination coefficient or variance ration provided by latent variant.

**Table 2: The coefficients and t- values of social responsibility**

Items	Symbol	Standard rate	T-statistics	Coefficient determination	of Error
CUSTOMER	C	0/78	9/84	0/60	0/067
EMPLOYEEES	Em	0/81	10/48	0/66	0/064
SOCIETY	S	0/83	10/85	0/69	0/053
Environment	En	0/83	10/90	0/69	0/063

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**Table 3: Coefficients and t- values of customer relationship management**

Items	Symbol	Standard rate	T-statistics	Coefficient determination	of Error
organization	O	0/84	11/18	0/71	0/056
Technology	T	0/83	10/81	0/69	0/067
Knowledge management	KM	0/78	9/90	0/61	0/062

**Table 4: Coefficients and t- values of customer relationship management**

Items	Symbol	Standard rate	T-statistics	Coefficient determination	of Error
Market intelligence generation	MIG	0/91	12/85	0/84	0/072
Intelligence dissemination	ID	0/88	12/19	0/78	0/077
Responsiveness to intelligence	RI	0/85	11/54	0/73	0/066

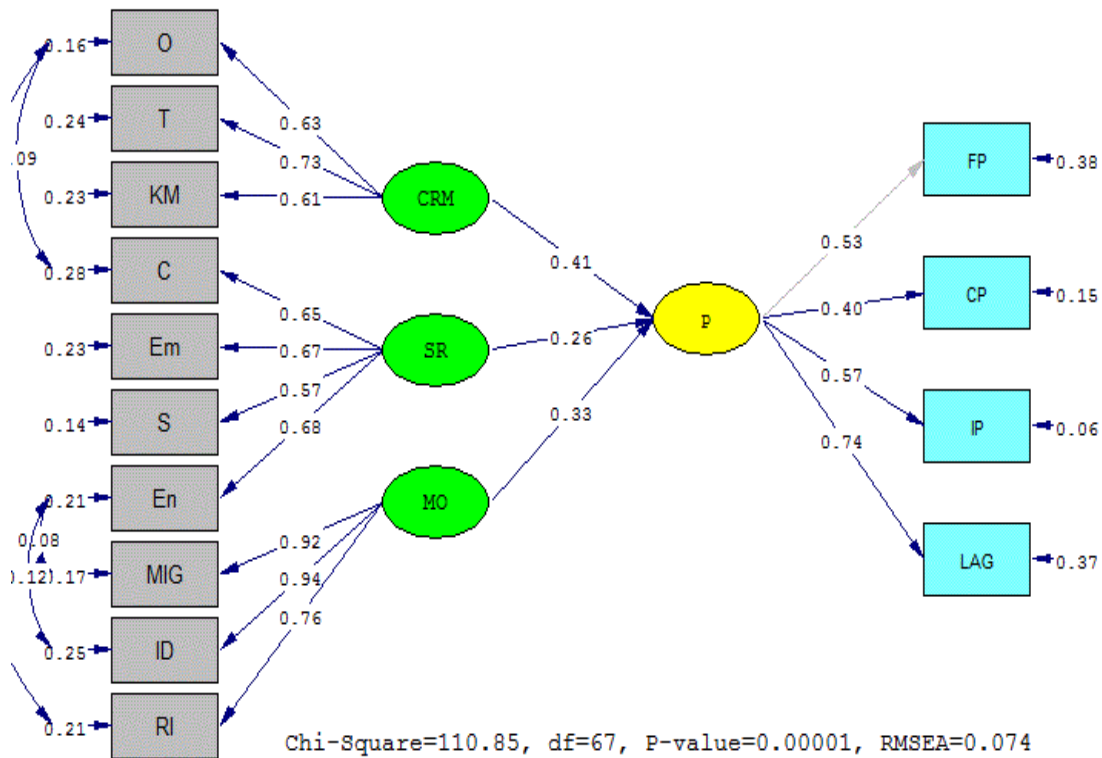
**Table 5: Coefficients and t- values of the performance Company**

Items	Symbol	Standard rate	T-statistics	Coefficient determination	of Error
financial	FP	0/65	-	0/42	-
customer	CP	0/72	6/89	0/52	0/059
internal process	IP	0/92	8/29	0/84	0/069
learning and growth	LAG	0/77	7/28	0/59	0/068

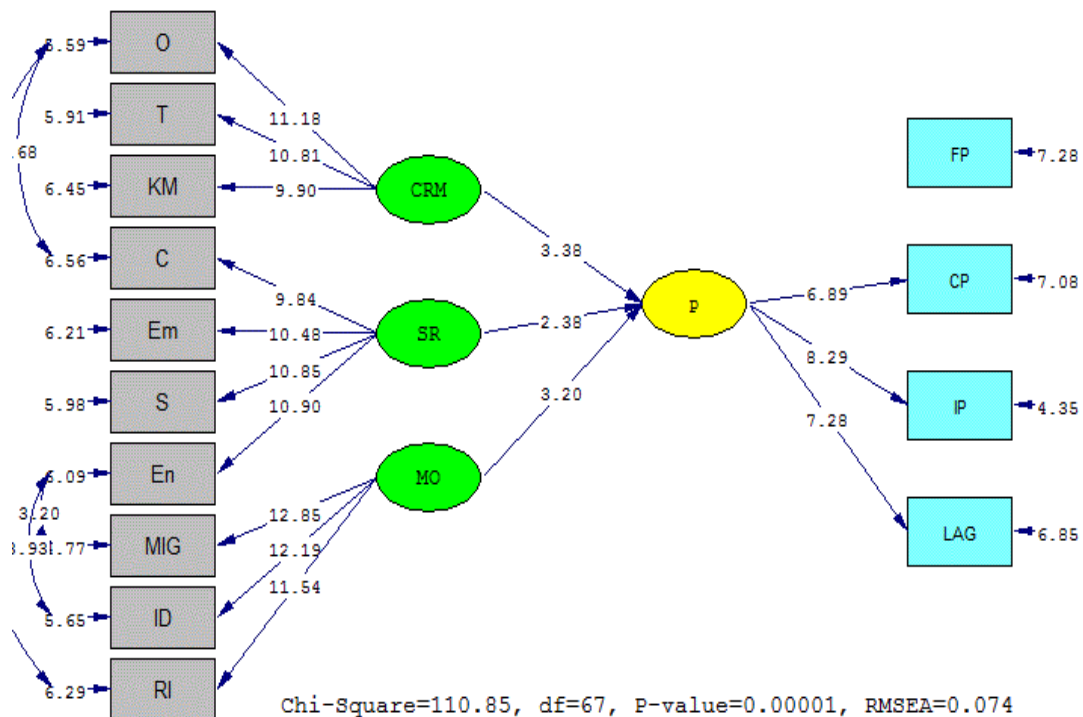
All variants in T statistic is more than 1.96 and value of determination coefficient is adequate; therefore, any of these items are eliminated. So, the test is continued with all items and the model is investigated. On one hand, based on standard rate (loads factor), the index that has more loads factor has more

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contribution in measuring variants and the index that has smaller coefficient has less contribution in measuring related element.



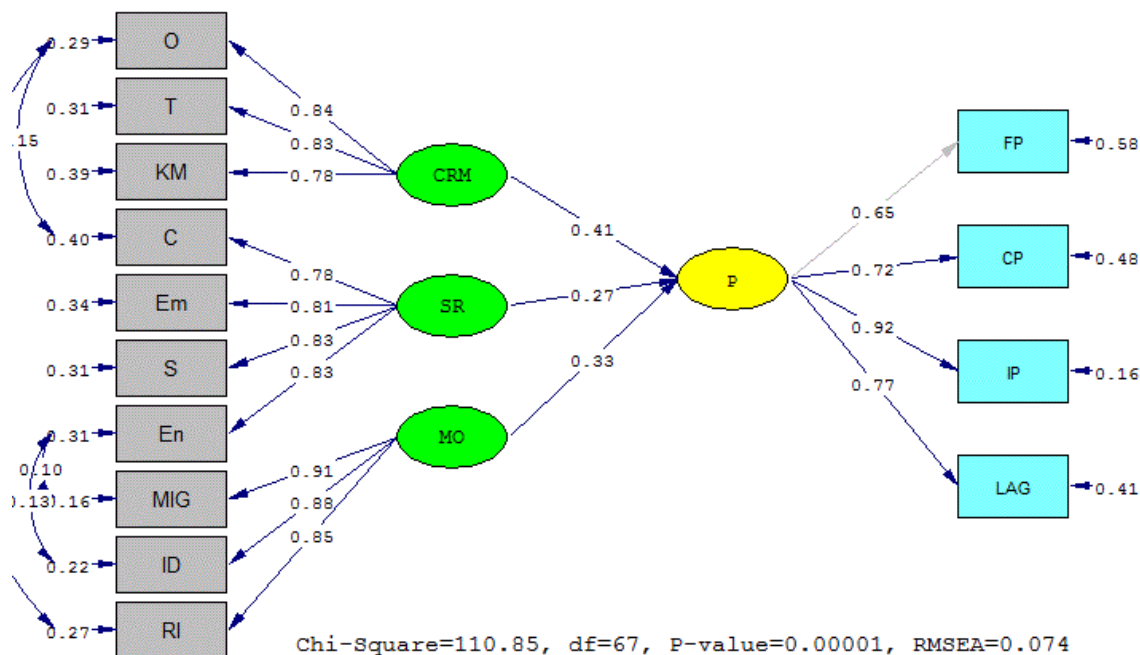
**Figure 2: Shows the model estimates a non-standard**



**Figure 3: Model in significant numbers (t-value)**

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The numbers on paths show the t value of each path. If the value is not significant, output is shown red. In this model t value for each path (customer relationship management, social responsibility and market orientation to performance) was more that 1.96 and the result was significant.



**Figure 4: Shows the standardized coefficients in**

The figure above shows the model in estimate standard mode. Only in estimate standard mode is possible to compare observed variants defining latent variant. Moreover, with regard to standard rate it can be said that Customer relationship management (41%), market orientation (33%) and social responsibility (27%) respectively have the most impact on performance.

**Approved Model**

**Table 6: fitness index**

Indicators	Value reported
Chi-square	110/85
Degree of freedom	67
Chi-square to degrees of freedom	1/65
RMSEA	0/074
GFI	0/86
AGFI	0/79
NFI	0/96
NNFI	0/97
IFI	0/98
CFI	0/98

As it is observed  $X^2$  value is 1.65 and is less than 3 that is adequate value. Low value of this index shows little difference between conceptual model and data observed in the research. RMSEA value is 074.0 and is less than 0.08. In addition to  $x^2$ , the less RMSEA, the model is more fitting. NFI – NNFI – IFI – CFI indexes are more than 9.0 and GFI is more than 0.8. So, the model has appropriate fitting and it is approved.

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**Table 7: Summary standardized coefficients, correlation coefficients, t-statistics and the results of hypothesis**

Paths	Standard rate	T-statistics	The coefficient of determination	Result
Customer Relationship→Management Performance	0/41	3/38	0.87	Confirmation
Social Responsibility→Performance	0/27	2/38		Confirmation
market orientation→Performance	0/33	3/20		Confirmation

Above table shows determination coefficient for performance variant was estimated 0.87 and it is shown that customer relationship management, social relationship and market orientation could explain only 87% performance changes. With regard to value standard rate and T statistic, it can be said that customer relationship management (41%), market orientation (33%) and social responsibility (27%) respectively have the most impact on performance (higher standard pass coefficient).

**Hypotheses Testing**

After investigating and improving model, research model hypotheses are evaluated and absolute value of t statistics is less than 1.96, null hypothesis is accepted and if absolute value of t statistics is less than 1.96, null hypothesis is rejected. In this section, hypotheses related to each question are tested.

Hypothesis 1: customer relationship management has direct impact on performance.

H<sub>0</sub>: customer relationship management does not have a significant impact on performance.

H<sub>1</sub>: customer relationship management has a significant impact on performance.

**Table 8: T statistics for hypothesis 1**

T statistics	Value of table	Conclusion	Impact value
3.38	Has impact	1.96	0.41

With regard to absolute value T statistic is 3.38 which is more than 1.96, so null hypothesis rejected. That is, in confidence level of 95%, customer relationship management has significant impact on performance. Impact value is 0.41 and it is positive; that is, by increasing value of customer relationship management, performance level is increased.

Hypothesis 2: social relationship has direct impact on performance.

H<sub>0</sub>: social relationship does not have a significant impact on performance.

H<sub>1</sub>: social relationship has a significant impact on performance.

**Table 9: T statistics for hypothesis 2**

T statistics	Value of table	Conclusion	Impact value
2.38	Has impact	1.96	0.27

With regard to absolute value T statistic is 2.38 which is more than 1.96, so null hypothesis rejected. That is, in confidence level of 95%, customer relationship management has significant impact on performance. Impact value is 0.27 and it is positive; that is, by increasing value of customer relationship management, performance level is increased.

Hypothesis 3: market orientation has direct impact on performance.

H<sub>0</sub>: market orientation does not have a significant impact on performance.

H<sub>1</sub>: market orientation has a significant impact on performance.

**Table 10: T statistics for hypothesis 3**

T statistics	Value of table	Conclusion	Impact value
3.20	Has impact	1.96	0.33

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With regard to absolute value T statistic is 3.20 which is more than 1.96, so null hypothesis rejected. That is, in confidence level of 95%, customer relationship management has significant impact on performance. Impact value is 0.33 and it is positive; that is, by increasing value of customer relationship management, performance level is increased.

### **Conclusion**

Population of this study is Shiraz dairy companies' staff which 64.2% of samples are men and 35.8 are women. 8.3% have MA, 69% have BA and 22.5% have associate degree. The result showed that that Customer relationship management (41%), market orientation (33%) and social responsibility (27%) respectively have the most impact on performance.

### **Suggestions**

Regarding that social responsibility can intrinsically have desirable impact on output and performance of companies in long term; it is suggested to investors that in making decision consider social relationship. With regard to increasing importance social relationship and investors and other beneficiary attention to this issue, it is recommended to managers that consider its dimensions and voluntarily show them. Cooperation in plans and social activates

- Considering the result of customer relationship management has the most impact on performance. Therefore, it is recommended to companies that emphasize on it and to improve customer relationship use customer relationship management system in all companies.

- Doing continuous researches about customers to collect information about their needs and desires and help to meet the customers' requirement and customer satisfaction and pave the way for improvement of company.

- Training staff to make perfect relationship and appropriate behavior with important customers to maintain them.

- Because business agencies should emphasize on better quality and customer orientation to have better performance, it is possible with market orientation. Therefore, it is suggested that companies increase market orientation level as an important and prioritized aim to improve their performance.

- It is suggested that making and producing in market is not limited to market, but all sectors and department of organization should aware of market, customers and information about market.

- It is suggested that manager or senior managers get instructions, skills and experiences about management and information distribution. Then based of structure of the organization, design publishing and distribution system and framework and transfer it to other member in the organization.

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