

## **CORPORATE SOCIAL RESPONSIBILITY AND ORGANISATIONAL PRODUCTIVITY**

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### **Abstract**

Apart from producing goods and services that satisfy social needs, organisations are expected to assist the society in many other ways. The recognition of the impact of business activities on the society and the consideration of that impact in decision making is the theme of this paper. Managers must make sure that their organisations consider the customers, employees, suppliers, competitors, creditors, and the larger public in decision making. Considering the society in corporate decision making will lead to a better society and increase performance and productivity.

### **Introduction**

It is important to understand that society places broad expectations on the shoulders of organisations. These organisations, whether they are for profit or not for profit, exist to serve the society and satisfy needs and wants. People are most likely to withdraw their “votes” of patronage from organisations, the same way politicians withdraw votes from elected members who do not satisfy them by not fulfilling campaign promises. Corporate or organisational leaders are faced with many responsibilities, which engage them in a wide range of activities. One way to organise these activities is according to the groups of people who are affected by the decision made by managers and the actions they take to implement these decisions. The job of a manager can be thought of as a series of attempts to address the concerns of multiple stakeholders.

Stakeholders constitute a strong base for this paper. Stakeholders, according to Hellriegel (1999:197) “are individuals or groups that have interests or ownership in an organisation or its activities”. These stakeholders for our purpose include customers, employees, suppliers,

investors, strategic partners and the society. Organisations therefore, owe a lot of obligations to the stakeholders. This obligation is the social responsibility of organisations. This paper is divided into seven parts. Part one is the introduction. Part two deals with conceptual issues, while part three treats the areas of social responsibility. Approaches to social responsibility are examined in part four. Part five and six deals with social responsibility and organisation productivity and strategies to improve social responsibility respectively. Part seven is conclusion.

### **Conceptual Issues**

People often talk of the "responsibilities of the organisation" or social responsibilities of companies or organisations. These expressions are given different meanings by different writers. To Griffin and Elbert (1993:81), social responsibility is "the attempt to balance a business commitments toward investors, customers, employees, other businesses and the society at large". Cook and Mendleson (1977:30) observed that social responsibility is "the intelligent and objective concern for the welfare of society which restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable and which leads in the direction of positive contributions to human betterment".

Today, many Nigerian managers' attitude to social responsibility is characterised by "rugged individualism" "I am sent here by the authorities in Abuja, Lagos, London, New York, or Tokyo" etc are some of the utterances of these heads/managers to staff, customers, patients, students, and suppliers.

To be socially responsive, it must be noted that an organisation is made up of people and a manager is a member of the society. He has a dual role-as manager or head in an organisation and a member of the greater society to which he/she is part of. And whatever type of society he/she helps to create, he/she will participate in. what affects the society affects the organisation and its members. Post (1986:103) summarizes social responsibility by defining it as "management's obligation to make choices and take actions that will contribute to the welfare and interests of society as well as the organisation". As straightforward as this definition seems; social responsibility can be a difficult concept to understand. This is because different people have different beliefs as

to what actions improve society's welfare. For the purpose of this paper, we shall consider the following as being the decision areas of social responsibility.

### **Areas of Social Responsibility**

Organisations consider the following responsibility in their decisions:

**Responsibility to customers:** customers are users or potential users of a product or service. Many organisations have the responsibility of or put the concerns of their customers first. That means improving the quality of products or services while keeping costs in check. These customers could be outside customers or internal customers. Today, we talk of "the welfare and service paradigms" in organisations. The welfare paradigm, according to Elegido (2000:133) regards their customers as "king" and he/she is "always right". The service paradigm theorists believe that the relationship of an organisation with their customers is one of "cooperation". Organisational members/managers seek to cooperate with customers by making available to them products or services which actually solve their problems or help them live richer and more fulfilling lives. Customers have right to safe products, right to be informed about all the aspect of a product/service, right to be heard, and right to choose what to buy.

**Responsibility to employees:** employees are the most valuable assets of modern organisations. Employees therefore, have to be treated in a very special way. Employees, in this case, refer to both junior and senior staff members of an organisation. There are areas of concern where organisational managers are expected to be socially responsible to employees. These include:

- a. Respect for value and dignity of employees as human beings.
- b. Fulfilling contractual obligations entered into with each employee i.e. terms of agreement between the organisation and each employee must be strictly respected and upheld.
- c. Considering the issue of stability of tenure. This is one of the paramount interests of employees.
- d. Compensating employees fairly. Nobody will object to the statement that employees should be paid a fair compensation. Salaries, wages, etc must be seen to be fair and just and paid when due.
- e. Designing jobs that are not only satisfying, but also have positive

impact on the workers (employees) who perform them. Considering the fact that some jobs demand attention, though, prudence, initiative, creativity, responsibility, social skill etc, and an employee who is constantly given challenging jobs is expected to develop his skills on that job.

- f. **Privacy:** privacy refers to the fact that some “aspects of our being and life are not open to everybody”. Organisations must recognize the right of privacy to see that the rights of people are not invaded by others against their will. According to Friedman (1970:20) three types of privacy are recognised - psychological privacy, physical privacy and behaviour privacy. In a health organisation for instance, work would be impossible if there is no privacy. Patients would simply refuse to be candid with medical personnel.
- g. **Fair hearing:** employees are expected to be given an opportunity to defend themselves before they are penalized or sanctions are applied to them. In fair hearing, the charge(s) against an employee must be clearly stated, the employee must have opportunity to defend himself or herself when he/she faces accusers and there must exist an opportunity for appeal.
- h. **Protection from harm:** employees in an organisation are exposed to harm in the performance of their work-hazards to life or health, harassment from co-workers or customers and strain on the employees’ family life. Organisations must provide this protection.
- i. **The right to unionize:** the right to trade unions is a basic or fundamental human right of employees. This right has been enshrined in many international and national documents recognised by the Federal Government of Nigeria. Employees therefore have the right (not privilege) to form, join a trade union and in effect they have the right to be represented collectively in discussing their conditions of service, welfare, defense of their interest etc. It is socially irresponsible for organisations to put obstacles in the way of employees attempting to unionize, negotiate etc. it is also a gross irresponsibility on part of the organisation to threaten with victimisation these employees who join trade unions.

### **Responsibility to Other Stakeholders**

Other stakeholders that must be considered in an organisation’s decision

making are the shareholders, creditors, suppliers, distributors and competitors.

### *Shareholders*

Shareholders actually “own” the organisation. To be socially responsible, this right of ownership should not be taken as “unlimited licence” to do what the organisation pleases. Shareholders, though they own an organisation, do not have in the first instance, the moral right to “act as the organisation pleases” toward a group of human beings working together for a common objectivities and whose lives are going to be affected by their actions. Organisations are socially responsible to shareholders when:

- a) Shareholders are allowed to exercise ultimate control over the organisation in terms of appointment and dismissal of directors determining the size and scope of the organisation.
- b) Shareholders are allowed as their rights to receive information on the affairs of the organisation and
- c) Shareholders have the right to receive financial returns (returns on investment)

### *Creditors*

Organisations are socially responsible to creditors in terms of “loan agreement”. When two parties agree on something they do so against a whole background of beliefs, expectations and customary practices. The main responsibility of an organisation towards its creditors is to comply with the explicit and implicit terms of the loan agreement, both as to the repayment terms, as to the provision of information, and as to the use of the money borrowed and to administer the funds obtained responsibly and in good faith so as to make it possible to repay in due course. This agreement also has time that is stipulated. It is an irresponsible behaviour to delay payment unilaterally.

### *Suppliers*

Suppliers of drugs, hospital equipment, furniture and other materials for example are also creditors. Buying on credit includes an implicit

warranty that one has a reasonable expectation to pay. Organisations that are socially “responsible” pay their suppliers on time; help their suppliers to be more viable, also give notice to suppliers if they want to change their source of supply.

### *Competitors*

Being socially responsible ensures also that the organisation seeks cooperation through competitors. Competition should not be seen as a “war” for survival among competitors. Competition should be seen as a “means to serving the customer better”. Competition must be done within the framework of rules and constraints that limit it. According to Garrett and Klonoski (1986:118):

If competition is viewed as a form of welfare in which the object is not to serve the customer but to destroy the competitor, we can expect a steady deterioration of standards. In war, after all, no weapon has been banned until obsolete and every practice has been justified in some way on the grounds of survival.

Competition should therefore be carried out according to specific standards. An organisation’s actions should not affect negatively the prosperity of competitors or even drive them out of business altogether. Promoting labour problems in a competitor’s establishment is also a social responsibility. Planting a spy in a competitor’s organisation, including people to reveal confidential information, deceiving people, charging very high or extremely low prices etc are all forms of social irresponsibility as far as competition is concerned.

### **Corporate Responsibility to the Society**

So far an examination of responsibilities of an organisation toward identifiable groups such as customers, employees, creditors, suppliers, and competitors has been undertaken. It is important at this point to examine the main responsibilities of an organisation toward the society at large. These responsibilities could be summarised thus:

**Corrupt practices:** the climate of corruption which is fast becoming general is the source of many undesirable consequences-dishonesty, bribery, discouraging economic initiative, inability to implement policies, inability to raise the much needed capital to finance legitimate businesses, misdirection of scarce resources, etc. The result of a general corruption is that it spreads and a point is reached at which only a relatively small number of “moral heroes” can be found in the society.

**Compliance with the law:** in a society, there are many goods (services) that can be promoted better by cooperating in common action. In any area of human endeavour-medicine, art, economy, religion-men and women can achieve more by cooperating with each other than by their isolated efforts. Organisations must follow the dictates of somebody in authority. This is achieved by obeying the law. To serve the society better, organisations must obey the law as its share in the general cooperation arrangement.

**The environment:** another area of social responsibility to the society is on the environment. Business and organisational activities have effect on the environments in many ways. According to Singer (1975:11) even animals and plants for example, must be protected just as human beings are protected. Organisations must also protect the society from environmental pollution, exploitation etc.

**Philanthropic activities:** organisations are involved in improving the quality of life by making generous donations to society in form of scholarships, construction of roads, culverts, schools. Provision of water tanks, materials, cash etc for the benefit of the society. This is the highest criterion of social responsibility.

### **Views About Social Responsibility**

There are basically two views about corporate social responsibility:-  
The economic view of social responsibility and the socio-economic view of social responsibility.

**The economic view:** this model stipulates that society will benefit more when organisations are left alone to produce and market profitable products and services that society needs. This view further holds that stockholders invest in an organisation to earn a return on their investment. Profit that is realised from investment is partly used to pay taxes and these taxes should be used to meet the needs of society. According to

Friedman (1970:12) the social responsibility of business is to increase its profits. It is the responsibility of government to take care of the society through tax deduction.

**The socio-economic view:** the model stipulates that organisations are not only responsible to investors but also to customers, suppliers, employees and the general public. Today, many organisations have adopted this model because of the benefits. Much of the discussions in this paper is based on the socio-economic model.

### **Corporate approaches toward social responsibility**

if an organisation is confronted with a specific social responsibility issue, how might that organisation respond? According to Daft (1986:105) there are four types of responses that management may use when social issues confront them. These responses, approaches or actions are:

- i. obstructive
- ii. defensive
- iii. accommodative
- iv. proactive

*Obstructive:* organisations/managers that adopt obstructive responses deny all responsibilities. They claim that evidence of wrong doing is misleading or distorted and place obstacles to delay investigation. When a customer complains about expired drugs, for example, management of a drug company instructs that such drugs be destroyed thereby making investigation to be difficult.

*Defensive:* this approach means that the organisations/managers admit to some errors of omission or commission. The organisation or manager reduces the amount of blame by defending but is not obstructive. Defensive managers (heads) accept that “these things happen but they are nobody’s fault”. These types of managers provide very intelligent arguments for why that was the “proper way or action”

*Accommodative:* in accommodative strategy, the organisation or manager accepts social responsibility in decision making. But this acceptance is due to external pressure. An organisation that is accommodative tries to meet economic, legal and ethical responsibilities. If outside forces apply pressure, managers agree to reduce ethically



questionable activities.

*Proactive:* the proactive response means that organisations take the lead in social responsibility issues. They seek to learn what is in the public interest and respond without pressure from stakeholders. One good example of proactive response is the organisation's philanthropic actions.

### **Social Responsibility and Organisational Productivity**

A happy man is a productive worker and an organisation that has happy workers is bound to be proactive. Workers are productive when they are positively motivated. Social responsibility is motivating. It is the responsibility of managers who motivate customers, employers, suppliers, creditors etc and the society in general by being socially responsible stand a better way of increasing not only satisfaction but also performance and productivity of their department and organisations. Being socially responsible does not hurt the organisation. Organisations that actually contribute to society's welfare improve their productivity because the society "cast more naira votes" on that organisation.

### **Strategies to Improve Social Responsibility**

To be socially responsible, organisations/managers should do the following:

- a. Carefully select their employees to do the right job at the right time and in line with the existing vacancies
- b. There should be good communication between management and employees, customers, suppliers, investors, and the society in general.
- c. Managers/sectional heads should lead by example. They must set the tone of the organisation by the example of their behaviour. Managers must as a rule, exhibit good behaviour.
- d. Compliance and training and development programmes must be carried out and reviewed from time to time
- e. Where managers are in doubt about social responsibility issues, consultants should be brought in.
- f. Professional codes should be drafted, implemented, evaluated and controlled.

- g. Organizations should establish social responsibility committees to constantly draw the attention of managers to social responsibility issues.

## Conclusion

Social responsibility demands a great effort on the part of the organisation and managers. It requires resources, but it brings a source of fulfilment to the organization and individuals. It also makes it possible to achieve higher levels of performance. No organisation that fails to contribute to society's needs would succeed. The privilege society gives to organizations and managers to operate stems from the fact that society believes there is mutual interdependence existing between the two. Managers who still believe that government is the only institution best suited for solving social problems are living in the dark. Their training and experience have not yet exposed them to the realities of, and to be conscious of the issue of social responsibility. For our society to survive, practical importance must be attached to social responsibility by organizations. The same importance organisations attach to profits/revenues must also be attached to social responsibility. It is now time organizations consider society's needs. As Uzoaga (1976:17) rightly observed, "the needs of society, if unattended, turn into diseases. And no institution whether business or government agency is likely to thrive in a deceased society".

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