Incorporating Stakeholder Engagement, Financial Implications and Values in Corporate Social Responsibility: A Proposed Model from an African Context

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ABSTRACT

Corporate social responsibility (CSR) in Africa is mainly characterised by the features of socio-economic environment like; poverty, underdevelopment, poor infrastructures, weak governmental functionaries. This makes all the drivers or motivating reasons to be an avenue for addressing issues relating to socio-economic development of communities. The motivating factors for CSR from an African context present a set of reasons to engage in CSR with a view to fulfil obligations to society. Stakeholder engagement insures all stakeholder expectations are in conformity with what managers are ready to offer in terms of CSR initiatives and policies. Studying the financial implications of CSR afford the organisation a basis for making long term plans on CSR because it is only on a long term basis that CSR becomes more profitable and lesser in demerits. Influence of religion/cultural values is a major aspect having impact on all decision making of managers and CSR is also included. The model proposed at the end of this paper is expected to be more elaborate and applicable towards attaining proper implementation of CSR by introducing necessary steps such as; stakeholder engagement, financial implications and beliefs/cultural values. This paper at the end will answer to this need of having a foundational base to Visser’s pyramid model of African CSR before attempting to prioritise between the four dimensions of CSR.

Keywords: Corporate Social Responsibility, Stakeholder Engagement, Corporate Social Responsibility in Africa, Corporate Social Responsibility Pyramid

JEL Classification: M14

1. INTRODUCTION

The transformation of corporate social responsibility (CSR) from set of voluntary charitable act to emerging as a strategic tool for achieving sustainability is beginning to present a new face of CSR for African enterprises. Apart from using drivers to CSR that are philanthropic in nature, there is a need to base all CSR initiatives on four aspects; Stakeholder engagement, financial implications, sustainability, cultural values/beliefs. CSR currently assumes the position of global recognition according business organisations a feature making them to be social institutions which reflects the basic expectations of different sets of stakeholders both internal and external. Business organisations are part of the society and are therefore expected to contribute towards its development. The notion that business organisations are having responsibilities towards the society is found in the socio-economic history and cultures of most African countries (Visser, 2006). Beyond the primary objective of profit making corporate bodies are responsible for impact of their presence and actions on the environment and people. The group termed as people are the stakeholders including internal and external such as; customers, employees, shareholders, business partners, the government and the general public. Business organisations are realising the need to venture in CSR implementation as it leads to increase in corporate reputation, customer loyalty, competitive advantage, and increase in legitimacy. As social institutions business organisations are responsible for their actions and to all their stakeholders with different varieties of expectations and needs.

1.1. Motivation for CSR

These are the motivating factors or reasons behind engagement in CSR practice. The providers answer to the question...
why do business organisations initiate CSR. There are many drivers or motivating factors to CSR, some are more related to the African context like religious practice, cultural influence, bridging governance, stakeholder pressure and response to natural disasters, the general ones are relevant to both global and African perspective, they are; the need for internationalisation of standards and building corporate reputation (Hamidu et al., 2016). There are drivers less relevant to the African perspective because of few literatures and empirical findings to support their relevance like; competition strategy and regulatory avoidance.

1.2. CSR Pyramid

The renowned CSR model proposed by (Carroll, 1979; 1991) is originally attuned to western perspective of CSR practice which is different from the African perspective in respect of valuing cultural and religious beliefs, supporting philanthropic responsibilities over other dimensions except economic responsibilities. Visser (2005) later on revisited the Carroll’s pyramid and rearranged the four layers of CSR dimensions in conformity with the African perspective supported by empirical studies showing that CSR is greatly influenced by cultural values especially in prioritising between different dimensions of responsibilities (Burton et al., 2000; Edmondson and Carroll, 1999). The rearranged pyramid has economic, philanthropic, legal and ethic responsibilities respectively in terms of CSR orientation and priority in African context. It is shown diagrammatically as follows in Figure 1.

The interpretation of this proposed model of African CSR shows that economic responsibilities is accorded the best priority because business corporations are established to produce goods and services, maximise profits for shareholders and maintain efficiency and continuity in the production process. The primary objective of business is to ensure shareholders wealth maximisation as an economic priority. In African context this dimension is the first in terms of priority which is also the same with the western perspective but when it comes to what follows next philanthropic responsibilities is the next dimension due to the influence of cultural values and religious beliefs exhorting voluntariness which coincides with the underdevelopment in social welfare of the African countries (Visser, 2007). In western countries which are often termed as developed nations concentrating on philanthropy is the last dimension of CSR after prioritising legal and ethical responsibilities. Provision of social welfare for the community is fully a governmental affair and western nations have clearly succeed in providing it to their citizenry directly and also through privatising production and service sectors of the economy to ensure efficient production. To buttress the point that philanthropy is removed out from the three domains approach to CSR shows the nature of voluntarism/philanthropic responsibilities from a western perspective as discretionary and organisations can do without it (Schwartz and Carroll, 2003). Ethical responsibilities from an African context comes last while philanthropy as last dimension in western perspective is almost equating with main objective of the business because obeying law and order, being a corporate citizenry are less emphasised than philanthropy (Adeleke, 2014).

In essence ethical dimension is just a last priority and a form of not necessary but an embellishment to the whole concept of CSR in Africa. Nevertheless, it is also a dimension to be reckoned with in building image and maintaining corporate reputation. In developed countries ethical consumerism is a growing trend which depicts prioritising ethical dimension of CSR, but this seems to be low in developing countries with few exceptions for future consideration in brand strategy of some South African companies (Tustin and De Jongh, 2008).

2. STAKEHOLDER MANAGEMENT APPROACH

2.1. Stakeholder Engagement

Currently, there is a vast amount of literature and empirical findings on stakeholders attributes and how the organisations are structured, but still there are gaps when it comes to knowing the relationship between different stakeholders attributes and organisational performance (Greenwood, 2007). Little is known when it comes to understanding the way firms engage or relate with stakeholders especially the external ones (Waritimi, 2012). Stakeholder’s engagement in summary is revolving around the process of developing and sustaining relationship between firm and different stakeholders. Greenwood (2007) stated that stakeholder’s engagement is the involvement of stakeholders in organisational activities to make their expectations be in conformity with management decisions. In the same vein, (Friedman and Miles, 2006) defines stakeholder’s engagement as “the process of effectively eliciting stakeholder’s views on their relationship with the organisation.” For an effective stakeholder engagement to be meaningful and achievable, stakeholders should be given an opportunity to express their opinion without being influenced by any group (Roloff, 2008). Honesty, open and fair engagement of stakeholders is very vital for organisations to function properly (Phillips et al., 2003; Freeman and Evan, 1990).

Doyle and Stern (2006) pointed out that stakeholder engagement should be a collective process with an acceptable representativeness whereby no stakeholder group interest would be left unattended or not considered. Gibson (2000) on the other hand added that individual interests and preferences are to be regarded as unique features for changing modes of engagement and more understanding of distinct features of different stakeholders for future stakeholder engagement and decision making. Organisations at times tries to exert influence on outcomes of stakeholder engagements as a strategy to overcome an unfavourable outcome, this is considered as manipulation (Zakhem, 2007) and a way of avoiding moral engagements which leaves the organisation at a disadvantaged position (Foster and Jocker, 2005). The reason for having a moral stakeholder engagement is to ensure an agreement and understanding between parties considering all those affected in an engagement process. A moral stakeholder engagement should be devoid of manipulations and subjection to being driven by strategic goals. The success of CSR initiatives is often linked to stakeholder engagement and ideas that occur repeatedly in discussions of best CSR practice. Stakeholder engagement serves as an avenue that brings together representatives of business, non-governmental and public sectors in order to identify and address aspects of corporate responsibility.
2.2. The Process of Stakeholder Engagement

Stakeholder engagement is implemented by identifying the stakeholders according to their salience and broadly based on prioritisation of different stakeholders, and then the managers need to fully comprehend the reasons for stakeholders’ engagement like strategizing through effective CSR initiatives, finding solutions to problems and crisis situation, improvement of relationship between the organisation and its stakeholders. Five ways of improving stakeholder engagement in CSR practice include; stating clearly the process and strategy for implementation, infusion of external stakeholder engagement as part of organisation culture, establishment of performance measurements and finally maintaining engagement and interaction with stakeholders as part of a normal CSR implementation (Josh, 2013). When organisations are confronting or trying to solve multi-dimensional problems which affect different sets of stakeholders, engaging in a multi-stakeholder dialogue accords an effective solution through learning the best approach from different stakeholders’ perspectives (Burchell and Cook 2006).

Accordingly, Gable and Shireman (2005) mentioned a process of operationalizing stakeholder engagement in three phases; Internal preparation, Strategic planning and stakeholder mapping and culminating with implementation of the engagement process.

i. Internal preparation – This is the appointment of the right set of people to lead and formulate all policies in an organisation. Training the lead team follows and then the comparing of stakeholders expectations with organisational performance.

ii. Strategic planning and stakeholder mapping - This is achieved by identifying and keeping a record of all sets of stakeholders the organisation deals with and their roles in achievement of organisational objectives. Then use the information obtained from the identification process to draw a strategic plan in CSR implementation.

iii. Implement the engagement - This is the process of executing the stakeholders’ engagement after the two aforementioned phases to reach organisational objectives, quantify and observe the results and disseminate it to the appropriate targets.

In stakeholder relationship management, the stakeholders with one attribute among the three (power to influence, urgency and legitimacy of claims) are latent, while expectant stakeholders have two attributes. The level of engagement between managers and expectant stakeholders is expected to be high, therefore managers are expected to recognise their existence and attend to their claim. The implication here is that managers if confronted with the need to reduce CSR activities, they can ignore the latent stakeholders because their claim to stakeholder’s right is weak. Definite stakeholders are those expected to receive the highest attention and priority because they possess all the three attributes, they have urgent claims, they have powerful influence on the firm and they also have influence on organisational legitimacy. Dependent stakeholders can assume a definitive status or position once they have support of government or a regulatory body. Expectant stakeholders can also become definitive once they acquire the third missing attribute. Latent stakeholders are excluded from changing positions because they are identified with a single attribute and are regarded as weak or passive stakeholders (Mitchell et al., 1997).

3. FINANCIAL IMPLICATIONS

Before engaging in CSR activity managers are expected to formulate a CSR policy with takes into consideration the financial implications of continuing with implementation of CSR in strategic planning which normally cover a 5 years period. It is expected for corporations to witness the benefits of CSR engagement not on short term because the cost compared to benefits is low at that time, mangers need to study the financial implications and plan for long term CSR to have reputation and profitability. The relationship between CSR and financial performance is vital for business managers in maximising shareholders wealth (Weber, 2008). Scholars using both theoretical and empirical research
have examined the relationship between CSR and financial performance in many different ways, and the correlation between the two has further been subjected to different conceptual and empirical interpretations over the past decades. Studies on CSR activities and corporate financial performance are conducted both using qualitative and quantitative research methods. A research by (Aupperle et al., 1985) found that there is a positive relation between conduct of CSR and corporate financial performance. Hence managers must study its financial implication to reduce the demerits of engagement in CSR. CSR is an additional cost to the business besides competitors who are conversant with financial implications of socially responsible activities result in an improvement in corporate financial performance. Despite having profit maximisation as primary objectives of business organisations they are also expected to include in their secondary objectives the contribution towards fulfilling social and environmental obligations of the community. They are expected in making their budgetary allocations to CSR to have a comprehensive study on financial implications before coming up with a CSR framework for the organisation. Therefore, incorporating financial implication study supersedes all policies on CSR and its implementation process.

Notwithstanding the number of studies showing a positive relationship between CSR and firm performance, there are criticisms on it and few studies showing the relationship between CSR and financial performance is insignificant. Some scholars explained this situation as the introduction of variables that require different strategic plans or effects on performance is arrived at by using models that are apart from been different they are unspecific leading to a biased estimation of CSR (McWilliams and Siegel, 2001). There is an argument that many companies engaging in CSR are pursuing a strategy of using R&D and making a significant investment in boosting their research and development, and that it is the R&D variable that affects the firm performance rather than CSR activities. Considering the results of research from having a positive relationship to insignificant levels, there is a need for business managers to integrate the financial implications of their proposed CSR to ensure full implementation of all initiatives specified periodically.

Environmental management activities are normally costly to implement and they seem to be a part of obligation to the community. Governments and environmentalists are also actively persuading and exerting immense pressure on organisations to prioritise environmental protection issues rather than social development programmes which makes the latter hardly to end up in achieving sustainability in CSR. Another field which require financial implications study is the strategizing and competition in CSR.

Business managers are expected to have a projection of estimates and proper preparation on how to use a set of socially-responsible acts as strategies for achieving sustainability, competitiveness, and realisation of organisational objectives (Hamidu et al., 2014). The failure to consider and prepare for competing with other entrants in the market can render a firm been outsmarted by new aggressive competitors who are conversant with financial implications of CSR implementation and strategies to compete favourably. Under normal circumstances CSR is an additional cost to the business hence managers must study its financial implication to reduce the demerits of engagement in CSR.

4. INFLUENCES OF RELIGION/CULTURAL VALUES

Religion is a form of identity that deals with practice according to the dictates of sacred scripture, traditions, values or norms. It influences all aspects of human behaviour depending on the rate of inclusiveness it advocates, some religions are silent or less emphasising on ethics in business practice leaving its adherents to make interpretations based on their humanistic instincts while other religions emphasise on providing all interpretations in virtually every aspect of human life be it personal and social as well. It is a well-known fact that the reason for CSR if carefully observed a notion of altruistic ethical impulse from managers is motivated by religious beliefs (Hemingway, 2002).

In an African context, CSR to an extent is considered as extension of philanthropic activities exorted and cherished by traditional cultural practices and religious teachings to be a form of accepted corporate practice. CSR in Africa is shaped or characterised by socio-cultural influences like religious beliefs and communal lifestyles which encourages philanthropy and all forms of charitable traditional practices (Amaeshi et al., 2006). CSR in developing countries shows a feature of alignment with indigenous cultural traditions of philanthropy, accepted values and ethical business practices, and community embeddedness (Visser, 2008).

An observation on the six core characteristics of CSR advocated by (Crane et al., 2008) can be translated into an African perspective by showing that three of them are sharing relationship with values, cultural norms or religious beliefs in the name of voluntary:

1. From a voluntary core characteristic, African societies consider voluntary or discretionary acts of philanthropy as desirable and a way of justifying the legitimacy of the business organisation itself

2. From a stakeholder management orientation core characteristic, cultural values and religious beliefs upholds engaging all those concerned to have their opinions and find the best way of settling their claims

3. Practices and values as a core characteristics means respecting traditional values and promoting cultural practices which are aligned with organisational values of ethical conducts in making decisions especially the ones relating to CSR initiatives.

The practice of CSR in developing countries is characterised by accepted values and religious concepts deeply rooted in all societies that cherish and upholds collectivism like the humanistic approach in solving societies problems (Ubuntu) which simply refers to man created to solve problems of men espoused by South Africans. It emphasises on interconnectedness between a person and his entire community resulting into acceptance of the fact that each person realises his existence and personality through others (Klins et al., 2010). Another African approach which is linked to the concept of African socialism where country men are to treat each other as family members, simply called (Ujamaa) championed by Julius Nyerere of Tanzania. Similarly, another outstanding initiative is the African renaissance which encourages development of Africa through African made solutions, meaning Africans to choose their cultural practices and values that can serve as socio-
economic and political solutions emphasising charitable traditions, generosity, identifying with other people’s problems and finally solving the problems in an accepted traditional way (Tallio, 2013). Traditional values and deeply rooted cultural practices underpin the conceptualisation of CSR practice in Africa and other developing countries and also empirical evidences suggest cultural factors mediate the nature of CSR in developing countries (Idemudia, 2011). A recent modification to the Carroll’s pyramid known as CSR universal model advocates basing CSR on four major points; environment, beliefs, values and assumptions before emphasising on legal responsibilities as the first dimension because if beliefs and values of all stakeholders are in conflict with CSR, business will only survive if it is law abiding (Nalband and Al-Kelabi, 2014). Religion and Cultural influences are synonymous terms represented by norms, set of beliefs and values of individuals within a social set up. African societies are communitarian in nature practising religions and valuing traditions that promotes sharing, developing and strengthening of communal activities etc. Religion and cultural influence as a driver to CSR practice motivates managers to include promotion of cultural activities, enlightenment on moral ethical behaviour based on accepted norms and values and support for cultural groups as CSR initiatives.

5. THE PROPOSED NEW CSR MODEL

Sequel to reviewing the importance of all foundational elements of the new model it is the now the right time to set out the outlook of the proposed model. The model comprises of three foundational elements listed as; stakeholder engagement (its meaning, significance and process) values (both religious and cultural) then financial implications of initiating and implementing CSR activities on a long term basis by business managers. These set of three items are explained as the foundation or backbone of successful CSR implementation. Without engaging stakeholders or taking their interest in CSR decisions, business managers are likely to face a situation where a mismatch of priorities between organisational decisions and stakeholders expectations will occur. Socially responsible acts in this situation are not expected to achieve increase in customer loyalty, image/reputation, legitimacy, and attainment of profitability and sustainability. Identification of stakeholder salience which is an initial stage or part of stakeholder engagement means placing urgent and legitimate claims on salience nature of stakeholder reduce conflicts and facilitates stakeholder relationship management which is good for achieving best results for CSR activities.

The last foundational element is the recognition by managers that for CSR to be fully effective and used for satisfaction of stakeholders needs and expectations it must be in conformity with the religious teaching and accepted cultural values of the society. Both managers and all other stakeholders both internal and external in the African context share voluntarism (Philanthropic/altruistic CSR) as a form of the most prioritised dimension of CSR before legal and ethical dimensions of CSR in this proposed model. The model is in consonance with the Visser’s model in terms of arrangement of dimensions, but not in line with the universal model proposed by (Nalband and Al-Kelabi, 2014) because obeying the law as they argued is evidently not seen to be more prioritised in the African context over philanthropic responsibilities. Business managers are still attuned to the influence of religious and cultural values than obeying the law and doing ethical conducts. This simply summarises as
6. CONCLUSION

The new proposed model in essence is the recommendation to have additional elements upon which business managers especially from Africa should base their decisions with respect to CSR initiatives. All the three elements are vital in order to match stakeholders expectations with CSR activities and at the same time maintain efficiency in production while CSR is increasing, also managers are expected to reduce conflict with stakeholders by adhering to their values be it religious or cultural. The last part of the proposed pyramid starts with sticking to the primary objective of setting up the business enterprise which is production efficiency and maximising shareholders wealth. The second part of the pyramid emphasises on voluntarism which is the performance of philanthropic responsibilities like; all charitable acts and different forms of community development programmes. The legal responsibilities represent all acts performed in abiding by laws making an organisation to be a corporate citizenry is included like; payment of all dues and taxes appropriately, partnership with public corporations when required by law and giving all stakeholders their rights. Ethical dimension is the least in terms of emphasis because business can perform all their activities if all the first three responsibilities are taken care of without ethical conducts emphasised, but ethical responsibilities are very vital to get more customer loyalty and build a corporate reputation and business enterprises cannot afford doing without it especially in the long term and when ethical consumerism is on the rise globally.

This proposed model provides a foundation which maintains stakeholder relationship management, also making comparison between different options of CSR activities and maintaining financial efficiency in production and serving the right CSR initiative to stakeholders at the same time. Finally, this model if adhered to is a way of maintaining relationship between religious/cultural values and socially responsible activities. In an African context, the model is very suitable because of basing all priorities on managing stakeholder’s expectations and taking into consideration before making all decision the traditional values and religious beliefs of the community. Prioritising philanthropy over other dimensions of CSR is a well-known and accepted fact in African CSR. The proposed model takes all these into consideration making it suitable in African perspective.

REFERENCES