

Impact of Business Social Responsivity (BSR) on Performance of SMEs in Nigeria

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Abstract: *The literature on business social responsibilities (BSR) confirmed a positive relationship between business social responsibilities and SMEs performance. But still the boundary settings for such linkage are less explored in the developing economies context. This study draws on RBT to introduce organizational culture as a mediator on the relationship between business social responsibilities and SMEs performance. The study adopted quota sampling for sample selection. This theoretically derived research model is empirically tested using survey sample data from 313 SMEs in North eastern Nigeria. Partial Least Squares (PLS) algorithm and bootstrap techniques were adopted to test the study hypotheses. Our empirical findings suggest that organizational culture positively enhances the business social responsibilities and SMEs performance relationship.*

Keywords: Social Responsibilities, SMEs, Organizational Culture and Partial Least Squares

1. Introduction

In recent past there is a growing debate on business social responsibility (BSR) by both researchers and policy makers. One side of the argument concerned the BSR outcomes (Aguinis and Glavas, 2012) often investigating the relationship between BSR and performance of a firm (Masurel, 2015; Saeidi et al., 2015). Though, there has been substantial studies but the outcomes have been inconclusive with some suggesting positive relationship, while some indicating negative relationship between BSR and firm performance (Rettab et al., 2009). This mixed and inconclusive outcomes have mix consequences for both research and policy making and thus suggesting the need for further research.

According to Dou et al. (2015) BSR firms are moral and socially responsible, in enhancing workers' environments and by allowing all form of diversity and transparency which indicating good governance in business management of a firms. At the same time they invest in the environment and adopting environmentally friendly fuels (Dahlsrud, 2008). The relevance of BSR firms is highlighted by S and P 500 companies: in the years 2011–2016 they increased from just 20% to 82%. In addition, in 2015, 92 percent of Global Fortune 250 (G250) companies published corporate responsibility reporting (CR) (9). The largest 100 companies (N100) in each country surveyed increased reporting by 20 percent since 2008 to 73 percent overall, with developing nations showing fast uptake (Dou et al., 2015).

The literature reviewed demonstrated that substantial number of research on the relationship between BSR and firm performance have based significantly on large firms (Rettab et al., 2009) and developed economies (Masurel, 2015). While, Small- and medium-sized enterprises (SMEs) have received little research attention. Therefore, the most noticeable gap in the existing empirical evidence relates to the inadequate number of research on the relationship between BSR and firm performance from emerging economies perspectives (Amaeshi, 2017). This has stressed the need to explore relations between BSR and performance of SMEs in Nigeria.

Furthermore, most studies on the relationship between BSR and firm performance have used longitudinal study designs (Masurel, 2015; Saeidi et al., 2015), and there are few cross sectional study studies examining this relationship, making it difficult to ascertain the absence or presence of a causal effect. This may account for variance in the observed outcomes (Allouche and Laroche, 2005). To the best of our understanding, there are no cross sectional study designs examine the relationship between BSR and firm performance that have been undertaken in North-eastern Nigeria. The cross sectional approach could assist explain the unpremeditated structure of the relationships between BSR and SMEs performance (Allouche and Laroche, 2005).

Therefore, this study is design to examines the relationship between BSR and SMEs using a cross sectional approach in North-eastern Nigeria. The region is chosen for this study because of limited research in sustainable entrepreneurship studies. Additionally, a sample from North-eastern Nigeria could be helpful in sympathetic BSR outcomes in the Nigerian context. We focus on North-eastern Nigeria because they have received less attention in the study of the relationship between BSR and firm performance. Studies on BSR in Nigeria have mainly concentrated on the other regions that house the major companies but not SMEs. Therefore, to attain the aim of this study, the following research questions are asked:

- Does perceived ethics have positive association with SMEs performance?
- Does commitment to BSR have positively relationship with SMEs performance?
- Is there any mediation effect of trust of BSR on the relationship between Perceived ethics to BSR and SMEs performance?
- Is there any mediation effect of trust of BSR on the relationship between commitment to BSR and SMEs performance?

This study is significant to entrepreneurs, policy makers and researchers that want to appreciate the specific BSR practices that influence SMEs performance and business improvement in the sector. In addition, the study adds a

different aspect to the limited literature on the relationship between BSR and SMEs performance in Nigeria.

2. Literature Review

2.1 Business Social Responsibility (BSR).

The concept of social responsibility (CSR) has been a matter of extreme ideologically subjective debates and theory building globally (Freeman, 1984). Ethical issues and social responsibility are often similar (Gorondutse and Hilman, 2013). Similarly, those two terms CSR and BSR are identical and interchangeable (Beneke *et al.*, 2012). Even though more understanding on CSR/BSR in literature has become available, no clear definition for CSR/BSR has been commonly recognized (Torugsa, Donohue and Hecker, 2012). This may be because CSR/BSR is a sunshade term overlapping with some, and undistinguishable to other conceptions of business–community relationships (Torugsa, *et al.*, 2012).

There is no globally acceptable definition of CSR by scholars. Some scholar refers CSR as corporate citizenship, BSR, corporate philanthropy, community relations, community affairs, business ethics and community development (Torugsa, *et al.*, 2012). Similarly, BSR is an ethical philosophy that as a body be it a business or individual has a commitment to act and help society at large (Dewan, 2009). This research will adopt BSR not CSR since they are interchangeable and synonymous with other concepts. Furthermore, this research emphasis on smaller firms rather than corporate businesses (Beneke *et al.*, 2012; Dewan, 2009).

2.2 Approaches to Social Responsibility

There have been several methods to social responsibility that are aimed at describing and justifying the debate against and for social responsibility. Generally, Glautier and Underdown (2000) categorise three perspective of management sciences to social responsibility. The initial approach stems from the conventional economic theory, which suggests that a business has single purpose, which is profitability. A business is said to be behaving in the interest of the community if it does business within the boundaries of relevant regulations. This classical explanation of the initiative of BSR was advanced by Friedman (1962) in the following terms; that there is one social responsibility of the firms, which is to use resources and involve in ventures intended to increase its profit within the legal provision of competition, that is to say, involve in free and fair struggle, without deception.

The second method was advanced in the 1970s, and recognizes the significance of social arguments in relation to the key objective of a firm of profit maximization. This suggests, that firms should implement decisions that will strike a practical balance among stakeholders right. Therefore, for a firm to maintain its objectives of profitability and long-term survival, it has to provide greater attention to the need of its stakeholders (Glautier and Underdown, 2000).

The third approach was adapted from the second; though it assumes profitability as an alternative mechanism for firm success rather than the only way to firm survival. Here the business tries to make decision that will overcome the conflicting need of its stakeholders. For example, workers' request for more pay and better benefit policies; shareholders' demand for improve dividend and better capital gain; prompt tax payment for government and business operations within the boundaries of stated laws, the community 's interest in social issues and maintenance of healthy environment, within the acceptable social framework (Shrader, 1987). The argument is that the organization should assume profit as a means to an end. Therefore, alternative of observing profit maximization usually, the outcome should be an appropriate percentage of revenue which is well-matched with the accomplishment of a wide-range of social benefit (Shrader, 1987).

2.3 Perspectives of Researches on BSR

The literature reviewed suggested different perspectives to BSR; some observed firm size and BSR, others examined BSR and industry. A third approach studied BSR practices and their connections and distinctions among economies (Dennis, Hackert, Tokle, and Vokurka, 2012). For example, Bronn and Vidave-Choen (2009) investigated Norwegian business practices of BSR revealed that ethical consideration, internal and external values are significant forces in influencing social responsibility actions. In addition, the outcome of the study suggested that familiar with ethical issues and continue existence, are among the main reasons why businesses are involved in social responsibility (Bronn and Vidave-Choen, 2009). The study also demonstrated significant differences; businesses observe that environmental creativity is precious and reduced firm 's competitiveness. Ambec and Lanoie (2008) measured different methods that can produce cost benefit through activities such as enhancement, by adopting environmental related practice, which include improvement of access to particular markets, segmentation of products selling toxic waste, management environmental, risk management and relations with external stakeholders.

Equally, Adam and Valerie (2010) reviewed scholars on BSR have shifted emphasis from obviously normative and moral-oriented points of view to complete normative and performance-oriented managerial findings. This is in line with Fang, Huag, and Stephanie, (2010) who review literature of certain Taiwanese firms. The objective of their study was to know the strategies adopted in organization and benefit made by dynamic ability. Their findings suggested that majority of the firms that met customer needs were committed to BSR and have improved performance in terms of revenue (Fang Huag, and Stephanie, 2010).

Similarly, Russo and Perrini, (2010) extensively reviewed literature on BSR of bigger firms. The outcome suggested that bigger companies and smaller businesses might have different motivations for investments in CSR, and this outcome supported the findings of Perrini (2010). The authors argued that SMEs and larger firms may need two different constructs to study their individual CSR operations. It is likely for bigger firms to attain stakeholder approach

while SMEs may pursue the social capital philosophy. Furthermore, Loannou and Serafeim (2010) findings on the impact of CSR on investment suggested that higher involvement of firms in CSR create more recognition and value for the firm.

2.4 BSR Practices from Nigerian Perspective

Businesses in Nigeria confuse their BSR activities with those related to branding or marketing, which can place them to high-quality and enhanced corporate operation (Abiodun, 2012; Okoye, 2009). In Nigeria BSR are designed in addressing social economic improvement, (poverty eradication, health facilities provision, expansion of infrastructures), and might possibly improve for instance by collectivism and contributions (Abiodun, 2012; David, 2012). However, BSR goes further than the ordinary donation of funds to charitable events at the end of each fiscal year (David, 2012). Moreover, trends have begun to change with more firms engaged in BSR practices in a much organized and official way (Abiodun, 2012). Many can show in their records the amount exhausted for philanthropic contributions (Phillips, 2006). The Nigerian government on its part through the NEEDS policy (National Planning Commission 2004) describes the role that private sector is likely to play, to become more positive in delivering job prospects, and refining the standard of living (Abiodun, 2012; David, 2012).

Furthermore, preceding studies has established that the larger the revenue earned by firms in Nigeria, the lesser the amount they spend on BSR activities (Abiodun, 2012). This suggests that Nigerian businesses continued existence and capability to create revenue in the future may be in risk as different stakeholders press for discontinuation their commitments on BSR. However, Nigerian social responsibility is focused on supporting improved business performances, but organizations in the nation have not actually engaged in BSR which has an implication for the continued existence of these businesses. Besides, some suggestion has been offered to regulatory authorities in Nigeria to design a better approach for greater priority to BSR (Amaeshi *et al.*, 2006, Okoro, 2012). Most of the Nigerian businesses have recognize their BSR effort only to reveal the thoughts of those who perceived it as being interested in defending their private gains at the expense of the community.

2.5 Underpinning Theory for the Study

In this study, we adopt resource- based theory (RBT) with a primary emphasis on how a firm resources will influence its BRS (Kamyabi and Devi, 2012). The RBT further encourage the sourcing of firm resources, there by linking external resources with BRS. In effect RBT provide a full support to the continuous discussion that SME BRS. The use of resource based theory (RBT) is regularly acknowledged by (Yusoff *et al.*, 2012) where the roles played firm in utilizing resources for BSR activities are emphasized. In essence, RBT explains the ability of SMEs to utilize limited internal resource to source from external sources for BRS to influence and enhance the competitive advantage.

3. Methodology

3.1. Sample and Data Collection

The population consists of 4,213 small and medium sized enterprises (SMEs) in six states of North-eastern Nigeria (SMEDAN, 2012). The study employs (Krejcie and Morgan, 1970) technique for sample selection. Based on this, criterion 313 SMEs were selected to serve as a sample, out of 268 questionnaires administered, a total of 198 were completed and returned, representing 73 percent response rate. Partial Least Square (PLS) is adopted for data analysis.

3.2. Measurement

For Performance, we adapted the measures of (Kaplan and Norton, 1996; Murphy, *et al.*, 1996) each of the adapted item was assessed on a 5 point Likert scale ranging from 1 strongly disagree to 5 strongly agree. Perceive ethics was also adapted from the work of (Curra's-Pe'rez, 2009; Lin *et al.*, 2011) also on 5 point Likert scale. Commitment to BSR measure was adapted from (Ahmad *et al.*, 2011; Yousef, 2003). Trust of BRS were adapted from (Ellen, Webb and Mohr, 2006; Tian, Wang and Yang, 2011).

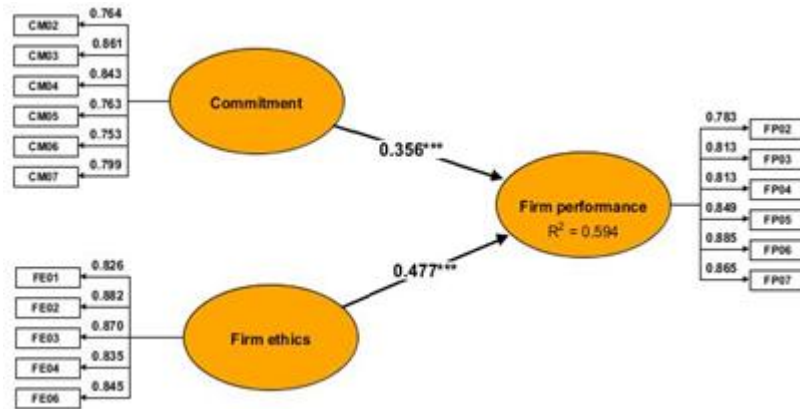
3.3. Result

3.3.1. Goodness of Measures

In an effort to establish the accuracy of measure, reliability and validity approaches are used. After computing PLS algorithm the result demonstrate that Cronbach alpha coefficient ranged from 0.542 to 0.875. According (Sekaran, 2003) any value of Cronbach alpha coefficient less than 0.5 is regarded to be adequate. Therefore, it can be established that the instrument used in this study are reliable, because none of the element is less than 0.5. All elements loaded on their separate construct ranges from 0.636 to 0.939, which is acceptable according to Hair *et al.* (2010) because it is more than the cut off value of 0.5. Similarly, the composite reliability value ranges from 0.812 to 0.902 which are also better than the suggested value of 0.5. Lastly, to established the discriminant validity, average variance extracted (AVE) is associated to correlation squared of the related variables of interest which suggested acceptable convergent and discriminant validity.

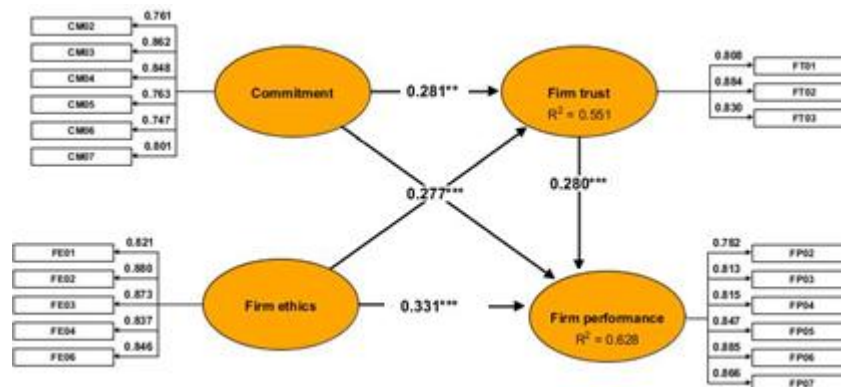
3.3.2 Hypotheses Testing

The study examine the relationship between perceived ethics, commitment to BSR and SMEs performance in Nigeria with mediating effect of Trust of BSR. The interpretation of the hypothesis is summarized in table 2. The result indicated that there is significant positive relationship between perceived ethics and SMEs performance ($\beta = 0.218$, $t = 2.284$, $p = 0.005$) (H1). Similarly the finding also suggested a significant positive relationship between , commitment to BSR and SMEs performance ($\beta = 0.218$, $t = 2.284$, $p = 0.005$) (H1). This is in line with the study of (Kamyabi and Devi, 2012), thus, H5 is supported.



To test for the mediation effect of trust of BSR and the independent variables, we found that trust of BSR positively mediates both perceived ethics to BSR and SMEs performance and commitment to BSR and SMEs performance which has satisfied the condition of mediation

suggested by (Baron and Kenny, 1986). Therefore, H3 and H4 are supported.



Effect	Beta	Indirect effects	Total effect	Cohen's f^2
Commitment -> Firm trust	0.2807		0.2807	0.0873
Commitment -> Firm performance	0.2772	0.0786	0.3558	0.0946
Firm trust -> Firm performance	0.2800		0.2800	0.0947
Firm ethics -> Firm trust	0.5165		0.5165	0.2958
Firm ethics -> Firm performance	0.3313	0.1446	0.4759	0.1134

4. Managerial Implication, Limitation and Suggestion for Future Research

The present study outcomes will benefit both owner managers of SMEs and government in their effort to achieve BSR at all levels and will also serve as frame of reference to future research. No doubt the study has some methodological constraints to start with the data for the study was collected from selected owner managers of SMEs in six states of north-eastern Nigeria. Therefore the outcomes of the study cannot be effectively generalized. Similarly, the study is cross sectional in nature, because the data was collected at one point in time, hence, the direct effects of the independent variables against dependent variable are hard to establish effectively.

5. Conclusions

This study explore the correlation between perceived ethics, commitment to BSR and SMEs performance by adopting a

sample of SMEs in Nigeria. The finding of the study shows that there is a positive and significant relationship between perceived ethics, commitment to BSR and SMEs performance. Equally, the study found a positive mediating effect of Trust of BSR on the relationship between perceived ethics, commitment to BSR and SMEs performance.

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