

# CORPORATE SOCIAL RESPONSIBILITIES OF GHANAIAN COMPANIES: PROSPECTS, CHALLENGES AND THE WAY FORWARD

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## **Abstract**

Corporate social responsibility is a means whereby most corporations make contributions to the society in which they operate. The emergence of industrialization in the late nineteenth and early twentieth centuries brought in its trail a lot of harmful effects such as pollution, environmental degradation, forest depletion which compelled societies to require many corporations to use part of their profit to correct the harm so caused.

For the past two decades, companies have been giving back to their communities a share of the benefits they have reaped from the environment. It can thus be assumed that corporate social responsibility does really enhance the economic benefits and the image of the firms or companies involved.

It is therefore recommended to Ghanaian firms not only to have a documented social responsibility policy but also to ensure that such a policy is adequately publicized and implemented.

## **INTRODUCTION**

Today's business climate is increasingly characterised by fierce global competition and rapid change leading to rising standards of reliability, performance and quality. Success in such a competitive environment requires continuous improvements in production, and service delivery; it also requires respect for people, communities, and the environment as well as the ability to spot opportunities and respond to them.

Increasing competitiveness demands that organisations offer quality products and services for a reasonable price, thereby achieving profitability and customer loyalty. This requires that organisations develop a responsible approach, not only for themselves, but also for their employees, the local community, and the environment at large.

Corporate Social Responsibility (CSR) is becoming one of the most important challenges for organizations, with company survival being increasingly related to corporate image, to social, environmental, and ethical performance as well as to sales.

Corporate Social Responsibility (CSR) has emerged as a powerful tool for making corporate organisations become part of the larger society and being accountable to the society for their actions. CSR considers the impact of the company's actions and operations in a way that balances the short-term profit needs of the company with society's long term needs, thus ensuring the company's survival in a healthy environment.

Over the years, society's expectations for CSR have grown from strength to strength in many countries. Many companies have been working to improve their CSR performance by expanding their CSR efforts, investing in staff and integrating CSR into corporate strategy. The widening gap between expectations and performance is a challenge for anyone managing corporate image and sales.

## **DEFINITION AND ORIGIN OF CORPORATE SOCIAL RESPONSIBILITY**

Corporate social responsibility (CSR) is known by a number of other names: corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, triple bottom line and responsible business.

Corporate Social Responsibility (CSR) is commonly described by its promoters as aligning a company's activities with the social, economic and environmental expectations of its 'stakeholders'. Generally, Corporate Social Responsibility is the involvement of firms in the development of the whole society. It is the means by which corporate entities are held responsible for their actions that affect the society

negatively. Another view of Corporate Social Responsibility is the means by which corporate bodies give either cash or kind towards the development of the society. CSR is now also seen as a vital tool in promoting and improving the public image of organisations.

**Ness (1992)** defined CSR as a strategic decision whereby an organisation undertakes an obligation to society, for example, in the form of sponsorship, commitment to local communities, attention to environmental issues and responsible advertising.

A research conducted by United States-based Business for Social Responsibility (BSR) reported that, a growing number of companies have recognised the business benefits of CSR policies and practices. Activities related to CSR programs have a positive impact on business economic performance, and are not harmful to shareholders' values.

According to **Post et al (1999)**, the idea of Corporate Social Responsibility appeared in the United States around the turn of the 20<sup>th</sup> century. Corporations at the time came under attack for being too big, too powerful and guilty of antisocial and anticompetitive practices. Critics tried to curb corporate power through antitrust laws, banking regulations and consumer protection laws.

Faced with this kind of social protest, a few foresighted business executives advised corporations to use their powers and influence voluntarily for broad social purposes rather than for profits alone.

**Post et al (1999)** further pointed out that business leaders believed that businesses had a responsibility to society that went beyond or worked in parallel with their efforts to make profits; it is therefore evident that the importance of corporate social responsibility cannot be underestimated; thus more and more firms in recent times have benefited a lot as a result of pursuing social activities.

**Post et al (1999)** still defined Corporate Social Responsibility as “holding a corporation accountable for any of its actions that affect people, their community and their

environment". This implies that organisations; take responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This may require companies to surrender some of their profits if their activities are seriously harmful to some of their stakeholders.

**Post et al (1999)** once again stated that being socially responsible does not mean that the company cannot be profitable like other less socially responsible firms. This argument is true because many socially responsible companies in the world have declared lots of profits at the end of their business year. In Ghana, for instance, socially responsible companies such as Coca-Cola, Areeba now MTN, Anglo Gold Ashanti, Unilever, TIGO etc., declare profit at the end of every business year.

Corporate Social Responsibility is not just about doing the right thing. It offers direct business benefits. Building a reputation as a responsible business sets you apart from other businesses. Many consumers prefer to buy from ethical businesses. Companies often prefer suppliers who demonstrate responsible policies, to minimise the risk of any damage to their own reputations.

Corporate Social Responsibility (CSR) is a business term that means different things to different people both inside and outside organisations. Most companies today initiate corporate activities that go beyond their normal business.

As a business issue, Corporate Social Responsibility (CSR) is all about mastering a communications challenge to define what the company is doing, why it is doing it, and to maximise the goodwill that results. Corporate social responsibility will remain an important differentiator in business today.

It can be stated that Corporate Social Responsibility represents, fundamentally, the idea that corporations should assume responsibilities that go beyond profits and beyond charity.

**Mallen Bakeris** said corporate social responsibility is about how companies manage the business processes to produce an overall positive impact on society and increase

sales. From this definition Social responsibility has become an integral part of the wealth creation process which, if managed properly; should enhance the competitiveness of business and maximise the value of wealth creation to society.

**International Finance Corporation** also defined corporate social responsibility as the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development.

Corporate Social Responsibility (CSR) is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

Corporate Social Responsibility (CSR) can therefore be defined as achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment. Corporate Social Responsibility (CSR) also means addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. A socially responsible organisation is one in which management considers the social as well as the economic effect of its decisions.

Corporate Social Responsibility can be described as: 'meeting, within reason, the expectations of all societal stakeholders to maximise the company's positive impact on its social and physical environment, while providing a competitive return to its financial stakeholders,' (Marsden cited in Logan 1997:1).

Companies engage in Corporate Social Responsibility (CSR) for many reasons that include the ability to operate now and into the future by acknowledging areas of harm, risk or opportunity that affect their well-being. By effectively managing CSR in both internal and external activities, companies benefit through improved research and

development, market position, employee development, government relations and risk management (Weiser & Zadek 2000).

Since businesses play a pivotal role in job and wealth creation in society, Corporate Social Responsibility has become a central management concern. It positions companies to both proactively manage risks and take advantage of opportunities, especially with respect to their corporate reputation, to increased sales and to the broad engagement of stakeholders. The latter can include shareholders, employees, customers, communities, suppliers, governments, non-governmental organisations, international organisations and others affected by a company's activities.

## **PROSPECTS OF CORPORATE SOCIAL RESPONSIBILITY FOR GHANAIAN COMPANIES**

Argenti states that Corporate image is a reflection of an organisation's reality. He further states that it is how the corporation is seen from the point of view of people, whom he refers to as "constituencies". **Argenti (1994)**

As the world becomes a smaller and smaller village for business activities, with companies fiercely competing with each other trying to manage with limited resources, a company's favourable image might be the only factor that people can hold on to in order to do business with one company or the other.

- Corporate Social Responsibility has helped Ghanaian companies to be more competitive, and reduces the risk of sudden damage to their reputation (and sales). Also when investors recognise this, they are more willing to finance and do business with companies.
- It will ensure Ghanaian firms' long-term survival in the society as against socially irresponsible firms.
- It will also help Ghanaian firms to interact with their stakeholders and in so doing get to know the needs and wants of the stakeholders.
- It is a means to promote the ideals for which Ghanaian firms stands for - **Steiner and Steiner (2000)**.

## **Corporate Image and Sales**

It is obvious that in today's business practice, corporate social responsibility is incorporated or integrated into the planning process of many Ghanaian organisations' strategic planning process. Corporate Social Responsibility (CSR), which includes community development, has become an important issue in modern society. The drive behind social responsibility of companies towards human beings and the environment is intended to enhance corporate image and to increase sales.

## **Development and Analysis**

Today's heightened interest in the proper role of businesses in Ghana has been promoted by increased sensitivity to environmental and ethical issues. Issues like environmental damage, improper treatment of workers, and faulty production leading to customers' inconvenience or risks, are highlighted in the media. Government regulation regarding environmental and social issues has increased, and legal standards are also often set at a supranational level, for instance by the European Union.

## **Charity and Good Works**

Corporate social responsibility (CSR) goes beyond charity and requires that responsible Ghanaian companies take into account the impact of their activities on all stakeholders and on the environment when making decisions. This requires them to balance the needs of all stakeholders with the companies' need to make a profit and reward their shareholders adequately. This holistic approach to business regards companies as being full partners in their communities rather than as organisations primarily in business to make profits and serve the interests of their shareholders.

Directors, Managers and Chief Executives incur the displeasure of shareholders if profits are reduced. The ecologist may argue that social responsibility will in the end increase the long-term profitability of the firm. However, from the point of view of the economist and accountant, it is not easy to reconcile long-term profitability with short-term costs.

Corporate Social Responsibility (CSR) has different connotations for different groups, sectors and stakeholders at different times. Henry A. Aaron in his book Corporate Social Responsibility: Partner For Progress opines that 'corporate behaviour must not only ensure returns to shareholders, wages to employees, products and services to customers but they must respond to societal and environmental concerns and values.

"Today, financial success is no longer the sole measure by which corporations are judged by their stakeholders, primary investors, consumers, employees, and communities in which they operate. Companies are now expected to perform well in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues."**(Meghan Connolly, 2004)**

In the past, the Ghanaian company's merit was solely based on its financial performance. Stakeholders are now beginning to better understand how corporate behaviour affects social, political, and natural environments. With this increase in understanding comes an increased pressure from investors, consumers, and employees for companies to consider social and environmental criteria when making business decisions. This has created momentum for using a "triple bottom line" or "sustainable" approach. That is, looking at social, environmental, and financial data when evaluating business operations. Increasingly, stakeholders are concerned that the companies they support should have business practices that positively impact on society while achieving financial success.

Corporate Social Responsibility embraces two main concepts, accountability and transparency. Today, stakeholders expect companies to perform well in non-financial areas that involve human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, diversity, and workplace issues. Social and environmental performances are considered side by side with financial performance. From local economic development concerns to international human rights policies, companies are being held accountable for their actions and their impact.



In the bid to maximise profits firms are encouraged to shy away from deceptive advertisements, produce goods that have no harmful effects to humans, control their wastes, and ensure the safety of workers and for the needs of the community within which they operate. They are expected to build the skills of employees and support the environment.

Activities related to CSR programs have a positive impact on business economic performance, corporate image, and are not harmful to shareholders' values.

Below are some of the advantages that can be gained from corporate social responsibility (CSR) practices.

### **Improved financial performance**

Business and investment communities have long debated whether there is a real connection between socially responsible business practices and positive financial performance. Several studies have shown such a correlation.

- A 1999 study, cited in *Business and Society Review*, showed that 300 large corporations found that companies that made a public commitment to rely on their ethics codes outperformed companies that did not do so by two to three times, as measured by market value added.
- A 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles did better financially than companies that did not.
- A recent longitudinal Harvard University study found that "stakeholder-balanced" companies showed four times the growth rate and eight times employment growth compared with companies that were shareholder-only-focused.
- Similarly, a study by the University of South-western Louisiana titled, "The Effect of Published Reports of Unethical Conduct on Stock Prices", showed that

publicity about unethical corporate behaviour lowered stock prices for a minimum of six months.

### **Reduced Operating Costs**

Some CSR initiatives, particularly environmentally oriented and workplace initiatives, can reduce costs dramatically by cutting waste and inefficiencies or improving productivity. For example, many initiatives aimed at reducing gas emissions that contribute to global climate change also increase energy efficiency, reducing utility bills. Many recycling initiatives also cut waste disposal costs and generate income by selling recycled materials.

### **Enhanced Brand Image and Reputation**

Customers are often drawn to brands and Ghanaian companies are considered to have good reputation in CSR-related areas. A company considered socially responsible can benefit both from its enhanced reputation with the public, as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners. For example, a 1997 study by two Boston College management professors found that excellent employee, customer and community relations were more important than strong shareholder returns in earning corporations a place on *Fortune* magazine's annual "Most Admired Companies" list.

### **Increased Sales and Customer Loyalty**

A number of studies have suggested that there is a large and growing market for the products and services of Ghanaian companies perceived to be socially responsible. While businesses must first satisfy customers' key buying criteria - such as price, quality, appearance, taste, availability, safety and convenience, studies also show a growing desire to buy on the basis of other value-based criteria, such as "sweatshop"-free and child-labour-free clothing, lesser environmental impact and absence of genetically-modified materials or ingredients.

## **CHALLENGES**

Notwithstanding the numerous benefits that redound to the credit of Ghanaian companies out of their contribution to the society, there are still some Ghanaian companies that do not undertake social responsibility activities either because they do not believe in the claim that Corporate Social Responsibility improves corporate image or because they just do not want to participate in such activities, and prefer to concentrate on achieving their overriding economic aim of producing quality goods and services that will satisfy the needs of customers and earn them profit.

Some Ghanaian Companies lack the requisite resources both human and capital to embark on such Corporate Social Responsibility activities in their communities but the vast majority of them have simply not come to understand or appreciate the value of social responsibility activities.

In today's highly competitive and sensitive environment, survival of companies is increasingly related to corporate image, social activities, environmental issues, ethical performance and sales. The new challenge of companies is the creation of a working environment that attracts, retains and motivates the workforce to achieve the objectives of the companies, taking the above factors into consideration.

The responsibility for enhancing the image of the company and increasing its revenue base does not fall on the shoulders of the senior executives alone but rather involves everybody, from the board of directors, management, to employees and customers. In fact, managers and supervisors at all levels must step outside their traditional roles to look at new ways of being socially responsible. They have to develop a working policy on corporate social responsibility which can be understood and appreciated by both employees and the general public. This will require more time, more money, more skill, and more managers who care about the environment and the society.

Even though Ghanaian Companies undertake social responsibility activities, the majority of Ghanaians are not aware of their contributions to the society because companies do not sufficiently publicise their support to the society.

On the issue of budget allocation for social activities, there is no budget allocation for corporate social activities and consequently, companies spend very limited amount of money per year on unbudgeted corporate social activities. It is realised that the amount of money companies spend on social activities is woefully inadequate.

Ghanaian Companies' social responsibility effort is on the very passive and conservative side. Conservative because the companies' only form of social activities is the collection of plastic waste materials, the organisation of clean-up campaigns and tree planting, which are not even well known to the consumers.

Social responsibility is one of the factors that affect people's buying decisions. There are direct relations between buying decision and corporate social responsibility because the more an organisation involves itself in social matters the more consumers tend to like that organisation and to buy from it.

Ghanaian companies do not take into consideration the concerns of the people in planning and strategising their social activities. Consumers expect companies to undertake more social activities than what they are already doing for the society and society also expects companies to effectively publicise their social activities to enhance their public image and increase their revenue base.

## **THE WAY FORWARD**

Corporate social responsibility has grown rapidly in the past decade in Ghana with an increasing number of companies becoming engaged in socially responsible activities with the aim of improving upon their image, and their relationship with the society as well as pursuing the economic objective of increasing profit. Corporate social responsibility is an indispensable tool in enhancing corporate image and increasing sales or revenue base of organisations. It is the means by which corporate bodies contribute to the society. Social responsibility has become a means by which organisations in the contemporary business environment create a good corporate image and increase their revenue base. In view of its numerous benefits to organisations, there is the need for every corporate body to undertake corporate social activities in order to survive in its dynamic environment of operation.

In view of this, Ghanaian Companies need to give maximum attention to corporate social responsibility by way of committing more resources to it and effectively publicising their activities.

For Ghanaian Companies to have better relationship with the society and for growth, the following recommendations are made.

- Ghanaian Companies should have a documented policy on corporate social responsibility. The policy should spell out corporate social responsibility activities that the company is interested in. This policy will indicate the areas where the Company will direct its support. It will reduce waste in terms of spending money and give the company a policy direction.
- Ghanaian Companies should establish a foundation and a sub-department within their marketing departments to manage corporate social responsibility activities.
- Corporate social responsibility activities should be budgeted for in the general budget of the organisation. At least 3% of the company's turnover is highly recommended.
- Corporate social responsibility activities should be publicised within and outside the organisation since this will lead to the creation of a positive perception of the organisation, to the enhancement of its image and finally to an increase in the sale of its products.
- Ghanaian Companies should also engage in other forms of social activities such as the adoption of wards in the hospitals, (especially the larger Government hospitals such as Korle-Bu, Effia-Nkwanta and Komfo-Anokye Teaching hospitals in Accra, Sekondi/Takoradi and Kumasi respectively), donations to orphanages, sponsorship of sporting activities and educative programmes.
- Ghanaian Companies should declare a day in the year as 'environmental day', on which companies will support various Non-Governmental Organisations across the nation to clean cities and towns.

- Ghanaian companies should establish a scholarship scheme to help the needy but brilliant children of the society from primary to university level. This will help in developing the human resource base of the society from which the company normally benefits.
- Companies should invest more in and support waste management policies. They should also use more of bio-degradable packaging materials in the packaging of their products. This will help in reducing waste and also enhancing the corporate image of the company as customers will see the companies as environmentally friendly entities.
- Corporate social responsibility strategies on quality standards should be instituted throughout the value chain system of companies. This would ensure that raw materials and other inputs are of the desired quality and are environmentally acceptable. Such quality measures should permeate all activities of all Ghanaian companies.
- Although the companies' records may indicate a favourable image and better sales performance, they could do better by reviewing marketing programs and putting in place measures to ensure serious practice of corporate social responsibility.

## **CONCLUSION**

The complexity and the dynamic nature of the modern business environment demand that for an organisation to remain competitive in this environment, modern concepts like corporate social responsibility activities are indispensable. So long as success in today's competitive business climate will continue to depend on improvements in production and service delivery, on respect for people, communities and the environment, it will be necessary to maintain a good and responsible public relations policy between the firm and its public to enable the firm to achieve its aims and objectives.

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