

CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

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Abstract

The study set out to examine the role of corporate social responsibility in community development. A descriptive survey research design was adopted. The subjects of the study comprised of 200 respondents. To attain validity for this study, the non-probability sampling was used to target respondents that are fairly knowledgeable about the study. A questionnaire was designed and used to collect data from the respondents; data collected were analyzed using percentages and Pearson Product Moment Correlation Coefficient. Results from the study revealed that corporate social responsibility has a significant impact on the community development. Thus, it was suggested that organizations should create an internal environment or orientation that supports corporate social responsibility in community development as this will promote firm and community performance in diverse areas.

Introduction

In most developed and developing countries, it has become fashionable to view corporate social responsibility as the panacea for alleviating poverty, improving the welfare of lives and a responsibility towards the survival and corporate development of the community. Empirical evidence, however, had shown that the success of any organization in the twenty-first century depends to a large extent on the corporate bodies' ability to set down and re-examine the various roles expected to be played by them towards the society's well being. Consequently, Ola (1993) sees an organization as a "Plural Society". That is, a meeting place of many interests such as the interests of not only the shareholders but also the stakeholders, the community in which it operates, its employees, and its directors whose interest must be reconciled and balanced.

However, without each of these various interest groups and their contributions, the organization will not be. For instance, without the government approving the incorporation and providing infrastructural facilities, the firm cannot take off. Neither can the firm start operation without land provided by the community, if the employees refuse to work, it would have nothing to produce and if the public (Customers) do not patronize it, it cannot make any headway, neither can it stay afloat if shareholders, creditors/suppliers do not supply the funds, raw materials, etc. thus, each of these groups is justified in wanting to get the highest reward for its contributions.

Consequently, it is the view that the concept of corporate social responsibility is not new. It might be said to be as old as organized society itself. Many public relations experts believe they now have social responsibilities duties to carry out because emphasis has now shifted lately from company, shareholders and the protection of interest of employees, customers, suppliers to the interest of the total environment (entire society).

The concept of a corporate social responsibility towards community development is taken to highlight a firm's direct involvement in the community's affairs. Being that they were accepted by the community to harness, explore and generate profit from the natural resources at their disposal, with all

these, the community needs to be compensated directly or indirectly in proportion to what is taken out from the community. This is a task that must be done, since the continuous survival, stability, acceptance and growth of the enterprises depend upon successful interaction with all the environmental elements. Lending credence to this; Drucker (1984) argued that “a health business cannot exist in a sick society ... as such business must be interested in societal problems even though the cause of society’s sickness is none of management or organizational making”.

This paper however, attempts to investigate how organizations choose to do business, solely with financial objectives or in a responsible way that might affect the financial return, supporting the community.

Literature Review

There is no single universally accepted definition of Corporate Social Responsibility (CSR). According to the European Commission (2001), being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders. CSR is a commitment by a company to manage its role in society- as producer, employer, market player, customer and citizen-in a responsible and sustainable manner (Galgoczi, 2004). CSR is also regarded as a part of the “triple bottom line,” a concept that was coined by Elkinton (1998) in which sustainability is built on financial, environmental and social ground.

Companies are however, encouraged to actively work with CSR as it gives organizations the opportunity to be important and powerful actors in society (Mark-Herbert and Von Schantz 2007 in Nilson, 2005; Ruggie, 2002).

Emphasizing on the ongoing debate concerning the role of the business in the community development, Veludo-de-Oliveria (2006), argued that “companies are concerned with their customers and it is about time they treated society as a whole in the same manner”. In the same vein, Nwachukwu, (2006), made it clear, that unless the same importance that is attached to profit by organizations is attached to CSR, the society will decay. This clearly shows that arguments against and for social responsibility that have surfaced overtime, are interconnected. Taken together, they represent the bulk of the view held by the public today that business has responsibilities to the society that exceed the traditional economic role business once played. Corporate social responsibility is then just leading the public consensus, balancing the various interests intertwined with the organizations and is in the long run just good business statesmanship.

Traditionally, companies have paid more attention to their internal stakeholders, in particular the shareholders (or stockholders), than to the rest of the stakeholders (community) (Kotler, 2003). However, Aluko, Odugbesan, Gbadamosi and Osuagwu (2004), suggested that to balance this missing-links, companies should move a step further to incorporate CSR principles in business conduct. Some of the CSR principles that organizations should pursue according to Aluko et al (2004), are:

- (i) Economic growth and efficiency;
- (ii) Award of scholarships to indigent students of the local community, building of schools, etc
- (iii) Employment and training of handicapped and able-bodied citizens in the areas of operations.
- (iv) Urban renewal and development-construction of roads, maintenance of roads, street lighting, etc.

- (v) Pollution abatement
- (vi) Conservation and recreation-construction of parks, game reserves and children's centres, planting of trees, etc
- (vii) Culture and arts-art galleries, museums, cultural exhibitions, etc.
- (viii) Medicare-building of hospitals, provision of hospital equipment, underwriting of medical bills for indigent citizens, purchase of drugs, etc
- (ix) Payment of taxes and other dues promptly and honestly, etc.

In conclusion, "business is not divorced from the rest of society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates" (Interest, World Business Council for Sustainable Development 1, 2006)

Methodology

A survey research design was used in this study to investigate the role of corporate social responsibility in community development. The research area was Lagos State, Nigeria and the population of the study centred mainly on officials of government departments, business organizations and individuals who appear to be conversant with the subject matter of study. The subjects comprised of 200 respondents. However, in order to attain validity for this study, the non-probability sampling was used to target respondents that are fairly knowledgeable about the subject matter of study.

The research instrument titled "Corporate Social Responsibility and Community Development Questionnaire (CSRCD)" was used to gather data for the study. It was divided into two parts; Section A describes respondents' background, such as gender, age, educational qualification, managerial rank and name of organization.

Section B comprised of 15 items, five on each of the three hypotheses. The statements constructed are in line with the variables of the hypotheses. It was a Likert-type of Strongly Agree, Agree, Disagree and Strongly Disagree.

A test-retest method was adopted to test the reliability of the instrument. A correlation coefficient of 0.82 was obtained which showed that the instrument had a strong reliability. For the analysis of data, percentage was used to analyze responses while Pearson Product Moment Correlation Coefficient was used to test the hypotheses at 0.05 level of significance.

Data Analysis and Results

Research Hypotheses

To provide focus and direction, three hypotheses were postulated for the study. They are as follows:

1. Corporate firms' impacts are not being felt by the community and government at large
2. A socially responsible business organization is not a contributor to the overall socio-economic development of a nation.
3. There is no significant relationship between corporate social responsibly and organization's performance
4. **Testing of Hypotheses**

Hypothesis One (H₀₁)

Corporate firms' impacts are not being felt by the community and government at large.

Table 1: Respondents' Perception on Corporate Social Responsibility Impacts on Community Development

S/N	Statements	Agreed		Disagreed	
		No	%	No	%
1.	Organizations should be involved in private sector participation initiative with government to enhance community development	184	92.0	16	8.0
2.	Organization should contribute from its profit to community development programmes	196	98.0	04	2.0
3.	Corporate social responsibility is tantamount to improving the general living standard of the community members	182	64.0	18	36.0
4.	Organizations should engage in corporate social responsibilities that cut across all fields	174	87.0	26	13.0
5		146	73.0	54	27.0

To determine if the impacts of corporate social responsibility provided by corporate firms are not being felt by the community and government at large, data collected were statistically analyzed using Pearson Product moment Correlation Coefficient at 0.05 level of significance. The results showed that the calculated value obtained which is 0.74 is greater than the table value of 0.195. This implies that corporate firms' impacts are significantly felt by the community and government at large.

Hypotheses Two (H₀₂)

A socially responsible business organization is not a contributor to the overall socio-economic development of a nation.

Table 2: Respondents' Perception on Corporate Social Responsibility and Overall Socio-Economic Development of a nation

S/N	Statement	Agreed		Disagreed	
		No	%	No	%
1.	Corporate social responsibility plays major roles in economic growth and development	194	97.0	0.6	3.0
2.	The present state of the Nigerian economy demands that organizations should engage in social responsibility	171	85.5	29	14.5
3.	Reliance on government alone to provide infrastructures and development programmes will slowdown economic growth of the nation	142	71.0	58	29.0
4.	Corporate social responsibility will eventually lead to more job creations	132	66	68	34.0
5.	Corporate social responsibility in Nigeria cannot in anyway lead to the economic growth of the nation	47	23.5	153	76.5

To test if a socially responsible business organization is not a contributor to the overall social-economic development of a nation, an analysis using Pearson Product Moment Correlation Coefficient was carried out. The results revealed that the calculated value of 0.25 > is greater than the table value of 0.195 at 0.05 level of significance. Thus, hypothesis two was rejected.

Hypothesis Three (H₀₃)

There is no significant relationship between corporate social responsibility and organization’s performance

Table 3: Respondents’ Perception on Corporate Social Responsibility and Organization’s Performance

S/N	Statement	Agreed		Disagreed	
		No	%	No	%
1.	Social responsibility undertaken by a firm will help to promote its products	138	69.0	54	27.0
2.	Corporate social responsibility will help to contribute to an organization’s perceived continual survival and stability	172	86.0	20	10.4
3.	Corporate social responsibility can help to engender an organization’s growth and expansion	158	79.0	42	21.0
4.	The involvement of an organization in performing CSR functions will enhance public perception of its core business	144	72.0	56	28.0
5.	The execution of some CSR functions will boost the organization’s public relations and perception	164	82.0	30	15.0

To test the relationship between corporate social responsibility and organization’s performance, data collected were statistically analyzed using Pearson Product Moment Correlation Coefficient at 0.05 level of significance. The results showed that the calculated value obtained which is 0.43 is greater than the table value of 0.195. Thus, the null hypothesis tested was rejected. This implies that there is significant relationship between corporate social responsibility and organization’s performance.

Results and Discussion of Findings

Major findings that emerged from the study reveal that:

1. Corporate firms’ impacts are significantly felt by the community and government at large. This finding supports the position of Drucker (1984) who asserted that “a healthy business cannot exist on a sick ... as such business must be interested in social problems even though the cause of society’s is none of management or organizational making”.
2. The second hypothesis revealed that a socially responsible business organization is a contributor to the overall social economic development of nation. This finding is in line with the definition of the European Commission (2001). This definition affirms that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.

3. There was a significant relationship between corporate social responsibility and organization's performance. This finding supports the position of Radcliffe (2004), who asserted that corporate social responsibility has the potential to be a value adding part of the financial report of organizations and it will require management to think and manage in a broader context and this will lead to enhanced corporate performance. Mark-Herbert and Von Schantz (2007) in Nilson (2005); and Ruggie (2002), affirmed that CSR gives organizations the opportunity to be important and powerful actors in society.

Management Implications and Conclusion

Corporate social responsibility requires that organizations should consider seriously the impact of their actions on society. This is imperative as the business environment in which business operates has become increasingly dynamic and competitive. However, in order for organizations and their management to achieve sustainable competitive advantage, corporate social responsibility has the potential to be a value adding to the financial report of the organizations and it will require management to think and manage in a broader context and this will lead to enhanced corporate performance (Radcliffe, 2004). This is because the design of CSR directives in community development makes it not to be a 'box-ticking' exercise but a strategic analysis of important aspects of the business.

However, organization that creates an internal environment or orientation that supports CSR in community development will promote firm and community performance in diverse areas. This, however, includes its contribution to wealth maximization of the company which directly or indirectly leads to increased in gross domestic product of the country, foreign exchange earnings, employment creation which promotes community development, peace and stability in the various communities of the firms' operations. With all these, immense benefits offered to the community by the firm will not only enhance the survival of the organization but also give the organization the opportunity to be important and powerful actor in society (Mark-Herbert et. al (2007) in Nilson, 2005; and Ruggie, 2002).

Recommendations

To enhance the role of corporate social responsibility in community development, the following actions should be taken:

- (i) Corporate firms should come up with a scheme that will ensure that the people of the community also have a share or stake in the business and this must get to the grass root not just the leaders or well- to -do people but ordinary poor inclusive. The idea behind this is that nobody or community will rightly want to destroy his own investment
- (ii) Also, on the part of corporate firms, it will do them good if their public relation image is improved for this will draw them close to the community and thus, be accepted by them.
- (iii) Corporate firms should engage more in community development programmes that will go a long way in providing most of the essential infrastructure.
- (iv) From the findings, it shows that some members of the community are not adequately educated; giving scholarship, incentive, etc. should encourage them.
- (v) Government on their own part, should ensure stability of the economy and provide favourably regulations that will promote business that in returns will ensure corporate firms to carry out social responsibility.

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- (vi) Politics and sentiments must not be brought into communal matters as this may leads to clashes and conflicts among the various groups or organs.
- (vii) On the part of the community, they should ensure that their cultural activities do not affect corporate firms plan(s) in promoting or developing the community through social responsibility.
- (viii) The bureaucratic excess that stands as impediment in carrying out social responsibility by corporate firms should be addressed properly.

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