



Influence of Internal and External Corporate Social Responsibility on Organizational Performance of Manufacturing Firms in South - East, Nigeria

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Abstract

The study examines the influence of internal and external corporate social responsibility on organizational performance. The study adopts the survey research design. A sample size of 174 was determined from a population of 310. Data analysis was committed to descriptive statistics of mean and standard deviation. Correlation analysis was used to test the hypotheses. The findings showed that internal and external corporate social responsibility exerts influence on organizational outcome indicators like productivity, employee retention, return on investment and customer retention. The study concludes that for any corporate entity to toy with the practice of internal and external CSR, such a firm has prepared for adverse, unfavourable and undesirable organizational outcomes. It was recommended that management of business organizations should always ensure that occupational hazards are properly managed for effective corporate outcomes especially productivity.

Keywords: Internal, External, Corporate, Social Responsibility, Organizational Outcomes.

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I. Introduction

The widespread growth of corporate social responsibility (CRS) practices makes it important to determine how they influence organizational outcomes (Aguinis & Glavas 2012). Many a time, organizational management may be faced with litany of factors which may have the capacity to influence corporate performance. Some of those factors that may influence organizational performance in business enterprises include internal and external CSR practices. Baker (2014) believes that corporate social responsibility is a self-regulating business model that helps a company to be socially accountable to itself, its stakeholders, and the public. By practicing CSR which also is called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social and environmental. To engage in CSR means that, in the normal courses of business, a company is operating in ways that enhances society and the environment, instead of contributing negatively to it. Baker (2014) opines that CSR is how companies manage their business processes to produce an overall positive impact on society. It covers sustainability, social impact and ethics, and done correctly should be about core business – how companies make their money – not add –on extras such as philanthropy.

There are benefit of CRS. According to Double the Donation (2018) CRS improves public image, increases media coverage, boosts employee engagement, attracts and retains investors. There are arguments for and against corporate responsibility. Defoe (2015) writes that the simplest argument for social responsibility is that it is the right thing to do. Some of society's problems have been created by corporations such as pollution and poverty-level wages. It is the ethical responsibility of business to correct these wrongs. Another point is that businesses have many of the resources needed for solving society's problems and they should use them to do so. Also, if businesses are not socially responsible, then the government will create new regulations and establish fines against corporations.

Social responsibility can be profitable. It is possible for companies to prosper and build shareholders value by working to solve social problems. It can be a great way for a company to build positive public relations and attract top talents in the industry. Those that argue against social responsibility maintain that the primary task of business is to maximize profits through economic activities. Social activities might reduce economic resources; social involvement can create a weakened international balance of payment situations. The cost of social programmes would have to be added to the product price. They also argue that business people lack the social skills to deal with social problems.

In the same vein, Galetto (2015) defines customer retention as the activities and actions companies and organizations take to reduce the number of customer defections. The goal of customer retention programmes is to help companies retain as many customers as possible, often through customer loyalty and brand loyalty initiatives. This study on influence of internal and external corporate social responsibility on organizational outcomes is conducted to examine how enterprises use various CSR practices to boost various indicators of business performance.

Statement of the Problem

Various empirical studies accessed by the researcher in the area of CSR did not show significantly how internal CSR practices such as proper control of occupational hazards influenced corporate productivity neither did they examine the relationship between regular employee promotions and employee retention. Such studies did not also show how organizational payment of taxes as an external CSR influenced ROI neither did they show the influence of affordable quality products. For instance, Kojala, Anene & Desu (2017) investigated corporate social responsibility and financial performance of the Nigerian listed firms while Uwalomwa & Ben-Caleb (2012) handled corporate social responsibility disclosures in Nigeria: a study of listed financial and non-financial firms. Also, Omodero & Amah (2017) handled CSR and profitability of commercial banks in Nigeria (2006-2015) while Onyeka & Nwankwo (2016) examined the impact of CSR reporting on profitability of Nigerian manufacturing firms. None of these studies assessed the relationships covered in this study.

It is based on the fact that corporate social responsibility is a self-regulating business model that helps a company to be socially accountable to itself, its stakeholders, and the public and the scarcity of empirical literature on the relationships examined in this study that the researcher is faced with the problem of examining the influence of internal and external corporate social responsibility on organizational performance of manufacturing firms.

Objectives of the Study

The major objective of this study is to examine the influence of internal and external corporate social responsibility on organizational performance. The specific objectives are to:

- i. Examine how control of occupational hazards influence organizational productivity.
- ii. Assess the relationship between regular promotion of workers and employee retention.
- iii. Find out the relationship between organizational payment of taxes and return on investment.
- iv. Examine how production of affordable quality products affects customer retention.

Research Questions

- i. How does control of occupational hazards influence organizational productivity?
- ii. What is the relationship between regular promotion of workers and employee retention?
- iii. What is the relationship between organizational payment of taxes and return on investment?
- iv. How does production of affordable quality products for customers affect customer retention?

Hypotheses

H0₁: Control of occupational hazards does not significantly influence organizational productivity.

H0₂: Regular promotion of workers has no significant relationship with employee retention.

H0₃: Organizational payment of taxes has no significant relationship with return on investment.

H0₄: Production of affordable quality products for customers does not significantly affect customer retention.

Scope of the Study

The researcher focused on Aify Aluminium Company Owerri, Alo Aluminium Company Nkpor-Onitsha and Wisdom Aluminium Company, Uwani-Enugu. The geographical scope of the study is therefore Owerri, the Imo State capital; Onitsha the commercial nerve of Anambra State and Enugu, the Coal city and the Headquarter of the defunct Eastern Region of Nigeria. The content scope shows how the internal CSR practices like proper control of occupational hazards and regular promotion of workers and the external CSR practices

like organizational payment of taxes and production of affordable quality products for customers respectively influence organizational productivity, employee retention, return on investment and customer retention.

The unit scope includes the functional units in the study firms with serious emphasis on Production, Marketing, Accounts/Finance, Human Resource and Top Management.

II. Review of Related Literature

Corporate Social Responsibility (CSR) can positively impact a business by improving the company's image, building brand and motivating the business owners (Schooley 2019, cited in Obialor, 2020). Businesses must behave and function as a responsible member of a society, like any other individual and cannot shun moral values nor can it ignore actual compulsions. Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystems (Obialor, 2020).

The study however argues for corporate social responsibility and focuses on internal and external CRS practices of firms. The internal practices covered in this study include control of occupational hazards and promotion of workers. Heathfield (2018) believes that an occupational hazard is a hazard experienced in the workplace. A hazard itself is anything that could cause harmful adverse effects. Occupational hazard can be physical risks, chemical hazards, biological hazards, ergonomic hazards and risks of accident that include arrangement of inappropriate work environment, insufficient lighting, potential accidents with electricity and fire.

Also, Heathfield (2018) maintains that employee job promotion is the advancement of an employee from one job position to another job position that has a higher salary range, a higher level job title and often, more and higher level job responsibilities in an organization. Sometimes, a promotion results in an employee taking on responsibility for managing or overseeing the work of other employees. Decision-making authority tends to rise with a promotion as well.

Indeed, the external CSR practices covered in this study include taxation to government and production of affordable quality products to customers. The Business Dictionary defines tax as a compulsory monetary contribution to the state's revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property, etc. of individuals and organizations. Josephson (2018) opines that the types of taxes include consumption tax, VAT or Ad Valorem Tax, property tax, capital taxes, income taxes, etc. Product quality lies in the eyes of the beholders.

Brown (2018) opines that providing the highest level of quality goods and customer service is imperative to compete for business against companies promoting similar products or services. Quality includes ensuring that products are free of defects and working exactly as expected and claimed to do. Nothing is worse for a business than allowing a poor quality to go to the market. A company is only as strong as the quality of the goods and services it produces as consumers are less likely to invest in a business if the product did not meet expectations. Advertisement for what a product or service provides should be accurate, and if a consumer does not feel it does, the company suffers. Everyone makes mistakes, but prevention is necessary to keeping consumers happy.

The foregoing indicates that internal and external CSR practices may influence organizational outcomes. Organizational outcomes as used in the context of this study is the use of control of occupational hazards to enhance corporate productivity; the use of employee promotions to achieve employee retention; the influence of taxation on return on investment and the improvement of customer retention with the production of affordable quality products to customers. Productivity according to Jackson (2018) is a measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. Productivity is computed by dividing average output per period by the total cost incurred or resources (capital, energy, material, personnel) consumed in that period.

Jackson (2018) maintains that the ways to increase productivity in the workplace include: be efficient, delegate, reduce distractions, have the right tools and equipment, improve working conditions, offer support and set realistic goals, practice positive reinforcement and ensure employees are happy. Rouse (2018) is of the view that employee retention is the organizational goal of keeping talented employees and reducing turnover by fostering a positive work atmosphere to promote engagement, showing appreciation to employees, and providing competitive pay and benefits and healthy work-life balance. Employers are particularly interested in retaining employees during periods of low unemployment and heightened competition for talent. Also, Galetto (2015) opines that return on investment (ROI) is a profitability index that measures the gain or loss generated on an investment relative to the amount of money invested. It is usually expressed as a percentage and is typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments.

Theoretical Framework

Edward Freeman Stakeholder Theory

The stakeholder theory is the mirror image of corporate social responsibility. Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. It lists and describes those individuals and groups who will be affected by (or affect) the company's actions and asks what are their legitimate claims on the business?" "What rights do they have with respect to the company's actions?" and what kind of responsibilities and obligations can they justifiably impose on a particular business?" In a single sentence, stakeholder theory affirms that those whose lives are touched by a corporation hold a right and obligation to participate in directing it.

For example, when a factory produces industrial waste, a CSR perspective attaches a responsibility directly to factory owner to dispose of the waste safely. By contrast, stakeholder community who may find their environment poisoned, and begin to talk about business ethics by insisting that they have a right to clean air and water. Therefore, they are stakeholders in the company and their voices must contribute to corporate decisions.

The stakeholders include the company owners, company workers, customers and potential customers of the company, suppliers and potential suppliers to the company, everyone living in the town who may be affected by contamination from workplace operations, creditors whose money or loaned goods are mixed into the company's actions, government entities involved in regulation and taxation, local businesses that cater to company employees e.g restaurants, other companies in the same line of work competing for market share as well as other companies that may find themselves selected to new and potentially burdensome regulations (<https://2012books.lardbucket.org>).

Hugo Munsterberg Behavioural Theory

The behavioural school of management has its origins in industrial psychology and sociology. It emphasizes the interactions of people in an organization in order to understand the practice of management. Particularly important was the work of Hugo Munsterberg (1863 -1916), a German Psychologist who studied the application of behavioural science in a manufacturing environment, now recognized as the father of industrial Psychology. Munsterberg was especially interested in matching jobs with people and structuring the work environment so that workers would produce up to their potential. The most extensive research on the impact of environmental factors on worker productivity, however, was the now-famous Hawthorne experiments (Galletto, 2015).

Munsterberg was an admirer of Frederick Winslow Taylor to whom he wrote to in 1913: "our aim is to sketch the outlines of a new science, which is to intermediate between the modern laboratory psychology and the problem of economics". Munsterberg's works: *Vocation and Learning (1912)* and *Psychology and Industrial Efficiency (1913)* are usually considered the beginning of what would later become known as Industrial Psychology. He selects three points of view that he believes are of particular importance to industrial psychology and seeks to answer those questions. These three questions include 'how we can find the men whose mental qualities make them best fitted for the work which they have to do; secondly, under what psychology conditions we can secure the greatest and most satisfactory output of work from every man; and finally, how we can produce most completely the influences on human minds which are desired in the interest of business". In other words, we ask how to find 'the best possible man, how to produce the best possible work, and how to secure the best possible effects'. Social responsibility is part of the answer.

Empirical Reviews

The researcher used the following empirical studies to show the relevance of the study:

In a study on corporate social responsibility and financial performance of the Nigerian listed firms. Kajola, Anene & Desu (2017) used Ordinary Least Squares regression analysis to determine the direction and strength of the relationship between CSR and firm financial performance (ROA and profit margin). In a study on CSR disclosures in Nigeria: a study of listed financial and non-financial firms, Uwalonwa & Ben-Caleb (2012) used multiple regression analysis as their statistical technique for data analysis. The study revealed that firms' corporate financial performance and the size of audit firm have a significant positive relationship with the level of CSR disclosures among selected firms. A significant negative relationship existed between firms' financial leverage and the level of CSR disclosures.

III. Methodology

This study adopted the survey research design in examining the influence of internal and external CSR on organizational outcomes. The instruments of questionnaire, observations and interviews were used for the workers in the selected study organizations. The population figure of 310 was obtained from three entrepreneurial organizations selected from across Owerri, Enugu and Anambra, Nigeria. A sample of 174 was determined for the study using Taro Yamme's formula. The validity of the instrument was done by showing

the instrument to Management research experts for their inputs and by making sure that the items in the instrument were strictly based on the research questions. The use of pilot study was adopted for determination of the reliability of the research instrument and data obtained from pilot survey were committed to test of reliability using Cronbach Alpha statistic. The result reported a Cronbach Alpha of 0.81. The instrument was therefore 81% reliable. For the data analysis, the descriptive statistics of mean and standard deviation were adopted to answer the research questions. Correlation analysis was used to test the hypotheses. Data were analysed using SPSS version 20 at 95% confidence level.

The formula for correlation is

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{[n\sum x^2 - \sum(x)^2] [n\sum y^2 - \sum(y)^2]}}$$

The rejection of null hypothesis was based on $P < 0.05$

IV. Results and Discussion of Findings

Out of the 174 copies of the questionnaire distributed, 150 copies were properly filled and returned.

Table 1: Respondents' responses on the relationship between Internal/External CSR and Organizational Performance

Q/N	Item	SA	A	UN	D	SD	N	Mean	Std.Dev.
1.	Chemical Hazards and Org. Productivity Control of occupational hazards enhances organizational productivity.	70	49	0	7	24	150	3.89	0.71
	Occupational hazards frequently scare workers always and such threatens productivity.	56	35	14	21	24	150	3.52	0.421
3	Regular Promotion of Workers and Employee Retention Employee promotions boost the retention of workers in enterprises.	80	35	7	28	0	150	4.11	0.992
	With promotions, those that are retained remain so committed to overall business outcomes.	70	28	14	35	3	150	3.85	0.781
5.	Organizational Payment of Taxes and ROI Taxation to government does not reduce return on investment.	77	49	0	7	17	150	4.08	0.803
	Sometimes, business tends to suffer the payment of double taxes.	70	42	14	7	17	150	3.94	0.611
7	Production of Affordable Quality Products for Customers and Customer Retention With quality product, many customers are attracted to business organizations.	70	56	9	7	8	150	4.15	1.126
	More customers are even retained when the quality products are affordable.	55	51	19	2	23	150	3.75	0.784

Field Survey (2023)

The table 1 above presents data from responses by the respondents under study. The result disclosed a strong agreement by the respondents on their opinion on the relationship between internal/external CSR and organizational outcomes. A perusal of the values for mean and standard deviation shows that a positive relationship exists between internal/external CSR and organizational outcomes.

Testing of Hypotheses

Here the hypotheses associated with the study were tested. The hypotheses were tested in order to find out whether the difference in opinion was significant to draw conclusion.

Hypothesis 1: Control of occupational hazards does not significantly influence organizational productivity.

Item	Mean	Standard Deviation	Correlation Coefficient	P-Value
Occupational hazards	3.89	0.71	0.811	0.001
Organizational productivity	3.52	0.421		

SPSS Correlation Analysis Output (2023)

The result on table 2 presents the correlation analysis between occupational hazards and organizational productivity. The result shows a p-value of 0.001 and correlation coefficient of 0.811. The result shows a p-

value less than 0.05 being the level of significance; therefore, rejecting the null hypothesis and accepting the alternative hypothesis. Therefore, the correlation coefficient between proper management of occupational hazards and organizational productivity is statistically significant. Therefore, control of occupational hazards significantly influences organizational productivity.

Hypothesis 2: Regular promotion of workers has no significant relationship with employee retention

Table 3: Correlation analysis between regular promotion and employee retention

Item	Mean	Standard Deviation	Correlation Coefficient	P-Value
Regular promotion	4.11	0.992	0.732	0.001
Employee retention	3.85	0.781		

SPSS Correlation Analysis Output (2023)

The result on table 3 presents the correlation analysis between regular promotion and employee retention. The result shows a p-value of 0.001 and correlation coefficient of 0.732. The result shows a p-value less < 0.05 level of significance; therefore, rejecting the null hypothesis and accepting the alternative which states that regular promotion of workers has a significant relationship with employee retention.

Hypothesis 3: Payment of taxes has no significant relationship with return on investment.

Table 4: Correlation analysis between Payment of taxes and return on investment

Item	Mean	Standard Deviation	Correlation Coefficient	P-Value
Payment of taxes	4.080.803	0.71	0.883	0.001
Return on investment	3.94	0.611		

SPSS Correlation Analysis Output (2023)

The result on table 4 presents the correlation analysis between payment of taxes and return on investment. The result shows a p-value of 0.001 and correlation coefficient of 0.883. The result shows a p-value < 0.05 level of significance, thereby rejecting the null hypothesis and accepting the alternative which states that payment of taxes has a significant relationship with return on investment.

Hypothesis 4: Production of affordable quality products for customers does not significantly affect customer retention.

Item	Mean	Standard Deviation	Correlation Coefficient	P-Value
Production of affordable quality	4.15	1.126	0.883	0.001
Customer retention	3.75	0.784		

SPSS Correlation Analysis Output (2023)

The result on table 5 presents the correlation analysis between production of affordable quality products for customers and customer retention. The result shows a p-value of 0.001 and correlation coefficient of 0.883. The result shows a p-value < 0.05 level of significance, thereby rejecting the null hypothesis and accepting the alternative which states that production of affordable quality products for customers significantly affects customer retention.

V. Recommendations

- i. The study recommends that management of business organizations should always ensure that occupational hazards are properly managed for effective corporate outcomes especially productivity.
- ii. Workers should be very careful when coping with occupational hazards. Management should promote workers as at when due and the government should harmonize the tax payment system to avoid double taxations and possible tax evasions.
- iii. Enterprises should focus on quality as they relate with customers and other stakeholders.

VI. Conclusion

The study concludes that internal and external CSR practices positively influence organizational performance. Proper management of occupational hazards enhances productivity of organizations and employee promotions positively influenced employee retention. The same applies to the relationship between payment of taxes and return on investment as well as the production of affordable quality products for customers and customer retention. The researcher therefore concludes that for any corporate entity to toy with the practice of internal and external CSR, such a firm has prepared for adverse, unfavourable and undesirable organizational performance.

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