

# An Evaluation of factors Influencing Corporate Social Responsibility in Nigerian Manufacturing Companies

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## Abstract

Corporate social responsibility has been recognized as a weapon to survive in global competitive environment. This research paper evaluated factors influencing corporate social responsibility in Nigerian manufacturing companies. The population of the study covered all the staff of the selected manufacturing companies in Ibadan ( Nigerian Breweries, Nigerian Bottling Company, Procter and Gamble, Yale Nigeria limited and Eagle Flour Mill). Purposive sampling method was used to select ten (10) respondents from each organization totaling 50 respondents. Multiple regression was used to analyze the data with the aid of SPSS version 20. The result identified factors that influenced CSR practices as competition, employees demand, government policy, organizational culture, and customer demand ( $\beta = 0.547, 0.34, 0.044, 0.017$  and  $0.008$ ) respectively. The study recommended that organizations should see social performance as an enlightened self- interest and should therefore handle it with a great concern.

**Keywords:** CSR, Manufacturing, Competition, Customer, Nigeria

## Introduction

Corporate social responsibility (CSR) has been recognized by business organizations globally as a key to business success. Many researchers (Adegboyega and Taiwo, 2011; Kenneth et al, 2010; Greening and Turban, 2000; Fombrun, Gardberg and Barnett, 2000; Sen and Bhattacharya, 2001) have argued that enhanced social performance may lead to obtaining better resources, higher quality employees, better marketing of products and services and it may even lead to the creation of unforeseen opportunities. They also agreed that better social performance may also function in similar ways as advertising does, by increasing overall

demand for products and services and or by reducing consumer price sensitivity. Konar and Cohen (2001) also agreed that positive social performance could reduce the level of waste within productive processes. In the same view, Helg (2007) noted that CSR has the potential to make positive contributions to the development of society and businesses. In addition, stakeholder management theories suggest that CSR strategies may lead to better performance by protecting and enhancing corporate reputation (Fombrun, 2005 and Freeman et al., 2007).

Carroll (1979) saw corporate social responsibility as a construct with four main components: economic responsibility to investors and consumers, legal responsibility to the government or the law, ethical responsibilities to society, and discretionary responsibility to the community. Meehan et al (2006), in defining corporate social responsibility as one multidimensional construct capturing “a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s social relationships”

In Nigeria context, many organizations implemented CSR as a mere superficial window-dressing. It is widely believed by many that CSR efforts are mere campaigns by organizations to promote corporate brands (Osemene, 2012). Many Nigerians are ignorant of CSR; hence, whenever an organization does something ‘supposedly big’ for the society, such a company and its management are eulogized for being caring and philanthropic (Fombrun, 2005). According to Osemene (2012) many organizations in Nigeria are driven by the need to make more and more profits to the detriment of all the stakeholders, while some do not adequately respond to the needs of host communities, employees’ welfare, environmental protection and community development. Research has shown that CSR can increase profitability, sustainability, integrity and reputation of any business that includes it in its policy. Adegboye and Taiwo, (2011) discovered that the activities of civil society organizations in recent years have contributed to the pressure on corporate bodies to be more responsive in giving back to the society and the environment.

The main objective of this research paper is to investigate factors that influence corporate social responsibility adoption in Nigerian manufacturing companies.

### **Literature Review**

The concept of CSR has no one universally accepted definition, and exists in multiple related concepts and terms which are interchangeable with CSR (Kenneth et al, 2010). Baron (2001) argued that “Corporate Social Responsibility is an ill- and incompletely defined concept” .Definition proposed by the World Business Council for Sustainable Development (WBCSD) (2004) argued that “CSR is the commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.” This definition includes the elements that are generally included in empirical work on CSR, such as the community, the environment, human rights, and the treatment of employees. While some of these elements relate to social dimensions, others focus on stakeholders. According to Garriga and Melé (2004) as cited in Lei, (2011) defined four categories of CSR theories and related approaches: 1) instrumental theories that the corporation is seen as only an instrument for wealth creation. Friedman’s shareholder approach, the strategic CSR approach, and the resource-based approach belong to this category; 2) political theory, which concern the political power of corporations in society. The corporate constitutionalism approach to CSR and Corporate Citizenship are good examples of this group; 3) integrative theories whose emphasis is on the satisfaction of social

demands, including the community obligation approach, the social obligation approach, CSP, and the stakeholder approach; and 4) ethical theories, based on the ethical responsibilities of corporations to society, good examples being modern CSR paradigms, the normative approach, and the stewardship approach.

Table 1:

*Evolution of The Concepts of Corporate Social Responsibility (Csr)*

Source	Concept	Focus
<b>Prior CSR</b>		
Sheldon, 1924	"The cost of building the Kingdom of Heaven will not be found in the profit and loss accounts of industry, but in the record of every man's conscientious service."	Ethical Management
Barnard, 1938	Analysis of economic, legal, moral, social and physical aspects of the business environment.	Multiple Aspects
Simon, 1945	Organizations must be responsible to community values.	Community Relationship
<b>1950s: beginning of CSR</b>		
Drucker, 1954, Selznick, 1957	"Corporate responsibilities as an obligation to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."	Social Obligation
<b>1960s: definition expanding</b>		
Davis, 1960	"Social responsibilities of businesses arise from the amount of social power that they have."	Corporate constitutionalism
Friedman, 1962	The social responsibility of business is to increase its profits.	The shareholder approach
Walton, 1967	"Social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals."	Essential element of CR
<b>1970s -1990s: definition proliferating</b>		
Friedman, 1970	CSR is indicative of self-serving behaviour on the part of managers, and thus conflicts to shareholder benefit.	Agency theory
Jones, 1980	CSR as "the notion that corporations have an obligation to constituent groups in society other than shareholders and beyond that prescribed by law or union contract."	Social Obligation
Fombrun and Shanley, 1990	Companies should consider CSR as an element of corporate strategy.	Strategic CSR

Costin, 1999	CSR as the basic expectations of the company regarding initiatives that take the form of protection of public health, public safety, and the environment.	Initiative view
<b>21st century: shifting from 'What' to 'How'</b>		
Matten and Crane, 2005	“Corporate citizenship describes the role of the corporation in administering citizenship rights for individuals.”	Corporate Citizenship
Lindfeldt and Törnroos, 2006	At corporate level, ethics includes issues on the sustainability of finances, the environment and society.	Sustainability
Meehan et al., 2006	Three elements are: ethical and social commitments, connections with partners in the value network, and consistency of behavior over time to build trust.	3C-SR model

Source: Lei (2011)

### Factors Influencing Involvement in Corporate Social Responsibility

Business organizations are established to produce goods and service that society wants and needs. Windsor (2001) agreed that social responsibility is achieved when the corporation conforms to the prevailing norms and expectations of social performance in a given society. Business organization only contributes fully to a society if it is highly efficient, highly profitable and has socially responsible agendas (Coldwell, 2001). Demands for corporate social responsibility (CSR) come from external stakeholders, such as communities and societies with general expectations or governments with explicit requirements of social legitimacy (Wood, 1991). Some of corporate social responsibility (CSR) demands come from internal stakeholders, such as moral and relational needs of employees (Aguilera, Williams, Conley, & Rupp, 2006). Osemene, (2012) discovered that demands for corporate social responsibility come from competitors, customers, pressure group, service quality and legal requirements. While Onwuegbuchi (2009) agreed that demands for corporate social responsibility come from host community, legal requirement, competitors and ethics of the firm or organizations. Moreover, scholars (Maignan & Ralston, 2002) have claimed that the inclination toward socially responsible corporate behavior differs across countries and much more research is needed to recognize why.

### Benefits Of Incorporating Corporate Social Responsibility To An Organisation

Osemene, (2012) identified benefits that may accrue to any organization that incorporates CSR. Some of these are increased brand value; greater access to finance; a healthier and safer workplace; stronger risk management and corporate governance; motivated people and community; customer loyalty; enhanced confidence and trust of stakeholders; an enhanced public image and economic success. He went further to say that any organization that incorporates CSR as a core business is not doing any special favour to the society but is indirectly creating more avenues for a greater growth, success and profitability for its business. Reputational damage may occur for failure to incorporate CSR. Elizaveta (2010) claimed that CSR business attracts the best workers and bring more customers to any organization. Diffey (2007) also believed that consumers prefer to patronize who are alive to CSR practices. The finding of Mirfazli (2008) is line with other researchers who discovered in

his research that failure to carry out social responsibilities will cause more harm to a business than any good. He went further to say that ethical responsibilities do attract and retain the best workers in an organization.

**Methodology**

The study is a descriptive field study conducted through personally administrative questionnaire.

The population of the study covered all the staff of the selected manufacturing companies in Ibadan ( Nigerian Breweries Plc, Nigerian Bottling Company, Procter and Gamble, Yale Nigeria limited and Eagle Flour Mill). Purposive sampling method was used to select ten (10) respondents from each organization totaling 50 respondents. In order to test the reliability and validity of the instrument, a test – retest method was used and the instrument was given to professionals for scrutiny and evaluation. Multiple regression was used to analyze the data with the aid of SPSS version 20.

**Model specification**

Mathematically the model is expressed as:

$$CSR = f (X1, X2, X3, X4, X5, X6) + U1 \dots\dots\dots(1)$$

Where

CSR = adoption of CSR

X1 = organizational culture

X2 = competition

X3 = pressure groups

X4 = government policy

X5 = customer’s demand

X6 = employees’ demand

U1 = stochastic error term

The adoption of CSR (dependent variable) was regressed against the listed factors (independent variables) in order to determine the degree of influence of these factors and their impact on CSR activities.

**Data Analysis And Result Interpretation**

Table 1

*Model Summary<sup>b</sup>*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.796 <sup>a</sup>	.633	.581	.32689	1.563

a. Predictors: (Constant), Employee demand, Organisational culture, Government policy, Customer demand, Pressure group, Competition

b. Dependent Variable: Corporate social responsibility

Table 2

ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.757	6	1.293	12.098	.000 <sup>b</sup>
	Residual	4.488	42	.107		
	Total	12.245	48			

a. Dependent Variable: Corporate social responsibility

b. Predictors: (Constant), Employee demand, Organisational culture, Government policy, Customer demand, Pressure group, Competition

Table 3

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.258	1.062		1.184	.243
	Organizational culture	.017	.104	.017	.161	.873
	Competition	.561	.116	.547	4.836	.000
	Pressure group	-.180	.107	-.180	-1.676	.101
	Government policy	.004	.009	.044	.455	.651
	Customer demand	.008	.110	.008	.071	.944
	Employee demand	.301	.099	.340	3.046	.004

a. Dependent Variable: Corporate social responsibility

Table 1, 2 and 3 show that organizational, competition, pressure group, government policy, customer demand and employees demand were significant joint predictors of adoption of CSR with  $R^2 = 0.633$ ;  $F(6, 42) = 12.098$ ;  $P < .01$ . The predictor variables jointly explained 63.3% of the variance of job satisfaction, while the remaining 45% could be due to the effect of extraneous variables. From table 3 it can be deduced that competition has the highest beta ( $\beta = 0.547$ ) this implies that business organizations adopt CSR mostly because of competition and follow by employees demand, government policy, organizational culture, and customer demand ( $\beta = 0.34, 0.044, 0.017$  and  $0.008$ ) respectively. This result conform to Osemene, (2012) who found that demands for corporate social responsibility come mostly from competitors and from customers, pressure group, service quality and legal requirements. This indicate that business organization adopt CSR because of competitors. This finding agreed with Elizaveta (2010) and Diffey (2007), who claimed that CSR adoption in business organization attracts the best workers and bring more customers to any organization. They went further to add that companies without CSR most often fail sooner or later and that big organizations appear.

### Conclusion and Recommendation

This research work investigated the factors influencing CSR involvement by business organizations with special reference to selected manufacturing companies in Ibadan metropolis.

The study revealed that business organizations involve in CSR mostly because of competition. This means that business organizations are socially responsible in order to remain in a global competitive environment. The result also revealed that employees demand, government policy, organizational culture, and customer demand are another major factors influencing CSR.

This indicate that CSR involvement creates good will for the organizations and this over time stimulates increased patronage and that the tension of social responsibility to the employees entails treatment of the workers beyond the legal terms of contract of employment and this has the potentials of raising the workers morale, increasing their productivity and reducing labour turnover.

Based on the findings, it is therefore recommended that the business organizations should see social performance as an enlightened self- interest and should therefore handle it with a great concern since in the final analysis, the organization stands to gain much more than the amount expended on such a project.

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