

Corporate Social Responsibility And Stakeholders: An X-ray of Rubber Research Institute Gashua

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Abstract

Efforts are now made towards encouraging companies to respond to environmental and social issues in their host communities. This research evaluates the impact of Corporate Social Responsibility (CSR) on stakeholders of Rubber Research Institute in Gashua-Nigeria. The paper is anchored on the Stakeholder Theory as propounded by Freeman. The data for the study was sourced through primary and secondary means. The study revealed that, the Institute provided corporate activities for the host community in the areas of staff and farmers training. The institute has however failed to extend its services to the area of providing education and health facilities for the host community. The study concluded that, the institute's CSR has helped to enhance healthy relationship between the host communities. The study therefore, recommends amongst other things that more corporate activities especially in the area of educational and health facilities should be provided to the host communities.

Keywords: *Corporate Social Responsibility, Rubber Research Institute, Stakeholder.*

Introduction

Before the Trans Sahara trade between Nigeria and North Africa, Nigeria was heavily involved in farming, hunting and cattle herding (Orojo, 1992). Nigeria witnessed her first contact with modern firms in 1879 which was United Africa Company

(UAC), founded by George Goldie. This was done under the British concession for control of area around the River Niger ruled by the charter of the Royal Niger Company in 1886 (Law, 1995). Then, the business transaction was categorized as banditry which characterized the colonial firms' strategy.

In the 19th century, after abolition of the slave trade and the formal establishment of authority by the British, Nigeria saw rapid economic growth in both internal and external trade (Orojo, 1992). Between 1872 and 1922, by virtue of colonial statutes, the law applicable to companies in Nigeria was the 'common law'. Orojo (1992:17) asserts that:

The implication of this approach was that the common law concepts such as the concept of separate and independent legal personality of companies as enunciated in *Salomon v. Salomon* was received into the Nigerian company law and has since remained part of the law.

In order to facilitate business activities locally, the 1912 companies ordinance was promulgated which was the local enactment of England Companies (consolidation) Act of 1908. The current company law in Nigeria is known as the Company Allied Matters Act (CAMA) 1990 modeled after the UK's companies Act of 1948 (Guobadia, 2000). In Nigeria, no substantial efforts are made towards assessing impact of companies' operations on environment and benefits to stakeholders.

The incessant conflict between companies and host communities in Nigeria are as a result of agitations

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for better social and environmental concerns by the host communities of the organizations. This is largely due to the shareholder's supremacy where firms believe the capital of the companies should grow for only the benefits of the shareholders (Kenneth, Bongo, Chris & Olufemi, 2006). Nigeria's over dependence on oil at the expense of agriculture, and non review of our pre-colonial laws to protect the environment are responsible for these agitations. There are documented cases of host community-company crises; a case in hand is the Ogoni crisis and the Shell Petroleum Company.

Berry and Rondienelli (1998) state that, it is no longer an option for corporation not to comply with government regulations if they want to be competitive in the global markets. Corporations are faced with stringent government regulations with a lot of legal liabilities making them bow to public pressure for cleaner environment. Clement (2005) posits that, there are two costs faced by corporations- the reactive and proactive costs. The penalties paid for violating existing laws (sometimes prison sentences) are referred to as reactive. The proactive is the corporation investment to prevent approaches to good environmental practices. Stakeholders are appointed to represent the members' interests in the board in order for the companies to be socially responsive (Luoma & Goodstein, 1999). There is a shift from regulatory approach to a more liberal approach reflecting the Lisbon Strategy of 2000 which aimed at making European Union (EU) the most competitive and knowledge-based in sustainable economic growth worldwide. This is done by encouraging companies in areas of social and environmental policy to be proactive and recommending the publication in the annual reports of CSR issues of companies having more than 500 employees (Commission of the European Communities, 2001a). The EU officially introduced the concept of CSR through the July 2001 Green paper which defined corporate social responsibility (Commission of the European Communities, 2001b). Organizations world over tend to move towards the Multiple Stakeholder Obligation, which believes that all organizations have a role to play in the society and must account for stakeholder interest.

The Rubber Research Institute is a research organization with a mandate to carry out research and development of Gum Arabic. The institute covers thirteen (13) states in the Northern part of Nigeria from Kebbi state in the North West to

Taraba state in the North east. The research sub-station is located in Gashua in 1994 because Gum Arabic is found in Borno and Yobe states of Nigeria and its mother institute is in Benin. Is the Rubber Institute responsive to the interest of its Stakeholders? This is what the study seeks to find out.

Literature Review

Corporate Social Responsibility

Corporate Social Responsibility are actions taken by firms which further the social good and beyond the interest of the firms which is required by the law (Siegel & McWilliams, 2001). Carroll (1979) suggests that for a business to address its corporate social responsibility to the society, it must address the economic, legal, ethical and discretionary categories of business performance. Griffin and Prakash (2010) further argue that, those activities that are beyond compliance policies that serve a broader social purpose explicitly should be classified as corporate responsibility. CSR is about balancing the diverse demands of the communities, and the imperatives to protect the environment with the ever-present need to make a profit (Jenkins & Yakovleva, 2006). Corporate social responsibility is equally corporate activities that address the interest of people or agents other than the owners, which is consistent with the stakeholder perspective on CSR (Freeman, 1984). The European Union, for instance, defined CSR as a "concept where companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis" (European Commission, 2002:6). This explains the link between stakeholder model and the voluntary nature of CSR. Many companies accept responsibilities beyond their shareholders probably for commercial purpose. The CSR activities of companies are published in their annual reports or in different documents. Most of the disclosures are qualitative, and they bear names; social, environmental or sustainability (ICAN, 2014). CSR goes beyond legal compliance; it is the initiatives of organizations to voluntarily invest in the environment and the people. On the part of the communities they want companies to be accountable to their actions by making their activities known to them whether they dump toxic or rehabilitate the environment damaged as a result of their activities. This is to ensure that they act in the best interest of the society. Institutional investors are encouraged by the UN Global

Compact to make sure the organizations they invest in are CSR responsive and this is known as Principles for Responsible Investment (UN Global Compact, 1999). Organizations like Global Reporting Initiative and the Sustainability Accounting Standards Boards produced non-mandatory guidelines and codes for entities to follow (GRI, 2006).

CSR has the following scope:

- Ethical behavior of the companies and their employees
- How the employees are treated by the organization
- Issues of human right and how people are treated generally
- Organization relationship with the society and host community
- Environmental issues, to protect and sustain the environment (Juan, 2008)

There are no universally stipulated CSR, different countries have their CSR requirements and where they place emphasis, for example, in US, it is the requirement of listed companies in the stock exchange to quantify their environmental expenditure and the effect on their bottom line; in the European Union, Denmark and the Netherlands want mandatory environmental reporting while Sweden and France require environmental information be published alongside the annual report and in the UK, there is provision of guidance on key environmental performance indicators such as emissions into the air, water and the earth (ICAN, 2014).

Stakeholder

A Stakeholder refers to any person that the activities of an organization affect. A stakeholder may have day-to-day direct contact with the company or occasional business interest (Freeman, 1984). There are those who have direct interest with a company and they are known as primary stakeholders and those who don't have direct interest with a company are known as secondary stakeholders. The stakeholders are shareholders; who are interested in their dividends and the capital growth of the company, management and employees; their interest is in job security and improvement in their pay, financial organizations; they lend money to organizations and as such are interested in recovering their money, government; they collect tax from the companies through Inland Revenue and Customs and Excise. Some of the

stakeholders are customers and suppliers, trade unions, etc. The difference between a shareholder and a stakeholder is their interest in the company, while a shareholder has shares and therefore a part owner of the company, a stakeholder doesn't have shares in the company other than interest which varies (Business, 2016)

Empirical Review

Wheeler, Fabig & Boele (2002) wrote on 'Paradoxes and Dilemmas for Stakeholder responsive firms in the extractive sector: Lessons from the case of shell and the Ogoni'. The finding shows that Shell has edge in corporate social responsibility and responsiveness and countries operate good corporate social responsibility and the world but for Ogoni, the exploitation of oil in Niger Delta and introduction to world business has left the region struggling to feel the impact of Shell's CSR. Though, Nigeria has benefited from the exploitation but lack of consideration for their culture, customs and the environment has left little to improve the quality of life of the communities who stay in the region. Wheeler et al (2002) carried out the analysis by comparing shell CSR in the Ogoni land with CSR performance of other organizations to their host communities.

Frynas (2005) wrote on 'The false developmental promise of Corporate Social Responsibility: Evidence from multinational oil companies' where he asserts that the issue is not that firms simply making mistakes or creating negative externalities. Rather he argues that, there are fundamental problems about the capacity of private firms to deliver development, therefore, their aspiration of achieving broader developmental goals through CSR may be flawed. From the literature reviewed effort is focused on CSR of extractive and profit oriented-corporations where comparison is made on damages done to the host communities as a result of their activities and compensations to placate these communities.

The literature reviewed did not research on CSR of government agencies on their host communities. Hence, this study is opted to fill in the over lapped gap which becomes the study statement of problem.

Theoretical Framework

The study adopts the Stakeholder Theory as its theoretical base. In corporate strategy, it's widely viewed that businesses are owned by stockholders/ shareholders, that is, the company has a binding fiduciary duty to the shareholders (Carroll 1979).

In contrast Freeman (1984:25) who is widely known to have developed stakeholder theory in his book; *Strategic Management: A Stakeholder Approach* argues rather than use shareholder, stakeholders should be used where he defines stakeholder as “any group or individuals who can affect or is affected by the achievements of the firm’s objectives”. One of the proponents of the stakeholder theory, Carroll (1979) states that for a business to address the corporate social responsibility it has to the society, it must address the economic, legal, ethical and discretionary categories of business performance which will legitimize their operations in the communities.

These individuals are not only the stockholders of the firm but employees, suppliers, customers, local communities and government. Clement (2005) and Waddock *et al* (2002) summarize five important lessons for today business leaders from stakeholder model as follows:

1. Enormous pressure is been placed on corporations to respond to the yearning of their stakeholders.
2. There is a legal base for corporations to respond to stakeholders.
3. Corporations are no longer guided by professional principles rather by the executives.
4. Powerful shareholders that have claims that are legitimate and urgent are responded to by corporations.
5. If the needs of stakeholders are attended to, corporations can benefit by increased patronage.

The activities of companies have brought a lot of conflicts with the host communities which see the companies as exploiting the environment and not doing enough to fix the damages.

Research Methods

The study used the primary data source via the use of interview carried out with some selected staff of the Rubber Research Institute of Gashua, Yobe state for convenience purpose while the staff selection was done through a purposive means using a face-to-face contact. Content analysis was used to analyse the data generated.

Data Presentation and Discussion

Employees: The Rubber Research Institute provides training facilities benefit for the employees. There are two cadres of employees in the institute, the Research Cadre and the Pupil

Research Officer. Any staff that joins the institute from the Research Cadre is given the opportunity for training up to PhD level. . This is a strategy to equip the staff for better job performance. This is of great advantage to the employees. For the staff that joins the organization as Pupil Research officer has opportunity for in house training in order to enhance their job performance. The management encourages staff to join professional bodies, with the hope that it will keep them abreast with current practices and this will in turn enhance their input and output, and equally help their career progression. The management provides facilities to convey children of staff to school because of the location of the sub-station. This is done to help the staff remain focused in their duties. Considering the location of the sub-station, accommodation is provided for the staff for free and provision of electricity without paying bills.

Marketers: Marketers need sufficient information about Gum Arabic market. Gum Arabic has different grades; grade 1, grade 2 and grade 3 and this represents quality of the produce and the institute teaches the marketers and farmers on how to grade the Gum Arabic. This is so because the harvest is done in the wild by unskilled gum collectors. In the market the grades have different prices and such the farmers are trained by the institute to know these grades so as not to mix them to prevent rejections and undervaluing the Gum Arabic to avoid losing revenue. This has helped the marketers greatly by making more money.

Government agencies: The institute is close to the farmers and as such makes it possible to know the challenges and needs of the farmers. The information so generated by the institute is used by the government to make policies.

The institute has provided a lot of corporate facilities for their employees to which it is in consonant with the Shareholder Theory as champion by Carroll (1979) where he states that for businesses to legitimize their operations in the communities, among other things the discretionary category must be addressed.

The conservation of nature: For a forester, it is said ‘plant a tree for others to harvest’. So the institute encourages tree planting this is done by providing seedlings to farmers, NGOs and government agencies. Beside, the Gum Arabic is a plantation that helps to check desertification and the destructive effect of wind storm. The institute understands the culture of its host community and

efforts are made to maintain it. One of the mandates of the institute is to improve production of Gum Arabic and this can only be achieved through planting more trees which improve conservation. After research is carried out by the institute, the materials are conserved on the plantation by expanding the plantation. The research is a confirmation of Alexander and Bucholtz (1978) and Bowman and Haire (1975) who state that CSR is indicative of management skill and an investment in the corporation is an investment in the reputation of the corporation.

The Relationship with the Community: The *fulanis* are the immediate host community and are mostly herdsmen. To improve good relationship with the host community, water points are built for the herdsmen and their herds because it is one of the most challenging things to the herdsmen. The wiring of the plantation is done to ward off the cattle from grazing on the plantation and that has reduced any breach to peace between the farmers and the herdsmen and has reduced the insurgents and cow rustlers from attacking the community. The junior staff in the institute are from the host community. The institute deliberately recruited this category from the host community in order to provide jobs for them. The sub-station has been operating since 1994 and there has never been any crisis with the host community because of some of the programmes provided by the institute to reduce tension. Clement (2005) states that pressure is placed on the companies to attend to the yearning of their stakeholders and when these yearnings are attended to, the corporation will benefit from increased patronage. The institute might not be a profit making company, they however, have provided a lot for the community there by reducing the pressure on the institute and bringing peace to the community. This has also confirmed where Freeman (1984) asserts that corporations do not hold fiduciary duty to the shareholders rather interest of the stakeholders should be considered; Hay, Gray and Gates (1976), stress that, companies should commit resources in the area of pollution, poverty, discrimination and other social problems. CSR therefore, has a positive relationship between corporation and communities living together harmoniously.

Conclusion and Recommendation

In Nigeria, CSR is evolving and is now discussed and talked about in different fora and is equally reported in the annual reports of some organizations. CSR has gone beyond where only

the shareholders only benefit from the wealth of the organization. Rubber Research Institute has provided corporate activities that have addressed the interest of their host communities. However, efforts should be put in place for provision of more seedlings and should be provided to host communities because of the importance of the plantation. Government through the institute should try as much as possible to provide programmes that will ameliorate the suffering of the communities considering the effect of the insurgency that ravaged the region. It will be good for government to provide educational and health facilities to the communities. To guarantee supply and improved revenue to them, effort should be made to collaborate with foreign organizations to provide funds or government to set aside funds that can be assessed by these stakeholders.

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