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# Corporate Social Responsibility and Competitiveness of Oil and Gas Firms in Rivers State

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**Abstract:** *This paper sought to assess the relationship between corporate social responsibility and competitiveness of oil and gas firms in Rivers State, Nigeria. The research applied cross-sectional approach of the quasi-experimental research design. Six oil and gas firms were purposefully selected in Rivers State from which primary data was obtained by means of a structured questionnaire. The 112 returned questionnaires were analyzed with regression analysis. It was deduced from the study that there was significant cause effect relationship between business ethics and competitiveness as well as with stakeholder management and competitiveness. Evidently, CSR is a lifeline for business organizations to outperform their rivals. Therefore, business organizations should inculcate corporate citizenship behavior while adhering strictly to corporate ethical conducts.*

**Key words:** *Corporate Social Responsibility, Competitiveness, Business Ethics, Corporate Citizenship, Stakeholder Management.*

## Introduction

Globalization has introduced complex competition into the business sphere. Consequently, it has become the preoccupation of every business organization to be profitable and remain a going concern.

Frank (2004) opined that organizations that exercise corporate social responsibility by harmonizing social, environmental and economic concerns into their operations can last in a highly competitive climate because CSR accrues tremendous advantages to businesses. On the backdrop of CSR, the essence of a business organization in the society is better appreciated outside the notion that firms only exist to provide employment, goods and services to meet the needs of the general public.

Trendily, investors are interested in investing in businesses that are considered to be socially responsible. These investors assess the social antecedents of potential firms. Again, the practice of CSR fosters social acceptance and provides a broad license for practitioners to operate. When this happens, the organization is able to attract the highest caliber of human resources, while the morale of its existing workforce is enhanced, leading to greater organizational efficiency and productivity (Godfrey *et al*., 2016).

The Niger Delta Region of Nigeria is the poster of environmental degradation occasioned by oil exploration and production activities. Until recently, the totality of the nation's petroleum resources where extracted from the region. Whereas, Nigeria stands as the 6$^{th}$ highest producer of oil in the world as well as the first in Africa. The corporate social irresponsibility of international oil companies has led to severe agitations in the region resulting to hostilities such as; destruction of oil pipelines and other facilities as well as the kidnapping of staff of IOC's (Amaeshi *et al.,* 2006). The Nigerian Extractive Industry Transparency Initiative reports that $41.94 billion was lost to crude and refined product theft in Nigeria between 2009-2018 while $347.22 million was spent to maintain their pipelines between 2017-2018 (Oladehinde, 2019). These peculiar events certainly impede the performance of firms in the oil and gas sector of Nigeria who are already faced with advanced competition brought about by fluctuations in oil prices. It remains to be seen whether these IOC's will align with the society and their environment by discretionally implementing CSR while at the same time enhancing shareholder value. On the flip side, be exposed to greater risk by engaging in temporal damage controls.

The motivation for this research stems from the fact that very little research effort on the subject matter has been undertaken in developing economies, especially in Nigeria where there is inappreciable literature on the subject. Besides, the relationship between CSR and the performances of business has not been clearly established due to conflicting empirical evidences from other countries, hence, the need for evidences from Nigeria.

## Objectives of the Study

1. To assess the relationship between business ethics and competitiveness.
2. To examine the relationship between stakeholder management and competitiveness.
3. To investigate the relationship between corporate citizenship and competitiveness.

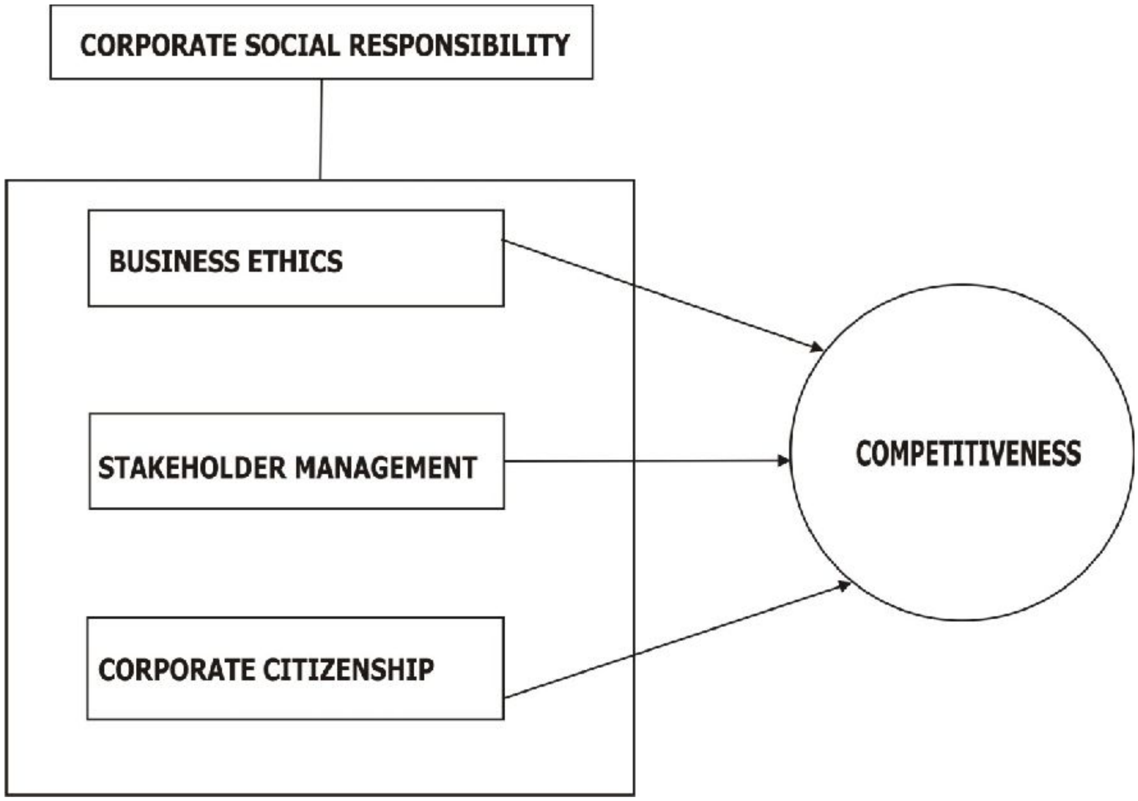
## Research Hypotheses

**$H0_1$:** There is no significant relationship between business ethics and competitiveness.

**$H0_2$:** There is no significant relationship between stakeholder management and competitiveness.

**$H0_3$:** There is no significant relationship between corporate citizenship and competitiveness.

## Literature Review




This research work rests on relational theory, as evinced by Secchi (2007).

The relational theory came to being by virtue of the business-environment inter-connection (Ismail, 2009). Ismail, broke the theory into four components comprising; Business and society, stakeholder approach, corporate citizenship and social contract.

Business and society aptly demonstrate the relationship between the business organization and the environment in which the entity carries out its operation with CSR serving as a link. As such, the business entity is required to weigh the impact of its activities and resolves on the environment on which the business is domiciled.

Stakeholder approach projects a perspective though which the management of an entity can be better enhanced. The approach is an embodiment of the wider ethical views that considers appropriate actions that creates a better society. Furthermore, the stakeholder approach views the business entity as one with different vested interest within itself. It therefore seeks to create a balance between the interest of all stakeholders (Freeman & Philips, 2002). Corporate citizenship from the point of view of Garriga and Mele (2004) is an integrative method intended to exacerbate the responsible behavior of an entity through the commitment of the entity to its relationship with its stakeholders. Therefore, all external affairs of the entity must be adequately considered before decision for the entity is arrived at.

Lastly, the social contracts approach, under the relational theory of CSR, deals with the ethical justification for the economic activities of an entity, with an intension to provide a platform on which to evaluate social actions between the entity and the society in which it operates. Here, CSR is conceived as a result of the ethical validity gotten by the entity from the society at large. This approach is based on the principles of human rights, labour rights as well as regard for the environment.

## Concept of Competitiveness

Competitiveness can be viewed from three basic perspectives, namely; firm level, industry level and national level. However, due to the objectives of this study, only firm level of competitiveness which is concerned with the behaviors of business organizations is of importance (Denis, Denis & Yost, 2002).

According to Uchehara (2019) competitiveness is the ability to sell products that meet demand requirements (price, quality and quantity) and at the same time, ensure profits over time that enable the firm to thrive. Uchehara, went on to suggest that the degree at which an organization is competitive is reflected in its return on investment.

Whilst competitiveness is regarded as a relative concept, variables such as quality, innovativeness, social responsibility, working conditions etc., can be used to measure the concept (Denis, Denis & Yost, 2002).

## Concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) lacks unanimity in definition. As such, several institutions, scholars and organizations have offered descriptions on the basis of their perspective. Gobbles (2002) posited that CSR has been defined but the definition is distinct to an individual level. The European Union (EU) defined CSR as a medium through which organizations incorporate social and environmental considerations into their commercial activities and in their interplay with stakeholders discretionally (Hopkins, 2006).

The World Business Council for Sustainable Development (WBCSD) defined CSR as the consistent undertaking by organizations to adhere to ethical norms, augmenting economic advancement and enhancing the standard of living of its stakeholders (Amole, Adebiyi & Awolaja, 2012). *Mallenbaker* described CSR as the manner in which organizations carry out their commercial activities towards generating a beneficial outcome on the society (Hokins, 2006). Amaesh *et al*., (2006) argues that the interpretations and definition of CSR is rooted in national socio cultural perspectives. Hence, from a Nigerian standpoint, based on responses from indigenous firms, CSR was viewed as; “The corporate act of giving back to the immediate and wider community in which organizations carry out their business in a manner that is meaningful, valuable and relevant to that community”(Amaesh *et al.,* 2006, p. 23). They went on to state that “CSR is a way of saying thank you to the environment in which they operate and a way of also showing a sense of belonging to the society (Amaesh *et al*., 2006, p. 23). The following conceptualized dimensions are used to measure CSR.

## Business Ethics

The idea of business ethics shares similarities with CSR and are often used interchangeably as viable tools for assessing business activities. The concepts are distinct in the sense that CSR deals with the totality of the business organization, while business ethics is concentrated on the behaviors of managers and other top executives of the business organization.

Owing to the global rise of corporate malfeasants, business ethics has taken center stage, serving as an important tool for defining and assessing organizational behavior (Carroll, 2015). According to Hilal (2017) business ethics is a system of moral principles and rules of conduct applied to business operation. From the perspective of the general public, business ethics could be utilized to portray the improper activities of business organizations as well as that of those that directs or manages the affairs of organizations.

## Stakeholder Management

The notion of stakeholder management is an offshoot of the widely acclaimed stakeholder theory. The theory of stakeholder management posits that firms should be actively involved in the affairs of the localities where their business activities are carried out (Amole, Adebiyi & Awolaja, 2012). The stakeholder approach was developed over three decades ago by Freeman (1984) and further enriched by Bowie (1991); Evan and Freeman (1988); Freeman and Evan (1999), Freeman and Philips (2002).

The idea behind stakeholder management emanates from the view that firms are required to meet the aspirations of the different components of their organization. As such, the expectations of these stakeholder must be included in the process of decision making especially on issues that borders on social and environmental undertakings (Rahbek & Padersen, 2006). Freeman (1988) posited that managers and other top executives have fiducial responsibilities to stakeholders. He went further to describe stakeholders as a category of people that can influence or are influenced by the business activities of a firm.

Freeman and Philips (2002) expressed that businesses should manage their relationships with their stakeholders in order enhance their bottom lines. Amole, Adebiyi and Awolaja (2012) also expressed that the expectations of stakeholders should not only be acknowledged for strategic objectives but also on moral grounds.

## Corporate Citizenship

In the same manner private citizens are accorded certain privileges and responsibilities, so are business organizations expected to be responsible citizens of their geographical locations by virtue of the discharge of their responsibilities, howbeit, to the society at large (Carroll, 2015). Corporate citizenship is a derivation from citizenship, which according to Hette (2000) is defined as the state of being part or belonging to a political community. Although there has not been a consensus definition of Corporate citizenship, Matten and Crane (2003) defined the concept from the perspective of the position of the business organization in the delivery of citizenship rights for employees and other key stakeholders.

Through corporate citizenship, firms strive to materialize shared social objectives such as economic development, personal and national security, economic stability, quality standard of living as well as personal integrity (Bowen, 1953).

## Empirical Review

In a bid to link CSR and business performance, a lot of empirical researches have been carried out. Tilting towards financial performance, the findings of some investigations indicated a positive relationship between CSR and profitability; Hart and Ahuja (1996); Feldman et el., (1996); Konar and Kohen (2001); Thomas (2001); Buts and Pattoner (1999); Hibiki (2003). On the other hand, two notable investigations revealed a negative relationship between CSR and profitability Cordeiro and Sarlas (1997); Wagner *et al.,* (2002). In terms of competitive advantage, Motilewa and Worlu (2015) in their study, identified CSR as a strategic tool for gaining competitive advantage, particularly for SMEs in Nigeria who face stiff competitions from other well established international business organizations with larger capabilities. Further linking CSR to competitive advantage, Porter and Kramer (2006) posited that there was a positive relationship between CSR and competitive advantage.

More specifically, Bottaglia *et al.,* (2014) in an explorative study obtained empirical evidences from SMEs in the fashion industry of France and Italy regarding CSR and competitiveness. The findings indicated a significant correlation in view of innovation process from technical and institutional perspective. In a similar study carried out more recently by Uchehara (2014) on building corporate competitiveness through CSR drives, panel data were obtained from twelve firms. Results from simple OLS regression analysis indicated that CSR had positive and significant effects on return on sales as well as on returns on investment. It was hence, concluded that CSR is an important management strategy to improve the competitiveness of entities in Nigeria. This was on the backdrop that entities that practices CSR obtains improved sales and corresponding returns on investment.

## Methodology

Given the survey research nature of this work, the researchers favored the cross sectional research approach, an aspect of quasi-experimental research design. Using the probability sampling technique, six oil and gas firms were purposefully selected as samples from the population of oil and gas firms operating in Port Harcourt, Rivers State. Further, data was collected in primary form, through the use of a structured questionnaire. Accordingly, 150 questionnaires were distributed to respondents comprising supervisors, senior supervisors and managers of the six above stated firms. Out of the total questionnaires distributed, only 112 were returned and useable for analysis. Applying descriptive statistics as the statistical tool for data analysis, the regression analysis was deployed with the aid of SPSS (version 21) in testing the stated hypothesis with an intention to obtain relevant findings from the investigation.

## Results and Discussion

### Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .861[a] | .741 | .738 | 1.952 |

a. Predictors: (Constant), Stakeholder_Management, Corporate_Citizenship, Business_Ethics

Our model summary shows that there is a regression coefficient of 0.861 which is closer to 1. This signifies the strength of the relationship between our variables. Secondly, our R square (0.741) which is also the coefficient of determinant shows that 74.1% of the outcome of our criterion variable is predicted by our independent variable.

### ANOVA[a]

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3239.923 | 3 | 1079.974 | 283.551 | .000[b] |
| | Residual | 1135.007 | 298 | 3.809 | | |
| | Total | 4374.930 | 301 | | | |

a. Dependent Variable: Competitiveness
b. Predictors: (Constant), Stakeholder_Management, Corporate_Citizenship, Business_Ethics.

Our ANOVA also reveals a significant cause effect relationship existing amongst variables under study. Here, we realized a p-value of 0.000 which is less than alpha of 0.05. This indicates that our model is in order.

### Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.401 | .961 | | -1.458 | .146 |
| | Business_Ethics | .185 | .044 | .169 | 4.154 | .000 |
| | Corporate_Citizenship | .055 | .058 | .328 | .944 | .046 |
| | Stakeholder_Management | .700 | .039 | .730 | 17.913 | .000 |

a. Dependent Variable: Competitiveness

In looking at the relationship between each construct and our predictor variable, we deduce as follows;

**$H_{01}$ Business ethics does not affect competitiveness**

From our test of hypothesis, we realized a regression coefficient of 0.169 and a p-value of 0.000 which is less than alpha of 0.05. therefore, we reject the stated null hypothesis.

**$H_{02}$ Corporate citizenship does not affect competitiveness**

In hypothesis two we also realized a significant relationship with a regression coefficient of 0.328 and a p-value of 0.04 which is also less than alpha of 0.05. to this end, we also reject the stated null hypothesis.

**$H_{03}$ Stakeholder management does not affect competitiveness**

For hypothesis three, we realized a regression coefficient of 0.730 and a p-value of 0.000, less than alpha of 0.05. We also reject the stated null hypothesis.

In testing the effects of our predictor variables on our criterion variable, we realized that our strongest effect was initiated by stakeholder management while our weakest relationship exists within our second hypothesis with corporate citizenship. This means that organizations would have to encourage its members on the importance of citizenship behavior so as to ensure that every worker is at the top of his game at the right place and the right time. When citizenship behavior sets in, it would improve the value of competitiveness.

## Conclusion and Recommendations

From the above findings, it is evident that CSR is a lifeline for business organizations to outperform their rivals. The practice of CSR confers diverse advantages to firms in relation to their performance and overall sustainability. Therefore, the following recommendations are proffered;

i. Business organizations should establish whistle blower policies, to help in reinforcing corporate ethical behaviors.
ii. Business organizations should carefully identify its key stakeholders and proceed a step further to synchronize the expectations of their stakeholders with the aspirations of the firm.
iii. Business organizations should consider themselves as corporate citizens of the geographical locations their business operations are situated. Accordingly, they should act responsibly and conduct their operations in a sustainable manner.

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