

Effect of Corporate Social Responsibility on the Society (Using Shell Petroleum Development Company as a Case study)

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Abstract

Organizations have realized the need for being committed towards corporate social responsibility. To nurture a strong corporate culture, organizations must understand that it has obligations to the society. The societies where business is located occupy a central place in such culture. The purpose of this paper is to slow the effect of social responsibility on the society.

INTRODUCTION

Background

Corporate social responsibility has long been argued to be related with the profitability of an organization. It is represented by the contribution undertaken by companies to the society through its core business activities, its social investment and philanthropic programmes and its engagement in public policy company have determined that their impact on economic, social and environmental landscape directly affects their relationships with stakeholders, in particular investment employees, customers, business partners, governments and society at large.

Social responsibility has been defined by many people in recent times, Boones et al (1984) defined it as those management philosophies policies, procedures and actions that have the advancement of society welfare as one of their primary objectives. Stoner et al (1996) defined it as an action which involves seriously considering the impacts of the company's actions to the society.

Arguments for and against social responsibility have persisted over the years. It is anchored on whether business is seen primarily as an economic system which is responsible, only to their owners or a social economic system which is responsible to various interest groups such as employees, consumers, community and the environment.

Davis et al (1988) was of the opinion that the creation of a better social environment benefits both society and business. Society gains through better neighborhoods and employment opportunities, business benefits from a better community since the community is the source of its workforce, and the consumer of its products and services.

Drucker (1968) carried out a study which showed that the first social responsibility of any organization is to make enough profit to cover for the future while friedman (1963) denounced social responsibility or a fundamentally subversive dextrin that threatens the foundations of a free society in which there is only one social responsibility of business to use its resources and engage in activities designed to increase profits. Organizations have increased in complexity, therefore ignoring moral and ethical obligations. Business organizations must consider the environment in which. The essence of this study is to determine the effect of corporate social responsibility on the society.

CORPORATE SOCIAL RESPONSIBILITY

Companies and business are attaching more importance to corporate social responsibility. They are the ones who give the most whenever there natural calamities and disaster. According to Forbes (2010), corporate social responsibility works in two ways. The company gives back to the society in turn, people get to know about the company who helped them most and cater to their products and services.

It is about how companies manage the business processes to produce an overall positive impact on society. It is now an integral part of the wealth creation process -which if managed properly should enhance the competitiveness of business and maximizes the value of wealth creation to the society.

Chakraborty (2010) said that corporate social responsibility policy function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

As globalization accelerates and large corporation serve as global providers, these corporations have progressively recognized the benefits of providing corporate social responsibility programs in their various locations.

Key Drivers of Corporate Social Responsibility

According to Aso in (2004) they are

1. Enlightenment self-interest – creating synergy of ethics, a cohesive society and a sustainable global economy where markets, labor and communities are able to function well together.
2. Social investment – contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.
3. Transparency and trust - business has two ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.
4. Increased public expectations of business- global companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.

According to the result of a global survey by Ernst and Young (2002) a greater percentage of companies believe the development of a corporate social responsibility strategy can deliver real business benefits, however only a few have made significant progress in complementing the strategy in their organizations. The survey concluded that CEOs are failing to recognize the benefits of implementing social responsibility strategy despite increased pressure to include ethical, social and environmental issues into their decision making processes. Organizations should conduct businesses ethically and demonstrate leadership in satisfying their responsibility to the society. They should aim to support and encourage employees and to demonstrate to the community that as a business, it is committed to improving its environment.

When people hear about what a company does for people who are in need, they get curious enough and probably even buy the products or cater to the services of the company. It is a way of making a difference also affects them in a positive way, it is a great advertising tool that does not cost much, Forbes (2008).

Corporate social responsibility is a commitment to improve the well being of a community through discretionary business practices and contributions of corporate resources. According to Charkraborty (2010),

it is not charity but it is core business strategy of an organization. It is a way they strike a balance between economic, social and environmental imperatives.

Measuring Social Responsibility

There has been numerous attempts to measure social responsibility, the results obtained from such attempts however are usually mixed. One of the primary problems seems to be in deciding what should be measured.

Measuring social responsibility, Boone et al (1984) categorize it thus;

1. **Community Projects:** Those that the company played a significant role or provided substantial support for. These include civic and cultural programs, youth activities, student and social activities and local earth programs.
2. **Contributions:** These include those made to federated drives, education program, urban/civic affairs and cultural activities.
3. **Equal employment opportunities:** These should cover women and minority groups
4. **Environmental concerns and energy conservation:** This is defined as the existence of policies or procedures directed at energy conservation.
5. **Voluntarism:** This measure according to the number of hour contributed by persons loaned to or a given lease time for public service work, this is to encourage individual involvement.
6. **Social Investment:** These include those that would not otherwise have been made under the company's customary lending standards or those in which social consideration played in the investment decision organizations that are focused on corporate social responsibility would proactively promote the public interest by encouraging community growth and development. By having and positive impact to the society, the organizations are also making a difference to themselves. It is not only when it comes to profits but also how the employees think and the economy.

Data Presentation and Analysis

Table 1: Present level in the organization

Options	Respondents	Percentage %
Top management	15	17.44
Middle management	33	38.37
Junior management	38	44.19
Total	86	100

From Table 1,above, 15 of the respondents were from top management which represented 17.44% of the sample, 33 from middle management representing 38.37% and 38 from junior management representing 44.19% of the sample.

Table 2: Sex

Options	Management	Percentage%	Stakeholders	Percentage %
Male	62	72.09	52	64.20
Female	24	27.91	29	35.80
Total	86	100	81	100

Table 2 above shows that 62 of the respondents from management (SPDC) were males representing 72.09% while 24 were females representing 27.91%. On the other hand 52 respondents from oguru community are males representing 64.20% while 29 were females representing 35.80%.

Table 3: Academic qualification

Options	Management	Percentage%	Stakeholders	Percentage%
FSLC(Pry 6)	Nil	Nil	27	33.33
WASSCE, GCE	Nil	Nil	5	6.17
OND/DIPLOMA	Nil	Nil	30	37.04
HND/BSC	6	6.98	10	12.35
Msc/Above	80	93.02	9	11.11
Total	86	100	81	100

Table 3 above shows that 6 respondents from management posses HND/Bsc qualification, representing 6.98% of the sample while 80 possesses M.sc and above, representing 93.02%.however, 27 of the respondents from the stakeholders had first school leaving certificate, representing 33.33%, 5 had WASSCE/GCE representing 6.17%, 9 M.sc/Above representing 11.11%.

Table 4: Religion

Options	Management	Percentage %	Stakeholders	Percentage%
Christianity	82	95.35	69	85.19
Islam	4	4.65	12	14.81
Others	NIL	NIL	NIL	NIL
Total	86	100	81	100

From the table above, 82 respondents from management are Christians representing 95.35% while 4 are Muslims representing 4.65%. Also 69 of stakeholders are Christians representing 85.19% while 12 are Muslims representing 14.81%.

Question:Do you think organizations in Nigeria have been carrying out their social responsibility.

Table 5

Options	Management	Percentage%	Stakeholders	Percentage%
Yes	20	23.26	12	14.81
No	66	76.74	69	85.19
Total	86	100	81	100

20 of the respondents from management in table 5 above believe that organizations have been carrying out their social responsibilities in Nigeria, representing 23.26% while 12 of them do not believe representing 76.74%. Also 12 of respondents from stakeholders believe it representing 14.81% while 69 do not believe representing 85.19%

QUESTION

How has business organization been relating with the society

Table 6

Options	Management	Percentage %
Very well	1	1.16
Well	79	91.86
Not very well	6	6.98
Not well at all	NIL	NIL
Total	86	100

From table 6 above, one of the respondents believe that business organizations in Nigeria have been relating with the society very well representing 1.16%, 79 believe the performance is well representing 91.86 while 6 believe it is not very well representing 6.98%

QUESTION

Do you think government should formulate laws to raise the level of social responsibility of organizations?

Table 7

Options	Stakeholders	Percentage%
Yes	68	83.95
No	13	16.05
Total	81	100

From table 7 above shows that 68 of the stakeholders representing 83.95% are of the opinion that government should formulate laws to raise the level of social responsibility of organizations, while 13 were of the opinion that government should not represent 16.05%.

Hypothesis Testing

The following formulae for the chi-square method is

$$\chi = \frac{(F_o - F_e)^2}{F_e}$$

Where F_o =observed frequency

F_e =Expected Frequency

χ^2_c = computed Chi-square

χ^2_t = chi square in the table

Note all hypothesis are re-tested at 5% or 0.05 level of significance.

Decision Rule

Accept H_0 if $\chi^2_C < \chi^2_t$

Reject H_0 if $\chi^2_C > \chi^2_t$

Hypothesis 1

H_0 benefits do not accrue to stakeholders as a result of social commitments to Shell Development Company Nigeria limited.

In testing this hypothesis, the question below was used:

Do benefits accrue to stakeholders as a result of social commitments of shell petroleum development company Nig. Ltd?

Table 8

Options	Management	Stakeholders	Total
Yes	69 (a)	63 (b)	132
No	17 (c)	18 (d)	35
Total	86	81	167

$$a = 132 (86) / 167 = 69.98$$

$$a = 132 (81) / 167 = 64.02$$

$$a = 35 (86) / 167 = 18.02$$

$$a = 35 (81) / 167 = 16.98$$

Cell	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² /Fe
A	69	67.98	1.02	1.04	0.02
B	63	64.02	-1.02	1.04	0.02
C	17	18.02	-1.02	1.04	0.06
D	18	16.98	1.02	1.04	0.06

$$\chi^2_C = 0.16$$

Degree of freedom

$$DF = (R-1) (C-1)$$

$$= (2-1) (2-1)$$

$$= (1) (1)$$

$$= 1$$

The level of significance to be used in testing this hypothesis is 5% (0.05). Therefore $\chi^2_t = 3.84$

Research decision

$$\chi^2_C = 0.87$$

$$\chi^2_t = 3.84$$

$$a = 0.05$$

Research Result

$$\chi^2_C < \chi^2_t @ a = 0.05$$

Hence, accept H_0 and reject H_1

That is benefits accrue to stakeholders as a result of the social commitments of Shell Petroleum Development Company Nigeria Ltd.

Hypothesis 2

H_1 the society is not satisfied with the level of social responsibility of Shell Petroleum Development Company Nigeria Ltd.

In testing this hypothesis, the question below will be used

Question

Do you that the level of social responsibility undertaken by your company is satisfactory to the society.

Table 9

Options	Management	Stakeholders	Total
Yes	72 (a)	53 (b)	125
No	14 (c)	28 (d)	42
Total	86	81	167

$$a = 125 (86) / 167 = 64.37$$

$$b = 53 (81) / 167 = 60.63$$

$$c = 14 (86) / 167 = 20.37$$

Cell	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe)/Fe
A	72	64.37	7.63	58.22	0.90
B	53	60.63	-7.63	58.22	0.96
C	14	21.63	-7.63	58.22	2.69
D	48	20.37	7.63	58.22	2.86
				χ^2_C	7.41

Degree of freedom

$$DF = (R-1) (C-1)$$

$$= (2-1) (2-1)$$

$$= (1) (1)$$

$$= 1$$

The level of significance to be used in testing this hypothesis is 5% (0.05)

Therefore $\chi^2_t = 3.84$

Research Decision

$$\chi^2_C = 7.41$$

$$\chi^2_t = 3.84$$

$$\alpha = 0.05$$

Research result

$$\chi^2_C < \chi^2_t @ \alpha = 0.05$$

Hence, accept H_0 and reject H_1

That is the society is satisfied with the level of social responsibility of shell petroleum development company Nigeria Ltd.

CONCLUSION

The research findings centered on the effects of corporate social responsibility on the society. This research has proved that the society stands to benefit from company social responsibility and that the society is satisfied with the level of social responsibility undertaken by shell petroleum development company organization or company organizations or companies that are socially responsible can be views as a vehicle for combining an investment with a charitable contribution, which can be attractive to investors since it avoids both taxation of corporate profits and the transaction costs of personal giving. Corporate social responsibility can benefit society by signaling to regulators that pollution abatement is not prohibitively costly, encouraging new regulation that may produce a competitive advantage for the signaler. A relationship exist between society and business organization because organizations need the society for its manpower and marketing of its products while the organization help in so many ways in the development of the society.

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