



## **CORPORATE SOCIAL RESPONSIBILITY AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM MANUFACTURING FIRMS IN OYO STATE, NIGERIA**

**Azeez Folashade M<sup>1</sup>, Balogun Adetoun R<sup>2</sup>, and Omotoye Oluwatobi O<sup>3</sup>**

<sup>1</sup>Department of Business Administration, Osun State University.

Email: folashade.durosinmi-etti@uniosun.edu.ng

<sup>2</sup>Department of Human Resource Development, Osun State University.

Email: adetoun.balogun@uniosun.edu.ng

<sup>3</sup>Department of Employment Relations and Human Resource Management, University of Lagos. ORCID: Orcid.org/0000-0001-6556-869. Email: omotoyetobio95@gmail.com

**ABSTRACT:** *Some organizations have understood and embraced the concept of corporate social responsibility as a means of improving their performance. The purpose of the study is to determine the influence of corporate social responsibility activities on organizational performance. A survey research design was used in the study. The target population for this study is the skilled labour of Seven-Up Bottling Company Plc, Ibadan, and Nigeria Brewery Plc, Ibadan. 262 was used as the sample size for the study which was calculated by Taro Yamane Formula. The questionnaires were the main instrument of data collection. Descriptive statistics analysis was used for demographic data of the respondents while inferential statistics through the use of multiple regression were used to test the hypotheses. The findings revealed that corporate social responsibility significantly influences organizational performance. Furthermore, philanthropic, ethical, economic, legal activities significantly predict organizational performance among the manufacturing firms in Oyo State, Nigeria. It was concluded that four dimensions of corporate social responsibility activities which include; philanthropic activities, ethical activities, economic activities, and legal activities positively influenced organizational performance. The study recommends that senior management should always ensure continuous and intensive research and development to ensure maximum exploitation of activities used for managing and controlling corporate social responsibility to enhance organization performance.*

**KEYWORD:** Corporate Social Responsibility, Philanthropic Activities, Ethical Activities, Economic Activities, Legal Activities, and Organizational Performance

### **INTRODUCTION**

Corporate Social Responsibility (CSR) has emerged and developed rapidly as a global occurrence and a field of study. It has emerged as an important approach and framework for addressing the role of business in society, setting standards of behavior to which a company must follow to impact society positively and effectively at the same time as abiding by values that exclude profit-seeking at any cost. Corporate social responsibility has changed the role of doing business in the society from simple exhortation of no social duties for business to the understanding of being socially responsible. Recently, social and economic environment and sustainability are more important in the business sector. Corporate goals are attached to the



societies and environments in which they operate. While the short-term economic gain can be attained, the letdown to account for the long-term environmental and social impacts makes corporates practices untenable. CSR is defined as an activity implemented by firms to positively influence the environment where they carried out their economic activities.

Lin, Yang, and Liou (2009) as seen in the works of Mohamed, Reham, and Ehab (2014), CSR describes a firm's responsibility to improve and protect the social welfare now and also in the future, by creating an economic gain for the stakeholders. CSR is an essential part of the business policy of any organization for addressing the impact of the company activities socially and environmentally. Although many organizations make use of CSR, and many firms still contemplate that environment and society are smaller domains within the economy circle. CSR is a concept whereby firms commit to improve their environmental and social performance beyond legal obligations. In today's economic and social environment, issues related to social responsibility, and sustainability are gaining more and more importance, especially in the business sector. Business goals are inseparable from the societies and environments within which they operate.

Organizational performance plays a vital role in accomplishing organizational goals. The performance is usually evaluated by estimating the values of qualitative and quantitative performance indicators (Maharm & Anderson, 2008). It is important for an organization to decide the important indicators, how they identify with the detailed organization objectives, and how they rely upon the performed exercises. Estimating firm execution utilizing bookkeeping proportions is normal in the Corporate Administration. Maham and Anderson (2008) specifically, return on capital utilized, return on resources, and profit for value. Essentially, financial worth included can be as an option in contrast to simply bookkeeping based strategies to decide investor esteem by assessing the benefit of a firm after the absolute expense of capital, both obligation and value are considered. In this study, Market share, Growth in sales, profit, and output in sales were used to measure organizational performance.

### **Statement of the Problem**

Various studies have been carried out on CSR and financial performance or firm profitability in Nigeria, most of these studies focused on the financial institution. Less attention is given to the manufacturing firms in Nigeria, and more attention has been paid to the significance of other stakeholders, as defined in stakeholder theory. CSR has not been measured with philanthropic, ethical, economic, and legal activities in Nigeria. However, to the best of our knowledge, no previous study has examined how the organizational performance of manufacturing firms has been affected by CSR activities using philanthropic, ethical, economic, and legal activities as variables. By evaluating the influence of these variables, organizations can design CSR strategies to entice customers towards their products or services. It is in light of the above knowledge gap that this study seeks to investigate the impact of CSR using philanthropic, ethical, economic, and legal activities as variables on organizational performance in manufacturing firms in Ibadan, Oyo State.

### **Objectives of the Study**

The main objective of this study is to find out the influence of corporate social responsibility activities on organizational performance. The specific objectives of the study are to:



1. Examine the influence of philanthropic activities on organizational performance among manufacturing firms in Oyo State.
2. Evaluate the impact of ethical activities on organizational performance among manufacturing firms in Oyo State.
3. Ascertain the contribution of economic activities on organizational performance among manufacturing firms in Oyo State.
4. Assess the influence of legal activities on organizational performance among manufacturing firms in Oyo State.

## **LITERATURE REVIEW**

### **Theoretical Framework**

For the purpose of this study legitimacy theory and shareholder theory will be adopted to explain the impact of cooperate social responsibility on organizational performance.

### **Legitimacy Theory**

Another theory from which CSR stems is legitimacy theory. The theory posits that businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards and this ultimately generates its continued existence. Legitimacy is defined as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Van der Laan, 2009). The theory implies that there is an interaction between groups and society. Organizations are one part of society and they exist if they are considered legitimate by groups in society. Depending on an organization perception of its state or level of legitimacy, it may employ 'legitimation' strategies (Laan, 2009) either to establish, extend, maintain or defend their legitimacy (Tilling, 2004) and control for potential, existing or perceived legitimacy gaps following legitimacy threats (Vourvachis, 2008). The theory implies that organizations seek to operate within what is considered acceptable in a society which is the essence of CSR. Stakeholder theory and legitimacy theory have developed from the broader political economy perspective. They both focus attention on the nexus between the organization and its operating environment although they are different (Van der Laan, 2009)

### **Shareholder Theory**

The shareholder theory proposed by Milton Friedman states that a company's only responsibility is to increase its profits. He argued that a company should have no "social responsibility" to the public or society because its only concern is to increase profits for itself and its shareholders. However, shareholders must rely on management to perform various functions as; managers may prioritize themselves in running of companies, which means that in fact, they do not create value for shareholders (Lazonick and Sullivan, 2000). Furthermore, companies do not always have the knowledge or competence for different kinds of social and environmental projects. Resources are not used effectively when companies engage in different CSR activities (Henderson, 2001). The origin of the shareholder perspective is that most



companies start from an owner initiative associated with risk. The owner or entrepreneur invests his or her resources in an idea, but without a guaranteed return on investment whereas, the return to other stakeholders such as lenders, employees, suppliers, is often regulated in contracts. From the perspective of shareholder value, the owners are special stakeholders and their interests should be prioritized. The owner can exert influence over the business, which to some extent compensates for the higher risk. The owners should, therefore, be prioritized over other stakeholders.

### **Empirical Review**

Mohamed, Reham, and Ehab (2014) investigate the impact of CSR on firm performance using cross-sectional data collected from non-financial companies in Egypt. The relationships between the two variables were tested using regression analysis. The result of the study revealed that there is a positive and significant relationship between CSR and firm's performance. In the study approved by Boafo and Kokuma (2016) on the impact of CSR on organizational performance, using Vodafone Ghana limited. The study which was designed as a descriptive survey design found that CSR activities can bring a good image to the organization.

Babalola (2012) did a study on the relationship between CSR and firms' profitability in Nigeria. Secondary data was the source of data collection from 10 randomly selected firms from 1999-2008. The study found that CSR caused changes in the firm's profitability in Nigeria. Ukpabi, Ikaba, Enyindah, Orji, and Idatoru (2014) empirically investigated the role of CSR in the attainment of organizational goals in the oil and gas industry in the Niger Delta of Nigeria. They found out that the active involvement of firms in CSR has a significant contribution to the productivity and stability of the company. Zana (2016) also finds an additional surprising fact that CSR positively affects organizational commitment.

Ibrahim and Abubakar (2020) assess the influence of CSR on the organizational image, using selected food and beverage companies in Nigeria. The survey research design was employed which covers Federal Capital Territory. The findings of the study revealed that CSR activities are the key drivers of the organizational image building. Szegedi, Khan, and Lentner (2020) examined the relationship between CSR and financial performance evidence of Pakistani listed banks. The findings indicate an increase in CSR disclosure will help to improve the accounting-based financial performance of the listed banks. Al-Samman and Al-Nashmi, (2016) explored the relationship between CSR and non-financial organizational performance. Using Public and private enterprises in Yemen. They found that the four dimensions of CSR (economic, legal, ethical, and philanthropic) have a positive relationship with and non-financial organizational performance.

### **METHODOLOGY**

The design for the study was a survey design that measured two variables: the independent variable and the dependent variable. The independent variable was corporate social responsibility which was measured by three Sub-variables (ethical, economical, legal, and philanthropic) and the dependent variable was organizational performance.



The target population for this study is the skilled labour of Seven-Up Bottling Company Plc, Ibadan, and Nigeria Brewery Plc, Ibadan. The choice of skilled labour is because of the objectives the study seeks to achieve and because of the ability of the skilled labour to easily understand the contents of the questionnaire. The total number of skilled labour in Nigeria Brewery Plc, Ibadan is Five Hundred and Twenty-three (523) (Nigeria Brewery annual report, 2018) while that of Seven-Up Bottling Company Plc, Ibadan is Two Hundred and Thirty-two (232) as at May 2018 (Seven-Up Bottling annual report, 2018). The total population for the study is seven hundred and fifty-five (755). This study targeted the skilled labour in Seven-Up Bottling Company Plc, Ibadan, and Nigeria Brewery Plc, Ibadan. The Sample size for the study was calculated by using Taro Yamane (Yamane, 1973) formula with a 95% confidence level. The sample size is 262 samples selected from the population. A simple random sampling technique was further used to distribute the questionnaires to ensure that the sampling unit of the population has an equal chance of being selected. The questionnaires were distributed to Nigeria Brewery Plc, Ibadan given one hundred and fifty-seven (157) which represents sixty (60%) of the questionnaire were administered to the skilled staff while one hundred and five (105) which represent forty (40%) were administered to the skilled staffs of Seven-Up Bottling Company Plc, Ibadan. Nigeria Brewery Plc, Ibadan were given sixty percent of the questionnaires because the numbers of skilled staff they have are more than doubled the staff of Seven-Up Bottling Company Plc, Ibadan. The questionnaires were the main instrument of data collection. The questions were divided into variables of interest. Likert scale with point 5 was used with 1- Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree, and 5-Strongly agree. The variable under study included Philanthropic, Ethical, Economic, and Legal. All these four variables related to Corporate Social Responsibility of the selected manufacturing firm in Ibadan, Oyo State under study. The dependent variable was organizational performance. The respondent was to respond to the questions in each variable base on strength of 1 to 5. 198 questionnaires were returned and fully utilized for the study. Descriptive statistics were done to identify the characteristics of demographic data of respondents while inference statistics through the use of multiple regression was used to test the hypothesis.

### Research Hypotheses

- H<sub>01</sub>:** Philanthropic activities will significantly influence organizational performance among manufacturing firms in Oyo State.
- H<sub>02</sub>:** Ethical activities will significantly assess organizational performance among manufacturing firms in Oyo State.
- H<sub>03</sub>:** Economic activities will significantly determine organizational performance among manufacturing firms in Oyo State.
- H<sub>04</sub>:** Legal activities will significantly predict organizational performance among manufacturing firms in, Oyo State.



## RESULTS AND DISCUSSION

**Table 1: Frequency Distribution of Respondents Socio-Demographic Characteristics**

The frequency distribution of the socio-demographic characteristics of the respondents are presented in this section below

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	93	47
Female	105	53
Total	198	100
<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
20-30 years	9	4.5
31-40 years	86	43.4
41-50 years	85	42.9
51 years and above	18	9.1
Total	198	100
<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Single	36	18.2
Married	156	78.8
Divorced	6	3.0
Total	198	100
<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
SSCE	16	8.1
OND/NCE	74	37.4
HND/B.Sc./Above	108	54.5
Total	198	100
<b>Work Experience</b>	<b>Frequency</b>	<b>Percentage</b>
0-10 years	63	31.8
10-20 years	67	33.8
20 years and above	68	34.3
Total	198	100

*Source' Author's fieldwork*

Table 1 shows the respondents' gender. The result shows that 47% of the respondents are male, while 53% of the respondents are female. This implies that female respondents were more than male respondents. Also, this result gives vivid details of the respondents' age distribution; 4.5% of the respondents are between the ages of 20-30 years, 43.4% are between the ages of 31-40 years, 42.9% are between the ages of 41-50, and 7.2% are 51 years old and above. The majority of the respondents were between 31-50 years. It shows the respondents' marital status. The result shows that 18.2% of the respondents are single, 78.8% are married, and 3% of the respondents are Divorced. The majority of the respondents were married. The result shows that 8.1% of the respondents have SSCE, 37.4% of the respondents have OND/NCE, and 54.5% of the respondents have HND/B.Sc. This implies that most of the respondents have HND, B.SC, and above. The result shows that 31.8% of the respondents have worked for 0-10 years, 33.8% of the respondents have worked for 10-20 years, and 34.3% of the respondents have worked



for more than 20 years. The majority of the respondents have spent 20 years and above in the organization.

### Test of Hypotheses

**Table 2: Multiple Regression Analysis showing the Philanthropic, Ethnical, Economic, Legal activities Organizational Performance**

	$\beta$	$t$	$R$	$R^2$	$\Delta R^2$	$F$	$Df$	$P$
<b>Variable</b>			.92	.74	.63	723.12	1,197	P<.05
<b>Philanthropic Activities</b>	.75	.47						P<.05
<b>Ethnical Activities</b>	.55	.32						P<.05
<b>Economic Activities</b>	.69	.18						P>.05
<b>Legal Activities</b>	.79	.15						P>.05

#### *Authors' Computation*

The table above revealed the joint prediction of Philanthropic, Ethnical, Economic, Legal activities Organizational Performance was significant ( $P < .05$ ,  $F = 723.12$ ,  $R^2 = .074$ ). The predictor variables jointly contribute 74.0% of the variance in organizational performance, while the remaining 26.0% could be due to the influence of extraneous variables. This implies that CSR significantly predicts organizational performance this was in line with Ukpabi, Ikaba, Enyindah, Orji, and Idatoru (2014) who indicated that CSR has a significant contribution to its productivity and stability. Besides, Mohamed, Reham, and Ehab (2014) revealed that there is a positive and significant relationship between CSR and firm's performance. Furthermore, the relative contribution of each of the independent variables was showed. Hypothesis one indicates that philanthropic positively influenced organizational performance ( $\beta = .75$ ,  $t = .47$ ,  $p < .05$ ). This suggests that the alternate hypothesis formulated was accepted. These findings collaborated with Noam (2011). Who argues that corporate philanthropy is a potential source of other-oriented, extrinsic value since it entails the ethical benefit of supporting others in need, it's also meaning of gaining social status and, as such, can be a source of self-oriented, extrinsic value.

Hypothesis two shows that ethical activities positively assessed organizational performance ( $\beta = .55$ ,  $t = .32$ ,  $p < .05$ ). This implies that the alternate hypothesis formulated was accepted. This is buttressed by Peterson (2002) has studied the relationship between unethical behaviour and the nine dimensions of the ethical climate questionnaire. He found out that unethical behavior deduced the performance of the organization.

Hypothesis three reveals that economic activities positively determined organizational performance ( $\beta = .69$ ,  $t = .18$ ,  $p > .05$ ). This implies that the alternate hypothesis formulated was accepted. The study found that economic activities have a major role in the organizational performance of a firm. These findings support the study of Al-Samman and Al-Nashmi, (2016) explored that the four dimensions of CSR (economic, legal, ethical and philanthropic) have a positive relationship with and non-financial organizational performance. Hypothesis four reveals that legal activities positively predicted organizational performance ( $\beta = .79$ ,  $t = .15$ ,  $p > .05$ ). This implies that the alternate hypothesis formulated was accepted. This is supported by Peterson (2002) who illustrates how the social contract has been conducted, particularly on



behalf of corporations during the past a hundred years, that makes the issue of corporate social responsibility so prominent and important nowadays.

## CONCLUSION

This study intended to find out the influence of CSR activities on organizational performance among manufacturing firms in Ibadan Oyo State. The study also concludes that four dimensions of CSR activities which include; philanthropic activities, ethical activities, economic activities, and legal activities positively influenced organizational performance. This plays a vital role in facilitating the growth and profitability of firms in Nigeria.

## RECOMMENDATIONS

The study, therefore, recommends that the senior management should always ensure continuous and intensive research and development to ensure maximum exploitation of activities used for managing and controlling corporate social responsibility to enhance organization performance, this will greatly contribute to the easy attainment of their goals and objectives.

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