

The Effect of Corporate Social Responsibility on Stakeholders' Perception of Selected Multinational Companies in Cross River and Akwa Ibom States, Nigeria

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Abstract

The study examined the effect of corporate social responsibility on stakeholders' perception of selected multinational companies in Cross River and Akwa Ibom States, Nigeria. The research adopted the survey research design. Data were drawn from both primary and secondary sources via questionnaire as well as the internet and textbooks. The data were analyzed using statistical package for social science software (SPSS) and multiple regression analysis was adopted to test the effect of all the independent variables on the dependent variables. The study found that stakeholders' involvement in CSR decision making have a significant effect on stakeholders' perception of the selected multinational firms in Cross River and Akwa Ibom States. Further findings revealed that communication of CSR activities, intentions and actions have a significant effect on stakeholders' perception of selected multinational firms in Cross River and Akwa Ibom States. Also, it was found that job creation and provision of social amenities have significant effect on stakeholder's perception of multinational firms. It was recommended among other things that multinational firms should often involve community stakeholders' in CSR decision making in order to ensure a positive perception of the firm CSR performance by the host community. It was also recommended that firms in Cross River and Akwa Ibom States should develop effective ways of communicating their CSR activities, intentions and actions with host community in order to build a cordial relationship between the firm and its community and reduce the possibility of conflict. Also, multinational firms operating in Cross River and Akwa Ibom States should create more job opportunities to youths in their host community in order to reduce youth restiveness and hostility towards the operations of firms and as well build cordial relationship among community members.

Keywords: Corporate social responsibility, stakeholders' perception, decision making, communication, job creation, provision of social amenities

Introduction

As of late, researchers and managers have committed considerable attention to the strategic impact of corporate social responsibility (CSR) in a firm (Firth, Fung & Rui, 2002). Where a firm goes beyond compliance with laid down rules and regulations or its pecuniary interest and engages in activities or takes actions that appear to further some societal good, it is considered to be engaging in corporate social responsibility (McWilliams & Siegel, 2001). Corporate social responsibility activities include incorporating social characteristics or features into manufacturing process by adopting environmental benevolent technologies in manufacturing processes and working closely with community members (McWilliams & Siegel, 2010).

CSR as a concept involves the practice whereby firms intentionally put together social and environment interest into corporate functions. It includes firms identifying its stakeholders and consolidating their desires and goals into the firm's business process and decisions. According to Ayuk (2011), CSR is a method of analyzing the extent of commitments a firm has with its host community and enhancing cordial relationship between the firm and the host community through the provision of social services to the community members. However, CSR is comprehended by most firms from the point of generosity in which corporations provide rural infrastructure as well as other benevolent activities. This nonetheless did not capture firms CSR commitments to the society (Reyes, 2002). CSR is in this way more than an accumulation of discrete actions or intermittent gesture. Rather it is a complete arrangement of strategies, practices and policies that are coordinated and executed by a firm, with the aim of building a cordial relationship between the firm and its host community. It is argued that the performance and success of a firm depend to a large extent on how well it manages its relationship with its stakeholders such as employees, customers, suppliers, distributors, creditors, government and the host community (Freeman & Phillip, 2002).

However, while attempting to manage an uncertain business environment, firms often lose this relational connection with their stakeholders in the pursuit of their core business objective of profit making. The implication of this is that the firm's objectives and those of most stakeholders are at variance. The more vigorously the firm pursues its core objective, the greater of this variance is felt by the stakeholders. The past three decades have witnessed CSR as an area of research and the increasing role of firms in corporate social responsibility initiatives. It sets the standard of conduct to which a firm should affect society in a positive and profitable way. Corporate social responsibility means different things to different stakeholders and both the firms and stakeholders have responsibilities (Lee, 1997). Corporate social responsibility is perceived to have an impact on stakeholders (Lindgreen, Swaen & Johnston, 2009). CSR is meant for firms to be accountable to their stakeholders and also responsible to the host community by volunteering company personnel to the community, providing pipe borne water, electricity, good road network, providing educational facilities, create jobs and healthcare facilities in a sustainable manner. Therefore, it is vital to study the perception of stakeholder's towards the CSR performance of multinational firms. This study contributes to filling the gap in knowledge particularly with regards to CSR of multinational firms. It further focuses on the selected multinational firms operating in Cross River and Akwa Ibom States, Nigeria. The perception of stakeholder will assist to redefine the relationship between the firm and its stakeholders

Objectives of the study

Specifically the study seeks to achieve the following objectives:

- (i) To determine the effect of stakeholders' involvement in CSR decision-making on stakeholders' perception.
- (ii) To examine the impact of communication of CSR activities, intentions and actions on stakeholders' perception.
- (iii) To ascertain the effect of job creation on stakeholders' perception.
- (iv) To determine the effect of provision of social amenities on stakeholders' perception.

Theoretical framework

In order to provide an understanding of the effect of corporate social responsibility performance on stakeholders' perception; the stakeholder theory and decision theory have been identified as appropriate foundations for the discourse.

Stakeholder theory

Stakeholder theory principally centers on stakeholders' interest and their stake in the firm regarding the activities and performance of the firm (Hill & Jones, 2002). It describes the relationship between the firm and its stakeholders. Each stakeholder group merits consideration as they have legitimate claim or interest in the firm. Stakeholders are all those who in one way or the other may be negatively or positively affected by the decisions of the organization. As such, stakeholders may either have a positive or negative view of the activities and programme of a firm, depending on the extent to which the stakeholders groups' interests are factored into the overall goals, objectives and action of the firm.

The stakeholder theory was first postulated by Freeman (1984). The theory recommends attitude, structures and practices that taken together, constitute stakeholder management philosophy. This means that all stakeholders have a right towards the activities of the firm. The theory suggests that managers are not the only rightful locus of corporate control and governance, as other stakeholder groups, including community members, have a stake and right to control over the governance of a firm (Donaldson & Preston, 1995). Accordingly, the involvement of stakeholders in decision making and CSR activities of the will expectedly impact their perception of the firm's responsiveness to their needs, interest and concerns. As indicated by Kaler (2006), the stakeholder theory is essentially a way of understanding corporate social responsibility. It describes a model in which the firm is responsible to and for different stakeholders including employees, government, inventors, political groups, suppliers, trade association, host communities and customers. Indeed, the performance and success of the firm depend to a large extent on how well it is able to manage its relationship with its stakeholders (Freeman & Phillip, 2002).

Decision theory

Decision theory focuses on the principles used for making decisions. Decision making is key roles of managers in the firms. Simon (1977) specified that decision making involves the following:

- (i) Intelligence: Looking for appropriate time for making a choice.
- (ii) Resign: Innovating and analyzing possible course of action.
- (iii) Choice: Deciding on appropriate action from other alternatives.
- (iv) Review: Examining part choice.

According to Ahmed and Omotunde (2012), identifying principle and designing effective decision making process that could involve stakeholders in CSR decision making of firm activities would create a positive perception of the stakeholders' views about the CSR performance of a firm. Effective design of decision making process between a firm and stakeholder is achieved by making the right choice and taking steps to avoid actions that could affect the decision process between stakeholder and a firm (Simon, 1977). Simon (1977) suggests that regular review of the decision process between a firm and its stakeholder could ensure the effectiveness of the decision process and increase the understanding of community stakeholder about a firm CSR performance. Decision theory is essential because there is need for

stakeholders to be part of the plans towards CSR programmes and actualization. According to Jackson (2004), lack of involvement in decision making may increase the level of uncertainty.

Empirical review

Perception varies ranging from individual who believe CSR is assistance or generosity to the host community and to those that feels it is a legal duty organization (Saether & Auelera, 2008). It is based on how a firm is committed to his CSR obligation. Furthermore, CSR is gaining more prominence in today business world because of its impact in strengthen in the relationship between firms and community members and enhance their competitive position (Oakley, 1991). However, recent developments in global economy have drawn attention to the important role of CSR in the economy. For instance, Ojo (2012) examines rural perception and oil corporations CSR initiatives in the Niger Delta using a methodology based on qualitative research and found that lack of inclusion of host villagers in firms operations and CSR initiative was a major gap. Further finding reveal that greater inclusion of local villagers in the firms operation in the region will enhance adequate safeguarding of oil investment in the area and enable the firm dedicate it resource to providing facilities that will improve living condition of host community.

In another vein, Ojo and Akande (2013) investigated societal perception of CSR of Lafarge Cement Company, Ewekoro, Ogun State, using a methodology based on theoretical framework and data analysis and the finding revealed positive influence of CSR on the host community. In other words, the host community interest should be one of the cardinal aims of a firm in promoting empowerment in order to reduce societal menaces and poverty. Dilling (2011) in his study on stakeholders' perception and CSR commitment of firm found the level of corporation, community involvements in CSR programme and cultural variety have a positive impact on CSR perception of stakeholders. He suggests that firms can gain greater CSR perception if the CSR projects in host communities have positive effect on stakeholders and community members.

Mette and Majken (2006) in their study on corporate social responsibility communication: Stakeholder information, response and involvement strategy in Nigeria found that timely communication between firms and his community members improves and builds a positive reputation and lasting stakeholders' relationship. Also, Ismail (2009) studies on CSR and its implication in rural advancement in Nigeria found that the firms understanding of Corporate Social Responsibility (CSR) role can improve CSR performance and result in closer ties between the firm and community members as well as enhance peace and harmony of the firm.

Kim and Park (2011) investigated the effect of job creation on host community by selected multinational firms in developing countries. Their study adopted descriptive survey research method. Five multinational firms were used in five African countries. Their study found that job creation build cordial relationship between multinational firms and its host community and reduce youth restiveness. Also, Ryan (2009) carried out the assessment of corporate social responsibility activities in host community and found that provision of social amenities by firms is a crucial social responsibility to host community which helps to create sustainable communities and improve the livelihood of the host community and as well reduce the environmental effect of the firms operation.

Research methodology

This study adopted a survey design. Survey design is a design that relies on the use of survey tools such as questionnaire, observation and interviews to gather data for the study. The choice of this design was necessary because of the relationship that exists between the various variables which were not subject to manipulation. Also, the researcher sought to establish the relationship between two variables, corporate social responsibility on stakeholders' perception by exploring the impact of the independent on dependent variables. The data were analyzed using statistical package for social science software (SPSS) and multiple regression analysis was adopted to test the effect of all the independent on the dependent variables.

Findings

The study investigated the impact of stakeholders' perception of corporate social responsibility on performance of selected multinational companies in Cross River and Akwa Ibom States, Nigeria. It examined the effect of stakeholders' involvement in CSR decision making, communication of CSR activities intentions, job creation and provision of social amenities on communities members perception. Based on the results, the following findings were made:

- (i) Stakeholders' involvement in CSR decision making was found to have a significant positive impact on community members' perception of CSR performance of selected multinational firms. The finding shows a positive relationship between involvement of community members in CSR decision making and its impact on community members' perception of CSR performance of selected multinational firms in South-South Nigeria. The study also found that high level of involvement of community stakeholders on firms CSR decision making process strengthens the relationship between firms and his host community and reduce conflict.
- (ii) Communication of CSR activity intentions and actions was found to have a significant positive impact on community members' perception of CSR performance of selected multinational firms. The finding shows that communication of CSR activities intentions and actions adds value to the overall perception of firms CSR by community members and as well, enhances cordial relationship between firms and host community and emphasize the need for firms to manage their relationship with then-stakeholders through communication.
- (iii) Job creation was found to have a significant positive impact on community members' perception of CSR performance of selected multinational firms in Cross River and Akwa Ibom States. The finding shows that employment generation is one of the corporate social responsibility activities carried out by firms to their host community in order to enhance a positive perception of stakeholders towards the firms CSR performance, build cordial relationship between the firm and his host community and improve the livelihood the of the host community.
- (iv) Provision of social amenities was found to have a significant positive impact on stakeholders' perception of the selected multinational firms in Cross River and Akwa Ibom States. The finding reveals that provision of social amenities by firms is a crucial social responsibility to their host community to create sustainable communities and improve the livelihood of the host community and as well cushioning the environmental effects of the firms operation.

Conclusion/Recommendations

Survey results reveal that stakeholders' perception of corporate social responsibility performance significantly impacts on performance of Multinational firms in a community. This can be seen in the stakeholders' involvement in CSR decision making, communication of CSR activity intentions, job creation and provision of social amenities by multinational firms and its effect on stakeholders' perception as reveal by the findings of this study. The major impediments to a cordial relationship between multinational firms and their host community in Cross River and Akwa Ibom States include lack of stakeholders' involvement in CSR decision making, communication of CSR activities intentions and lack of job opportunities and lack of provision of social amenities. This issues if they are not properly handled could breed conflict between firms and the host community which could be detrimental to firms' performance and existence in the community. Therefore, it is imperative to conclude that involvement of stakeholders in CSR decision making, communication of CSR intention and action, creation of job opportunities and provision of social amenities by multinational firms to their host communities could enhance greater understanding of a firm CSR actions and intention and improve community members perception of firms CSR performance thereby enhancing a cordial relationship between firms and the host community for improve performance of a firm. Based on the research findings and conclusion, the following recommendations were made:

- (i) Multinational firms should often involve community stakeholders in CSR decision making in order to ensure a positive perception of the firms CSR performance by the host community. The involvement of community stakeholders in firms CSR decision making process will strengthen the relationship between firms and the host community and reduce conflict. I Firms in Cross River and Akwa Ibom States should develop effective ways of communicating their CSR activities, intentions and actions with the host community in order to build a cordial relationship with the community and reduce the possibility of conflict. Effective communication of CSR activities, intentions and actions by firms in Cross River and Akwa Ibom States will add value to the overall perception of firms CSR projects by community members and strengthen the relationship between the firm and the host community. Also, multinational firms operating in South-South Niger Delta should adopt open communication approach between the firms and their stakeholders and avoid the barriers to effective communication.
- (ii) MTN, Etisalat and Exxon Mobil should create more job opportunities to youths in their host community in order to reduce youth restiveness and hostility towards the operations of firms and as well build cordial relationship among community members.
- (iii) Management of MTN, Etisalat and Exxon Mobil should invest on infrastructural development in their host community in order to ensure peaceful co-existence, enhance sustainable communities and improve the livelihood of the host community.

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