

Corporate Social Responsibility and The Performance of Small and Medium Scale Enterprises

OGHOJAFOR, B.E.A, Ph.D
(Professor of Strategic Management)
Department of Business Administration,
University of Lagos, Akoka, Nigeria

and

SULAIMON, Abdul-Hameed Adeola M.Sc. (Lagos),
Department of Business Administration,
University of Lagos, Akoka, Nigeria

Abstract

Corporate Social Responsibility (CSR) has become the rhetoric of every Business Enterprises, without exceptions to Small and Medium Scale Enterprises (SMEs). This study examines the relationship between Corporate Social Responsibility and Organisational Performance of SMEs in Lagos State, Nigeria. Data were generated by means of questionnaires to 261 operators of SMEs on CSR and Performance Variables. Responses from the survey were statistically analysed using descriptive statistics and Z test. Results shows that socially responsible SMEs out-perform those that are not socially responsible; consistent with recent survey in Europe where research on SMEs found that they tend to be active in CSR. The study also showed that organisational performance of SMEs is satisfactory with exception of financial strength, profitability and performance stability which was below the minimum threshold, although did not preclude a completely low performance. The importance of this study include the need to encourage SMEs to invest more in CSR, particularly on employee and the community within which they operate.

Introduction

Although CSR was primarily the concern of Trans National Corporations (TNC), it is increasingly involving Small and Medium Scale Enterprises (SMEs), both as suppliers to large corporations and market and receivers of supports through down-led programmes. Recently, globalization, total quality management, corporate re-engineering, consumerism, war for talents, growth of global civil society and increased importance of intangible assets have led to exposure of interest in CSR. Corporate managers in both developed and less developed countries are evolving policies and programmes aimed at the fulfilment of the stakeholders' interest. (Aaker and Day, 1972; Ackerman, 1973; Cohen, 1970; Eilbirt and Parket, 1973; McGuire and Parish, 1971; Webster, 1973 in Buehler and Shetty, 1976; Monsen, 1974; Donaldson and Preston, 1995; Steurer et al, 2005; Morimoto, 2005; Zsolnai, 2006; Pirsch et al. 2007).

The Nigerian society is placing increased demands on big business organisations for greater social responsibility, that is, involvement in solving both social and ecological problems

(Oghojafor, 2000). Also in the past in Nigeria, the wealthy and the powerful (rulers such as Emirs, Obas, Obis) and other individuals often assumed responsibility for the welfare of those less-fortunate around them. According to Oghojafor, (2000), it is probably the lingering survival of this paternalistic belief that the contemporary time demands from the large business organisations the kind of social responsibility that has been expected throughout history. This demand, of course extends to small and medium scale enterprises that spread all over Nigerian environment. The basic drivers of CSR in contemporary business environment include value for social and environmental goals, strategic development and public pressures (Zadek, Prazan and Evans, 1997).

While there is a great deal of optimism on the role that smaller companies can play in improving business responsibilities, the main thrust of the debate has continued to focus on the large companies. Few initiatives aimed at SMEs take into account the complex and heterogeneous nature of the sector. Most initiatives tend to take the tried and tested "business case" developed in large companies and shrink it to fit. Little research has focused on investigating whether or not this will work for SMEs. Recent global trend shows that there is some growth in the engagement of SMEs in the CSR programmes. For example, the 10th Annual Grant Thornton European Business survey shows that UK SMEs are above average on environmental policies but lag behind on ethical sourcing of products (Raynard and Forstater, 2002; Jenkins, 2003).

The dearth of empirical studies on Corporate Social Responsibility of Small and Medium scale Enterprises has been a major constraint. It is necessary to note that majority of studies on SME merely describe the inadequacies in management practices with no empirical data. Hence the primary objective of this research is to provide empirical studies on CSR in the SME sub-sector.

Purpose of study

The objectives of this study are to:

1. Evaluate the performance of Lagos State SMEs in the contemporary business environment;
2. Compare social responsibility practices of both high performing and low performing SMEs in Lagos State;

Research hypotheses

The hypothesis tested in this study is:

"Socially responsible SMEs do not significantly out-perform SMEs that are not socially responsible."

Delimitation of the study

This research is focused on two major variables:

- Social responsibility
- Organisational performance.

The study focused on social responsibility and performance. For instance, involvement in social responsibility will cover areas such as consumer affairs, urban affairs, business ethics and environmental management and so on. These areas are fields of study on their own. However, the scope of this research is to concentrate on selected social responsibility practices and to examine the nature of relationship between these practices and organisational effectiveness of small and medium enterprises in Lagos State.

Organisational effectiveness, the dependent variable has been operationalized in term of economic and behavioural variables. A total of ten measures of financial performance were employed. Organisational effectiveness measurement was limited only to these ten. This does not suggest that the measures are exhaustive, but restricted to the purpose of the study.

Conceptualization of Corporate Social Responsibility

Corporate Social Responsibility is a tortured concept within the academic literature. (Godfrey

and Hatch, 2007). There is no single universally accepted definition of CSR. The notion of CSR is related to complex issues such as environmental protection, human resource management, health and safety at work, relations with supplies and consumers. In view of the above, CSR have been variously defined.

Branco and Rodrigues (2006) see present-day dominant conception of CSR to imply that firms voluntarily integrate social and environmental concerns in their relations and interactions with stakeholders. It is also seen to be the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as at the local community and society at large (World Business Council for Sustainable Development, 2001)

To the European Commission (2001), being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.

Aderinto (1986), in Oghojafor (2000) defines CSR as an obligation, a liability, social consciousness, corporate legitimacy, charitable contribution and managerial enlightenment.

From the above definition, it implies that business

should go beyond the performance of the traditional function of providing enough profits for the owners, to discharging their duties to the society.

The Meaning of Small and Medium Scale Enterprises (SMEs).

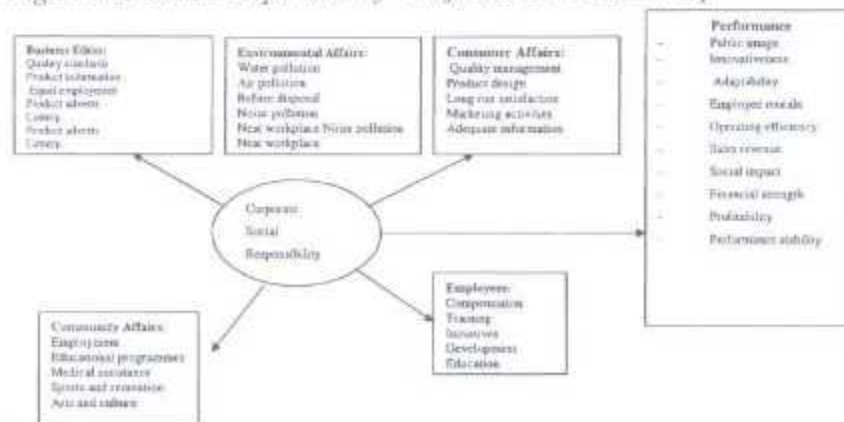
Small and Medium Enterprises differ among nations. In the global world, SME are firms with fewer than 250 employees and with a turnover of less than 50million Euro or a balance sheet total of less than 43million Euro (EC recommendation, 2003).

In Nigeria SMEs have been defined as enterprises with a maximum investment of N200m excluding land and working capital and with the number of staff employed not less than 10 and not more than 300 (National Council for Industry, 2003).

Conceptual framework

Corporate social responsibility embraces a range of principles or ideas from business ethics, environmental affairs, consumer affairs, to community affairs, employee affairs, human rights, corporate governance and sustainable development. This study develops a conceptual model that captures the specific empirical properties of the research. The model which represents the relationship among the dependent and independent variables of the research is depicted in the next page:

Fig.3: The Social Responsibility- Performance Relationship



Developed by the Researchers, 2007

Business Ethics

Ethical businesses assess the moral implication of their actions. Business ethics is concerned with compliance with internal regulations and government mandates. Many issues fall under the rubric of business ethics. This includes maintenance of quality standards, giving adequate product information and non-discriminatory employment. Others are product adverts reflecting true nature of products and minimal use of lottery in promoting patronage. Ethics are used to guide legal or religious compliance and in accomplishing profit maximization.

Environmental Affairs

All businesses, whether small or large are extended to comply with legislation that prevents gross pollution of air, water and soil. Where it is unavoidable, they must make provision for cleaning up. Businesses should face up to global environmental concerns, knowing fully well that their activities can have wide-ranging repercussion on the environment, especially, on global warming through emission of green house gases. As a result, their efforts must focus on controlling water pollution, air pollution and noise pollution. They should also focus on effective refuse disposal and maintain neat working environment.

Consumer Affairs

Consumers exchange their money for products and services of businesses. They are vital stakeholders that can make or mar the organization, hence the need to give wider attention in terms of quality of products being turned out, adequate product designs that will give comfort and efforts aimed at long run satisfaction of the consumers. Adequate marketing activities that will create awareness and adequate information on product usage are equally important. Present day consumers do not only want good and safe products, but they also want to know if they are produced in a socially responsible manner.

Community Affairs

Small and medium enterprises must have some sort of relationship with the communities that live around them. They are expected to spend some time and money assisting local communities in a variety of ways. This includes recruiting staff locally, education support and medical assistance. Others are sports and recreational facilities, and assisting in arts and culture of the local communities.

Employees Affairs

The most valuable asset of any organization is workers who help in creating wealth for the organization. Corporate social responsibility efforts expected from SMEs include adequate compensation, recruitment and training and giving room for employee initiatives. Others are opportunity for growth and development and education assistance both to employees and their immediate families.

Organizational Performance

The resultant effect of good corporate social responsibility is organizational effectiveness. This will be in terms of public image, innovativeness and adaptability to the dynamic environment. It will also lead to improved employee morale, operating efficiency and improved sales revenue. Others are adequate social impact, financial strength and improved profitability. Performance stability of the organization is also ensured.

Relevance of CSR in the management of SMEs

CSR represents not just a change to the commercial environment in which individual SME operate, but also needs to be considered in terms of its net effect on society. It offers opportunities for greater market access, cost saving productivity and innovation to SMEs, as well as broader social benefits such as education and community development. (Forstater and Raynard, 2002)

The fact that small businesses have a heightened requirement for good, multi-skilled employees,

strong personal relationships and successful local engagement, mean that small firms can be a good environment for corporate social responsibility to flourish (Draper, 2000). CSR's wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. (Forstater and Raynard, 2002). According to Roberts, Lawson and Nicholls (2006), Jenkins (2004) when discussing CSR engagement with SMEs opined that "SMEs are frequently seen as a problem within the CSR debate because of their failure to engage with it. An alternative interpretation is that it is the CSR debate that is the problem, because of its failure to engage SMEs."

Jenkins (2006) observes that SMEs have the following characteristics that can aid the adoption of CSR:-

- i. SMEs are flexible and adaptable, and can therefore respond quickly to changing circumstances. For example, SMEs may be able to rapidly take advantage of new niche markets for products and services that incorporate social and (or environmental) benefits in their values.
- ii. SMEs are often creative and innovative, which can be applied to the development of innovative approaches to CSR.
- iii. The owner-manager is closer to the organisation so can more easily influence the values and culture of the company and champion CSR throughout the company.
- iv. Communications in SMEs are more fluid and open allowing values to be embedded across the organisation and CSR information to be rapidly disseminated.
- v. Leaner, less hierarchical management structures should facilitate the involvement of all employees in CSR programmes.
- vi. The benefits of undertaking any action are felt more immediately, particularly those relating to personal satisfaction and motivation.

In www.smekey.org, some other reasons have been advanced for SMEs being ideally placed to pursue responsible business practices:-

- i. Certain CSR trends are already a part of SMEs culture. For example, SMEs are less likely to show age discrimination than large companies.
- ii. Any viable approach to CSR need to build on what is already there by communicating current practices and improving them for the benefit of the company and the broader community. Many SMEs already conduct themselves in a social responsible way.
- iii. SMEs are in good position to find a flexible yet appropriate approach. Less formal and bureaucratic than large companies, they can direct resource to CSR activities without too much additional administration.
- iv. SMEs are likely to be well placed to share experience and spread best practice. SMEs may be more willing to work with other companies on responsible business. Gaining publicity and brand advantage is rarely a priority for them when engaging in CSR activities.

Method

The study adopts survey research method by collecting data from a defined population in order to undertake a comprehensive examination of corporate social responsibility and organizational performance in Lagos State, Nigeria. Kerlinger (1973) justified the use of survey research method in determining whether or not a relationship exists between or among variables. SMEs responses were sought on a wide range of social responsibility issues including social responsibility practices, organizational performance.

Study Area

The small and medium enterprise operators used in the study were drawn from different industrial sectors; hence a cross sectional survey designed was adopted for the study. The study area is Lagos State of Nigeria, which has a high concentration of SMEs. Despite the movement of the Federal

Capital to Abuja, Lagos State still remains the commercial nerve center of Nigeria. In fact, it contributes 31.89 % to the nation's GDP.(LASEED,2005) and it is the most urbanized state in Nigeria (CBN, 1999)

Population and Sampling Plan

Comprehensive and up-to-date statistics on Nigerian SME are rarely available. The National Association of Small Scale Industrialists (NASSI) had over 20,000 registered members all over the Federation during the same period. The Nigerian Association of Small and Medium Enterprises established with two classes of members also had 30 direct and nearly 5,000 indirect memberships (N.I.P.C. 2004). Lagos State accommodates more than 50% of SMEs in the country.(They consist of companies in Organized Private Sector (OPS) as well as small family enterprises and cottage industries (LASEED, 2005)) out of which there were 298 registered NASSI members as at 2006. This study was based on this population. Questionnaires were administered to these 298 SMEs, but 261 were returned. This represents 88% of the study population.

SMEs included in this study are enterprises with a maximum investment of N200m excluding land and working capital and with the number of staff employed not less than 10 and not more than 300 (National Council for Industry, 2003).

Data Collection Methods

Data were generated by means of self administered questionnaire. Questionnaires were administered to operators of participating SMEs in order to generate the relevant data.

Part A sought demographic characteristics of organizations and respondents. Part B measured social responsibility involvement by means of twenty five item Likert type of statements adapted from Buehler and Shetty (1976). These items bothered on Business Ethics, Community Affairs, Consumer Affairs, Employee Affairs and

Environmental Affairs. The items anchored from strongly agree to strongly disagree. Part C sought data on organization performance variables using 10 items, following Khandwalla (1995) studies. These items include Profit Growth, Sales revenue, Financial Strength, Operating Efficiency, Performance Stability, Public Image, Employee Morale, Environmental Adaptation, New Ideas, and Social Impact on the Society. The Items anchored from Strongly Agree to Strongly Disagree.

Reliability Cronbach Alpha Test was used to measure reliability of the research instrument. This test proceeds by associating each research measurement item with every other measurement items and obtaining the average inter-correlation for all the paired association (Asika 1991).Statistical Packages for Social Sciences (SPSS) was employed.

The test coefficients were: social responsibility 0.81, organizational performance 0.84. These results suggest that the single item measures of social responsibility and organizational performance possesses adequate reliability.

Analytical Tools

To derive useful meaning from data, the following statistical techniques and procedures were used.

- i. Descriptive Statistics such as frequency count, percentage, mean and standard deviation were used to measure demographic characteristics of respondents and responding operators of SMEs, to answer research questions relating to social responsibility practices and organizational performance.
- ii. Z-Test statistics was used to examine the differences between social responsibility practices of high performing and low performing enterprises.

Analyses

Demographic profile of respondents

The table on the next page presents some insight

into the profile of the study sample.

It represent biographical data and organisational characteristics in order to provide background information of SME operators, their sampled

employees and consumers of their products and services, as well as revealed the features of participating firms.

Out of the 298 SMEs that were selected for the study, 261 participated fully.

Table I: Demographic Profile Percentages

	SME Operators (n = 261)	
	Freq.	%
Gender		
Male	222	85
Female	39	15
Age		
Below 30	25	10
30 – 39	90	34
40 – 49	89	34
50 – 59	50	19
60 and above	7	3
Marital Status		
Single	37	14
Married	222	85
Divorced/widow	2	1
Education		
Primary School	14	5
Secondary school	24	9
OND/NCE/HSC	45	17
First Degree	93	36
Professional	41	16
Post Graduate	44	17

Source: Field Survey, 2007.

Majority of the respondents were male (62%), most of whom are of maturity age. Over 50% were married, less than 30% were of primary/secondary education which has positive impact on the quality of data gathered.

Organisational Characteristics

There are 10 areas of activities of manufacturing sector (57.9%), 59% are of annual sales ranging

between N500,000 and N10 million. These firms have staff strength majority of who range between 10 - 50. The age of participating firms ranged between 5 - 20 years, with the mean age being approximately 10 years. From the table below the following information can be deduced:

Business Ethics: Engaging in production of high quality standard products/services attracted the

Table II: Classification of Data of Responding Lagos State SME (n = 261)

1	Area of Responsibility	Freq.	%
	Agro. Allied	12	5
	Manufacturing	151	58
	Professional services	24	9
	Health Care Services	8	3
	Financial Services	5	2
	Construction	8	3
	Furniture making	3	1
	Wholesale and Retailing	14	5
	Hotels & Tourism	5	2
	Others	31	12
	Total	261	100
2	Annual Sales		
	Less than N500,00	35	13
	N500,000 – N1 million	70	27
	N1m – N5 million	45	17
	N5m – N10 million	39	15
	N10m – above	72	28
	Total	261	100
3	Number of Employees		
	Fewer than 10	54	21
	10 – 20	93	36
	20 – 50	55	21
	51 – 100	13	5
	More than 100	46	18
	Total	261	100
4	Years in Business		
	Less than 5 years	58	22
	5 – 10 years	105	40
	11 – 20	57	22
	21 and above	41	16
	Total	261	100

Source: Field Survey, 2007

most active involvement in business ethics of SMEs. This is followed by non discriminating hiring of staff, avoiding product misrepresentation and not engaging in misleading advertising. The least social issues for the participating SMEs is avoiding lottery which has become prevalent in large enterprises as a means of improving on their sales.

Community Affairs: Perhaps because of proximity, employment of community members attracts the highest involvement in urban affairs, followed by education and medical assistance. The participating firms scores low in support for arts and culture as well as provision of recreational facilities. In all, one can deduce that involvement of SMEs in community affairs is low considering the respective scores in all the measures, perhaps, because of their poor financial base.

Consumer Affairs: This appears to be the area where participating firms indicated high level of involvement in all the measures. The highest mean score is in the area of product quality management (4.57), and the least in the area of

product design and improvement (4.28).

Employee Affairs: With respect to employee affairs, constant training and employee development appears to get favour of the participating firms. However, the participating firms scored low with respect to encouraging employee initiatives, pays little concern for take home pay that will take the employees home and the least concern is education support for children of employees (mean score being 2.98).

Environmental Affairs: All the respondents indicate high involvement in the improvement of the environment, with highest involvement being waste disposal and least involvement being water pollution. This implies their recognition of the fact that a business must be friendly to the environment.

Organisational Performance of Lagos State Small And Medium Scale Enterprises

Performance appraisal of Lagos State SMEs was done by requesting participating SMEs to subjectively evaluate their effectiveness relative to competitors on a scale ranging from 5 (high) to 1 (low).

Table IV: Performance Measures of Participating SMEs

S/N	Performance Criteria	Mean	S.D
1	Public Image	4.29	0.61
2	Innovativeness	4.27	0.62
3	Adaptability	4.16	0.63
4	Employee morale	4.12	0.60
5	Operating Efficiency	4.05	0.59
6	Sales revenue	4.04	0.63
7	Social Impact	4.04	0.78
8	Financial Strength	3.97	0.77
9	Profitability	3.95	0.76
10	Performance Stability	3.91	0.78

Source: Field Survey, 2007

The Table above shows a satisfactory performance with mean ranging from 3.91 to 4.29. It can be seen that the least three items viz. financial strength, profitability and performance stability scores less than 4 points indicating low performance in those areas. Generally, the table demonstrates encouraging performance of SME in Lagos State.

Comparative Analysis of Performance of Socially Responsible Firms And Frims That Are Not Socially Responsible

Z test was used to test the hypothesis 6 which states that socially responsible SMEs significantly outperform SMEs that are not socially responsible. This tool was used because by the Central Limit Theorem, the sum of large number of independent and identically-distributed random variables will be normally distributed (i.e. following a Gaussian distribution, or bell shaped curve), if the random variables have a finite variable, (Hagtvedt *et al*, 2007).

With respect to social responsibilities variables, responses from participating SME operators ranging from 4 to 5 were used to rank SME as socially responsible, while responses from 1 to 3 were used to rank SMEs as socially not being responsible. Their respective performances were measured. The table below gives summary of the findings:

At 5% level of significance, table z score = 1.96. Since calculated value 9.53 is greater than table

value 1.96, we reject the hypothesis; hence socially responsible SME outperform those not socially responsible.

Discussion

The State of art of Social Responsibility Practices of SMEs

Small and medium scale enterprises in Nigeria are critical to the development process; hence they are expected to be socially responsible. It is commonly believed that larger companies are the primary drivers of corporate social responsibility, for a number of reasons. The findings of this study have revealed that corporate social responsibility is relevant and practiced by participating SMEs in Lagos State, particularly in business ethics, consumer affairs and environmental affairs. These findings are consistent with a recent survey in Europe where research on SMEs and corporate social responsibility found that SMEs tend to be more active in corporate social responsibility.

The active involvement of participating firms in social responsibility perhaps can be attributed to changing roles of government agencies such as National Agency for Food and Drug Administration and Control (NAFDAC), Standards Organisation of Nigeria (SON) and the growing impact of consumerism in the Nigerian Business environment.

In the past, research evidence revealed than the bulk of environmental problems could be attributed to a large extent to SMEs due to the fact that large scale business organisations are the

Table V: Z test on Performance of Socially Responsible Firms and Those not Socially Responsible

Samples	Performance mean	S.D	S.E	N	Z
Socially Responsible SME	41.63	6.14	0.454	183	9.53*
SME not Socially Responsible	35.99	3.36	0.381	78	

targets of the government in terms of regulation and control. In recent times, strategies adopted by these agencies have been extended to SME sub-sector.

Meanwhile, the findings also revealed low involvement of participating firms in employee affairs and community affairs. This demonstrates the myopic perception a corporate social responsibility by the participating firms. CSR can only be understood in term of different stakeholders and issues. In fact, globalization has opened new frontiers and brought with it new challenges and concerns for business organisations. Some of the primary concerns of business organisations include protection and building of reputation in their business environment. Therefore, the set of stakeholders, particularly employee and the communities that are strategically important must be adequately catered for in the strategic focus of organisations. Perhaps, their perception of business as mainly profit maximization enterprise will explain their least involvement in employees and community affairs. It should be noted, however that within the business and society area, organisational size was found to be an important influence on corporate environmental responsiveness (Bowen, 1999) and community responsiveness (McElroy and Siegfried 1985, Adams and Hardwick, 1998). Furthermore, Brammer and Millington (2006) found that on the average, larger firms give more to charity.

Organisational Performance of Participating SMEs

The findings of the study show that organizational performance is to a large extent satisfactory. Participating respondents indicated good performance in all the dimensions of performance with the exception of financial strength, profitability and performance stability which fall below the minimum threshold of 4.0 i.e. 3.97, 3.95 and 3.91 respectively. These levels were slightly below the minimum level but did not preclude a completely low performance. These findings

negate past observations on Nigerian organizations that they have been largely ineffective both in their contribution to gross national product and in terms of their own goals and objectives. (Osase, 1991). However, recent research on organizational performance of Nigerian SMEs, particularly, the informal sectors attest to the improving organizational performance (Abere *et al*, 1998, CBN/NISER and FOS 1998, Lawal, 2005). The improved performance of the SMEs have been attributed to the motivation of the operators to seek for opportunities with high potentials in the post-reforms environment and the creativity and survival instincts (Abere *et al* 1998, CBN/FOS/NISER, 2001). Finance is seen as the grease to the economy, thus may affect CSR (Scholtens, 2006), thus many financial intermediaries add value by offering financial services to savers and investors. Scholtens gave examples of early-stage entrepreneurial financing, community investing, and project finance show that by providing the funding for projects and ideas, it is possible to shape and direct these ideas in a more sustainable direction as well.

Relationship between Corporate Social Responsibility Practices and Organisational Performance.

The findings of this study also reveal that socially responsible firms outperform the ones not socially responsible.

Theoretical evidence from literature appears to suggest that the benefits of involvement in social responsibility can outweigh the cost, and to ignore social responsibility may affect the long-run survival, growth, and viability of SMEs (Friedman, 1962; McGuire *et al*, 1988; Jones *et al*, 2000; Orlistzkey *et al*, 2003)

Empirical evidence on corporate social responsibility is replete with mixed results. The result of studies on social responsibility fell into three categories: positive and statistically significant relationship between social responsibility and performance. (Dowell, Hart &

Yeung, 2000; Murphy & Verschoor, 2002; Ruf, *et al.*, 2001; Stanwick and Stanwick, 1998; Edwards, 1998; Luck, 1998; Brammer and Millington, 2004; Burke and Logsdon, 1996; Cochran and Wood, 1984; Hosmer, 1994; McGuire *et al.*, 1988; Russo and Fouts, 1997; Waddock and Graves, 1997).

Studies that showed a negative and statistically significant relationship between corporate social responsibility and financial performance include Meznar, Nigh, and Kwok, (1994), and Moore, (2001).

Studies showing neutral relationship between corporate social responsibility and performance include Lysuyk (2001), Guerard (1997).

Overall, there is clear evidence of link between corporate social responsibility and performance. Majority of studies showed a positive and statistically significant relationship between corporate social responsibility and organizational performance. This is consistent with the findings of this study.

Implications For Management

This study has a number of implications for management of small and medium enterprises.

It reveals the radical change in the private sector relationship with the society. It encourages small and medium enterprises to demonstrate high level of commitment to corporate social responsibility. Organisations need to recognize that improving their own impact and addressing wider societal and environmental problem will be crucial in securing long term success.

In addition, it is imperative to extend government regulations and education beyond business ethics, environmental affairs and consumer affairs.

Regulatory agencies such National Agency for Food and Drug Administration and Control (NAFDAC), Federal Environmental Protection Agency (FEPA), Standards Organisation Of

Nigeria(SON), Small and Medium Scale Enterprises Development Agency of Nigeria(SMEDAN) should intensify their efforts in the monitoring of SMEs on all the facets of social responsibility rather than concentrating on environment and consumer affairs. From research and experience, high performing organizations are implementing corporate social responsibility practices such as commitment to innovation, quality standard, community affairs and continuous improvement, stakeholders' engagement and corporate reporting on social and environmental performance. CSR management support mechanism can be done for SME in form of creating a level playing field on legislative enforcement; publicity and information to raise awareness regionally or for specific sectors of social, economic and environmental risks; a mechanism that gives advanced warning of legislation; relevant examples of best practices; mentoring schemes and workshops.

The privatization and commercialisation programmes and other economic reforms have resulted into downsizing in both government and private sector. The findings of this study on the satisfactory performance of participating SMEs imply that despite the perceived negative effect of these reforms, investment in SMEs will serve as an avenue for cushioning these effects. In other words, the Nigerian SMEs sub-sector will offer profitable engagement for Nigerians, thereby improving the standard of living.

Conclusion

Evidence from this research indicates that SMEs are actively involved in business ethics, consumer affairs and environmental affairs, but not active in employee affairs and community affairs, thus indicating the narrow perception of the entrepreneurs about the role of business in the contemporary society. Business organisations usually focus on profit maximization which may likely affect their relationship with the workers and their roles in the larger society. Recent developments in management have shown that

employees are one of the most important resources in organisation and must be adequately catered for.

The evolution of employee stock ownership plans, in large business organisations is a welcome development in improving productivity of organizations. Similarly organisations must recognize the fact that good relationship with the community is a sine qua non for sustainable development. Little wonder why some contemporary writers equate corporate social responsibility with the business interaction in the local community and the corporate philanthropy.

Suggestions For Further Studies

The results of this study should be interpreted with care. In view of some limitations earlier noted, the following suggestions for future studies deserve some comments.

First, the concepts of social responsibility and organisational effectiveness are sufficiently diverse making it difficult to comprehensively measure these concepts. Further studies may need to expand on the dimension of CSR and organisational performance.

Second, the study operationalised organisational effectiveness as essentially the degree to which SME operators valued their organisations that is the degree to which they were satisfied with the relative performance of the organisations in terms of some goals. A more objective assessment of effectiveness i.e. financial records of performance, where applicable, is hereby suggested for future studies.

Finally, the sampling was drawn from Lagos State, Nigeria although this allowed for control of environmental factors; it did limit the generalisations of findings. Hence, it is suggested that the sample size should be enlarged by extending the study to SMEs across the entire federation of Nigeria.

References

- Aaker, D. A., and Day, G. S., (1972): "Corporate Responses to Consumerism Pressures" *Harvard Business Review*, 50:6, 114-124.
- Abere, S., (1998): "The Informal Sector in Nigeria Development". Policy Center, IFC, Research Report.
- Kerman, R. W., (1973): "How Companies Respond to Social Demands". *Harvard University Review*. 51:4, 88-98
- Adams, M., and Hardwick, P., (1998): "An analysis of Corporate Donations: United Kingdom Evidence." *Journal of Management Studies*, 35:5, 641-654.
- Asika, N. M., (1991): *Research Methodology in Behavioural Sciences*. Lagos: Longman
- Bowen, F. E., (1999): "Does Organisational Slack Stimulate the Implementation of environmental Initiatives?." In Wood, D and Windsor, D (Eds) Proceedings of the 10th Annual Meeting of the International Association of Business and Society, 234-244.
- Brammer, S., and Millington, A., (2004): "The Development of Corporate Charitable Contributions in the UK: a Stakeholder Analysis." *Journal of Management Studies*, 41: 8, 1411-1434.
- Brammer, S., and Millington, A., (2006): "Firm Size, Organisational Visibility and Corporate Philanthropy: An Empirical Analysis." *Business Ethics: A European Review*, 15:1, 6-18.
- Branco, M. C., and Rodrigues, L. L., (2006): "Corporate Social Responsibility and Resource Based Perspectives." *Journal of Business Ethics*, 69: 111-132.

- Buehler, V. M., and Shetty, Y. K., (1976): "The Management Response to Social Responsibility Challenges". *Academy of Management Journal*, 19:1, 67-78.
- Burke, L., and Logsdon, J. M., (1996): "How Corporate Social Responsibility Pays Off." *Long Range Planning*, 29, 495-502.
- CBN Central Bank of Nigeria (1998): Annual Reports.
- CBN Central Bank of Nigeria (1999): Annual Reports.
- Cochran, P. L., and Wood, R. A., (1984): "Corporate Social Responsibility and Financial Performance." *Academy of Management Journal*, 27: 42-56.
- Cohen, J., (1970): "Is Business Meeting the Challenge of Urban Affairs?" *Harvard Business Review*, 48:2, 68-82.
- Donaldson, T., and Preston, L. E., (1995): "The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications". *Academy of Management Review* 20:64-91.
- Dowell, G.; Hart, H., and Yeung, B., (2000): "Do Corporate Global Environmental Standards Create or Destroy Market Value? *Management Science*, 4:8, 1059-1014
- Drapper, S., (2000): *Corporate Nirvana: Is the Future Socially Responsible?* London: Industrial Society.
- Edwards, D., (1998): *The Link between Company Environment and Financial Performance*. London: Earthscan
- Eilbirt, H., and Parket, R., (1973): "The Current Status of Social Responsibility" *Business Horizons*, 16:4, 5-14.
- European Commission (2001): "Promoting a European framework for Corporate Social Responsibility" (Green Paper, Luxembourg, Office for Official Publications of the European Communities), July http://www.ec.europa.eu/employment_social/publications/2001/ke3701590_en.pdf
- European Commission (2003): "Mapping Instruments for Corporate Social Responsibility." Luxembourg.
- Forstater, M., and Raynord, P., (2002): "Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries" Vienna: UNIDO.
- Godfrey, P. C., and Hatch, N. W., (2007): "Researching Corporate Social Responsibility: An Agenda for the 21st Century." *Journal of Business Ethics*, 70: 89-98.
- Guerard, J. B., (1997): "Is There A Cost To Being Socially Responsible In Investing?" *The Journal of Investing*. Summer, 11-18
- Hagtvedt, R.; Jones, G. T., and Jones, K., (2007): "Pedagogical Simulation of Sampling Distribution and Central Limit Theorem." *Teaching Statistics* 29:3, 94-97.
- Hosmer, L. T., (1994): "Strategic Planning as if Ethics Mattered." *Strategic Management Journal*, 15, Summer special Issue, 17-34.
- Jenkins, H., (2003): "Small and Medium Sized Enterprises (SMEs) and Corporate Social Responsibility" *Centre for business Relationships, Accountability, Sustainability of Society*.
- Jenkins, H., (2006): "Small Business Champions for Corporate Social Responsibility"

- Journal of Business Ethics*, 67:241-256.
- Jones, G. R.; George, J. M., and Hill, C. W. L., (2000): *Contemporary Management* New York: McGraw-Hill.
- Kerlinger, F. N., (1973): *Foundations of Behavioral Research*. New York: Holt, Rinehart and Winston, Inc.
- Khandwalla, R.N. (1995): *Management Style*. New Delhi: McGraw-Hill
- LASEED (2005) *Lagos State Economic Empowerment Development Strategy*. Lagos: Communication for Change (CFC).
- Lawal, A. A., (2005): "Management Practices and Organisational Effectiveness of Nigerian Small and Medium Enterprise (SMEs) in Lagos State. Unpublished Ph.D Thesis in the Department of Business Administration, University of Lagos.
- Luck, C. G., (1998): "Domini Social Index Performance" In The Investment Research Guide To Socially Responsible Investing, B.R Raice, Ed, The Colloquim On Socially Responsible Investing, 177-180
- Lysuyk, V., (2001): "Correlation between Corporate Environment and Financial Performance: An Empirical Study. MBA, City University.
- McElroy, K. M., and Siegfried, J. J., (1985): "The Effects of Firm Size on Corporate Philanthropy." *Quarterly Review of Economics and Business*, 25:2, 18-26
- McGuire, J. B.; Sundgren, A., and Schneeweis, T., (1988): "Corporate Social Responsibility and Firm Financial Performance", *Academy of Management Journal* 31:4, 854-872
- McGuire, J. W., and Parish, J. B., (1971): "Status Report on a Profound Revolution". *California Management Review*, 13:4, 79-86.
- Mezner, M. B.; Nigh, D., and Kwok, C. C. Y., (1994): "Effects of Announcements of Withdrawal from South Africa on Stockholder Wealth" *Academy of Management Journal*, 37:6, 1633-1648.
- Monsen, J., (1974): "The Social Attitudes of Management." In Joseph W. McGuire (Ed) *Contemporary Management: Issues and Viewpoints*, Englewood Cliffs, N. J.: Prentice-Hall Pp 615-629.
- Moore, G., (2001): "Corporate Social and Financial Performance: An Investigation in the UK Supermarket Industry". *Journal of Business Ethics*, 34: 299-315.
- Morimoto, R.; Ash, J., and Hope, C., (2005): "Corporate Social Responsibility Audit: From Theory to Practice. *Journal of Business Ethics*, 62:315-325
- Murphy, E., and Verschoor, C., (2002): "Best Corporate Citizens Have Better Financial Performance". *Strategic Finance*, 83:7, 20-23.
- National Council for Industry (2003) NCI Annual Meeting Publications.
- Nigerian Investment Promotion Commission (2004): *An Overview of Small and Medium Enterprises*, www.Nipc.nigeria.org.
- Oghojafor, A., (2000): *Strategic Management* Lagos: Malthouse Press Limited.
- Orlistzky, M.; Schmidt, F., and Rynes, S., (2003): "Corporate Social and Financial Performance, a Meta-Analysis". *Organisation Studies*, 24:403-441.

- Osaze, E. B., (1991): *Nigerian Corporate and Strategic Management: Text and Cases*, 2nd Ed, Ikeja: Centre for Management Development.
- Pirsch, J.; Gupta, S., and Grau, S. L., (2007): "A Framework for Understanding Corporate Social Responsibility Programmes as a Continuum: An Exploratory Study." *Journal of Business Ethics*, 70:125-140.
- Raynard, P., and Forstater, M., (2002): "Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries". UNIDO.
- Roberts, S.; Lawson, R., and Nicholls, J., (2006): "Generating Regional Scale Improvement in SME Corporate Responsibility Performance: lessons from Responsibility Northwest." *Journal of Business Ethics*, 67: 275-286.
- Ruf, B. M.; Muralidhar, K.; Brown, R. M.; Janney, J. J., and Paul, K., (2001): "An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective". *Journal of Business Ethics*. 32:2, 143-156.
- Russo, M. V., and Fouts, P. A., (1997): "A Resource-based Perspective on Corporate Environmental Performance and Profitability" *Academy of Management Journal*, 18, 303-319.
- Scholtens, B., (2006): "Finance as a Driver of Corporate Social Responsibility." *Journal of Business Ethics*, 68: 19-33
- Stanwick, P. A., and Stanwick, S. D., (1998): "the Relationship between Corporate Social Performance, Organisational Size, Financial Performance and Environmental Performance: An Empirical Examination", *Journal of Business Ethics*, 17, 195-204
- Steurer, R.; Langer, M. E.; Konrad, A., and Martinuzzi, A., (2005): "Corporations, Stakeholders and Sustainable Development 1: A Theoretical Exploration of Business-Society Relations. *Journal of Business Ethics*. 61:263-281.
- Waddock, S., and Graves, S. B., (1997): "The Corporate Social Performance-Financial Performance Link." *Strategic Management Journal*, 18: 303-319. www.smekey.org.
- Zadek, S.; Prazan, P., and Evans, R., (1997): *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting*. London: Earthcom
- Zsolnai, L., (2006): "Extended Stakeholder Theory". *Society and Business Review*, 1:1,37-44.