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CORPORATE SOCIAL RESPONSIBILITY AND ORGANISATIONAL PERFORMANCE IN MANUFACTURING COMPANIES OF OGUN STATE NIGERIA

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ABSTRACT

The main objective of the study is to examine the effect of corporate social responsibility on organizational performance in manufacturing companies in Agbara Industrial Estate in Ado-odo/Ota Local Government Area of Ogun State, Nigeria. The primary data were gathered through questionnaire. The sample size was 120 and 78 copies of questionnaire were returned. These were later analyzed using the percentile and regression statistical techniques. The findings of the study showed that community performance have significant moderate relationship with corporate value perception (R=0.340, p<0.05) and that there is significant moderate relationship between environment and competitive edge of manufacturing companies (R=0.313, p<0.05). The study recommends that Chief Executives of organizations should develop creative and innovative corporate social responsibility techniques as a competitive strategy within the business environment and the local community.

KEYWORDS: Corporate Social Responsibility, Organizational Performance, Value Perception, Competitive Edge.

1.0 INTRODUCTION

Corporate Social Responsibility (CSR) involves companies voluntarily choosing to improve their social and environmental standards and so reduce their negative impacts on the environment. This concept demands fundamentals changes to the legal framework in which companies operate. Managers of companies today understand that CSR forms an indestructible part of their reputations and brand identities. They know that a critical source of difference between firms is the resources and capabilities that they possess and contribute to their potential competitive advantage, but CSR represents a very valuable strategic asset.

They spend ever-increasing amounts of corporate resources on improving the social, human, and environmental conditions under which companies operate. Jose (2010) view corporate social

responsibility as a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems.CSR activities contribute to social progress and are intended to enhance corporate images.

Organisational Performance (OP) on the other hand, has been taught with many conflicting definitions and it is not a new phenomenon among the academics and the industrialists as well as public institutions. OP has been a source of influence to the actions taken by companies and the degree to which an organisation realises its goals as well as the stated objectives of the organisation through the strategies and policies of the organisation (Folan & Browne, 2005; Etzioni, 1964). The idea of OP is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose (Barney, 2002; Carton & Hofer, 2006). OP is also viewed as the measure of how a manager utilises the resources of the organisation efficiently and effectively to accomplish the goals of the organisation as well as satisfying all the stakeholders (Jones & George, 2009).

1.1 Statement of Problem

Corporate Social Responsibility (CSR) relates to ethical and sensitive behaviour by organizations towards social, cultural, economic and environmental issues-ISO (26 000-2010). Thus for efficiency in the practice of corporate social responsibility, the firms must assess the impact of their operations on the host community and must be willing to plan and execute actions that will ensure minimal negative impacts of their activities on the environment.

Foreign and Local companies in Nigeria lack the necessary drive and impetus to effectively carryout CSR because they are not mandated by the laws of the Nigeria to do so, as a result, these companies see CSR as not a responsibilities or obligatory which they must implement, but do it out of their own volition. It is only when CSR is backed by the laws of Nigeria that companies that tap its resources will then see it as obligatory, or otherwise faces the consequences of the law.

The potential for individuals and organizations to behave unethically is limitless. Unfortunately, unethical organizational practices are embarrassingly very common today. It is easy to define such practices as environmental pollution, poor infrastructural facilities, poor or lack of employment opportunities, to mention but a few. Yet these and many other unethical practices go on almost routinely in many organizations. Despite the activities undertaken by volunteers in the local communities surrounding their operations, there seems to be little or no evidence of any Corporate Social Responsibility (CSR) projects focused on generating jobs and income for community members. Such actions could improve the quality of life within the local community. No CSR projects appear to focus on enhancing the value chain or social actions that could improve corporate competitiveness.

Consequent on the premise above, the study intends to examine the effect of Corporate Social Responsibility on the performance of manufacturing companies in Agbara Industrial Estate of Ado-Odo/Ota Local Government Area of Ogun State Nigeria.

1.2 Objective of the study

The main objective of the study is to examine the effect of Corporate Social Responsibility on the performance of manufacturing companies in Agbara Industrial Estate, in Ado-Odo/Ota Local Government Area of Ogun State, Nigeria. The specific objectives are as follows:

- i. To examine how community performance affects corporate value perception of manufacturing companies in Agbara Industrial Estate in Ado-Odo/Ota Local Government Area of Ogun State, Nigeria.
- ii. To investigate how environment affects competitive edge of manufacturing companies in Agbara Industrial Estate in Ado-Odo/Ota Local Government Area of Ogun State, Nigeria.

1.3 Research Questions

- i. To what extent does community performance affect corporate value perception of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria?
- ii. How does environment affect competitive edge of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria?

1.4 Research Hypotheses

 H_{01} : Community performance does not have significant relationship with corporate value perception of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

 $H_{02:}$ There is no significant relationship between environment and competitive edge of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

1.6 Scope of the study

The study is be limited to manufacturing companies and all the local residents in and around Agbara Industrial Estate, Ado-Odo/Ota Local Government Area of Ogun State, Nigeria.

1.7 Significance of the Study

The study is very significant because it helps to highlight and emphasise increased attention and awareness in corporate social responsibility initiatives as a weapon of competitive edge by designing policies that benefit all the stakeholders in the manufacturing business environments. The study also helps to provide insights for managerial attention into the importance of incorporating ethical conducts among business firms / organisations that enhance strategic decisions. Again, the study helps researchers and management professionals to develop more accurate measures of Corporate Social Responsibility as important instruments for corporate integrity and positioning strategies in business environments.

2.0 LITERATURE REVIEW

To be able to understand CSR from a Nigerian perspective it is of value to explore the drivers. The World Business Council for sustainable Development has discussed CSR with business and non-business stakeholders in a number of countries in the world with the objective of understanding local perspectives better and to get different perceptions of what CSR should mean from a number of different societies. (http:www.cecodes.org.co).

One important finding in this study was that people were talking about the role of the private sector in relation to a social agenda and they saw that role as increasingly linked to the overall well-being of society. Therefore the chosen priorities differed according to the perception of local needs. The key CSR issues identified in the study included Human rights, Employee rights, Environmental protection, Community involvement and Supplier relations.

The book "Corporate Citizenship in Developing Countries" (Pedersen and Huniche, 2006) contains a chapter about revisiting Carroll's CSR pyramid from a Nigerian perspective.

In Nigeria, economic responsibility still get the most emphasis while philanthropy is given second highest priority, followed by legal and then ethical responsibilities.

According to the report there are many reasons for this. Firstly, the socio-economic needs of the Nigeria societies which companies operate are so huge that philanthropy has become an expected norm. Companies also understand that they cannot succeed in societies that fail. Secondly, many Nigerian societies have become dependent on foreign aid and there is an ingrained culture of philanthropy in Nigeria. A third reason, according to the report, is that CSR is still at an early stage in Nigeria, sometimes even equating philanthropy. It is important to stress that in Nigeria philanthropy is more than charitable giving. HIV/AIDS is an example where the response by business is essentially philanthropic but clearly in companies own economic interests. The low priority for legal responsibilities is, according to the study, not due to the fact that Nigeria companies ignore the law but the pressure for governance and CSR is not so immense. Ethical perspective seems to have the least influence on the CSR agenda. This is not to say that African businesses are unethical. For example, the King Report in 2003 (http://www.corporate compliance. org) was the first global corporate governance code to talk about 'stakeholders' and to stress the importance of business accountability beyond the interests of shareholders.

Ajadi (2006), in a conference paper on Corporate Social Responsibility in Nigeria delivered at British Council conference on CSR in Nigeria, 2006, specifies some additional specific drivers for CSR in Nigeria such as the failure of centralized, government controlled economy to develop the country; the extraordinary transaction cost to business of corruption and other failures of social capital; the history of conflict and waste in the extractive industry exemplified by the Niger Delta saga; the Nigerian population whose majority is under the age of 25 and is largely ignored despite the fact that they are critical to the survival and future prosperity of business and the country at large and the potential benefit of a commercially active and productive country of over 140 million potential.

The drivers for CSR in the west are to be found within areas such as increased brand value, greater access to finance, a healthier and safer workforce, stronger risk management and corporate governance, motivated people, customer loyalty, enhanced confidence and trust of stakeholders as well as enhanced public image. These drivers may not necessarily be applicable to Nigerian companies. Most indigenous companies in Nigeria are privately held, family owned and operated. Local consumer and civil society pressures are almost nonexistent and law enforcement mechanisms are weak (Amaeshi, Adi, Ogbechie and Amao. 2006). There are numerous ways of implementing CSR in an organization. CSR practices can address environmental issues, social issues or both. The implementation can be done by integrating CSR in the business or it can be run as a project. Sometimes there are CSR strategies and policies framing the CSR agenda, sometimes there are not. According to world Business Council for sustainable Development (Lohman and Steinholtz, 2003) an active CSR work might include areas such as the management of the organization clearly declares its views and obligations towards the society and its stakeholders; the organization develops and implements clear policies; the organization has rules for purchasing including social and environmental concerns; the organization reduces its "ecological footprints", both in production and in the process of production; the organization has objectives with regard to environmental and social concerns; the organization shows an active engagement with regard to the development of its local society; consumers are educated on how products ought to be used and the organization informs about all its different business areas in a transparent manner.

For most businesses operating in Nigeria whether small or large, local or national, the

transaction cost of operating is often unpredictable. At the heart of this difficulty is the obvious problem of operating in a low trust economy. For many businesses the cost of paying upfront on cash flow or delayed payment; the difficulty of investing in people development; the challenge of high volume cash transactions are all part of a severely eroded social capital.

At the core of this issue is the role of business partnership with government and others to exemplify and model behaviours that restore optimism and improves trust. The challenges that face a business in Nigeria are unique because CSR can probably not be optional in such a climate. In a country where the social, health, education and environmental needs are so prevalent, where government resources are so stretched, where everyday people live on the breadline, business any other way is not only unethical, it is most probably not sustainable.

Implementation of corporate social responsibilities in Nigeria

Annually, limited liability companies in Nigeria give reports of their social responsibility efforts. These are in four major identifiable areas: the immediate environment of the company where the interest of the neighbours of the given companies are taken care of as much as is practicable (Bello, 1988), locating worthy national or state activities to support where educational, sporting and cultural activities are sponsored by companies as forms of social responsibility, responding to major disasters like the bomb explosion at the Ikeja cantonment on Sunday, January 27, 2002.

A search for Best Practices in Corporate Social Responsibility by indigenous firms in Nigeria by Dotun Atilade, mentioned that elements of social responsibility include investment in community outreach. employee relations. creation and maintenance of employment, environmental and responsibility, human rights financial performance. It is about producing and / or delivering socially and environmentally responsible products and /or services in an environmentally and socially responsible manner while openness, accountability and transparency are some of the new key words covering a vast range of issues.

A common strand that runs through most of these studies suggests that meaning and practice of CSR is social culturally embedded. CSR in Nigeria would be aimed towards addressing the peculiarity of the social economic development challenges of the country (poverty alleviation, health care provision, infrastructure development, structure, education, etc and would be informed by social cultural influences (e.g. communalism and charity). This might not popular necessarily reflect the western standard/expectations of CSR (e.g. consumer protection, fair trade, green marketing, climate and change concerns. social responsible investments).

3.0 METHODOLOGY

The descriptive survey research design was adopted for the study. 120 respondents were randomly selected from the local residents within the community of Agbara Industrial Estate, Adoodo/Ota, Ogun State, Nigeria. A structured questionnaire, divided into two parts A and B, was used in collecting the required data from the respondents. Part A contained items on the demographic variables and Part B contained items to measure the active variables of Corporate Social Responsibility (CSR) and Organisational Performance. The questionnaire was rated on a sixpoint Likert Scale from Strongly Agree to Strongly Disagree while the descriptive statistical techniques of Simple Percentile and Regression were used to analyse the data.

4.0 RESULTS AND ANALYSIS i. Hypothesis One

Ho: Community performance does not have significant relationship with corporate value perception of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

Model	Summary
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	Albuel Summary								
Model	•		Adjusted R Square	Std. Error of the Estimate					
1	.340ª	.116	.104	1.908					

Looking at table above, there is a weak positive relationship (R = 0.340) between corporate value perception and community performance. Also, about 11.6% variation in value perception is accounted for by corporate performance.

	ANUVAª								
	Model	Sum of Squares	Df	Mean Square	F	Sig.			
	Regression	36.215	1	36.215	9.950	.002 ^b			
1	Residual	276.618	76	3.640					
	Total	312.833	77						

From table above, the F-value is 9.950 with the pvalue being 0.002, it shows that the model is adequate in relating corporate value perception and community performance. Hence, the test is significant. We can then accept the alternative hypothesis that "Community performance have significant relationship with corporate value perception manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria".

Moreover, from table 26, the model for the relationship is:

VPERC = 20.441 + 0.171CPER

Where:

VPERC represents corporate value perception CPER represents Community performance From table above, a unit increase in community

performance will cause about 17.1% increase in corporate value perception of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

Coefficients ^a	
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_	Model	Unstandardized Coefficients		Standardized Coefficients	Т	Sig.
		В	Std. Error	Beta		
1	(Constant)	20.441	1.097		18.633	.000
L	CPER	.171	.054	.340	3.154	.002

a. Dependent Variable: VPERC

Hypothesis Two:

Ho: There is no significant relationship between environment and competitive edge of

manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.313ª	.098	.086	2.770	

From table above, there is a weak positive relationship (R = 0.313) between competitive edge

and environment. About 9.8% variation in competitive edge is accounted for by environment.

			ANOVA ^a			
	Model	Sum of Squares	Df	Mean Square	F	Sig.
	Regression	61.697	1	61.697	8.043	.006 ^b
1	Residual	567.626	74	7.671		
	Total	629.323	75			

From table above, the F-value is 8.043 with the pvalue being 0.006, it shows that the model is adequate in relating environment and competitive edge of manufacturing companies in Agbara Industrial Estate of Ogun State. Nigeria. The test is significant, we can then accept the alternative hypothesis that "there is significant relationship between environment and competitive edge of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria".

From table above, the model for the relationship is: COMPEDG = 15.508 + 0.349ENV Where: COMPEDG represents Competitive edge ENV represents Environment

	Loefficients ^a									
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.				
		В	Std. Error	Beta						
1	(Constant)	15.508	3.111		4.985	.000				
1	ENV	.349	.123	.313	2.836	.006				

From the table above, a unit increase in environment will cause about 34.9% increase in Competitive Edge of manufacturing companies in Agbara Industrial Estate of Ogun State, Nigeria.

5.0 CONCLUSION

Management Executives of manufacturing companies should recognise that corporate social responsibility is an important driving force towards improved organisational performance. They should be able to design appropriate corporate social responsibility strategies to win the heart of their other stakeholders community and of the however, organisation. The study, strongly recommends that manufacturing companies and indeed other organisations, to develop creative and innovative corporate social responsibility techniques as a competitive strategy within the business environment and community.

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153