Survey of Corporate Social Responsibility Practices in Nigerian Manufacturing Sector

Article - September 2012
DOI: 10.5861/ijrsm.2012.177

1 author:

Akinyomi Oladele John
Mountain Top University, Ogun State, Nigeria
56 PUBLICATIONS 88 CITATIONS
SEE PROFILE

Some of the authors of this publication are also working on these related projects:

Effect of inventory management on profitability: Evidence from the Nigerian manufacturing sector View project
Survey of corporate social responsibility practices in Nigerian manufacturing sector

Akinyomi, Oladele John
Redeemer’s University, Ogun State, Nigeria (delejohn21@yahoo.com)

Received: 15 August 2012 Revised: 24 August 2012 Accepted: 1 September 2012
Available Online: 6 September 2012 DOI: 10.5861/ijrsm.2012.177

Abstract

Based on stakeholders’ theory, this study examined the practice of corporate social responsibility by manufacturing companies in Nigeria. It employed survey research design to study 15 randomly selected companies in the food and beverages sector. A total of 225 questionnaires were administered to collect data. Data analysis revealed that CSR is a familiar concept in the sector as most of the companies do engage in CSR activities regularly. The major areas of focus of the CSR activities include Education and Youth Development/Sport, among others. However, the study revealed that the proportion of Turnover invested in CSR is negligible. The hypothesis tested also corroborated this fact as the result of the test indicated no significant relationship between turnover and CSR investments. The major recommendation is that Nigerian manufacturing organizations should review their CSR policies to ensure that they are not just socially responsible, but to be seen so by the public.

Keywords: manufacturing; social responsibility; turnover; Nigeria and sustainability
Survey of corporate social responsibility practices in Nigerian manufacturing sector

1. Introduction

Every business organization operates within a society. The relationship that an enterprise has with the society in which it operates can be summed up under a concept referred to as corporate social responsibility (CSR hereafter). The concept of CSR emerged in the early 20th century in the United States. It is mainly about whether or not a corporate organization should be responsible for its stakeholders, including its customers, shareholders, employees, suppliers and community (Vertigans, 2011). CSR is becoming an increasingly powerful tool of modern societies; carried out by companies on a voluntary basis, working to deliver social cohesion and environmental sustainability as well as economic development. In transition and post-transition countries, CSR can become a forceful tool contributing towards sustainable development and societal regeneration (Kori, 2007).

1.1 Statement of problem

Promoters of CSR have argue that organisations should integrate economic, social and environmental concerns into their business strategies, their management tools and their activities, going beyond compliance and investing more on human, social and environmental capital (Belal & Momin, 2009; Perrini, 2006). Moreover, Lee and Park, (2010) observed that the concept of CSR has been recognized as an important ingredient for business success.

There has been a recent escalation in CSR disclosures by corporations worldwide; this signals the significance of CSR for sustainable development. By disclosing information on social and environmental issues, companies can improve their public image, customer patronage and obtain competitive advantage (Azim, Ahmed, & D’Netto, 2011). However, most of the previous studies on CSR disclosure in firms were conducted in the advanced market economies. Only limited studies have so far been conducted in the developing markets, especially in Nigeria. Even the few studies on CSR in Nigeria concentrate majorly on Multinational oil companies operating in the Niger-Delta region. The current state of CSR practices in the Nigerian manufacturing sector is yet to be investigated. Meanwhile, the manufacturing sector is germane to the realization of the Nigerian vision 20/2020 aspiration. Since investment in CSR can be correlated with a firm’s survival, economic well-being, competitive advantage and customer loyalty (Rahim, Jalaludin, & Tajuddin, 2011); there is need for the manufacturing firms to incorporate CSR into their core business strategy. Thus, the question as to the current state of CSR practices in the Nigerian manufacturing sector remains unresolved and requires further investigation. Therefore, the main objective of this study is to examine the current level of CSR practices by manufacturing companies in Nigeria.

1.2 Research objectives

➢ To determine whether or not Nigerian manufacturing companies engage in CSR activities.
➢ To examine the specific areas where CSR activities are targeted in the Nigerian manufacturing sector.
➢ To evaluate the proportion of turnover that is invested in CSR in the Nigerian manufacturing sector.

1.3 Research questions

In order to achieve the objective of this study, the following research questions have been posed:

➢ Do Nigerian manufacturing companies engage in CSR activities?
➢ What are the major areas where CSR activities are targeted in the Nigerian manufacturing sector?
1.4 Research hypotheses

In order to successfully carry out this investigation one hypothesis has been formulated, this will be tested the validity or otherwise of the proposition.

H0: There is no significant relationship between turnover and investment in CSR in the Nigerian manufacturing sector.

Justification for the study

There is a high rise in the quest for social responsibility from the manufacturing sector because of its importance to the development of any country (Terungwa, 2011). Jonathan (2011) asserts that the manufacturing sector is germane to the realization of the Nigeria’s Vision 20/2020 aspiration. It is therefore needful for manufacturing companies to be socially responsible so as to build their reputation, which may in turn affect their customers’ patronage.

2. Review of related literature

One of the factors responsible for limited conceptual understanding of CSR is the complexity and absence of consensual definitions of the concept (Idemudia, 2008; Gulyas, 2009). Although the concept of CSR is widely discussed in theory and practice (Weber, 2008) a universally accepted definition of CSR is yet to emerge (Turker, 2009). CSR can be conceptualised differently by individuals (Griffin, 2000). Indeed Amaeshi and Adi (2005) argue that there are as many definitions of CSR as there are writers on the topic.

CSR can be defined as actions that appear to further some social good, beyond the interests of the firm and that which is required by law (McWilliams & Siegel, 2001). Important in this definition is that CSR activities are on a voluntary basis, going beyond the firm’s legal and contractual obligations. As such it involves a wide range of activities such as being employee-friendly, environment-friendly, and mindful of ethics, respectful of communities where the firms’ plants are located, and even investor-friendly (Bénabou & Tirole, 2010). To Ademosu, (2008) CSR is what an organization does to contribute to the social, economic, political or educational development of the community where it is located, but which it is not compelled to do by any law. In his review, Sharma (2011) defined CSR as a combination of sustainable development and treating employees and the society with respect and dignity within which companies operate.

2.1 Theoretical perspectives about CSR in the developing countries

Carroll’s CSR model was developed for the developed world; therefore, Visser (2007) redesigned the Carroll’s model for the developing countries context. He identified the CSR manifestation in the developed world, and investigated how far it is equivalent with the developing world. In addition, he rearranged the Carroll’s (1999) CSR pyramid, and replaced discretionary responsibilities with philanthropic responsibilities. The basis of his pyramid was the economic category, the foundation upon which the other four categories rested.

Even though Carroll proposed a linear evolution in the model where economic responsibilities came first and philanthropic responsibility came in the last stage of CSR maturity, a growing body of evidence suggests that in developing countries’ CSR practice is focusing on philanthropic responsibilities (Jamali & Mirshak, 2007). Visser (2007) shows this came in the second stage of the pyramid. He also suggested 10 major drivers that characterize CSR in those contexts and he divided these drivers into internal and external drivers. He considered the internal drivers represent pressures from within a country, such as, cultural tradition, political reform, socio-economic priorities, governance gaps, crisis responses and market access, on the other hand external drivers represent the international standards, investment incentives, stakeholder activism and supply chains, which tend to have a global origin.
To satisfy economic responsibility towards society, corporations should provide goods and services that society wants at reasonable prices. In addition, corporations have an economic responsibility towards themselves, that is, making profits to be able to continue providing goods and services that society needs and wants at reasonable prices. They also need to pay their employees, increase value for their shareholders, and take care of the interests of other stakeholders (Carroll, 1979). According to Ferrell (2004), the economy is influenced by the ways in which the corporation relates to its stakeholders. Economic responsibility lies in maximizing not only shareholders' interests but also other stakeholders' interests as well.

Moreover, in carrying out their economic responsibility, corporations are expected to work within the framework of laws and regulations as a partial fulfillment of the "social contract" between corporations and society. Carroll (1991) stated that it is important for legal responsibility to be performed in a manner that is consistent with the expectations of governments and laws, complying with the various federal, state and local regulations. A successful corporation should be recognized as one that fulfils its legal obligations (Conchius, 2006). Ethical responsibility on the other hand embodies those standards and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights (Creyer & Ross, 1997).

According to Carroll (1991), business performance can be determined by the corporation's consistency in promoting moral and ethical standards. If a corporation practices good corporate citizenship, the activities of the corporation are trusted. Ethical responsibility also recognizes that corporate integrity and ethical behavior should go beyond the requirements of laws and regulations. Balancing economic, legal and ethical responsibilities is important. If the corporation does something that is appropriately economic and legal, it must also be appropriately ethical.

Lastly, philanthropic responsibility refers to corporate actions that are in response to society's expectations of good corporate citizens. Corporate philanthropy is likely to enhance the image of corporations especially those that have high public visibility (Ferrell, 2004). Corporate philanthropy should also increase employee loyalty and improve customer ties. Philanthropic activities include business contributions in terms of financial resources or executive time, such as contributions to the arts, education, or communities.

Carroll (1991) observed that it is important for managers and employees to participate in voluntary and
charitable activities within their local communities, especially in projects that enhance a community's quality of life. The distinguishing characteristic between philanthropic and ethical responsibilities is that philanthropic responsibilities are not expected in an ethical or moral sense. Society desires corporations to contribute their money, facilities and employee time to humanitarian programs or purposes, but society does not regard the corporation as unethical if they do not achieve the level of philanthropic responsibility. Although society wishes corporations to be philanthropic, it is voluntary on the part of corporations. According to Fombrun, Gardberg, and Barnett, (2000), the case for philanthropy comes from two different sources; strategic philanthropists argue that, although philanthropy may not generate direct economic returns, it will enhance the firm's long-term competitive position through intangible gains in reputation, legitimacy or employee loyalty.

2.2 Stakeholder theory

An approach in defining and developing CSR is provided by the stakeholder theory (Post, 2003), which has indeed become one of the most important and frequently cited theories in the literature. It is upon this theory that this present study hinges. Stakeholder theory suggests that organizational survival and success is contingent on satisfying both its economic (e.g., profit maximization) and non-economic (e.g., corporate social performance) objectives by meeting the needs of the company's various stakeholders (Pirsch, Gupta, & Grau, 2007). According to this approach, paying attention to the needs and rights of all the stakeholders in a business is a useful way of developing socially responsible behavior by managers (Maignan & Ferrell, 2004). A socially responsible organization is seen as one in which obligations to stakeholders figure prominently in the decision-making of managers (Gibson, 2000; Weiss, 2003).

Early research in the area of stakeholder management defines a stakeholder in an organization as any group or individual who can affect or is affected by the achievement of the organization’s objectives (Freeman, 1984 cited in Rahim et al., 2011). Primary stakeholder groups consist of shareholders and investors, employees, customers, suppliers, public entities such as governments or other public organizations that set laws and govern economic, commerce and trade associations and environmental groups. Meanwhile, secondary stakeholders are diverse and include those who are not directly engaged in the organization’s economic activities but are able to exert influence or are affected by the organization.

Stakeholder theory suggests that firms are motivated to broaden their objectives to include other goals in addition to profit maximization. Based on this theory, many companies embrace a CSR program as a way to promote socially responsible actions and policies and to effectively respond to stakeholder demands (Maignan & Ferrell, 2004). Motivation for satisfying stakeholder demands stems from the fact that addressing stakeholder needs can be correlated with a firm's survival, economic well-being, competitive advantages, and the development of trust and loyalty among its targeted customers (Rahim et al., 2011).

In sum, firms engage in CSR to secure their 'license to operate' (legitimacy), whereby the firms are required to meet the interest and demand of the multiple stakeholder groups and honor both the explicit and implicit contracts with various constituents. As a result of honoring contracts, a company develops a reputation, which in turn secures a competitive advantage in the market and ultimately gains long-term profitability and viability of the firm.

3. Methodology

The survey research design is employed in carrying out this study. The population of the study is the total number of the Food and Beverages manufacturing companies that are quoted in the Nigerian Stock Market. As at the time of writing this paper, there are twenty-seven (27) of such companies in Nigeria; out of which a sample of 15 companies were randomly selected. Fifteen (15) staff members in each of the selected company were included in the survey, making a total of two hundred and twenty-five (225) subjects. However, only one hundred and twenty-three (123) questionnaires were returned.
Data for this study were collected both from the primary and secondary sources, in line with other similar studies on the subject (Chapple & Moon, 2005; Amaechi, Adi, Ogbechie, & Amao, 2006; Uadiale & Fagbemi, 2011). Specifically, primary data would be obtained through structured questionnaire; meanwhile secondary data would be obtained from the web sites and published audited annual accounts of the sampled companies. Data contained in the audited annual reports are considered credible because such reports are usually certified by independent auditors. For the purpose of this study, descriptive statistic (such as simple percentages and frequency distribution); and correlation co-efficient were employed in the data analysis. The only hypothesis of the study was tested using the students’ T-test.

4. Data analysis and discussion

The result of the subjects’ responses to their familiarity with CSR, 98 representing 80.33% of the respondents indicated that they are familiar with the concept CSR, while the remaining 19.67% of the respondents are not familiar with the concept. This means that CSR is a familiar concept to the respondents.

Table 1

<table>
<thead>
<tr>
<th>Familiarity with CSR</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>98</td>
<td>80.33</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>19.67</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey, 2012

Table 2 above revealed that most (75.41%) of the studied companies engage in CSR activities. This means that CSR is part and parcel of the Nigerian manufacturing Industry.

Table 2

<table>
<thead>
<tr>
<th>Does your company engage in CSR</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>92</td>
<td>75.41</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>15.57</td>
</tr>
<tr>
<td>No Idea</td>
<td>11</td>
<td>9.02</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey, 2012

Table 3 above summarized the various areas where CSR efforts are targeted in the Nigerian manufacturing sector. Education has the highest attention with 40.98% of the CSR in the sector targeted at it, followed by Youth development/Sport (31.97%), Health (11.48%), Women Empowerment (7.38%), Community Development (6.56%) and others (1.63%). This means that Education and Youth development/Sport formed the major areas where CSR activities in the sector are targeted.

Table 3

<table>
<thead>
<tr>
<th>Area where CSR is targeted</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>50</td>
<td>40.98</td>
</tr>
<tr>
<td>Community Development</td>
<td>8</td>
<td>6.56</td>
</tr>
<tr>
<td>Health</td>
<td>14</td>
<td>11.48</td>
</tr>
<tr>
<td>Youth Development/Sport</td>
<td>39</td>
<td>31.97</td>
</tr>
<tr>
<td>Women Empowerment</td>
<td>9</td>
<td>7.38</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>1.63</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey, 2012

Table 4 above summarized the score obtained on how frequent the selected companies engage in CSR
activities. With the mean score of 3.521 on a 5-point scale, it connotes that CSR activities are being carried out regularly in the sector.

Table 4

<table>
<thead>
<tr>
<th>Regularity of CSR activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>122</td>
</tr>
</tbody>
</table>

Source: Field survey, 2012

Using excel package to compute the value of correlation co-efficient between turnover and CSR Investment, the value of (R) 0.30886 was obtained. The correlation coefficient of 0.30886 indicates that turnover is positively-related to CSR Investment in the selected companies. Furthermore, when coefficient of determination was computed (R²) the value of 0.0954 was obtained. This connotes that on the average, the companies invest 9.54% of their turnover in CSR. This proportion is so insignificant when compared to the revenue generated by these companies. Moreover, in testing the hypothesis formulated in the earlier part of this study at 5% level of significance and 13 degree of freedom, using the formula:

\[ T = r \sqrt{\frac{n-2}{1-r^2}} \]

The value of 1.2313 was obtained, but when compared with the critical value of 1.7709, the null hypothesis is accepted. Therefore one concludes that there is no significant relationship between turnover and investment in CSR in the Nigerian manufacturing sector.

Table 5

<table>
<thead>
<tr>
<th>Correlation between turnover and CSR investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>S/No</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>15</td>
</tr>
</tbody>
</table>

Source: Audited annual reports and websites of the various companies

5. Implication of findings

The data analysis carried out in this study provides indication that manufacturing companies’ investment in social responsibility is negligible. Insufficient investment in corporate social responsibility has many implications for the management of the various manufacturing organizations. Though these companies report huge profit yearly, they have not done enough to give a face lift to the immediate communities where they operate. This negligence may threaten the long run survival of these companies. A situation whereby companies have pipe borne water in their premises but cannot provide any outlet for the surrounding community is worrisome. Meanwhile the host community members have to trek long distance into streams and rivers to get their own supply of water. Furthermore, the increasing number of unemployed youth who roam about the host communities without any means of livelihood should be a concern to management. Management of these
companies should be interested in the welfare of their host communities. Possibility of incorporating youth and women empowerment as part of the organization’s strategies should be considered.

5.1 Conclusion

This study examined the current practice of CSR in Nigerian manufacturing sector. The review of literature and data analysis revealed that CSR is a familiar concept in the sector as most of the companies in the sector do engage in CSR activities regularly. The major areas of focus of the CSR activities include Education and Youth development/Sport, among others. However, the study revealed that the proportion of Turnover invested in CSR is negligible. The hypothesis tested also corroborated this fact as the result of the test indicated no significant relationship between turnover and CSR investments.

5.2 Recommendations

Business organizations cannot operate successfully without the cooperation of the society in which it is located. Therefore, Nigerian manufacturing organizations should review their CSR policies to ensure that they are not just socially responsible, but to be seen so by the public. Specifically, youth and women empowerment should be incorporated into the organizations business strategies. This would go a long way in providing a friendly environment for the companies to operate and also enhance sustainable development.

6. References:

Ferrell, O. C. (2004). Business ethics and customer stakeholders. The Academy of Management Executive,
Survey of corporate social responsibility practices in Nigerian manufacturing sector


