



# THE IMPACT OF ECONOMIC RESPONSIBILITY AND SOCIAL RESPONSIBILITY ON ORGANIZATIONAL SURVIVAL IN CONSTRUCTION COMPANIES IN SOUTH-SOUTH NIGERIA

**Kormane, Fun-Akpo Pere<sup>1</sup>, Dr. Adekemi, D. Alagah<sup>2</sup>,  
Prof. Clifford, O. Ofurum<sup>3</sup>**

<sup>1</sup>DBA Student University of Port Harcourt Business School, Port Harcourt, Rivers State, Nigeria

<sup>2</sup>Department of Management, University of Port Harcourt, Choba, Rivers State, Nigeria

<sup>3</sup>Department of Accounting, University of Port Harcourt, Choba, Rivers State, Nigeria

## ABSTRACT

*This study empirically investigated the relationship between economic responsibility and social responsibility on Organizational Survival in construction companies in South-South Nigeria. From a finite population of 320, a sample of 175 was derived. For data analyses, descriptive statistics were utilized alongside univariate analyses and multivariate analyses. For the test of hypotheses, Pearson Moment correlation was used alongside partial correlation for testing the stated null hypotheses. From our findings, both economic responsibility and social responsibility had a significant relationship with Organizational Survival. The study recommended that firms should continually allocate a specific percentage of their profit toward the development of economic activities within their host communities. This could come in form of employment, scholarships, empowerment, etc.*

**KEYWORDS:** Sustainability, Economic, Social, Sustainability, Construction

## INTRODUCTION

Survival as a concept refers to the maintenance of the status quo within organizations and entities. Survival in the construction industry has grown in importance from relics given its increase in awareness promoted by the United Nations World Commission on Environment and Development about the need to minimize the negative impact of development activities on the environment and society (WCED 1987). Apart from the general acceptance of the importance of Survival, the concept embraces several tenets: economic, social, technological, market, legal and environmental Survival (Brennan and Cotgrave 2014). However, there is an increasing depth to the meaning and interpretation of the concept. Generally, Survival in construction refers to the application of Survival principles in building practices. It has several dimensions, which include dealing with economic, social, and environmental concerns in the construction process and its results.

Despite the complex nature of the concept of construction and Survival and the differing interpretations, construction activities contribute significantly to global climate change and generate several other environmental threats. The sector is responsible for about one-third of global greenhouse gas emissions (UNEP 2009) and accounts for the consumption of significant amounts of non-renewable natural resources. To mitigate the negative impacts of construction, various strategies have been proposed both in academia and by other institutions to assess and guide construction activities. Zhang et al (2014) developed strategies and frameworks for sustainable construction to guide a shift from conventional practices toward the path of Survival. However, their work has been criticized for placing too much emphasis on environmental issues and overlooking the technical, social, and economic dimensions.

Different international 'green' construction initiatives such as the Building Research Establishment Environmental Assessment Methodology (BREEAM) and the US green building council have introduced different assessment strategies to improve sustainable practices, but these initiatives have not been embraced globally. Sharifi and Murayam (2013) stated that these initiatives are pro-western: they focus mainly on environmental challenges within developed countries, with less attention to the economic and social dimensions of Survival that pose



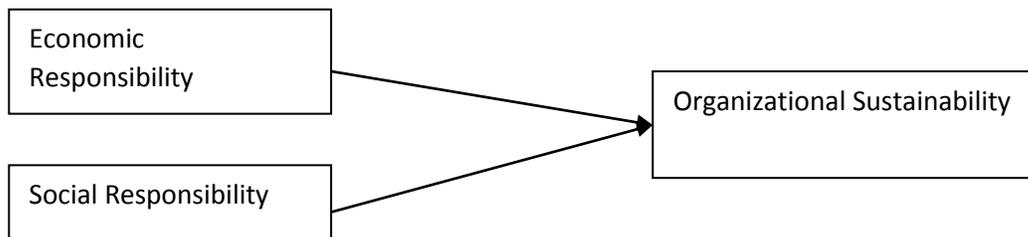
significant challenges to developing countries (Abdalla et al 2011). Several publications in the literature suggest that, so far, efforts to change construction practices from the traditional approach to a more-sustainable path appear to have yielded limited results (Brennan and Cotgrave 2014), especially in most developing countries (Edman, 2016). Previous studies have identified the impact of sustainable development, performance, and social values upon patterns of behavior and ethics (Alas & Rees, 2006).

Corporate social responsibility (CSR), has become a commonly used term in contemporary society and refers to one process by which an organization expresses and develops its ‘corporate culture’ and social consciousness. CSR has been receiving lots of attention from various backgrounds of researchers worldwide (Ismail & Nooriani 2011), it has attracted a great deal of attention over the past decade (Zu & Song 2008) and according to some researchers, has gathered great momentum over the past number of years and is now regarded to be at its most prevalent. Therefore, business leaders, government officials, and academics are focusing more and more attention on the concept of “corporate social responsibility”. Almost all corporate websites/ policies/reports talk about their endeavors for CSR, which has become a way of ensuring that the organization is fulfilling all its obligations towards society and thus is eligible for the license to operate. It assures that the organization can grow on a sustainable basis.

CSR, which was previously referred to as social responsibility (SR) and today some often call it corporate responsibility (CR) (Ismail & Nooriani 2011) over the years has gained unprecedented momentum in the business and public debate and has become a strategic issue crossing the departmental boundaries, and affecting how a company does business (Short, 2009). Siggelkow (2002) referring, to some studies, expressed that there is an impressive history associated with the evolution of the concept of CSR although it is stated that the roots of the concepts and implementations could be traced back to prehistoric times, generally works on its evolution started in the 1950s and 1990s are defined with its popularity and development of similar themes. In the 1990s, an increasing number of corporate social responsibility reports, standards, and codes of conduct showed an interest in CSR. But Rupp et al., (2006) asserted that corporate engagement with society, also termed corporate social responsibility (CSR) mired in a definitional debate dating back several decades.

Bower & Finegan, (2009) offered one of the earliest definitions seeing CSR since then, the field has evolved assuming different names such as corporate social responsiveness (in the 1970s) and corporate social performance (in the 1980s). This evolution also reflects an increase in awareness is an important area of action and performance that the early definitions had overlooked. Hopkins (2004) is of the view that until the 1970s, despite regulation and legislation, business continued largely along an autonomous path, ignoring its critics and listening only to its shareholders, to whom it felt somewhat responsible. But the decade of the 1960s was to be a period of enlightenment for many. Citizens were distrustful of government, business, and the undefined “establishment”. Consumers had grown suspicious of adulterants in their food and dangerous defects in the products they bought. People were becoming aware of the fragile nature of the earth’s ecology, while simultaneously becoming more cognizant of human rights. Abd Rahim et al. (2011) expressed that CSR has been evolving as early as the 1930s. But Calderon (2011) discussed a more contemporary evolution from the international legal precedents starting visionary employee compensation policies to more complex examples of corporate citizenship in recent years.

### Operational Framework



Dimensions Adapted from Sanela et al., (2017)  
Measures Adapted from Van Bommel, (2011).



## RESEARCH OBJECTIVES

- i. Investigate the relationship between economic responsibility and organizational sustainability of construction companies in South-South, Nigeria.
- ii. Ascertain the relationship between social responsibility and organizational sustainability of construction companies in South-South, Nigeria.

## RESEARCH HYPOTHESES

**H<sub>01</sub>:** There is no significant relationship between economic responsibility and organizational sustainability of construction companies in South-South, Nigeria.

**H<sub>02</sub>:** There is no significant relationship between social responsibility and effective monitoring and evaluation of construction companies in South-South, Nigeria.

## AGENCY THEORY

The agency theory framework has its origin in financial research within the economic theory (Chrisman and Patel 2012). Also known as the principal-agent paradigm, agency theory emphasizes the contractual problem between a firm's principal, generally, the owner, and a firm's agents, employed executives that control the use of resources. Due to a conflict of preferences, this separation of ownership and control can result in agency costs resulting from a need to align interests through monitoring or contractual solutions. As a logical consequence, Chrisman et al (2010) argued that agency costs are omitted when the firm is led by a managing owner. In this case, ownership and management are unified, leading to the avoidance of agency costs and thus to an increase in value for the firm. Fama and Jensen (1983) extend Jensen and Meckling's work by arguing that despite agency threats occurring from the separation of ownership and management, an increase in efficiencies may exceed agency costs (Fama & Jensen 1983). These efficiencies are caused by specialization at various levels and the willingness to take risks due to efficient risk-sharing. Succinctly, it offers unique insights into information systems, outcomes uncertainty, incentives, and risk.

An alignment of ownership and management is not always the case in reality. Thus, attempts are made to inhibit decision-making that is not in full congruence with the goals of the firm. These controls include the installation of information and monitoring systems and contracts to ensure that firm goal are the main priority of all actors. The idea of information asymmetries has also been associated with the problem of moral hazard. In this case, the agent pursues their own goals and follows their preferences instead of considering the firm's risks and goals. Another problem associated with this approach is adverse selection, which means that the agent might hide or not tell the truth about his or her abilities and interests for a contractual relationship, causing the principal to be unsure about these abilities and thus select an agent based upon the information available (Eisenhardt 1989). Therefore, an empirically valid perspective particularly when coupled with a complementary perspective.

Eisenhardt (1989) specifies the agency theory approach through seven characteristics. First, the key idea of agency theory is to understand the problem of agency threats in principal-agent relationships. These relationships between the owner/s (principal) and manager/s (agent) should reflect the efficient organization of information and risk-bearing costs. Second, this situation occurs on the level of the principal and the agent as the unit of analysis. Third, the approach is based on the assumption that human beings are self-interested individualists that act in a rational but bounded manner and avoid risks when taking decisions. Fourth, partial conflicts of contracting relationships arise between the preferences of principals (primarily representing the interests of the firm) and of agents (primarily representing the interests of individuals). The main goal of the firm is to work efficiently, which is the primary effectiveness criterion. However, there are information asymmetries between the principal and the agent, leading to different goals and preferences. Fifth, information can be purchased and traded. Sixth, these information asymmetries lead to the problems of moral hazard (risk-willing behavior of the agent, who is not directly threatened by potential losses) and adverse selection (suboptimal selection of agents due to limited transparency of abilities and interests). Seventh, these problems occur in relationships between principals and agents with different goals and risk preferences. Examples of these organizational phenomena are the compensation of agents, leadership, etc.

Agency theory in this study is so critical in that firms have contractual agreements with host communities in their memorandum of understanding (MoU) but in most cases, the manager/agents fail to carry out those responsibilities for reasons best known to them and these bring about conflicts and the likes which affects Survival on the long run.



## **ECONOMIC RESPONSIBILITY**

Economic responsibility is an interconnected field that focuses to strike a balance between business, environmental, and philanthropic practices. Economic responsibility abides by, the set standards of ethical and moral regulations. In this context, companies try to find out a solution that can facilitate their business growth and generate profits by benefitting the community and our society. Here economic decisions are made by considering their overall effects on society and businesses at the same time (Eriandani et al 2019). Hence, economic responsibility can improve business operations while engaging in sustainable practices.

Economic responsibilities mean ensuring an economic advantage both to the region from where the production takes place to the region where the construction is situated. These responsibilities are the most basic social responsibilities of business. As we have noted, some economists see these as the only legitimate social responsibility of business. Living up to their economic responsibilities requires managers to maximize profits wherever and whenever possible. The essential responsibility of business is assumed to be providing goods and services to society at a reasonable cost. In discharging that economic responsibility, the company also emerges as socially responsible by providing productive jobs for its workforce, and tax payments for its local, state, and federal governments (Stawiski & Deal 2010).

## **SOCIAL RESPONSIBILITY**

Social responsibility is the set of obligations an organization has to protect and enhance the society in which it functions (Anderson 1986). It is an obligation, beyond that required by law and economics, for a firm to pursue long-term goals that are good for society. CSR has been discussed in different fora throughout the world. It has been recognized that like profit and other key result areas, social responsibility is an important area in which every business must set objectives and produce results. In contrast, Friedman (1962) expressed the other view of CSR that business must not play an active social role in the society in which it functions, since many business houses are large and economically powerful, this role may be played successfully. Thus, their social responsibility grows gradually the organizations grow (Davis et al 2009). Drejer, (2002) asserts that the business enterprise must be managed in such a manner that it can make the public good as the private good of the enterprise. Levinthal & Posen, (2007) think that studies have unveiled a connection between the corporate management structure of the enterprises and their choice of financial reporting method. They also argued that ‘agency theory’ which has highlighted the relationship of ownership and management in deriving the financial control of the organization is not focused much on institutional factors and ideological perspectives of financial and managerial control. Jong-Keun, (2011). pointed out that privately owned and employee-owned companies seem to have a better chance of acting in the best interest of employees and communities because the ownership structure permitted leaders to have priorities beyond maximizing profits. Khovrak, (2017). argued that environmental marketing and management integrate all three areas of business society environment interrelationships. But corporate social responsibility or corporate citizenship are attributed to be more extensive terms than the business society environment relationships or the circle model. Holton et al (2010) in an article titled “Social responsibilities of Business: Myth or Reality?” explained the concepts of CSR, its major areas, and the proper direction in which a firm can think of being socially responsible.

## **EMPIRICAL REVIEW**

Some studies focused on the impact of CSR on business Survival. For instance, Lyon and Maxwell, (2008) examined the relationship between economic responsibility and Survival. The study showed how both market forces can affect Organizational Survival. The authors found that the economic activities of businesses strongly influence how they respond to consumers at each point in time. The authors posit that economic responsibility can have varied effects; from attracting green consumers or investors to preempting government regulation, to encouraging regulation that burdens rivals. They, however, observed that the welfare effects of CSR are subtle, and there is no guarantee that CSR enhances social welfare. Also, Tilt (2010) examined the contribution of economics to the debate and practice of CSR. The study concluded that accountants’ interest in CSR is much more wide-ranging than simply an interest in the financial impacts on society.

In Nigeria, Lawal and Brimah (2012) stated that numerous reasons can be adduced to justify the need for the upsurge in social responsibility implementation, especially by organizations. There exists a symbiotic relationship between society and business organizations. They are interdependent and should reinforce one another. Since organizations form part of society, society should also be concerned about the well-being of the organization's business in the same way as they should be concerned about societal welfare. He concluded that the idea of CSR is



not unknown in Nigeria because there had been a long conviction that businesses have a responsibility to ‘give something back to the communities where they operate and this could be drawn from their profit.

## METHODOLOGY

From a finite population of 320, a sample of 175 was derived. For data analyses, descriptive statistics were utilized alongside univariate analyses and multivariate analyses. For the test of hypotheses, Pearson Moment correlation was used alongside partial correlation for testing the stated null hypotheses.

## TEST OF HYPOTHESES

**H0<sub>1</sub>:** Economic responsibility does not have any significant relationship with organizational sustainability

		<b>Correlations</b>	
		<b>Economic Responsibility</b>	<b>Org. Sustain</b>
Economic Responsibility	Pearson Correlation	1	.671*
	Sig. (2-tailed)		.024
	N	175	175
Org. Sustain	Pearson Correlation	.671*	1
	Sig. (2-tailed)	.024	
	N	175	175

\*. Correlation is significant at the 0.05 level (2-tailed).

Our first hypothesis reveals a significant relationship between economic responsibility and organizational sustainability with a spearman correlation coefficient of 0.671 and a p-value of 0.024 which is less than the alpha of 0.05. We, therefore, reject the stated null hypothesis and accept the alternate.

**H0<sub>2</sub>:** Economic responsibility does not have any significant relationship with organizational sustainability

		<b>Correlations</b>	
		<b>Economic Responsibility</b>	<b>Org. Sustain</b>
Economic Responsibility	Pearson Correlation	1	.567*
	Sig. (2-tailed)		.027
	N	175	175
Org. Sustain	Pearson Correlation	.167*	1
	Sig. (2-tailed)	.027	
	N	175	175

\*. Correlation is significant at the 0.05 level (2-tailed).

Our second test of hypothesis also reveals a significant relationship between economic responsibility and organizational sustainability with a Pearson correlation coefficient of 0.567 and a p-value of 0.027 which is less than the alpha of 0.05. We, therefore, reject the stated null hypothesis and accept the alternate.

## DISCUSSION OF FINDINGS

Hypothesis one reveals quite a weak but significant relationship between economic responsibility and organizational sustainability. This is revealed in a coefficient of 0.671 and a p-value of 0.024 which is less than the alpha of 0.05. This means that when the economic indices are carried out responsibly, there would be fewer legal litigations against construction companies, and this would keep the minds of management at rest with the hope that all is well. However, when they default on their economic responsibilities, there would be a lot of legal sanctions and this would affect the firms negatively.

Furthermore, hypothesis two also examined how much social responsibility can bring about much-needed Organizational Survival. The outcome reveals that it does relate significantly to each other. That is to say that the social aspect of every organization matters a lot if it must be Survival. when the firm takes an active role in the



cultural activities of their host communities when they recognize the traditional rulers and make them believe that they are culturally attached to the environment in which they find themselves, such gestures would always the outcome in fewer clashes with host communities and they would always protect the firms from any danger that would arise from within. Even though the community would shield them from dangers, they would also promote their activities and provide a sustainable market for business activities.

## CONCLUSION

The summary of this paper reveals that both economic and social responsibilities can bring about the much anticipated organizational sustainability. This study covered five construction companies in South-South Nigeria namely Julius Berger (29%), Lubrikk Construction Company (18%), Monier Construction Company (14%), Raynold construction company (20%), and Setraco construction company (19%). The findings revealed that male respondents are 102 (58.3%) and female respondents 73 (41.7%). More respondents are within the age of 21-30 years (30.9%), while the least respondents fall within the age of 51 years and above (20.6%). We also realize that more respondents are married (78.9%) while the least was divorced (6%). For our univariate analyses, we realized that all the statement items had a minimum entry of 1 (strongly disagree) and a Maximum of 4 (strongly agree). Each of the items had a mean above 2.5 and all were skewed negatively for the test of hypotheses, we realized that all the coefficients were positive and all the p-values less than 0.05.

## RECOMMENDATIONS

- i. There is a need for constant sensitization of companies toward their responsibilities. Host communities should diplomatically engage these firms and bring them closer to their responsibilities.
- ii. Community leaders should be selected based on competence so that these engagements can be sustainable, and harmony would be established.
- iii. Firms should allocate a percentage of their profit toward the development of economic activities within their host communities. This could come in form of employment, scholarships, empowerment, etc.

## REFERENCES

1. Abd Rahim, R, Jalaludin, F.W., & Tajuddin, K (2011). "The Importance of Corporate Social Responsibility on Consumer Behavior in Malaysia", *Asian Academy of Management Journal*, 16 (1), 119–139.
2. Abdalla, G., Maas, G., Huyghe, J., & Oostra, M. (2011). *Criticism on Environmental Assessment Tools*. In the 2nd International Conference on Environmental Corporate Social Responsibility Science and Technology, IPCBEE
3. Alas, R. & Rees, C. J. (2006). *Work-related Attitudes, Values and Radical Change in Post-Socialist Contexts: A Comparative Study*, *Journal of Business Ethics*, 6(2), 181–189.
4. Bower, D. C. & Finegan, A. D. (2009). *New approaches in project performance evaluation techniques*. *International Journal of Managing Projects in Business*, 21 (5), 435 - 444.
5. Brennan, M.C. & Cotgrave, A.J. (2014). *Sustainable development: A qualitative inquiry into the current state of the UK construction industry*. *Structural Survey*, 32(4), 315-330.
6. Calderon, M. (2011). "CSR in Latin America and South East Asia Analysis of the Corporate Communication of Top Local Companies", *International Research Journal of Finance and Economics*, Issue 73 (2011) Euro-Journals Publishing, Inc. <http://www.eurojournals.com/finance.htm>
7. Chrisman, J. J., & Patel, P. C., (2012). 'Variations in R&D Investments of Family and Nonfamily Firms: Behavioral Agency and Myopic Loss Aversion Perspectives', *Academy of Management Journal*, 55(4), 976–997.
8. Chrisman, J. J., Kellermanns, F. W., Chan, K. C., & Liano, K., (2010). 'Intellectual Foundations of Current Research in Family Business: An Identification and Review of 25 Influential Articles', *Family Business Review*, 23(1), 9–26.
9. Dania, A. A., Larsen, G. D. & Yao, R. (2013). *Sustainable Construction in Nigeria: understanding firm-level perspectives*. In *Sustainable Building Conference Coventry University*.
10. Davis, J. P., Eisenhardt, K. M., Bingham, C. B. (2009). *Optimal Structure, Market Dynamism, and the Strategy of Simple Rules*. *Administrative Science Quarterly*, 5(2) 413-452.
11. Drejer, A. (2002). *Strategic Management and Core Competencies: Theory and Application*. Westport (CT, USA): Greenwood Publishing Group, 2002. 224.
12. Edman, J. (2016). *Cultivating foreignness: How organizations maintain and leverage minority identities*. *Journal of Management Studies*, 5(4) 55-88.
13. Eisenhardt, K.M., (1989). 'Agency theory: An assessment and review', *The Academy of Management Review*, 14(1), 57–74.
14. Fama, E. F., & Jensen, M.C., (1983), 'Agency problems and residual claims', *Journal of Law and Economics*, 26(2), 327–349.



15. Friedman, M. (1962). *Capitalism & freedom*. Chicago: University of Chicago Press.
16. Holton, I., Glass, J., Price, A.D.F. (2010). "Managing for Survival: findings from four company case studies in the UK precast concrete industry", *Journal of Cleaner Production*, 18(2), 152-160
17. Ismail, T & Nooriani T. (2011). "Corporate Social Responsibility: The Influence of the Silver Book", *International Journal of Business and Management Studies*, 3(2), 2011, 371-383.
18. Jong-Keun, Kim (2011). "Effects of Corporate Social Responsibility on B-to-B Relational Performance", *International Journal of Business and Management*, 6(2), 24-34.
19. Khovrak, I. (2017). "Social responsibility as a strategy of market leadership of an enterprise", *Public Management*, 3(39), 391-401. doi:10.4467/20843968ZP.16.030.7245.
20. Lawal, A.T., & Brimah, A.N. (2012). Financial determinants of corporate social responsibility uptake in Nigerian deposit money banks: The Zenith bank experience. *Lapai Journal of Management Science (LAJOMAS)*,3(1), 68-75.
21. Levinthal, D., Posen, H. E. (2007). Myopia of selection: Does organizational adaptation limit the efficacy of population selection? *Administrative Science Quarterly*, 5(2) 586-620.
22. Lyon, T. P., & Maxwell, J. W., (2008). *Corporate Social Responsibility and the Environment: A Theoretical Perspective*. *Review of Environmental Economics and Policy* 1(0), 1-22.
23. Rupp, Deborah E.; Ganapathi, Jyoti; Aguilera, Ruth V, and Williams, Cynthia A (2006) "Employee Reactions to Corporate Social Responsibility: An Organizational Justice Framework", *Journal of Organizational Behaviour*, 27, 537-543.
24. Sanela, A., Ivan, N.M & Andelka, S. (2017). The most important dimensions of corporate social responsibility. *International May Conference on Strategic Management – IMKSM17* May 19 – 21, 2017, Bor, Serbia, 436-454
25. Sharifi, A., & Murayama, A. (2013). A critical review of seven selected neighborhood Survival assessment tools. *Environmental Impact Assessment Review*, 38, 73-87
26. Short, J. (2009). The art of writing a review article. *Journal of Management*, 3(5) 1312-1317.
27. Siggelkow, N. (2002). Evolution toward fit. *Administrative Science Quarterly*, 4(7) 125-159.
28. Tilt, G.A. (2010). *Corporate Responsibility, Accounting, and Accountants*. 11-32. Available online at <http://www.springer.com/978-3-642-02629-4> accessed
29. UNEP (2009). *United Nations Environmental Programme. Building and Climate Change*, Paris.
30. UNEP. (2011). *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*. New York, NY: United Nations Publications.
31. Van Bommel, H.W.M. (2011). "A conceptual framework for analyzing sustainability strategies in industrial supply networks from an innovation perspective", *Journal of Cleaner Production*, 19, 895-904
32. WCED, (1987). *World Commission on Environment and Development. Our common future*. Oxford University Press, Oxford.
33. Zu, L. & Song, L (2008). "Determinants of Managerial Values on Corporate Social Responsibility: Evidence from China", IZA Discussion Paper No. 3449, April 2008 Forschungsinstitut, Zur Zukunft der Arbeit, Institute for the Study of Labor.