APPRAISAL OF THE PRACTICE OF SOCIAL RESPONSIBILITY BY BUSINESS ORGANISATIONS IN NIGERIA

Olu Ojo
Covenant University, Ota, Nigeria.

ABSTRACT
This paper focuses on the social responsibility of business organizations in Nigeria. It examines the extent of their involvement in the concept of social responsibility with a view to recommend the strategic importance of being socially responsible to all the stakeholders. The methodology employed was that the researcher examines the Annual Reports and Accounts of randomly selected companies and compared their turnover with their investment in social responsibility.
The result revealed that these companies have contributed infinitesimal amount of their gross earnings in social responsibility. Thus, they need to increase their involvement in social responsibility to boost their reputation capital.

Key words: Business organizations, Gross earnings, Social responsibility

1. INTRODUCTION

Business organizations operate in a given environment characterized by dynamism, complexity and uncertainty. Thus, managers must take into consideration the interests of many external public (stakeholders and society) in the performance of their organizations duties. More than ever before, stakeholders demand that business functions in a responsible way. Business responsibility and its relationship to the community in which it operates and seeks to serve are more important than ever.

The concept "corporate social responsibility" (CSR) has a philosophical orientation (Wartick and Cochran, 1985). CSR was described by Jones (1996) as an 'ideology', was advanced during the past 50 years with the business and society research tradition. CSR refers to corporate performance that is *normatively correct* with respect to all constituents of the firm (Epstein, 1987). Such normative correctness implies a correspondence between corporate action and societal expectations (Zanisek, 1979). CSR is concerned with the different segments of the society to which corporations have obligations. According to Carroll, 1991, social expectations can be translated into four characteristics of corporate social responsibility, viz: economic, legal, ethical, and discretionary. This means that companies are expected to generate profit, to obey the law, to operate in harmony with the unwritten social rules, and to voluntarily support societal programmes even if society does not expect such support.

A number of empirical studies have been conducted to explore managerial response to social demands and the impact on organizational performance. Alexander and Bucholz (1978) noted that the relationship between the market performance of a firm's common stock and its social responsibility has been a subject of contradiction. One view according to these researchers is that social responsibility will make a firm an attractive investment (Stanwick and Stanwick, 1988; Arlow and Gannon, 1983; Wokutch and Spencer, 1987).

Research on this subject shows that most of the studies were conducted in industrialized countries such as United State, the United Kingdom, and Japan. This implies that there is dearth of relevant literature on Third World countries, including Nigeria which has to be covered by research. Equally important is the fact that most of the studies done so far on the subject of corporate social responsibility have produced some conflicting results. In view of the conflicting findings obtained from past investigations on corporate social responsibility and performance, there is need for further empirical research to examine social responsibility practices of Nigerian firms.

It is against this background that this paper tries to discuss and to clarify the role of business in our modern society with special emphasis on corporate social responsibility of limited liability companies. The paper examines the relationship between corporate social responsibility and organizational performance. However, the empirical study of the investment of selected companies in corporate social responsibility is limited to quoted companies by the Nigerian Stock Exchange Market.

2. THEORETICAL FAMEWORK

2.1 CONCEPT OF CSR

Social responsibility as a concept has been described in a number of ways by different writers. Most of theses descriptions are inescapably guided by educational background, exposure, interest, as well as values embodied in the writer's frame of reference. The concept of social responsibility proposes that business organizations have responsibilities to society that extend beyond profit maximization. There are as many definitions of CSR as there are writer, leaving the concept fuzzy (van Marrewijk, 2003; Gobbels, 2002; Henderson, 2001) and open to conflicting interpretations (Windersor, 2001). Some writers have equated CSR to morality (Freeman, 1994; Bowie, 1998; Phillips 2003), environmental responsibility (Des Jardins, 1998) stakeholders engagement (Andriof and Waddock, 2002), corporate citizenship (Carroll, 2004; Matten and Crane, 2005), social responsible investment (Warhurst, 2001; McLaren, 2004), sustainability (Bansal, 2005) amongst others. All these render CSR a multipurpose concept.

Despite this surge in definitions, Luttans and Hodget (1976) noted that a classic discussion of social responsibility is the obligation of the businessmen to pursue these policies, to make decisions or to follow those lines of actions, which are desirable in terms of objectives and values of the society. In the words of Jones and George (2003) the term social responsibility refers to a manager's duty or obligation to make decisions that nurture, protect, enhance, and promote the welfare and well-being of stakeholders and society as a whole. The European Union (EU) defines CSR as 'a concept whereby a company integrates social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' as they are increasingly aware that responsible behavior leads to sustainable business success. At the heart of this definition are McWilliams and Siegel's (2001) explanation of CSR as "….actions that appear to further some social good, beyond the interests of the firm…."

As straight forward as these definitions seem, social responsibility can be a difficult concept to understand. This is because different people have different views about the actions that can improve society's welfare. Failure of an organization to undertake its social responsibility can lead to regulation by government and an opposition by the society. Thus, business must make positive impact on the society. The ability of an organization to make meaningful positive impact and reduce deliberately, its negative influence on the society is an integral part of its social responsibility. However an action must be voluntary to qualify as a socially responsible action (Kreitner, 1995).

2.2. THEORETICAL PERSPECTIVES ON CSR.

Many theories have been brought to bear on the concept of CSR. In addition, there have been a lot of disagreements over what social responsibility entails. These controversies could be traced to a fundamental debate about the exact purpose of a business. Depending on one's perspective, social responsibility can be interpreted using either of the theories discussed below. Two major schools of thought exist at opposite extremes of a continuum; the restrictive and expansionist views. The former is made up of proponents of profit maximization while the latter consists of writers who believe that business has to be socially responsible.

The Shareholder Theory

This is otherwise known as the classical economic view. Levitt (1985) could be credited with setting the agenda for the debate about the social responsibility of business in his Harvard Business Review article "The Dangers of Social Responsibility", in which he cautions that "government's job is not business, and business job is not government." Another outspoken advocate of the shareholder theory is economist Milton Friedman.

According to Friedman (1970) the only responsibility of business organization is to use its resources and engage in activities designed to maximize profit through open and free competition, and without deception and fraud. This position is based on the argument that business organization is an economic institution whose legitimate function is economic performance and not social activity.

The Stakeholder Theory.

The stakeholder theory holds that business organization must play an active social role in the society in which it operates. Freeman (1984) one of the advocates of stakeholder theory, presented a more positive view of manager's support of CSR. He asserts that managers must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers, suppliers, government and local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, otherwise, these groups might withdraw their support.

3. HISTORICAL EVOLUTION OF CSR

The idea of social responsibility appeared in the United States around the start of the 20th century. According to Carroll (1989), there have been three critical turning points in the evolution of social responsibility. The first one he called **Entrepreneurial era**. This was the time in which America business magnates like John Rockefeller, Cornelius Vanderbilt, J.P.Morgan, and Andrew Carnegie were amazing wealth and building industrial empires.

Unfortunately, they abused their power and were found guilty of antisocial and anticompetitive practices such as labor lockouts, discriminatory pricing policies, kickbacks, blackmail, and tax evasion. There were public outcries against them and government was forced to outlaw some business practices and restrict others. The laws also defined the relationship among business, the government, and society and specified that business had a role to play in society beyond profit maximization.

The next turning point occurred during **Depression era** of 1929 through the 1930s. At this time, the economy of the United States was dominated by large organizations, and many people criticized them for sharp financial practices. This made government to pass more laws to protect investors and smaller businesses. And by extension, the social responsibility of organization was more clearly defined. The third landmark in social responsibility came during the Social era of 1960s. This period was characterized by social unrest in the United States. This made government to take a close look at organizational practices. At this time it was clearly defined whom the business is responsible to and who in an organization's is responsible for the organizational practices.

The last turning point in the evolution of CSR, according to Goddard (2005) came in 1953 with the publication of Bowen's book: '*Social Responsibilities of Businessmen*.' At that time, the emphasis was placed on people's conscience rather than on the company itself. A number of factors such as managerial revolution, a growing hostility of people who experience social problems demanding changes in business led to the shift in focus. The term 'CSR' is used to connect business activities to broader social accountability and successful benefits.

4. METHODOLOGY

In conducting this study the researcher ensured that the research data collection matched the research objective-to explore the practice of CSR in Nigeria. A survey of 40 limited liability companies quoted on the floor of Nigerian stock exchange was undertaken. The sample was randomly selected from a total number of 209 companies which were quoted on the floor of the stock market as at July 2007. The distribution of selected forty companies across thirteen different sectors of the Nigerian economy is presented in table 1. Secondary data were used for the study. The data were about the company's annual turnover and their investment in social responsibility. These were expected from the published annual reports and account of the sampled companies between 2000 and 2006. Table 2 presents the descriptive analysis of the data generated from the companies' annual reports and accounts.

5. ANALYSIS

The data collected for this study were analyzed by the use of correlation, regression, and Analysis of Variance (ANOVA). Annual report and accounts of the sampled companies were analyzed to determine the total amount invested in social responsibility. Table 2 above gives the summary of the data. The table revealed that the amount committed to social responsibility vary from one company to the other. The data further revealed that all the sample firms invested less than one percent of their annual turnover to social responsibility. However, this dos not preclude the fact that positive relationship ($r = 0.118294591$) exists between turnover and investment in social responsibility. In view of the findings above, the researcher tried to establish further relationship between the two variables through regression and ANOVA in Table 3.

5.1 QUALITY MEASURES

One important way of ensuring that we have used the right instrument and have taken correct measurement is that our outcome must be in consonance with two major criteria for measuring quality known as validity and reliability (Ojo, 2003).

Validity: Explorative studies are valid if the measuring instrument, correctly designed and administered, measures exactly what it was designed to measure. The tactic that have been used in our attempt to guarantee the correctness of the operational measures being studied rests heavily on data collection method based on internal published documents.

Reliability: Case study research is reliable if the data collection can be repeated with the same results (Yin, 1994). Hence we provided a careful documentation of the data collection procedure.

6. CONCLUSION

Business managers in Nigeria should realize that business organizations make demand on the society, and vice-versa. Business needs the support of the society in order to grow and prosper while society needs business organizations in terms of goods and services they provide. The idea of social responsibility implies that in addition to the pursuit of their organizational goals, business should assist the society especially the fact that their actions sometimes produce negative consequences to the society. Failure of an organization to undertake its social responsibility can lead to regulation by government and an opposition by the society.

In view of the fact that the contributions of business organizations to social responsibility are negligible compared with their turnover and the cry of the public to organizations to be more responsible socially, following recommendations are offered to improve the social responsibility performance by business organizations operating in Nigeria.

First, Nigerian companies should establish social responsibility unit or division charged with the duty of alerting the organization about their social responsibility. The head of such unit or division should be directly responsible to the Chief Executive Officer (CEO) will create a more conducive and effective social responsibility performance. Second, government should re-adjust taxation law in the country so that expenditure on all form of social responsibility could be classified as deductible expenses during the process of computation of tax and not just part of social responsibility. Third, industries should ensure that representatives of all the stakeholders, employees, governments, customers, shareholders, etc, are appointed as members of Board of Directors and must be present and actively participated at board's meeting to defend the interest of their members. Fourth, there is need to re-orientate chief executives and top management team to pursue policies, decisions, and actions that are desirable in aids of the society. Fifth, the government should review existing laws, policies and regulations governing operations of business organizations to ensure that they operate in socially responsible manner.

Finally, government can establish a body or an agency that will audit the performance of these organizations and reward socially responsible corporations and sanction those that are socially irresponsible. This will help them to be mindful of all their stakeholders.

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Table 1: DISTRIBUTION OF SAMPLED COMPANIES ACROSS SECTORS.

Source: Field Survey

S/N	SECTOR	FREQUENCY	PERCENT
1	Automobile	1	2.5
2	Banking	10	25.0
3	Brewery	2	5.0
4	Building materials	2	5.0
5	Chemicals	3	7.5
6	Commercial/services	1	2.5
7	Conglomerates	5	12.5
8	Food/beverages	5	12.5
9	Healthcare	2	5.0
10	Hotels	1	2.5
11	Industrial products	1	2.5
12	Insurance	3	7.5
13	Petroleum	4	10.0
	Total	40	100
S/N	***SECTOR***	***FREQUENCY***	PERCENT
1	Automobile	1	2.5
2	Banking	10	25.0
3	Brewery	2	5.0
4	Building materials	2	5.0
5	Chemicals	3	7.5
6	Commercial/services	1	2.5
7	Conglomerates	5	12.5
8	Food/beverages	5	12.5
9	Healthcare	2	5.0
10	Hotels	1	2.5
11	Industrial products	1	2.5
12	Insurance	3	7.5
13	Petroleum	4	10.0
	Total	40	100

Table 3: Regression and ANOVA Statistics

Regression Statistics	
Multiple R	0.118294591
R Square	0.01399361
Adjusted R Square	-0.01195393
Standard Error	78378791.96
Observations	40

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	3313071227101730	3313071227101730	0.539304	0.467228957
Residual	38	233442931133142000	6143235029819540		
Total	39	236756002360244000			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	25622417.18	16521454.44	1.550857	0.129225425	-7823518.484	59068352.85	-7823518.484	59068353
Investment In CSR	0.000234837	0.000319779	0.734373	0.467228957	-0.000412522	0.000882196	-0.000412522	0.000882