CORPORATE SOCIAL RESPONSIBILITY: HOW SOCIALLY RESPONSIBLE ARE BUSINESS ORGANIZATIONS TODAY?

BY

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ABSTRACT

"The movement on Corporate Social Responsibility has won the battle of ideas." This was the opening line of a 20-page supplement on Corporate Social Responsibility (CSR) in 'The Economist' published in the early 2005 (Crook, 2005). In fact, for managers in today's global business environment, CSR is a practice that can scarcely be avoided. Basically, all of the world's top multinational and national corporations engage in CSR projects and programmes in one way or another. There is almost no country in which businesses have not taken up the challenge of CSR in some way. In Nigeria, Mobil Oil Company, the United Bank for Africa and Zain/Celtel Company, among others, have undertaken one CSR project or another in the society. Nigerian firms now have CSR language, such as, charity, philanthropy, benevolence to humanity, constantly featuring in their business vocabulary. They understand the need to give back to society a portion of the profits they have generated from the same society. A firm that is socially responsible has many advantages in the society and prominent among them is the fact that the public image of such firm will continue to shines and glitters thereby attracting more patronage to the organization.
Key words: Corporation, Society, Responsibility, Philanthropy, Shareholders, Profits

INTRODUCTION

For many years, community development goals were philanthropic activities that were seen as separate from business objectives. "Doing good" and "Doing well" were seen as separate pursuits. But today, that view has changed. Modern organizations are learning that cutting-edge innovations and competitive advantages can be gained from weaving social and environmental considerations into business strategy. In that process, development of new ideas and the opening of new markets for the next generation will take place. Corporate social responsibility deals with social and environmental issues while business strategy looks at profitability and the survival of the enterprise. There is, however, less clarity about what 'corporate social responsibility' actually means. Apart from the novelty of CSR, one of the key problems is the plethora and heterogeneity of actors in the CSR world. The corporate world is not the sole context in which CSR is addressed with different approaches and strategies. CSR also provides an arena for political actors and key players in civil society. It is also top on the agenda of many high-profile political platforms such as the World Economic Forum and other similar international bodies. Furthermore, the burgeoning jungle of consultants on CSR issues, Non-governmental Organizations (NGOs), various foundations and other activists groups is proof of the topic's growing profile. And last but not the least, this CSR concern has been pushed further by a growing number of academic institutions around the globe. They have not only produced more literature and carried out more research on CSR but have also contributed in making CSR a central focus in today's business education agenda (Hennigfeld, 2006).

CONCEPTUAL FRAMEWORK

Corporate Social Responsibility (CSR) Defined

Corporate Social Responsibility (CSR) is a concept rooted in modern business thinking that corporations have an obligation to consider the interest of customers, employees, shareholders, communities and environmental factors in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislations (Wikipedia, 2007). CSR is closely linked with the Principles of Sustainable Development, which argues that enterprises should make decisions based, not only on financial factors, such as, profits and dividends, but also based on the immediate and long-term social and environmental consequences of their activities. Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. In this context, a business goes out of its way voluntarily to provide help in kind or make direct financial contributions to make life better in the society (Kotler and Nancy, 2005).

McCabe (2005) looked at Corporate Social Responsibility as the continuing commitment by a business organization to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large. Professor William P. Barnett of Stanford School of Business in the United States is of the perspective that corporate social responsibility is a natural obligation placed on every business organization to consider the interests of their customers, employees, shareholders, communities and the ecology, and to consider the social and environmental consequences of their business activities. To arrive at operational synergy, organizations should integrate CSR initiatives into their core business processes to achieve the ultimate goal of creating both social value and corporate value simultaneously. Other terminologies closely associated with Corporate Social Responsibility include; Corporate Citizenship, Corporate Philanthropy, Corporate Giving, Corporate Commitment, Community Development, Corporate Good Neighbourhood, and Virtuous Corporate Behaviour.

The concept of "Responsive CSR" and "Strategic CSR"

Michael E. Porter and Mark R. Kramer have divided the landscape of CSR initiatives into two fundamental parts. The first part is "Responsive CSR" where the business acts as a good corporate citizen in general, for example, supporting local schools, building community clinics, providing pipe-borne water supply, and constructing local roads and bridges. The second is "Strategic CSR" in which a business pioneers innovation that benefits both society and the firm's own competitiveness. A good example is Microsoft's large investments in community colleges in the United States, which train much-needed technical employees of the future. And in Nigeria, Glo Mobile is in partnership with government agency on National Poverty Eradication Programme to help unemployed youths establish call centres at a minimal cost (Apatira, 2010)

THEORETICAL FRAMEWORK

The Four-Part Model of Corporate Social Responsibility (CSR)

Carroll and Buchholtz in their ground-breaking research on CSR, came out with Four-Part Model of Corporate Social Responsibility. This model considers CSR as encompassing the economic, legal, ethical and philanthropic expectations placed on organizations by society at any point in time. The four-part model is explained in detail below:

1. **Economic Responsibility:** Companies have shareholders who demand a reasonable return on their investments; they have employees who want safe and fairly paid jobs; they have customers who demand good quality products at a fair price. This is, by definition, the fundamental reason for the establishment of businesses and thus a company's first responsibility is to be a properly functioning economic unit and to stay in business profitably.

2. **Legal Responsibility:** The legal responsibility of corporations demands that businesses abide by the laws and 'play by the rules of the game'. Laws are understood as the codification of society's moral views, and therefore abiding by these standards is a pre-requisite for any further reasoning about social responsibilities. In other words, corporations must abide by corporate legal requirements in order to continue being in business. As with economic responsibility, the satisfaction of legal responsibility is required of all corporations seeking to be socially responsible.

3. Ethical Responsibility: This responsibility obliges corporations to do what is right, just and fair, even when they are not compelled to do so by the legal framework. For example, when Shell Company sought to dispose of the Brent spar oil platform at sea in 1995, it had the full agreement of the law and the British government, yet the company fell victim to a vigorous campaign against the action by Green Peace as well as a consumer boycott. As a result, the legal decision to dispose of the platform at sea was eventually reversed, since the firm had failed to take into consideration society's ethical expectations. Also, similar incidents have occurred in the oil producing areas in the Niger Delta, where oil companies witnessed destruction of their facilities due to the fact that the oil companies did not consider the social and ethical interests of the communities in their operations.

4. Philanthropic Responsibility: The Greek work "Philanthropy" literally means "the love of our fellow human beings" and by using this idea in a business context, it includes all those issues that are within the corporation's discretion to do in order to improve the quality of life of employees, local communities and ultimat5ely the society at large. The emphasis is therefore that today's corporate behaviour must not only ensure adequate returns to shareholders, adequate wages to employees, and quality products and services to customers, it must also respond to societal and environmental concerns. Forward-looking modern organizations are beginning to realize the long-term benefits of adopting a holistic stance in their operations. It is only when a company's operations encompass economic, social, environmental and ecological concerns that a firm is considered to be genuinely a corporate citizen (Hannigfeld, 2006).

LITERATURE REVIEW

Arguments put forward in favour and against Corporate Social Responsibility

Much as corporate social responsibility has become popular with modern organizations and its practice upheld by businesses and the society, many researchers have come up with arguments for and against the practice of corporate social responsibility (CSR). The popular arguments for and against CSR are presented below:

Arguments in favour of CSR practice

Involvement in corporate social responsibility or philanthropic activities improve the image of a corporation among its varied publics, including customers, employees, suppliers, community organizations especially the ones that track and report on corporate giving. Managers in organizations admit that corporate philanthropy increases respect and community good-will and builds stronger brand position (Kotler and Lee, 2005). Socially responsible companies have been found to achieve greater market shares and increased revenues. Reputation of companies which are socially responsible organizations are greatly enhanced and product the brands of such companies do better in the market (McCabe, 2005). Socially responsible companies are able to develop better relationship with the government agencies and communities, which, in turn, increases the companies' sales volume and makes it easier for such companies to operate in different regions of the world. In an article in Harvard Business Review in 2002, Michael Porter and Mark Kramer argued that philanthropic activities can (and should) go beyond generating good-will. They cited example of how philanthropic activities can enhance a company's productivity (e.g., Exxon Mobil making substantial contributions to improve roads in developing countries where it operates, thereby winning the heart and soul of communities and enjoying tremendous customer patronage). The market of a company can be expanded through philanthropic activities, (e.g., Apple Computers donating computers to schools thereby increasing the usage and appeal of their systems to the public. CSR projects can be used to build strong future workforce, for example, American Express supporting training for students pursuing careers in travel agencies (Porter and Kramer, 2002). There is a growing tendency among consumers to demand ethically made goods by socially responsible companies. Those organizations providing products truly ethical have competitive advantage over those that do not. For instance, in Nigeria, many companies and cottage businesses produce pure water sachets and bottled water. Quite recently, consumers have started making careful choice of where to buy the product. They now prefer to buy only from those companies that have brands well known to them and which have welded ethics and cleanliness into their production process. And, of course, to buy from those companies that have passed through the crucible test line of NAFDAC. Over the past decade, a growing number of companies have recognized the business benefits of CSR practices. Their experiences are bolstered by a growing body of empirical studies which demonstrate that CSR has a positive impact on business economic performance and it is not harmful to shareholder value. This enhancement of business results in turn leads to a greater degree of shareholder confidence in the company, which then contributes to easy supply of more investment capital. A socially responsible company is in a better position to secure more loans on favourable terms for is business than a firm what is not socially responsible (McAdams, 2001). In today's business world, potential investors look closely at the company's corporate citizenship status before making their choice to invest, thereby promoting the concept of "ethical investing." Many consumers too, are beginning to prefer making their purchases in those organizations that are conspicuously socially responsible. This growing tendency on the part of many consumers, qualifies to be called "ethical purchasing."

In the final analysis, CSR programmes benefit everybody in the society including shareholders and other stakeholders. The reason is that members of the community are stakeholders in a business within their community and to that extent, the shareholder is also a stakeholder by virtue of his or her abode in a particular community and therefore he is benefiting from the CSR programmes too. Other benefits accruing to a company which is socially responsible include; improved employee-management relations, improved customer patronage, better performance results, wider market share, improved goodwill, and glamorous public image.

Arguments against CSR practice

One of the arguments against corporate social responsibility (CSR) is that the purpose of a company is to make profits for the shareholders who own the company. Therefore any resources 'wasted' on social responsibility is basically an act of robbery from the shareholders' wealth. If each individual shareholder wants, he or she can contribute voluntarily towards any philanthropic cause, but the money should not be taken away from the collective resources belonging to the shareholders (Baker, 2003). The above statement agrees with the view of the school of shareholders wealth maximization. The outstanding proponent of this school of thought was Milton Friedman, a free market icon, highly regarded economist and Nobel Prize winner. He was an unwavering supporter of 'Laissez faire' capitalism, that is, freedom from intervention of any sort in commerce and industry except occasional intervention, with force, in times of dire necessity in order to preserve the very freedom of trade. Friedman had a simple view of the responsibility of a company. He argued that a corporation's principal purpose is to maximize returns to its shareholders, while obeying the laws of the countries within which it operates. In other words, businesses have only one social responsibility and that is the responsibility to their shareholders or owners by way of increasing their profits (that is, the dividends payable to them). Other writers within this school of thought argued that the only reason corporations put in place social projects is utilitarian, meaning that they have peeped into the binoculars of the future and discerned business advantages and commercial benefits that could be gained tomorrow if they carry out today, certain social projects that would raise their reputation with the public and the government. |Furthermore, to suggest that corporations are irresponsible unless they give money away to charity and sponsor the creation of stellar environment in the society negates the validity of free market economy. It is through the application of theories of free trade and other similar theories, like the work ethics recommended by Max Weber that the economy can flourish (Tremaine, 2006.

Some critics also argued that CSR programmes and projects are often undertaken by some companies as a camouflage to hide and to distract public attention from the ethical question posed by their core operations. Companies which have been accused of this practice include; British American Tobacco (BAT) which produces major CSR reports and the petroleum giant BP which is well-known for its high profile advertisements campaigns on environmental aspects of its operations (Wikipedia, 2007). Great majority of firms, in practice, use cost as benchmark in deciding the king of CSR projects and programmes to pursue, rather than choosing projects that are in dire need in the communities in which they operate. The end result is the execution of

CSR projects that are less important to the people. But because free gift is free gift, communities do not complain about any project of little value provided to them.

Michael Porter and Mark Kramer, in discussing the Myth of Strategic Philanthropy usually executed through Cause-Related Marketing (CRM) argued that cause-related marketing falls short of true strategic philanthropy. The emphasis of cause-related marketing subtly remains on publicity and profit rather than social impact. True strategic giving, by contrast, should address important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise (Porter and Kramer, 2002). Some corporate leaders, especially those that belong to petrochemical and pharmaceutical industries (which are usually prone to public controversy) do not buy the idea of using cause-related marketing to achieve philanthropic purpose. They argue that philanthropic giving is purely a matter of conscience and should not be adulterated with business objectives. Non-Governmental Organizations (NGOs) too are against the pursuit of social value for profit. They argue that cause-related marketing is nothing more than a cleverly-designed marketing strategy aimed at making more business profits and putting more public shines and glitters on the image of companies (Porter and Kramer, 2002).

A Company's Health versus Social Responsibility: The argument rages on in many quarters that a company can fulfill social responsibility obligation only if it exists, and that a company cannot exist for long, especially in a market economy, without high levels of technical competence and sustainable profitability. Therefore, if a firm is unable to remain socially responsible at the present time on account of lean and limited profits, the position of the firm is justifiable. The emphasis here is that CSR programmes should be undertaken by an organization only when the company has the resources (the profits) to carry them out. Therefore, "doing well" in business is the pre-requisite for "doing good." A company cannot be forgiven if it cheats its customers or dupes the public in order to have the resources to be socially responsible.

There could be a scenario in which a company would become both socially "responsible" and "irresponsible" at the same time. Enron (the fallen energy giant in the United States) undertook many commendable social and environmental initiatives while at the same time defrauding its investors. In Nigeria, oil companies operating in the Niger Delta area carry out some measure of corporate social responsibility projects in the communities but they create environmental damages and pollution that outweigh the social contributions they are making. The question could now be asked whether the oil companies are socially responsible or irresponsible (Vogel, 2005).

Some social analysts and captains of industry are of the view that corporations are not responsible for all the world's problems, nor do they have the resources to solve them all. They argue that it is wrong to expect corporations to be all things to all people and all projects. From this perspective, they look at some of the social projects in the society, such as, provision of

pipe-borne water supply to communities and the construction of local roads and bridges as purely the responsibility domain of the government. People holding this view claim rightly that businesses fulfill their tax obligations to the government and that the payment of corporation tax is meant to provide funds for the provision of social amenities to the public (Kotler, 2005).

A Case for Business Ethics: Side by side with corporate social responsibility practices is the important issue of business ethics for the success of business activities. Great majority of business people do not even know that there is something called 'business ethics' which can simply be defined as "doing your business with truth and honesty and without the intention to injure or cheat anyone." Individuals and business organizations who do not factor-in ethics in their business operations think that good product quality and low price for their products and services will lead them to the promised land of profitability. Current research carried out by marketers and human resources experts revealed that good business ethics and shop floor courtesies and pleasantries are essential for building and retaining customer patronage in modern business organizations.

VARIOUS WAYS BY WHICH A FIRM CAN BECOME SOCIALLY RESPONSIBLE

It is worthwhile providing, by way of summary, the various activities, programmes and projects which an organization can undertake to earn the title of a socially responsible company. These projects and programmes may include the following:

(1) Constructing roads and bridges, and building public schools in towns and various communities.
(2) On the part of companies, providing employee welfare thorough giving them good pay, other fringe benefits including housing and medical facilities.
(3) Providing parks, garages, recreation centre for public use.
(4) Providing health-care facilities and making effort to protect the environment
(5) Funding research projects and encouraging the endowment of professional chairs in the universities
(6) Sponsoring sporting activities nationally and internationally
(7) Contributing to welfare and security in communities, villages and towns
(8) Doing something to stem the tide of social ills, such as, armed robbery, prostitution, kidnapping, drug-pushing, ritual killing, etc.

NIGERIAN FIRMS AND CORPORATE SOCIAL RESPONSIBILITY

Companies in Nigeria are increasingly becoming alive to corporate social responsibility practices. Mobil Oil Company endeared itself to the general public in Lagos when it constructed a strategic road from Ajegunle Boundary (Apapa) to the major road linking Apapa Wharf.

The road has since changed its name from “Malu Road” to “Mobil Road” to the joy and approval of the general public.

The United Bank for Africa (UBA) has also established a Foundation to provide grants for various projects that will touch the life of people in our society. One percent of UBA’s Annual Profit before Tax is allocated to UBA Foundation. UBA has initiated micro-credit scheme for its customers. The objective of the micro-credit scheme is to make loan available to small businesses at very low interest rate. The bank is also working intensively on waste management and environmental issues. For example, it has installed refuse collection centres in many locations as well as offering training to would-be refuse collectors. The dual initiative is to create a cleaner environment and to give job to people (Apatira, 2010).

Zain/Celtel is undertaking CSR projects in two strategic areas in Nigeria. These areas are: Health-care and Community development. Through Zain Foundation, the company provides free breast cancer and HIV/AIDs tests and control. The company has also carried out water projects. It has, for example, provided communities with 500 boreholes across the six geo-political zones of the country (Apatira, 2010).

CONCLUSION

In this paper, the author examined corporate social responsibility (CSR) practicesand the various definitions and perspectives from which individuals and organizations look at corporate giving. The author also shed light on the arguments in favour and against corporate social responsibility activities. On the positive side, people are of the opinion that being socially responsible is good for both the society and the organization executing the social projects and programmes. On the negative side, the most prominent argument against CSR practice is that it is an act of theft from shareholders wealth. Nigerian companies are becoming increasingly aware of the importance of CSR and the advantages of being a corporate citizen. Companies, such as, Mobil Oil |Company, United Bank for Africa (UBA) and Zain/Celtel Company have undertaken various corporate social responsibility projects and programmes in Nigeria. CSR is not limited to Nigerian companies. In India, for example, one very prominent steel firm called “Tata Steel Company” has been executing various CSR projects for the past 100 years. The company’s presence is felt in various communities and towns in India.

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