

Corporate Social Responsibility and its Implementation in Nigeria: Problems and Prospects

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Abstract

Businesses generally are created or established to maximize profit through effective and efficient management of human and material resources in line with their predetermined vision, mission, policy and goal(s). In the course of maximising profits companies annex natural resources-foreign and local, as a result impacting positively and negatively in the environment where it exists. In order to remedy the problems brought about by the operations of these companies to the people and environment where they operate, the management of these businesses through rendering of some social services in turn pay back to the community, hence the concept corporate social responsibility (CSR). It is in line with the above statement that this paper aims at studying the commitment of foreign as well as local businesses in achievement of corporate social responsibility in Nigeria. The research adopted the qualitative research, as it reviews the literature relating to the problems of implementing CSR in Nigeria. After critical x-ray of related write-ups on the topic under study, we found out that some factors such as inability of Nigeria Government to enforce CSR into Law, corruption and selfishness, lack of interest in implementing CSR, political and social insecurity poses as a serious obstacle to companies to implement CSR effectively and efficiently in Nigeria. Finally the study recommended among other things that the Government of Nigeria should put into law, which is providing a legal framework for companies on Corporate Social Responsibility. This will make CSR to be taken seriously and seen as obligatory as against non-obligatory.

Index terms— corporate social responsibility (CSR), implementation, problems, prospects.

1 Introduction

Businesses primarily exist to make profit. The profit motive has often been perceived as representing a lack of concern for all other objectives of an organisation. But, today businesses are realizing that in order to stay profitable in a rapidly changing environment, they would have to become socially responsible. Therefore, the belief that beyond making profit for the shareholders, business enterprises should also serve the interests of all other stakeholders has culminated into the concept of Corporate Social Responsibility (CSR). Presently, businesses continually face pressures from different stakeholders, such as employee pressures to recognise certain employee rights in the workplace, consumer pressures for the business to withhold price increase and to produce safe products, community and environmental pressures that the business operation does not threaten the safety of the local community (McWilliams and Siegel, 2001). Consequently, all of these pressures have contributed to making the concept of CSR more popular in the international business community. It is pertinent to mention that although the idea of CSR has existed for more than half a century, there is still no consensus over its definition. CSR generally refers to business practices that are based on ethical values, compliance with legal regulations, and respect for people and the environment (Dahlsrud 2006). The World Bank defined CSR as

6 A) DEMERITS AND MERITS OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

the commitment of businesses to contribute to sustainable economic development by working with employees, the local community and the society at large to improve their lives in ways that are good for business and for development (Lantos, 2001). CSR is considered as corporate citizenship, which essentially means that a company should be a good neighbour within its host community (Freeman et al 2010). Carroll (2000) proposed a popular four part definition of CSR, suggesting that corporations have four responsibilities (economic, legal, ethical and philanthropic responsibilities) to fulfil before being considered as good corporate citizens. CSR can sometimes be referred to as sustainability development and at such requires an organisation to pay attention to the economic, environmental and social impacts of its activities (Gray, Owen, and Adams, 1996). Sustainability development can be regarded as the practise of being accountable to stakeholders towards the aims of saving the planet and the people, whilst making profits from doing so (GRI, 2010). The planet (environmental), the people (social), and the profit (economic) goals of CSR (Sustainability development) is often referred to as the triple bottom line, which is a term that was coined by John Elkington of Sustainability UK (Elkington, 2010). However, It is in line with the above exposition that this paper intends to carry out an in-depth study on Corporate Social Responsibility (CSR) to find out the rate of its implementation and actualisation by II.

2 Theoretical Framework

Several multinational business corporations operate in countries where there are no direct responsibility imposed on organisations to enforce CSR activities, and at such some writers have argued that businesses that pursue CSR may be perceived as doing so more from fear of public backlash than because they believe that CSR is good for long-term business performance. The above contentions set the tone for evaluating the reason why businesses adopt CSR.

Researchers have used several theories to explain the reason why companies voluntarily indulge in CSR activities. Some of the theories are: the stakeholder theory, the legitimacy theory and the political economy theory (Gray, Kouhy and Lavers 1995). The stakeholder theory contends that organisations perform CSR activities because of the ethical demand on organisations to do so (Gray, Kouhy and Lavers 1995), and also because of the need to manage the perception of powerful stakeholders that could exert an adverse impact on organisation (Deegan 2002). The legitimacy theory argued that organisations voluntarily indulge in CSR to show that they are conforming to the expectations and values of the society within which they operate (Gray, Kouhy and Lavers 1995). The political economy theory says that organisations engage in CSR because they want to create a political arrangement that would in the long-run suit their private interest (Guthrie and Parker 1990). In a recent study by PwC (2008) on the world's 250 largest organisations, it was revealed that the main reason why organisations have chosen to engage in CSR is because of the ethical consideration by organisations that it is in their best interest to contribute to healthy societies, ecosystems and economies and also because of the economic consideration that CSR will enhance the long-run financial position of the organisations (see diagram below).

3 Source: KPMG Global Sustainability Service, October 2008

Also in a survey of business executives by PricewaterhouseCoopers cited in Fortune (2003), 73% of respondents indicated that cost savings was one of the top three reasons why companies are becoming more socially responsible.

4 III.

5 Research Methodology

This is an exploratory research based solely on insights drawn from the analysis of the existing literature of different studies, reports, periodicals and books related to the topic of study in order to investigate those factors which poses a serious challenge in implementing corporate social responsibility in Nigeria. By drawing on the existing literature, not only topic under consideration is theorize, but also formulates and discusses the proposition that will help illuminate and discuss some ways for the Nigeria government to help enforce the implementation of CSR by companies in its environment to help better and uplift the lives of its citizenry.

6 a) Demerits and Merits of Corporate Social Responsibility (CSR)

Having considered the reason why businesses pursue CSR activities, the next thought that is likely to prop-up in the mind of an inquisitive CSR analyst is the question of what the benefits and the disadvantages are of pursuing CSR activities. The argument against the concept of CSR typically begins with the classical economic argument championed by Milton Friedman. Friedman (Cited in Kaplan, 2012) contends that there is only one social responsibility of business, which is to use its resources for maximizing the profit of the shareholders. Friedman argued that if the free market cannot solve the social problems that exist, then it falls upon the government and not upon business to do the job. The antagonists to CSR argue that a key demerit of CSR is that it dilutes the primary objective of businesses because it requires businesses to sacrifice some profit in order to serve all stakeholders (Hayek 1969, Davis 1973, Bernstein 2000). The antagonist to CSR also argue that businesses are

not equipped to handle social activities and at such salient demerit of CSR is that it steers businesses into an area in which they do not have the necessary expertise in (Davis 1973). There is a resonating argument that one of the demerits of CSR is that it can make businesses less competitive globally, where CSR is undertaken at such a significant cost disadvantage that can reduce business profits and impair business plans to expand its operations globally.

The argument in favour of the concept of CSR starts with the belief that if businesses are to have a healthy climate in which to function in the future, then it is in their long-term self-interest to be socially responsible. It is believed that the merit of CSR is that it can win new business, increase customer retention, develop relationships with suppliers, make an organisation an employer of choice, differentiate an organisation from its competitors, improve business reputation, reduce risk, and provide access to investment and funding opportunities (Kurucz et al., 2008). The proponents of CSR contend that proacting is more practical and less costly than reacting to social problems once they have surfaced (Carroll and Buchholtz 2009). Therefore, costly social problems such as employee turnover and customer boycott can be avoided by actively pursuing CSR activities. There is a belief that CSR activities can enhance long-term shareholder value by reducing employee turnover and absenteeism; and reducing the costs of complying with environmental regulations; and attracting tax benefits; and enhancing business efficiencies (Smith, 2005).

It has been argued that a salient merit of CSR is that it can attract key customers because the public strongly supports companies that are involved in CSR activities. According to UK Small Business Consortium (2006), 88% of consumers surveyed in a CSR study, mentioned they were more likely to buy from a company that supports and engages in activities to improve the society. Today, the public believes businesses should be responsible to their workers, communities and other stakeholders, even if may require companies to sacrifice some immediate profit in doing so (Bernstein 2000). Having identified that one major merit of CSR is that it can win new businesses, the next key question that should be evaluated should be that of whether there is a scientific proof that CSR has actually won new businesses to companies that had actively pursued it. This inquisition sets the tone for evaluating the validity of the CSR concept.

7 b) The Conflict between the CSR Objective and the Profit Maximising Objective of Businesses

The business objective of maximising profit subjects all the activities of a business to an economic rationale rather than to a moral rationale, as advocated by CSR (Dewit and Meyer, 2010). CSR requires that attention should be diverted away from the objective of shareholders wealth maximisation (which is a profit motivated calculation) into the objective of societal wealth maximisation (which is a morality based calculation). From one perspective, where a business tries to satisfy all of its stakeholders in pursuit of CSR activities, it may be forced into accepting all types of concessions which can destroy its immediate profit. There is a contention that pursuing CSR activities and conceding to the interest of all stakeholders can adversely affect the immediate profit of a business because of the cost incurred in executing CSR activities. To illustrate further, the employees need of a secured job and a higher pay; the suppliers need of a secured supply and higher purchase payments; the customers' needs of a low priced and high quality product, and the society's need of an on-going community infrastructural development, all represent some form of a cost to a business. From another perspective, where the interest of all stakeholders is not justly served adversaries can arise, whereby customers may decide to boycott purchasing from an organisation, employees may defect to competitors, suppliers may withhold supplies, and the communities may shut-down key aspects of a business operation, all of which can ultimately destroy the longterm profit of a business. All of the stakeholders may justly argue that they have some form of a moral claim on businesses simply because each of the stakeholders can be viewed as a supplier of an ingredient in the profit creation process of businesses.

A key question which may likely arise in current critical evaluation is that of whether businesses should primarily focus on maximising its immediate profit or mainly focus on pursuing CSR activities which may not produce any immediate gain but may result in long-term gain to the business from the continued support to the business by all of its stakeholders. It is noteworthy that businesses may not be able to equally satisfy the interest of all of its multiples stakeholders. Therefore, CSR is a balancing act, which must be achieved amongst the various stakeholders (McWilliams and Siegel, 2001).

Current literature indicates that all stakeholders do not have the same equal moral claim on the organisation and at such should not be equally treated. Therefore, having established that the different stakeholders have different kinds of interest and level of influence on an organisation, there may be a need to give utmost priority to some stakeholders over the others, in order to strike a balance between achieving both the short-term profitability and the CSR business objectives simultaneously. A practical solution to resolving the conflicting objectives of CSR with that of maximising immediate profit should be for businesses to merely discriminate amongst the different stakeholders rather than attempt to satisfy all of the stakeholders because an attempt to be everything to everyone may result in no one being satisfied at the end (WBCSD, 2002). This essay proposes that the business objective of maximising profit can be balanced with the CSR objective by first identifying the most influential stakeholders and then placing a priority to their interests over that of the other stakeholders. The extent to which the various stakeholders should be rated in an organisation should be based on factors such as

their relative bargaining power, the legitimacy of their interest, the industry norm et al. For instance, Greggs plc's CSR report prioritised the company's stakeholders by presenting information on only the customers, the employees and the community. This implies that the company considers these 3 stakeholders to be the most influential of all of its stakeholders. The stakeholders choice made by Greggs plc may be justified on the ground that it may be practically impossible to completely satisfy all of the companies stakeholders and also on the grounds that the bakery industry norm focuses on these 3 key stakeholders (Greggs Plc Annual Report, 2011).

8 c) Challenges in Implementing Corporate Social Responsibility (CSR) in Nigeria

The challenges in implementing CSR in Nigeria will be discussed in details in the sub-headings below.

9 d) Inability of Nigeria Government to Enforce CSR into Law

Since the emergence of CRS in Nigeria, there is no law in place by the Nigeria Government in the area of CSR. CSR is still at the discretion of the companies. Companies alone cannot be said to be responsible for social responsibilities to the communities in the region. The government should traditional be responsible for the welfare of its citizens. These include ensuring law and order, security, provision of public infrastructure and other basic amenities. Thus while companies have a social responsibility to the communities they operate, the framework within which this is to effectively work have to be provided by the government (Ijaiya, 2014).

10 IV.

11 Corruption and Selfishness

Nigeria is a country blessed with abundance of natural and human resources, as a result attracts the activities of multinational companies who explore these resources to increase the wealth of the nation as well as transform the economic and social environment for the betterment of the common. Apart from increasing the wealth of the nation, most of these companies enshrine in their policy the responsibility of providing some social services to the society they directly affect through their CSR. It is quite pathetic when the level of corruption in Nigeria poses a major challenge to these companies in implementing CSR. Without regards for morals and humanity, when the resources meant to be used for implementing CSR to improve the lives of people in the society gets to the hands of the leaders of these communities, they are siphoned and used for their selfish and personal aggrandisement. No wonder the renowned writer and Novelist Achebe(1998) stipulated that, corruption in Nigeria has passed the alarming and entered the fatal stage, and Nigeria will die if we keep pretending that she is only slightly indisposed.

12 a) Lack of Interest in Implementing CSR

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.

13 b) Negligible or Non-Existent Benefits

Social responsibility should result in positive outcomes for both the business and the community. However, often the results falls heavily in favour of the business involved. Businesses invest a comparatively small amount into community projects and then use their effort to promote their brand and gain access to markets all around the country. The public relations and brand building they receive far outweighs their investment in socially responsible projects.

14 c) Political and Social Insecurity

One of the fundamental factors that motivate companies (whether a foreign or local) to do business in Nigeria is the availability of political as well as social security. Suffice to state that the rate of social and political insecurity in the country manifested in the Boko Haram insurgency has done more damage than good to the economy of the nation. In fact the insurgence has eaten so deep into the fabrics of the society to the extent that fear of bombing and kidnap has become the other of the day. Foreigners doing business in Nigeria sleep with one eyes open and do their business with fear, while does who intend coming into the country have totally jettisoned the idea into thin air. With this pathetic and horrible situation on ground, companies will find it very challenging to engage in CSR for fear of not maximising profit which is to the detriment of its stakeholders and the organisation as a whole.

V.

15 Recommendations

With the above discussed challenges which hinder the effective implementation of Corporate Social Responsibility in Nigeria, the following recommendations stand to be made.

? The Government of Nigeria should put into law, which is providing a legal framework for companies on Corporate Social Responsibility. This will make CSR to be taken seriously and seen as obligatory as against non-obligatory.

? Federal government agencies who are charged with the responsibility of implementing and enforcing CSR should maintain a high moral and ethical standard to ensure its effectiveness.

? Federal government should provide enabling social and political environment to motivate companies in Nigeria to carry out sustainable social responsibility to improve the lives of Nigerians.

? Nigerian Government should pass into legislation that would promote the interest of the government of the region. Legislation that would make the companies to pay heavy penalties for identified damages to the eco-system.

? The Federal Ministry of Environment and other agencies saddled with the responsibilities of enforcing environmental laws in Nigeria should adequately be funded to be able to manage the activities of the government.

16 Conclusion

The concept of CSR has continued to be the subject of academic and business debate. CSR pertains to business actions taken for reasons beyond the direct profit interest. One of the key features addressed by CSR is its intent to cause companies to recognise responsibilities to stakeholders (customers, communities, employees and suppliers) outside of shareholders. The common reasons why businesses undertake in CSR activities include the ethical demand to be socially responsible; the economic consideration of the long-term financial benefit of CSR; employee motivation; risk reduction; market position enhancement; cost savings; and brand protection. The proponents of CSR emphasise that CSR offers a longterm financial benefit from taking care of all stakeholders; while the CSR antagonist are deterred at the idea that businesses should invest in CSR because they believe that it is a venture which does not produce immediate obvious financial gains. Noteworthy merits of pursuing CSR activities includes its potential to attract new customers, its potential to manage risks and create products and processes of better quality and its potential to recruit first choice employees. However, the empirical studies that had tried to confirm the validity of CSR by linking CSR to business financial performance indicate that there is no conclusive scientific evidence that CSR has actually won new businesses to profit is based on the conventional wisdom and the general belief that it can do so.

Without doubts, the profit maximising objective of businesses can conflict with the CSR objective because pursuing CSR activities may involve some profit sacrifices on the part of businesses. Therefore, CSR requires a balancing act of maximising profit whilst at the same time serving key stakeholders. The business objective of maximising profit can be balanced with the CSR objective by mainly serving the most influential stakeholders of the business. In other words, the least influential stakeholders may have to be ignored in order to equally achieve the profit maximisation objective and the CSR objective all at the same time.



Figure 1:

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