

**EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON PROFITABILITY  
OF MULTINATIONAL COMPANIES.**

**(A STUDY OF NESTLE NIGERIA PLC).**

**BY**

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS  
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**OCTOBER 2019**

## **DECLARATION**

I hereby declare that this research work is carried out by me and presented to the school of postgraduates studies, Nasarawa state University, Keffi, for the award of Master in Business Administration (MBA).

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## CERTIFICATION

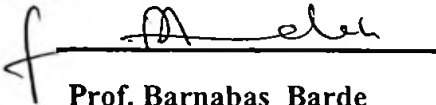
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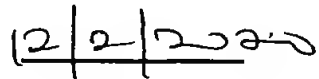
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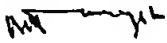


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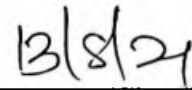
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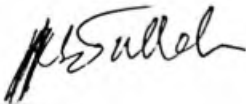
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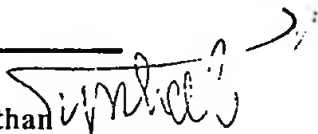


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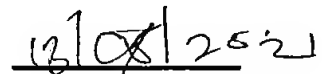
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## DEDICATION

This project work is dedicated to Almighty God who is my great inspiration in life, whose grace has been sufficient for me throughout the period, and especially my wife for her fire sight in supporting (Financially).

## ACKNOWLEDGEMENT

My thanks goes to God the father for making it possible to start and finish the journey so far. To my loving wife Grace Kaka who has been a strong pillars and constant service of strength and encouragement thus far. My children Philip, Joseph, and Sarah Kaka whose have supported me in every way possible to see this through. To my eider Tanko Zhimiko Chief Of Galadimawa whose words of encouragement served as a constant drive to pick up the challenge to the end.

## ABSTRACT

*This study examines the effect of corporate social responsibility on the profitability of multinational companies in Nigeria. Data were obtained through questionnaires; simple percentage and chi-square are used to analyze the data. The study reveals that there is a positive relationship between corporate social responsibility and profitability of the company. The study recommends that Governments and local authorities should explore the areas where a certain amount of tax will be used by the organisation to undertake community based projects such as schools, electricity, clean water, jobs and income generating activities. This can be in a form of tax exemptions granted to these organisations. This will make the corporate organisation be more responsible in the area of work and contribute significantly to national development.*

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Corporate Social Responsibility (CSR) activities are no longer only charitable events but tools for boosting positive image of the company, employee and customer satisfaction and organizational profitability. Islam, (2012) confirmed that the concept of business has changed from profit making activities to social welfare activities where businesses are not only responsible to its shareholders but also to all of its stakeholders.

Corporate Social Responsibility (CSR) as a concept entails the practice whereby corporate entities voluntarily integrate both social and environment upliftment in their business philosophy and operations. A business enterprise is primarily established to create value by producing goods and services which society demands. The present-day conception of corporate social responsibility (CSR) implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders. The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behaviour, thus if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. Social issues deserve moral consideration of their own and should lead managers to consider the social impacts of corporate activities in decision making.

Today, managers of Multinational Companies (MNCs) have found a need that the environment in which they operate should be provided for because their intermediate and macro environments have a direct impact on the attainment of the corporate goals, objectives and mission statement. The purpose of all Profit-making organizations, and even the non-

profit making organizations, is to maximize profit and in turn minimize cost, through optimal utilization of available resources to achieve the best results they are capable of. Profitability is an important factor to all MNCs, because it is one of the major purpose for which the MNCs are established.

CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process, thus a means of analyzing the inter-dependent relationships that exist between businesses, the economic systems and the communities within which they are operating. CSR is a means of discussing the extent of obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified (CSR Guide). CSR is also referred to as corporate' or business responsibility', corporate'or business citizenship', community relations', social responsibility'. It involves the way organizations make business decisions, the products and services they offer, their efforts to achieve an open and honest culture, the way they manage the social, environmental and economic impacts of business activities and their relationships with their employees, customers and other key stakeholders having interest in the Business and its operations. The motivations to engage in CSR are varied – response to market forces, globalization, consumer and civil society pressures, corporate objectives, etc. The activities of these firms are therefore visible because of their global reach. As such, there is a higher incentive to protect their brands and investments through CSR. The CSR activities in this sector are mainly focused on remedy the effects of their business activities on the local communities. So, the firms operating in this sector have often provided pipe-borne waters, hospitals, schools, etc.

The MNCs seek to conduct CSR so that they meet their financial, social and environmental responsibilities in an aligned way. At its core, it is simply about having a set of values and

behaviours that underpin its everyday activities, its transparency, its desire for fair dealings, its treatment of people, its attitudes towards and treatment of its customers and its links into the Community. As a result, the environmental aspect of CSR is seen as the duty to cover the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; reward for externalities and minimize unethical practices that might adversely affect the enjoyment of the country's resources by future generations. In the emerging global economy, where the internet, the news media and the information revolution shed light on business practices around the world, companies are more frequently judged on the basis of their environmental stewardship (CIBN). Partners in business and consumers want to know what is inside a company. This transparency of business practices means that for MNCs, CSR is no longer a luxury but a requirement. Mazurkiewicz (2004) recognized the concept has been developing since the early 1970s; there is no single, commonly accepted definition of —Corporate Social Responsibility (CSR).

There is no doubt that CSR is becoming indispensable, though involuntary, in the contemporary business world as societal needs are making it imperative for the corporate organisations to be sensitive to happenings in their environment, which ensure more understanding and good relationship between the organisation and the society they exist, since CSR contributes to the wellbeing of the citizenry (Onwuegbuchi, 2004).

## **1.2 Statement of the Problem**

Like many of management and social science concepts, Corporate Social Responsibility (CSR) is fraught with definitional problems, which makes it difficult for a uniform platform to assess firm's responsibilities to it. Musa (2008) conceives a firm as nothing other than an

instrument to achieving economic efficiency, cost reduction, and thus wealth maximization, which is the view of the classical economists.

In Nigeria context, many organizations implemented CSR as a mere superficial window-dressing. It is widely believed by many that CSR efforts are mere campaigns by organizations to promote corporate brands (Osemene, 2012). Many Nigerians are ignorant of CSR; hence, whenever an organization does something 'supposedly big' for the society, such a company and its management are eulogized for being caring and philanthropic (Fombrum, 2005). According to Osemene (2012) many organizations in Nigeria are driven by the need to make more and more profits to the detriment of all the stakeholders, while some do not adequately respond to the needs of host communities, employees' welfare, environmental protection and community development.

**1.3 Research Questions**

In an attempt to achieve the objectives states above, the following questions were formulated.

1. What effect does corporate social responsibility have on profitability of multinational companies?
2. Is there any relationship between Corporate Social Responsibility and organizational profitability?
3. What are the economic, social and environmental factors responsible for the poor performance of corporate social responsibility (corporate social responsibility) adoption among multinational companies in Nigeria?
4. Does Corporate Social Responsibility guarantee the customers 'confidence level in the organization?

### 1.4 Objectives of the Study

The main study of the study is to examine the effect of corporate social responsibility on profitability of multinational companies in Nigeria.

Other specific objectives are:

- i. To investigate the relationship between corporate social responsibility and organizational profitability
- ii. Assess the economic, social and environmental factors influencing corporate social responsibility (corporate social responsibility) adoption among multinational companies in Nigeria.
- iii. Analyze how corporate social responsibility adoption influences organisational performance and profitability.
- iv. To investigate whether Corporate Social Responsibility guarantee customers 'confidence in the organization

### 1.5 Research Hypothesis

The following hypotheses have been formulated to test the research questions.

H<sub>0</sub>: Corporate social responsibility adoption does not influence organizational performance profitability.

H<sub>1</sub>: Corporate social responsibility adoption influences organizational performance and profitability.

Ho: There is no significant relationship between corporate social responsibility and organizational profitability

Hi: There is significant relationship between corporate social responsibility and organizational profitability.

## **1.6 Significance of the Study**

Corporate social responsibility is a fundamental issue that needs to be addressed in order to ensure any organizations long term success.

This study will be of immense benefit to students, privately owned businesses and public corporations.

Specifically, this study will be of great significance to directors, managers and executive officers in all business organizations. The study will also be beneficial to government agencies, students and research fellows.

For directors, managers and executive officers in business organizations, the study will help them to discover the true essence of Corporate Social Responsibility, its working principles and how it can be used to enhance organizational performance both on short and long term basis. The study will help them determine how to work in harmony and to operate their businesses within ethical standards. For government agencies, the study will help them apply the existing policies relating to Corporate Social Responsibility and organizational activities, hereby, determining areas requiring improvement.

Finally, students, including research fellows will find the study very beneficial in the area of future studies and referral reports.

## **1.7 Scope and Limitation of the Study**

The study is focused on the headquarter of Nestle, Lagos, Nigeria. It critically examines what impact Corporate Social Responsibility has on the profitability of the organization for the period 2010-2016. However the study is limited to finding out how much in monetary terms Nestle commits to towards corporate social responsibility programmes yearly.

## **1.8 Definition of Terms**

**Commitment:** Commitment as defined in this study means when an employee pledges his loyalty to an organisation. It is an application, dedication or pledge to an engagement or obligation that restricts freedom of action.

**Community:** Community as used in this study means a group of people who live in an area where an organisation operates. They are a group of people having a religion, race, profession, or other particular characteristic in common.

**Social Responsibility:** Social responsibility as described in this study is a demonstration of certain responsible behaviour on the part of public and the private (government and business) sectors toward society and the environment.

**Performance:** Performance is the manner in which an organisation functions, operates, or behaves in the society.

**Stakeholder:** This study describes a stakeholder as a person or group with a direct interest, involvement, or investment in a business organisation e.g. the employees, stockholders, and customers of a business organisation.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.2 Conceptual Framework

##### 2.2.1 Concept of Corporate Social Responsibility (CSR)

According to Coldwell (2008) Corporate Social Responsibility generally refers to: “a collection of policies and practices linked to relationship with key stakeholders, values, compliance with legal requirements, and respect for people, communities and the environment; and the commitment of business to contribute to sustainable development”.

Crowther and Aras (2008) states, that Corporate Social Responsibility is a concept, which has become dominant in business reporting. Every corporation has a policy concerning Corporate Social Responsibility and produces a report annually detailing its activity. In the words of Weirich and Koontz (2003), “the mission of business firms in the early 1900’s was exclusively economic. Today, partly owing to interdependencies of the many groups in our society, the social involvement of business has increased. There is indeed a question as to what the social responsibility of business really is.

Moreover, the question of social responsibility originally associated with business, is now being posed with increasing frequency in regard to governments, universities, non-profit foundations, charitable organizations, and even churches.

More so, one early definition of the concept from the 1950’s when the modern era of social responsibility began, is “the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society” (Carroll, 1999). In the 1960’s, when literature on the topic expanded, one major contribution to the conceptualization of the subject was “the idea that social responsibilities supposes that the corporation has not only economic and legal



obligations but also certain responsibilities to society which extend beyond these obligations” (Carroll, 1999). During the

1970’s, when definition of the word proliferated, one author wrote that the “meaning of social responsibility for businessmen must finally be sought in the actual policies with which they were associated” (Carroll, 1999). Another definition from the 1980’s states that “the social responsibility of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefits, into productive capacity, into human competence, into well paid jobs and into wealth” (Carroll, 1999).

Antos (2001) states that Corporate Social Responsibility is the intelligent and objective concern for the welfare of society that restrains individuals and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment”.

McWilliams and Siegel (2001) defines it as “action that appear to further some social good beyond the interests of the firm and that which is required by law”.

Wigginton (2002) Corporate Social Responsibility is an organization’s obligation to conduct business in such a way as to safeguard the welfare of society while pursuing its own interests.

Amaeshi (2006), routes that “while the Corporate Social Responsibility construct is a new coinage, it is not a new practice. It could be traced back to such examples as Quakers in 17<sup>th</sup> and 18th centuries whose business philosophy was not primarily driven by profit maximization but by the need to add value to the society at large. Business was framed as part of the society and not separate from it. The resurgent interest in the practice provides a fertile ground for different discourses and actors, lend it to multiple and contested constructions”.

### **1.2.2 Corporate Social Responsibility and Organizational Profitability**

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organisations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (Van Marrewijk & Verre, 2003).

Organisations have developed a variety of strategies for dealing with this intersection of societal needs, the natural environment, and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide.

A firm cannot ignore the problems of the environment in which it operates. Therefore, there is a need to examine the impact of corporate social responsibility on firm's profitability in Nigeria. In its stronger form, the concept of Corporate Social Responsibility (corporate social responsibility) asserts that corporations have an obligation to consider the interests of customers, employees, shareholders, communities, as well as the ecological "footprint" in all aspects of their operations.

Little (2006) maintained that corporate social responsibility initiatives can lead to innovations through the use of social, environmental, or sustainability drivers to create new products and services. The theme of environmental and social responsibility appears in a number of political and legal documents and is gaining ever-greater importance at the international level. Today, corporate leaders face a dynamic and challenging task in attempting to apply societal ethical standards to responsible business practice.

However, there is a great deal of ambiguity and uncertainty about what corporate social responsibility really means as well as what drives a business to pursue it. Whatever are the motivations behind corporate social responsibility theories, it is also interpreted as the

concept of triple bottom-line ("*People, Planet, Profit*") which captures an expanded spectrum of values and criteria for measuring organizational success; economic, environmental and social. Whereas business ethics and corporate governance combine to generate the means to achieve organizational excellence, the real test is when this excellence is converted into business sustainability and here, corporate social responsibility plays a major role.

Various views have been offered to explain the importance or otherwise of corporate social responsibility (corporate social responsibility) in business activity. For their part, neoclassical economists advance that the firms should devote their energies to supplying goods and services to their customers, they should minimise costs and maximise profits; and all this should, of course, take place within the laws and rules/regulations of the land (Carroll, 1979; Jamali, 2006; Jamali and Mirshak, 2007; Quazi and O'Brien, 2000). Indeed, some proponents of this viewpoint go as far as to argue that corporate social responsibility is not only a deflection from the main business of wealth-creation, thus serving to blunt competition, but is also an economic (cost) imposition on the firm (Friedman, 2008).

Theories on the connection between corporate social performance and firm profitability are based on equilibrium asset pricing models as well as on the efficient market hypothesis (Guenster *et al.*, 2005). It predicts three possible relations. One direction of reasoning postulates a neutral relation. It assumes that the risk associated with compliance with Corporate Social Responsibility is not priced, therefore all companies, corporate social responsibility complying as well as non- corporate social responsibility complying, have the same rate of expected return and face the same cost of equity capital (Hamilton *et al.*, 2003).

This reasoning is in line with standard financial theory (risk-return paradigm) where only risk factors are priced in the market. On the other hand, if the risk associated to Corporate Social Responsibility compliance is (correctly) priced by the market, the same risk-return paradigm would imply a negative relation between corporate social performance and financial

performance. As put forward by Shane and Spicer (1983), firms which actively account for the corporate social responsibility risk factor are seen as less risky investments (relative to the firms that ignore it). Consequently, on a risk-adjusted basis, their expected returns are predicted to be lower.

Finally, the third view postulates that the compliance with Corporate Social Responsibility principles is not efficiently priced by market participants. A positive (negative) relation follows depending on the sign of the inefficiency. For example, Hamilton *et al.* (2003) argue that, if a sufficiently large number of investors underestimate (overestimate) the probability of adverse events related to Corporate Social Responsibility issues might affect companies not complying with the corporate social responsibility principles, then their stocks will provide lower (higher) risk-adjusted return than socially responsible companies stocks.

Since the answer to the question whether the risk associated to Corporate Social Responsibility issues is (correctly) priced by the market cannot be given on theoretical grounds only, it is investors' perception of the relevance of the Corporate Social Responsibility principles that counts in the end. If investors believed that companies implementing the Corporate Social Responsibility principles are resource wasteful, they could determine a negative return premium on these companies stocks. On the contrary, if corporate social responsibility behaviour of companies is in line with investors' beliefs, they could determine a positive return premium for these companies stocks (Ullman, 2005).

#### **2.4 Economic, Social and Environmental factors influencing Corporate Social Responsibility Adoption in Nigeria**

Through corporate social responsibility, businesses reaffirm their principles and values, both in their processes and operations and in their interaction with other social actors. Corporate social responsibility is generally voluntary in nature and refers to activities that exceed a mere compliance with the law. The social and environmental responsibilities of enterprises may

reflect the changing expectations of society. For example, what enterprises consider convenient practices today may become indispensable ones tomorrow? In addition, it is expected that different social actors interested in the activities of a certain enterprise will prioritize different social and environmental demands, which may contradict or compete with one another at times (Mackey, Mackey & Barney, 2007).

Corporate social responsibility poses several challenges for enterprises, including the need to define their responsibilities with respect to those of the public sector, determine the extent of their obligations in the supply chain and decide until what point in the future they should anticipate and plan for the consequences of their activities, especially in the case of natural resource use. Pragmatism in corporate social responsibility is essential because despite the many issues it can address, corporate social responsibility also has its limits and cannot substitute for the role of government in enforcing laws and international labour standards (Detomasi, 2008).

Corporate social responsibility as defined by European Commission (2001) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” following increasingly aware that responsible behaviour leads to sustainable business success. Corporate social responsibility social activities may include charitable contributions to local and national organizations such as fundraising, donations and gifts in areas where it trades and others like regeneration of deprived communities, reclamation of derelict land and creation of new regeneration jobs.

However, what cuts across a number of definitions that scholars have proposed on the concept of corporate social responsibility is the general belief that, beyond the quest to maximize corporate profits, corporate organizations play a crucial role in solving society's problems (McWilliams & Siegel, 2000).

According to Matten and Moon (2004), the fundamental idea of corporate social responsibility is that “it reflects both the social imperatives and the social consequences of business success, and that responsibility accordingly falls upon the corporation, but the precise manifestation and direction of the responsibility lies at the discretion of the corporation.”

Such a characterization of corporate social responsibility makes it a mandatory exercise in that it assumes that business has a direct responsibility to help in solving society’s problems. This study argues that, though the modalities of implementing corporate social responsibility programmes are at the discretion of corporate organizations, it does not make corporate social responsibility a freely chosen programme to contribute towards social prosperity (McWilliams and Siegel, 2000).

Therefore, for Aristotle and subsequent proponents of the broader view of corporate social responsibility such as Davis (1960), the widely held narrow view of corporate social responsibility that business is primarily concerned with profit making and maximization than social concern is unrealistic. For Davis (1960), corporate organizations ought to have responsibilities beyond simply enhancing their profits because they enjoy greater social and economic power in any society.

In fact, Friedman recommended that corporation law should be modified to discourage corporate social responsibility (Manne, 2006). And yet more than thirty years after Friedman made his declaration, corporate social responsibility has become the norm. Surprisingly enough, empirical research has indicated positive, neutral and even negative impacts of corporate social responsibility on financial performance. While corporate social responsibility skeptics can explain away the practice of corporate social responsibility as a result of pressure from society, an explanation for the profit motives behind corporate social responsibility becomes even more necessary to explain the source of the social pressure.

## 2.5 Problems of Corporate Social Responsibility

### Problems

Despite the glaring deficiency in government service provisions, some business organisations remain ignorant and do nothing while those doing the right thing are not encouraged by the government as to motivate others not to relent. Militating problems on corporate social responsibility include insecurity resulting from persistent violent conflicts, unemployment, religion intolerance, ethnics' agitation and multiple crises; corruption, poor focus on goals attainment, poor governance, especially degrading state of infrastructural development and maintenance and of course natural disasters such as fire outbreak, droughts and floods.

Chiejina (2011) reported that many factors account for the apparent neglect of corporate social responsibilities by Nigerian organisations for the development of the nation. Such challenges among others include:

The lack of professionalism in management style. Many Nigerian managers do not perceive social responsibility as one of the key functions of management. The managers lack social skills to deal with social matters.

Many Nigerian enterprises are very small in size and their financial strength precludes the consideration of social responsibility as a task that must be seriously considered. Some of the other large companies are owned by foreign firms whose main pre-occupation is profit maximization. Some of these firms see social responsibility as a patriotic gesture best undertaken by indigenous businessmen to help their country.

Involvement in social activities could adversely affect the economic health of a business enterprise. It is contrary to the basic function of the business. For example, a business enterprise may want to maximize profit or maximize market share which is the objective of the organisation.

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2. Many Nigerian enterprises are very small in size and their financial strength precludes the consideration of social responsibility as a task that must be seriously considered. Some of the other large companies are owned by foreign firms whose main pre-occupation is profit maximization. Some of these firms see social responsibility as a patriotic gesture best undertaken by indigenous businessmen to help their country.
3. Involvement in social activities could adversely affect the economic health of a business enterprise. It is contrary to the basic function of the business. For example business enterprise may want to maximize profit or maximize market share which is the objective of the organisation



Many organisations involve themselves in social activities because of the tax exemptions or the income spent on special purposes. Corporate Social Responsibility process is “routinely being abused because of the scramble for maximizing profits. From oil multinationals, telecommunication giants, to the banking sector, it has become en vogue to engage in highly publicized charitable and philanthropic ventures as an act of corporate social responsibility to placate the abused public. And that more often than not, many approaches to corporate social responsibility pit businesses against society, thereby emphasizing the cost and limitations of compliance with externally imposed social and environmental standards (Chiejina, 2011).

## **2. Prospects**

Corporate Social Responsibility creates better awareness and acceptance of company's products that encourage a vast majority of individuals to continuously patronizing concerned organisations' and contribute significantly to facilitate their growth and development in particular and the national economy in general. No customers, no business. Nigeria's large population of over 150 million persons makes her attractive to foreign investors. Social responsibilities by their nature do not add to a businessman's profit in the short run but benefit the larger society in the long run. Being a member of the larger society, the businessman is expected to benefit in the long run. If every businessman behaves socially responsibly, the society will be a better place and will make faster progress to develop. To justify the arguments for social responsibility, Salawu (2007) stated that an organisation could not exist in isolation from the society in which it is located. No management can ignore the environment in which it operates. Moreover, success of organisations may depend, to a large extent, upon their public image.

Salawu (2007) also reported that Corporate Social Responsibility offers a “two-way stream of benefit to the companies. On the one hand, it stimulates innovative business and technological initiatives which would open up new market avenues for company operations.

Furthermore, it will focus on the prospect of touching new market zones. On the other hand, it will give a clearer societal reputation and socially responsible identity to companies and their employees in the long-run. Corporate social responsibility enables organisations and individuals or group to contribute to the happiness and wellbeing of beneficiaries and at large the society.

#### **2.2.6 Multinational Corporation**

Multinational corporations are companies or enterprises that operate in a number of countries and have production or service facilities outside the country of its origin. While still maintaining a domestic identity and a central office in a particular country, the aim is to maximize profits on a worldwide basis. As world is encouraging on international business, therefore, multinational corporations are among the major participants in business activities. Most multinational companies that were established in Nigeria have interesting business philosophies on CSR. They started with business philosophy as a principal and guideline towards CSR's implementation. Though companies came from various nature of businesses, their aimed are similar which is to recognize the need of making business decisions that demonstrate economic, social and environmental responsibilities for the stakeholders which consist of employees, community, business partners, suppliers, customers, government and shareholders. These companies bring benefits to society through wealth generation, employment, skill development and transfer and community initiatives. The words they committed are evident by the policies, strategies and innovative programme with further establishment and improvement on the social, economic and environmental issues. There are various policies, strategies and programmes which have been implemented by multinational companies that can be shared and useful as an acknowledgement of CSR's practices in the business and thus, continuously contributing to the sustainable development. Among the best

practice of CSR can be reflected by the strategies, which differs by environmental and social scopes.

### **2.2.7 Measures of Corporate Social Responsibility**

Determining how social and financial performances are connected is further complicated by the lack of consensus of measurement methodology as it relates to corporate social performance. In many cases, subjective indicators are used, such as a survey of business students (Heinze, 1976), or business faculty members (Moskowitz, 1972), or even the Fortune rankings (McGuire, Sundgren, and T. Schneeweis 1988; Akathaporn and McInnes, 1993; Preston and O'Bannon, 1997). Significantly, it is unclear exactly what these indicators measure. In other cases, researchers employ official corporate disclosures—annual reports to shareholders, CSR reports, or the like. Despite the popularity of these sources, there is no way to determine empirically whether the social performance data revealed by corporations are under-reported or over-reported. Few companies have their SCR reports externally verified. Thus, information about corporate social performance is open to questions about impression management and subjective bias. Still other studies use survey instruments (Aupperle, 1991) or behavioral and perceptual measures (Wokutch and McKinney, 1991). Waddock and Graves (1997) drew upon the Kinder Lydenberg Domini (KLD) rating system, where each company in the S& P 500 is rated on multiple attributes considered relevant to CSP. KLD uses a combination of surveys: financial statements, articles on companies in the popular press, academic journals (especially law journals), and government reports in order to assess CSP along eleven dimensions<sup>1</sup>. Based on this information, KLD constructed the Domini 400 Social Index (DSI 400), the functional equivalent of the Standard and Poors 500 Index, for socially responsible firms.

## **Measures of Financial Performance**

Although measuring financial performance is considered a simpler task, it also has its specific complications. Here, too, there is little consensus about which measurement instrument to apply. Many researchers use market measures (Alexander and Buchholz, 1978; Vance, 1975), others put forth accounting measures (Waddock and Graves 1997; Cochran and Wood 1984) and some adopt both of these (McGuire, Sundgren, Schneeweis, 1988). The two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Hillman and Keim, 2001) and each is subject to particular biases (McGuire, Schneeweis, & Hill, 1986). The use of different measures, needless to say, complicates the comparison of the results of different studies. In other words, accounting measures capture only historical aspects of firm performance (McGuire, Schneeweis, & Hill, 1986). They are subject, moreover, to bias from managerial manipulation and differences in accounting procedures (Branch, 1983; Brilloff, 1972). Market measures are forward looking and focus on market performance.

### **2.3 Empirical Studies of Corporate Social Responsibility and Organizational Profitability**

According to Margolis and Walsh (2002), one hundred twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and profitability. The first study was published by Narver in 1971.

Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the *short-run* financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between CSR and financial performance.

Other studies, discussed in McWilliams and Siegel (1997), are similarly inconsistent concerning the relationship between CSR and short run financial returns.

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of *long term* financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results. Cochran and Wood (1984) located a positive correlation between social responsibility and accounting performance after controlling for the age of assets. Aupperle, Carroll, and Hatfield (1985) detected no significant relation between CSP and a firm's risk adjusted return on assets. In contrast, Waddock and Graves (1997) found significant positive relationships between an index of CSP and performance measures, such as ROA in the following year. Studies using measures of return based on the stock market also indicate diverse results. Vance (1975) refutes previous research by Moskowitz by extending the time period for analysis from 6 months to 3 years, thereby producing results which contradict Moskowitz and which indicate a negative CSP/CFP relationship. However, Alexander and Buchholz (1978) improved on Vance's analysis by evaluating stock market performance of an identical group of stocks on a risk adjusted basis, yielding an inconclusive result.

### **Historical Background of Nestle Nigeria Plc.**

Nestle Foods was started by Henri Nestle in the mid eighteenth century, in his bid to find an alternative to breast milk for babies whose mothers could not nurse in order to reduce infant mortality. Consequently Nestle's first customer was a premature infant who could tolerate neither his mother's milk nor any of the conventional substitutes and had being given up for lost by doctors. The value of the product was recognized after it saved the child's life. Henri Nestle showed an early understanding of the power of branding as he adopted his very own

coat of arms as the company's logo and refused to allow Nestle in various countries to have different logos. The coat of arms reflected his name; which meant little nest in his dialect as it consisted of a birds' nest with a mother bird and her three little chicks. The company expanded its product base very quickly, with the collaboration of Daniel Peter whose company figure out the mix of milk with cocoa powder to make milk chocolate. They also merged with Henri Maggi's whose company created powdered soups and bouillon cubes, sources and flavorings using legumes. The early part of the eighteenth century saw the expansion of Nestle into various countries as exports to countries such as Singapore, Hong Kong and Bombay. The company also began full scale operations in Australia. However this soon became a difficult period for Nestle as a result of scarcity and rising prices of raw materials, worldwide post war economic recession, and deteriorating exchange rates. This eventually led to a change in the company's structure as factories were established in developing countries. This has laid the foundation for the establishment of Nestle Nigeria in 1961. It started operations in Nigeria as a simple trading organization but today is one of the leading food manufacturing companies.

## **2.4 Theoretical Framework**

### **2.4.1 Utilitarian Theories**

The old idea of *laissez faire* business gives way to determinism, individualism to public control, and personal responsibility to social responsibility. Utilitarian could also be taken synonymously with instrumental theories (Garriga and Mele, 2004; Jensen, 2002) in which the corporation is seen as only an instrument for wealth creation, and its social activities are only means to achieve economic results.

The utilitarian theories are related to strategies for competitive advantages. The proponents of these theories are, for instance, Porter and Cramer (2002) and Litz (1996) who viewed the theories as bases for formulating strategies in the dynamic usage of natural resources of the corporation for competitive advantages. The strategies also include altruistic activities that are socially recognized as instruments for marketing.

Secchi (2007) further divided the utilitarian group of theories into two, namely, the *social costs* of the corporation and the *idea of functionalism*. The social cost theory has a basis for corporate social responsibility in which the socio-economic system in the community is said to be influenced by the corporate non-economic forces. It is also called instrumental theory (Garriga and Mele, 2004) because it is understood that corporate social responsibility as a mere means to the end, which leads to the fact that the social power of the corporation is materialized specifically in its political relationship with society.

The utilitarian theory, therefore, suggests that the corporation needs to accept social duties and rights to participate in social co-operation. Within it, the functionalist theory, specifically advocates that the corporation is seen as a part of the economic system, which one of the goals is profit making. The firm is viewed as an investment, and investment should be profitable to the investors and stakeholders.

### **Assumptions of Utilitarian Theories**

The assumptions that govern the utilitarian theory are surrounded by moral agents. Utilitarians believe that moral agents always have to promote the best possible outcome seen from an impartial perspective. Thus, companies are equally obligated to promote the happiness of total strangers, for example poor Africans, and those closely related to the company, for example the employees. Utilitarians have generally argued that helping the poor and hungry people, for example, in Africa, rather than relatively well-off people, for example,

in Denmark, seems to maximise happiness as seen from an impartial point of view, other things being equal (Singer, 1970).

#### **2.4.2 Managerial Theory**

Secchi's (2007) analysis further stressed that the logic of managerial theory that emphasizes corporate management in which corporate social responsibilities are approached by the corporation internally. This makes the difference between utilitarian and managerial perspective of corporate social responsibility. This suggests that everything external to the corporation is taken into account for organisational decision-making. Managerial theories are also strongly related to political theories based on the conceptualization by Garriga and Mele (2004) and supported by Lodgson and Wood (2002) as well as Detomasi (2008). They stressed that social responsibilities of businesses arises from the amount of social power a corporation has and the corporation is understood as being like a citizen with certain involvement in the community. The origin of the political power of corporate social responsibility is based on Davis's (1960) idea who proposed that business is a social institution and it must use power responsibly.

#### **2.4.3 Relational Theory**

Relational theory has a root from the complex firm-environment relationships. The theory was developed by Garriga and Mele's (2004) analysis of stakeholder approach which was then supported by the work of Mitchel, Agle and Wood (1997). As the term implies, interrelations between the two are the focus of the analysis of corporate social responsibility. Conclusions about the three groups of corporate social responsibility theories are as follows: Utilitarian is simplified in its views by the individuals and mechanical from the corporation perspective, managerial is very organisational oriented and measurable; and relational is values-based as well as interdependent between the corporation and society. This conclusion



is further strengthened by another not-so-distant conceptualization about corporate social responsibility in that the theories are grouped into instrumental, political, integrative and value based. Instrumental theory is focusing on achieving economic objectives through social activities; political focusing on a responsible use of business power in the political arena; integrative concentrating on drawing together management issues, public responsibility, stakeholder management and corporate social performance; and ethical theory is emphasizing strategies to achieve a good society.

Of the above mentioned theories, the Managerial theory is applied in this study because it believes that social power is generated from inside and outside of the corporation. It considers the internal and external environment and it is factored in the decision making process of the organisation. The populace is represented and their voice is heard using this theory.

## **2.5 Summary**

This chapter reviews extensively the studies done by some eminent scholars. There are different views of the role of a firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. Most people identify certain benefits for a business being socially responsible, but most of these benefits are still hard to quantify and measure. Arguments exist that support the view that firms which has solid financial performance have more resources available to invest in social performance domains, such as employee relations, environmental concerns, or community relations. Financially strong companies can afford to invest in ways that have a more long-term strategic impact, such as providing services for the community and their employees.

The Managerial theory is applied in this study because it believes that social power is generated from inside and outside of the corporation. It considers the internal and external environment and it is factored in the decision making process of the organization

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Research design is the structuring of investigation aimed at identifying variables and their relationship to one another. This is used for the purpose of obtaining data to enable the researcher test hypothesis or answer research questions. It is an outline or scheme that serves as a guide to the researcher in his effort to generate data for his study. In this study, the research design used is the survey design. A survey research design is one in which the sample subject and variables that are being studied are simply being observed as they are without any attempt to control or manipulate them (Ojo 2003). The survey research design is aimed at discovering the inter-relationship between variables. Questionnaires was used as the instrument of gathering information from knowledgeable respondents and also going beyond the observation of the correlation between independent and dependent variables.

#### **3.2 Population and Sampling Technique**

The study population is very large, so 100 respondents were selected from the top level management, middle level management and the supervisors which should be a good representation of the population based on stratified sampling. This cuts across the various departments in the organisation such as corporate affair department, customer services department, retail department, marketing department and others. Again 200 customers were selected from customers through random sampling.

#### **3.3 Methods of Data Collection**

Data collection refers to generating or bringing together information that has been systematically observed, recorded, organized, categorized, or defined in such a way that

logical processing and inferences may occur (Neuman, 2006). Primary data were gathered through questionnaires.

### **3.4 Procedure for Data Analysis and Model Specification**

The data collect through the questionnaire presented in tabular form. The data gathered from the questionnaire were analysed and presented in frequency and percentage tables. The data were also interpreted and the chi square statistical test was used to test the stated hypotheses.

#### **Model Specification**

$$Z^2 = \frac{(O_i - E_i)}{E_i} \quad \text{or} \quad X^2 = \frac{(O_i - E_i)^2}{E_i}$$

### **3.5 Justification of Method**

The survey research design was adopted in the course of this research work. The choice of this design was due to the fact that the researcher perceived it appropriate and because of its lack of control without manipulation of the sample subjects.

### **3.6 Summary**

In this chapter, the researcher has presented the methodologies undertaken in the process of analyzing the issue in the question.

Consequently, the population and sampling technique, method of data collection, procedure for data analysis and model specification are all presented, which appropriate justification were provided for the various methods adopted.

4.1 Data Analysis and Presentation

Table 4. 1: Respondents' Demographic Information

Parameter	Frequency	Percentage
<b>Sex</b>		
Male	138	69
Female	62	31
<b>Age (years)</b>		
21 – 30	121	60.5
31 – 40	65	32.5
41 – 50	11	5.5
Above 50	3	1.5
<b>Education</b>		
FSLC	-	-
SSCE	-	-
HND/BSC	115	57.5
Postgraduate	78	39
Others	7	3.5
<b>Position at Work</b>		
Top Manager	31	15.5
Senior Manager	72	36
Junior Manager	97	48.5
<b>Years of Experience</b>		
0 – 5 years	53	26.5
6 – 10 years	68	34

11 – 15 years	39	19.5
16 – 20 years	31	15.5
20+ years	9	4.5

.Source: Field Survey, 2018

Table 4.1 shows responses according to respondent’s socio – demographic information. Out of the 200 respondents used as sample for this study, 138 respondents representing 69% are male while 62 respondents representing 31% are female. 121 respondents representing 60.5% were within age group 21 – 30 years while the lowest (1.5%) were above 50 years. In term of level of education, 115 respondents representing 57.5% indicated they are first degree holders (Graduate), while the lowest (3.5%) indicated they have other qualifications. 97 respondents representing 48.5% indicated that they are junior managers, while the lowest (15.5%) said they are top managers. Concerning years of experience, 68 respondents representing 34% indicated that they worked between 6 – 10 years, while the lowest (4.5%) said they have worked above 20 years.

Question 2:Do you know the theme of Corporate Social Responsibility (corporate social responsibility)?

Table4. 2: Meaning of Corporate Social Responsibility

Parameter	Frequency	Percentage
I know very well the principles and instrument of corporate social responsibility and my company apply them.	200	100
I don’t know so well that topic	-	-
I have never heard about that	-	-

Source: Field Survey, 2018

Table 4. 2 shows respondents responses to knowledge about corporate social responsibility. All respondents (100%) indicated that they know the principle and instrument of corporate social responsibility and their companies applied them.

Question 3. Which is the area of social responsibility more significant for your company?

Table4.3: Area of significant of Corporate Social Responsibility to the company

Parameter	Frequency	Percentage
Governance and dialogue with the stakeholders	27	13.5
Policy towards employees	42	21
Relationship with clients and suppliers	48	24
Relationship with the community	61	30.5
Environment protection	22	11

Source: Field Survey, 2018

Table 4.3 shows respondents' responses to area more significant in corporate social responsibility. Out of the 200 questionnaire administered, 61 respondents representing 30.5% indicated that relationship with the community is more significant in the implementation of corporate social responsibility in their companies, while the lowest (11%) indicated that environment protection is more significant.

Question 4:In your opinion what motives your company to adopt corporate social responsibility practices?

Table 4.4: Motive of adopting Corporate Social Responsibility

Parameter	Frequency	Percentage
Promote corporate image/reputation	74	37

Increase of the efficiency	23	11.5
Greater customers loyalty and increase patronage	51	25.5
Corporate advantages in performance and profitability	22	11
Benefit in relationship with institution finance and community	30	15

Source: Field Survey, 2018

Table 4.4 shows respondents’ responses to what motives adoption of corporate social responsibility. Out of the 200 questionnaire administered, 74 respondents representing 37% affirmed that promotion of corporate image and reputation influenced the adoption of corporate social responsibility practices in their companies, while 22 respondents representing 11% indicated that corporate advantage in performance and profitability is the major reason for adopting corporate social responsibility.

Question 5: Do your company has adequate manpower to implement and oversee the corporate social responsibility initiatives.

Table 4.5: Initiatives of Corporate Social Responsibility

Parameter	Frequency	Percentage
Strongly Agree	113	56.5
Agree	87	43.5
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table 4.5 shows respondents’ responses according to implement and oversees of the corporate social responsibility initiatives. All respondents affirmed that the company have



adequate manpower to implement and oversees the corporate social responsibility initiatives as indicated by 56.5% and 43.5%.

Question 6: Do trained staff takes care of the implementation of corporate social responsibility activities.

4.6: Training and Implementation of corporate social responsibility

Parameter	Frequency	Percentage
Strongly Agree	88	44
Agree	112	56
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2016

Table 4.6 shows respondents' responses according to implement of corporate social responsibility activities. All respondents affirmed that adequately trained staff takes care of the implementation of corporate social responsibility activities in their company as indicated by 44% and 56%.

Question 7: Do the company allocates appropriate budget for its various corporate social responsibility initiatives.

Table 4.7: Budget for Corporate Social Responsibility

Parameter	Frequency	Percentage
Strongly Agree	64	32
Agree	136	68

Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table 4.7 shows respondents' responses according to budget for corporate social responsibility initiatives. All respondents affirmed that the company allocates appropriate budget for their various corporate social responsibility initiatives as indicated by 32% and 68%.

Question 8: is the current corporate social responsibility activities are good enough for the company?

Table 4. 8: Corporate Social Responsibility and Activities of the Company

Parameter	Frequency	Percentage
Strongly Agree	75	37.5
Agree	125	62.5
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table 4.8 shows respondents' responses according to current corporate social responsibility activities. All respondents affirmed current corporate social responsibility activities are good enough as indicated by 37.5% and 62.5%.

Question 9 : Is the corporate social responsibility initiatives are helping in creating brand awareness.

Table 4.9: Corporate Social Responsibility Initiatives and Brand Awareness

Parameter	Frequency	Percentage
Strongly Agree	89	44.5
Agree	111	55.5
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table4. 9 show respondents’ responses according to corporate social responsibility initiatives and brand awareness. All respondents affirmed that corporate social responsibility initiatives are helping in creating brand awareness as indicated by 44.5% and 55.5%.

Question 10. Are more people willing to work for the company due to its initiatives for the society?

Table 4.10: Willingness to work for the company

Parameter	Frequency	Percentage
Strongly Agree	73	36.5
Agree	97	48.5
Undecided	6	3
Disagree	17	8.5
Strongly Disagree	7	3.5

Source: Field Survey, 2018

Table 4.10 shows respondents' responses according to corporate social responsibility initiatives and willingness to work. 97 respondents representing 48.5% agreed that more people are willing to work with their company because of their various corporate social responsibility initiatives, while 7 respondents representing 3.5% strongly disagreed.

Question 11. Is Corporate Social Responsibility an effective catalyst to bring about positive societal change?

Table 4.11: Corporate Social Responsibility and Effectives Change

Parameter	Frequency	Percentage
Strongly Agree	73	36.5
Agree	127	48.5
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table 4.11 shows respondents' responses according to corporate social responsibility initiatives and societal change. All respondents agreed that corporate social responsibility is an effective catalyst to bring about positive societal change as indicated by 36.5% and 48.5%.

Question 12: Do corporate social responsibility better community relations result in better profit for the company

Table 4.12: Corporate Social Responsibility and Profitability

Parameter	Frequency	Percentage
Strongly Agree	69	34.5
Agree	131	65.5
Undecided	-	-
Disagree	-	-
Strongly Disagree	-	-

Source: Field Survey, 2018

Table 4.12 shows respondents' responses according to corporate social responsibility initiatives and better profit. All respondents agreed that corporate social responsibility better community relations result in better profit as indicated by 34.5% and 65.5%.

Question 13: Do Corporate Social Responsibility influences organisational reputation in the Nestle Nigeria?

Table 4. 13; Corporate Social Responsibility and Organizational Reputation

Parameter	Frequency	Percentage
Strongly Agree	167	83.5
Agree	27	13.5
Undecided	2	1
Disagree	3	1.5
Strongly Disagree	1	0.5

Source: Field Survey, 2018

Table 4.13 shows respondents' responses according to influence of corporate social responsibility on organisational reputation. 167 respondents representing 83.5% strongly

agreed that corporate social responsibility (corporate social responsibility) influences organisational reputation in the Nestle Nigerian industry, while 1 respondent representing 0.5% strongly disagreed.

Question4. 14: Do you think that the Nigerian economic condition has encouraged the adoption of corporate social responsibility practices in your company?

Table 4.14: Corporate Social Responsibility and Economic Condition in Nigeria

Parameter	Frequency	Percentage
Very much	132	66
Pretty much	52	26
Not at all	7	3.5
Indifferent	3	1.5
I don't know	6	3

Source: Field Survey, 2018

Table 4.14 shows respondents' responses according to influence of economic condition on adoption of corporate social responsibility. 132 respondents representing 66% indicated that the Nigerian economic condition encouraged the adoption of corporate social responsibility practices very much, while 3 respondents representing 1.5% were indifferent about the influence of economic condition on corporate social responsibility practices.

Question 15: Do you think corporate social responsibility affects the image of company's before the general public?

Table 4.15: Corporate Social Responsibility and Company Image

Parameter	Frequency	Percentage
Strongly Agree	158	79
Agree	38	19
Undecided	1	0.5
Disagree	2	1
Strongly Disagree	1	0.5

Source: Field Survey, 2018

Table 4.15 shows respondents' responses according to influence of economic condition on adoption of corporate social responsibility. 132 respondents representing 66% indicated that the Nigerian economic condition encouraged the adoption of corporate social responsibility practices in their companies very much, while 3 respondents representing 1.5% were indifferent about the influence of economic condition on corporate social responsibility practices.

Question 16: In which of the following areas your company has realized significant operations?

Table 4.16: Area of Significant Operation

Parameter	Frequency	Percentage
System of governance transparency and relationship with investors and share holders	30	15
Health and development of employees	41	20.5
Practices of responsible business	28	14
Climatic changes	59	29.5

Partnership with community	42	21
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Source: Field Survey, 2018

Table 16 shows respondents’ responses according to areas of significant operations. 59 respondents representing 29.5% indicated that climatic changes are the major significant areas of in their corporate social responsibility operations, while 28 respondents representing 14% indicated practices of responsible business are significant areas in their operations.

Question 17: Which of the following measures has your company adopted to reduce environmental impact?

Table 4.17: Corporate Social Responsibility and Environmental Impact

Parameter	Frequency	Percentage
Energy Saving	4	2
Waste recycling	11	5.5
Mobility management (Car Pooling, Car sharing)	8	4
Sustainable Environment packaging	79	39.5
Development of environment friendly products	22	11
Life cycle Assessment processes	7	3.5
Management of environment system	57	28.5
Use of renewable resources	12	6

Source: Field Survey, 2018

Table 4.17 shows respondents’ responses according to measures for reducing environmental impacts. 79 respondents representing 39.5% indicated that sustainable environment packagings are the major measures used by company to reduce environmental impacts, while



7 respondents representing 3.5% indicated practices life cycle assessment processes are the major measures.

Question 18: Which are concrete actions towards community in which your company operates?

Table 4.18: Action towards Corporate Social Responsibility

Parameter	Frequency	Percentage
Donation to organizations having social or environmental utility	37	18.5
Sponsorship of sport and cultural events	65	32.5
Cause Related Marketing campaign	6	3
Partnership projects of social solidarity	81	40.5
Corporate foundation	7	3.5
Corporate voluntary	4	2
None	-	-

Table 4.18 shows respondents' responses according to concrete actions of corporate social responsibility practices. 81 respondents representing 40.5% indicated that partnership projects of social solidarity are the major concrete actions companies used as corporate social responsibility practices, while 4 respondents representing 2% indicated corporate voluntary are the major concrete actions

Question 19: There is a significant difference between level of perceived customers' patronage and loyalty among companies that practices corporate social responsibility and those that doesn't in the Nigerian

Table 4.19: Customer Patronage and Corporate Social Responsibility

Parameter	Frequency	Percentage
Strongly Agree	118	59
Agree	19	9.5
Undecided	7	3.5
Disagree	43	21.5
Strongly Disagree	13	6.5

Source: Field Survey, 2018

Table 4.19 shows respondents' responses are according to influence of corporate social responsibility on level of perceived customers' patronage and loyalty. 118 respondents representing 59% strongly agreed that there is a significant difference between level of perceived customers' patronage and loyalty among companies that practices corporate social responsibility and those that doesn't in the Nigerian industry, while 13 respondent representing 6.5% strongly disagreed.

Question 4.21: Do corporate social responsibility adoption influences organisational performance and profitability?

Table 4: 20 Corporate social Responsibility and Performance

Parameter	Frequency	Percentage
Strongly Agree	149	74.5
Agree	39	19.5
Undecided	2	1
Disagree	6	3
Strongly Disagree	4	2

Source: Field Survey, 2018

Table .4.20 shows respondents' responses according to influence of corporate social responsibility organisational performance and profitability. 149 respondents representing 74.5% strongly agreed that corporate social responsibility adoption influences organisational performance and profitability, while 4 respondent representing 2% strongly disagreed.

Question 21: What do you think could be the main benefit of the adoption of measures for social responsibility?

Table 4.21: Benefit of Adoption of Corporate Social Responsibility

Parameter	Frequency	Percentage
Enhancing corporate reputation	89	44.5
Improving relations with suppliers, institution, donors, community	53	26.5
To strengthen the sense of employee	32	16
Acquisition of commercial benefits	14	7
Identification of reputational risks	12	6

Source: Field Survey, 2018

Table 22 shows respondents' responses according to main benefit of corporate social responsibility adoption. 89 respondents representing 44.5% indicated that enhancing corporate reputation are the main benefits for adoption of corporate social responsibility, while, 12 respondent representing 6% indicated that identification of reputational risks are the main benefits.

Question 23. Which are in your opinion problems related to the development of initiatives in the field of social responsibility by your company?

Table 4.22: Problems of Corporate Social Responsibility Initiatives

Parameter	Frequency	Percentage
Lack of knowledge	57	28.5
Lack of institution assistance	41	20.5
Lack of specific legislation on corporate social responsibility	38	19
Business benefits not immediate	24	12
High Cost	17	8.5
Lack of corporate skill	13	6.5
Little impact on social and environmental business	7	3.5
Few interest of the company	3	1.5

Source: Field Survey, 2018

Table 4.22 shows respondents' responses according to problems related to the development of corporate social responsibility adoption. 57 respondents representing 28.5% indicated that lack of knowledge are the main problems related to development of corporate social responsibility, while, 3 respondent representing 1.5% indicated that few interest of their companies.

4.4 Test of Hypothesis

Hypothesis one

H<sub>0</sub>: Corporate social responsibility adoption does not influence organizational performance profitability.

H<sub>1</sub>: Corporate social responsibility adoption influences organizational performance and profitability.

Data gathered from table 21 and 12

Observed (O)	Expected (E)	O – E	$(O - E)^2$	$\frac{(O - E)^2}{E}$
149	109	40	1600	14.68
39	85	-46	2116	24.89
2	1	1	1	1
6	3	3	9	3
4	2	2	4	2
69	109	-40	1600	14.68
131	85	46	2116	24.89
0	1	-1	1	1
0	3	-3	9	3
0	2	-2	4	2
Chi Square				91.14

Degree of freedom

$(\text{Row} - 1)(\text{Column} - 1)$

$(5 - 1)(2 - 1) = (4)(1) = 4$

Using degree of freedom (4) against level of significance at 0.05 = 9.49

**Decision** – Since the calculate table value of chi square (91.14) is greater than the tabulated chi square value (9.49) therefore the alternative hypothesis which states that corporate social responsibility adoption influences organisational performance and profitability is accepted and the null hypothesis is rejected.

Hypothesis two

Ho: There is no significant relationship between corporate social responsibility and organizational profitability

Hi: There is significant relationship between corporate social responsibility and organizational profitability.

**Data gathered from table 20 and 10**

Observed (O)	Expected (E)	O – E	(O – E) <sup>2</sup>	<u>(O – E)<sup>2</sup></u> E
118	95.5	22.5	506.25	5.301
19	58	-39	1521	26.22
7	6.5	0.5	0.25	0.039
43	30	13	169	5.633
13	10	3	9	0.9
191	95.5	22.5	506.25	5.301
97	58	-39	1521	26.22
6	6.5	0.5	0.25	0.039
17	30	13	169	5.633
7	10	3	9	0.9
Chi Square				76.2

Degree of freedom

$(\text{Row} - 1)(\text{Column} - 1)$

$(5 - 1)(2 - 1) = (4)(1) = 4$

Using degree of freedom (4) against level of significance at 0.05 = 9.49

**Decision** – Since the tabulated chi square value (9.49) is lesser than the calculated table value of chi square (76.2), therefore the alternative hypothesis which states that there is no significant relationship between corporate social responsibility and organizational profitability is rejected.

#### **4.5 Discussion of Findings**

Findings of the analysed data show majority (69%) of the respondents used for this study are male, were within age group 21 – 30 years (60.5%), are first degree holders (Graduate, 57.5%), junior managers (48.5%) and have worked between 6 – 10 years (34%).

Findings of the analysed data show that all respondents (100%) indicated that they know the principle and instrument of corporate social responsibility and their companies applied them. Relationship with the community is more significant in the implementation of corporate social responsibility (30.5%), promotion of corporate image and reputation influenced the adoption of corporate social responsibility practices (37%), and company have adequate manpower to implement and oversee the corporate social responsibility initiatives as indicated by 56.5% and 43.5%.

Findings of the analysed data show that adequately trained staff takes care of the implementation of corporate social responsibility activities in their company as indicated by 44% and 56%. Company allocates appropriate budget for their various corporate social responsibility initiatives as indicated by 32% and 68%, current corporate social responsibility activities are good enough as indicated by 37.5% and 62.5%. Company's corporate social responsibility initiatives are helping in creating brand awareness as indicated by 44.5% and 55.5%.

Findings of the analysed data show that more people are willing to work with their company because of their various corporate social responsibility initiatives (48.5%) and corporate social responsibility is an effective catalyst to bring about positive societal change as indicated by 36.5% and 48.5%. corporate social responsibility better community relations result in better profit for their company as indicated by 34.5% and 65.5%. Corporate social responsibility (corporate social responsibility) influences organisational reputation in the Nigerian industry (83.5%) and the Nigerian economic condition encouraged the adoption of corporate social responsibility practices in their companies very much (66%).

Findings of the analysed data show that climatic changes are the major significant areas of in their corporate social responsibility operations (29.5%) and that sustainable environment packaging is the major measure used by company to reduce environmental impacts (39.5%). Partnership projects of social solidarity are the major concrete actions company used as corporate social responsibility practices (40.5%).

#### **4.6 Summary of findings**

The data collected were analyzed using frequency and percentage tables and result were obtained. The hypothesis which states that corporate social responsibility adoption does not influence organizational performance and profitability has being rejected and the alternative which state that corporate social responsibility adoption has influences organizational performance and profitability has being accepted.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

The study examines the effect of corporate social responsibility (csr) on profitability of multinational companies. Chapter one provided the introductory part by giving a background of the study. The chapter discussed the statement of the research problem. The chapter also highlighted the research questions and hypotheses raised based on the purpose of the study. The limitations and significance of the study were also stated.

Chapter two-reviewed related literature on effect of corporate social responsibility (csr) on profitability of multinational companies. The chapter also looked at how corporate social responsibility adoption influences organisational performance and profitability. How economic, social and environmental factors are responsible for the poor performance of corporate social responsibility (corporate social responsibility) adoption were also extensively reviewed.

Chapter three discussed the research methodology. The chapter stated the type of research designed adopted in the study. A sample size of 200 respondents was randomly selected. Questionnaire was administered among the respondents for the purpose of data collection. Chapter four presented the data gathered in frequency and percentage tables. The data were also analysed and research hypotheses were tested with chi-square statistical test.

#### **5.2 Conclusion**

Sequel to the findings of the study, the following conclusion was drawn based of the findings of the study;

- a) Relationship with the community is more significant in the implementation of corporate social responsibility, the promotion of corporate image and reputation influenced the adoption of corporate social responsibility practices and companies have adequate manpower to implement and oversee the corporate social responsibility initiatives.
- b) Adequately trained staff takes care of the implementation of corporate social responsibility activities and most companies allocate appropriate budget for their various corporate social responsibility initiatives.
- c) Most companies' current corporate social responsibility activities are good enough and their corporate social responsibility initiatives are helping in creating brand awareness.
- d) Corporate social responsibility is an effective catalyst to bring about positive societal change and corporate social responsibility better community relations result in better profit for companies.
- e) The Nigerian economic condition encouraged the adoption of corporate social responsibility practices in their companies very much.
- f) Climatic changes are the major significant areas of in their corporate social responsibility operations and that sustainable environment packaging is the major measure used by companies to reduce environmental impacts.
- g) Partnership projects of social solidarity are the major concrete actions companies used as corporate social responsibility practices.
- h) Enhancing corporate reputation are the main benefits for adoption of corporate social responsibility.
- i) Lack of knowledge is the main problem related to development of corporate social responsibility.

### 5.3 Recommendations

This section recommends measures to be considered by academia, corporate organisation and stakeholders as well as customers so long as corporate social responsibility is concerned.

- a) Corporate social responsibility deserves greater attention and more commitment from corporate organizations in that it guarantees other benefits other than just profits. This offers an opportunity to the corporate world to think out of the box and explore other potentially viable areas to improve the company profits portfolio. Corporate organisations stand to gain over a period of time some leverages other than just products and services they render to the society.
- b) Governments and local authorities should explore the areas where a certain amount of tax will be used by the organisation to undertake community based projects such as schools, electricity, clean water, jobs and income generating activities. This can be in a form of tax exemptions granted to these organisations. This will make the corporate organisation be more responsible in the area of work and contribute significantly to national development.
- c) Organisations should continue to monitor and maintain a positive adoption and implementation of corporate social responsibility which could reduce attrition within the organisation; this could contribute to increases in organisational efficiencies.

### 5.4 Suggestion for further study

Further study should be conducted to establish the real value in monetary terms how much corporate social responsibility contributes to the organisations profitability. Also further research should be conducted to quantify how much or to what degree these corporate social responsibility programmes have impacted on the society and its corresponding value generation for the company.

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INSTRUCTION: Please tick (✓) the correct answers from the options provided below.

1. Sex Male ( ) Female ( )

2. Marital status Single( ) Married( ) Divorced( ) Widowed( )

3. Age 16-25( ) 26-35( ) 36-45( ) 45 and above( )

5. Which is the area of social responsibility more significant for your company?

- a. Governance and dialogue with the stakeholders ( )
- b. Policy towards employees ( )
- c. Relationship with clients and suppliers ( )
- d. Relationship with the community ( )
- e. Environment protection ( )

6. In your opinion what motives your company to adopt corporate social responsibility practices?

- a. Promote corporate image/reputation ( )
- b. Increase of the efficiency ( )
- c. Greater customers loyalty and increase patronage ( )
- d. Corporate advantages in performance and profitability ( )
- e. Benefit in relationship with institution finance and community ( )

7. Do your company have adequate manpower to implement and oversee the corporate social responsibility initiatives?

- a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

8. Do trained staff takes care of the implementation of corporate social responsibility activities.

- a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

9. Do the company allocates appropriate budget for its various corporate social responsibility initiatives.

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

10. Is the current corporate social responsibility activities are good enough for the company?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

11. Is the corporate social responsibility initiatives are helping in creating brand awareness.

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

12. Are more people willing to work for the company due to its initiatives for the society?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

13. Is Corporate Social Responsibility an effective catalyst to bring about positive societal change?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

14. Do corporate social responsibility better community relations result in better profit for the company

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

15. Do Corporate Social Responsibility influences organisational reputation in the Nestle Nigeria?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

16. Do you think that the Nigerian economic condition has encouraged the adoption of corporate social responsibility practices in your company?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

17. Do you think corporate social responsibility affects the image of company's before the general public?

a. Strongly Agree ( ) b. Agree ( ) c. Undecided ( ) d. Disagree ( ) e. Strongly Disagree ( )

18. Do corporate social responsibility adoption influences organisational performance and profitability?

19. Which are in your opinion problems related to the development of initiatives in the field of social responsibility by your company?

a. Lack of knowledge ( ) b. Lack of institution assistance ( ) c. Lack of specific legislation on corporate social responsibility ( ) d. Business benefits not immediate ( ) e. High Cost ( ) f. Lack of corporate skill ( ) g. Little impact on social and environmental business ( ) h. Few interest of the company ( )