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Assessing the Impact of Corporate Social Responsibility Practices on Factory Performance: A Study on Selected Factories in Amhara region, Ethiopia

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Abstract:

Demand of corporate social responsibility practices to increase the performance of the industry also increase. The study mainly focused on assessing the impact of corporate social responsibility practices on factory performance a study on four selected factories in Amahara region, Ethiopia. The study employed sequential explanatory and descriptive research design. There were 340 samples and all questionnaires were returned. The SPSS version 20 was use as a tool to process the primary data. The research finding shows that the most important stakeholders for the CSR initiatives are investors or share holder owners and followed by employees and customers. Since the manufacturing industries stakeholders are very interrelated for the business mostly the customers/buyers are the major influential part for Ethiopian manufacture products due to the nature of the market. Due to fact that the investors are mostly forced to apply different good operational practices or codes that includes international production codes mostly required by the customers. The country has affected by drought and famine for the decades due to environmental degradation. The government is better to

integrate with stakeholders especially trade union, provides a set of rules and regulation for of sustainable production to make forceful code of practice and the government shall have to apply the new legislation and familiarize the code. Factories should have to involve of employees and community leaders in the CSR process and evaluation so that all of them have common understanding and responsibility that will enhance to have an effective CSR programs.

Keywords: 1. Consumer protection 2. Community welfare 3. Environmental protection 5. Labor treatment.

Introduction

The issue of CSR is a growing concern and inherent increase of interest in CSR studies and it is gaining much attention (Abdul and Ibrahim, 2002,) and has impacts on an organization's reputation, commitment, and performance, (Goessling, 2011).

CSR is related to issues such as "environmental protection, health and safety at work, relations with local communities, human rights, and corruption" (Proença & Branco, 2014).

The conceptual understanding and practice of CSR is different in developing countries from developed countries. The unique socio-cultural context and development circumstance of developing countries provides the basis for the understanding and practice. Hence, this study aimed at investigating corporate social responsibility practices on four selected factories in Ethiopia namely Dashen cement, Dashen brewery, Bahir Dar leather and Bahir dar textile factories.

Ethiopia inclined towards the achievement of the government vision of becoming a middle income country by 2020. This development expands in social infrastructure which results in the increase in human development indicators (World Bank 2014; ILO 2014). The development also brings about both opportunities and challenges with respect to employment and working conditions. One of the key challenges are facing the required social responsibility practices in relation to labor practice like protecting workers' rights, consumer protection, and environmental protection practices. It is characterized by a ferocious competition to reduce production costs and a marked decline in the development and enforcement of governmental workplace regulations. Few researches show that Ethiopia faces saver barriers in the area of workers' rights and working conditions. Some of these barriers are low job quality, inadequate earning of a large proportion of the Ethiopian households, the increasing shares of labor force which is working "excessive hours", involvement of child labor in productive activities.

Ethiopia develops private sector being under the challenge of poverty, governance gaps, and access to social services etc., there is desperate need for role of private firms in various sectors. Until 1991, the country was socialistic and private ownership of firms did not exist. A market oriented economy was declared in 1991 with the intention to reverse a decade of economic decline. When the economic reform was done, big private sector responsibility is attached to create jobs, improve production, raise export and reduce poverty which is the challenge to the country.

It was unclear in the past how those aforementioned industry firms in the study area learn and their progress to engage in social responsibility.

In this respect, those cement, textile, brewery and leather industries could have certain problems in the processes of being socially responsible business sector. As to the researchers knowledge, few researches have been conducted on the area of CSR on leather industry in Ethiopia, CSR on agro processing and garment industry, the previous research specially Anteneh Mulugeta research addresses only agro processing and garment industry and Abdulhamid Yusuf address only .

Tannery and Awash Tannery social responsibility practices but does not address labor treatment and they delimited only specific study areas but this research was covered labor treatment by giving more attention and its practices and considers other variables in different industrial areas in Amahra region selected factories such as cement, textile, lather and brewery business sector on the study area. Hence, researchers were interested to assess the corporate social responsibility practices to fill the gap on four selected factories in Ethiopia namely Dashen brewery (Gonder), Dashen cement, Bahir dar textile and Bahir Dar leather factories.

Therefore, this study addressed CSR practices in the cement, textile, and brewery and leather industries in Ethiopia industry taking high performance companies as a case. It investigated how firms in this particular industry are adopting social responsibility based on guiding questions mentioned below.

Research questions

At the end of the, the study it will try to answer the following research questions:

- i. What looks like the current status of CSR Practices in the study area?
- ii. What are the determinants and implementation challenges of Social Responsibility practices in the study area?
- iii. What alternative strategies are used to create good CSR?

Objectives of the Study

General Objective

Assessing the nature of corporate social responsibility practices in four selected factories in Ethiopia, particularly in the case of Dashen brewery (Gonder), Dashen cement, Bahir dar textile and Bahir Dar leather factories..

Specific Objectives

- To investigate the current statuses of CSR practices of selected factories
- To examine the major determinants which affect CSR practices in those factories
- To identify alternative strategies to create good CSR practices in the selected factories

Significance of the Study

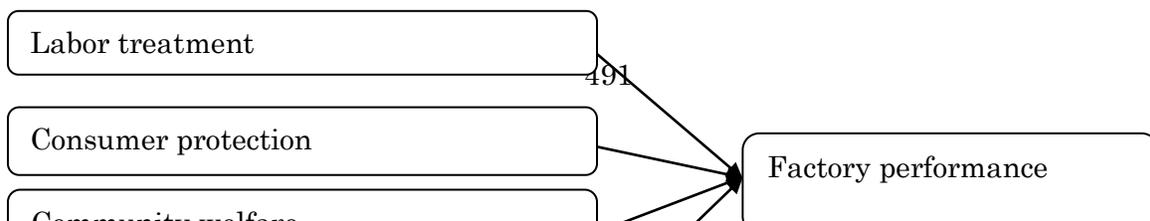
The results of this study will have a major significant in various aspects.

This research finding will provided a signal to those factories in the study to take remedial action for the hope that it reduce or eradicate the aforementioned problems. This study has also a piece of contribution to the current knowledge in the area of CSR for many Ethiopian industries particularly for textile, cement, brewery and leather industries. Government regulatory bodies will also benefit from the findings of the research. Thus, the researcher believes that this study helps as a source document for those researchers who want to make further study on the area afterwards.

Scope of the Study

The scope of the study is mainly related to investigating the CSR practices and determinants of Ethiopian selected industries like textile, cement, leather and brewery industries. For the sake of quality and specialization as well as to cope with the available time and resource constraints, this study focused only on corporate social responsibility practices of Dashen brewery, Bahir Dar leather, Dashen Cement, and Bahir Dar Textile factories found in Ethiopia only by using stratified research methodology. CSR is equally important in all other industries, particularly other brewery, leather, cement and textile industries currently operating in Ethiopia.

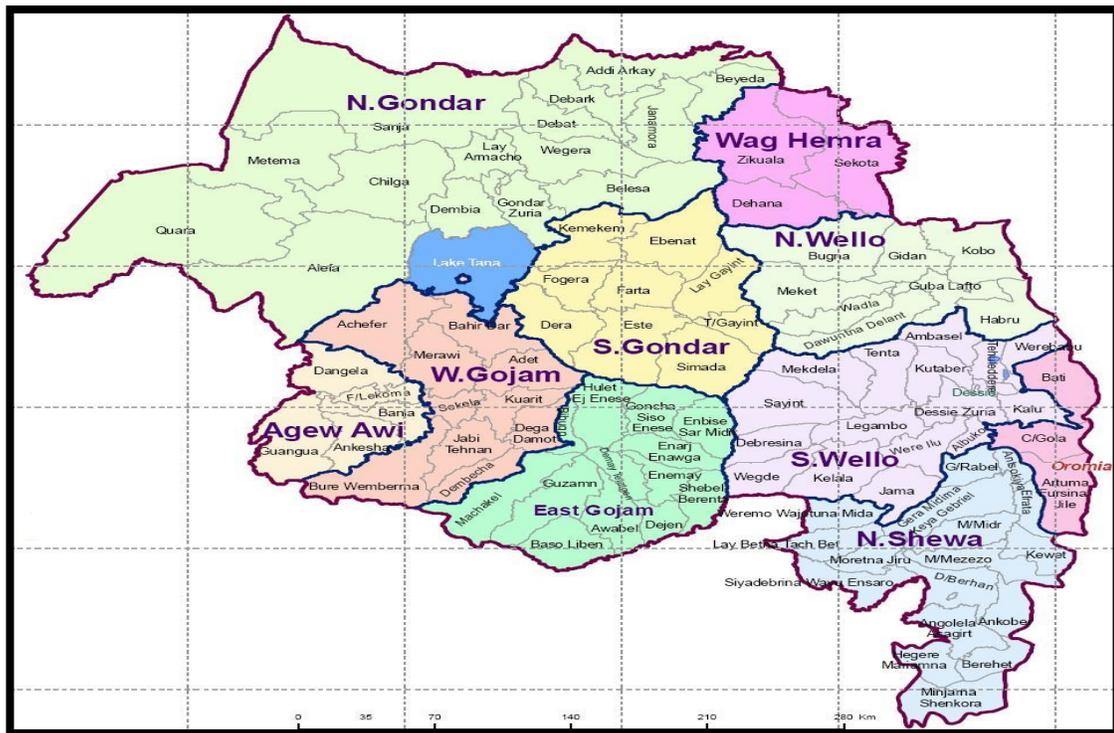
Conceptual framework (Fig.1)



Research methodology Research Methodology

The study try to assess the impact of corporate social responsibility practices on factory performance a study on four selected factories in Amahara region, Ethiopia.

. Description of Study area



Amhara Region has an estimated total population of 22,191,890 consisting of 9,110,481 male and 9,057,501 female. 87.4% of the population is estimated to be rural inhabitants, while 12.6% are urban dwellers (CSA 2017) and estimated area of

154,708.96 square kilometers, this region has an estimated density of 117.4 people per square kilometer.

Research Design

The research was employed quantitative and qualitative research approaches and explanatory research design.

In the case of the type of research, sequential explanatory and descriptive research strategy would be preferable regarding the characteristics of study. Explanatory research is conducted to clarify and research a better understanding of the nature of the problem.

Sources of Data

Sources of data for the study were included both primary and secondary. It can be classified as primary (that have been collected from first-hand) and secondary data (that has already been published).

Methods of Data Collection and Instruments

The research was employed questionnaires; interview, and document analysis. Questionnaires were used to collect data from employees of each four factories and direct interview was made with key informants from general manager and different line managers such as marketing, production, quality assurance and general service managers of each selected four factories. In addition to the above data sources focus group discussions were made with the communities located around the factories.

Sampling Design

This section of the paper included the target population, the sampling method and the sample size.

Target Population

Related to the study the source population is the current management and non management staff members of the four selected factories (namely Dashen brewery, Dashen cement, Bahir Dar leather and Bahir Dar textile factories) as well as society living around the four factories.

Sampling Method

The researchers were used 5 percent marginal error and 95 percent confidence interval. The study was (Yamane, 1967) to determine the sample size of the study

$$n = \frac{N}{1+N(e)^2} = \frac{2281}{1+2281(0.05)^2} = 2281/6.70 = 340$$

A sample is made up of some the members of the total population of the staff selecting sample shall a fundamental element of the study. For this study the researchers determine the sample size from the total population using stratifying procedures which consists of dividing in to number of non-overlapping sub population of strata then take sample form each stratum (freud, 2013).

Table-2 Sample size - Proportion				
S/N	Factories	Employees in each factories	proportion	Sample
1	Dashen cement industry	260	0.11	37
2	Dashen Brewery Factory S.C	550	0.24	82
3	Bahir Dar Leather Factory	194	0.08	28
4	Bahir Dar Textile Factory S.C	1277	0.56	190
Total		2281	1.00	340

Therefore, the researchers selected 340 samples from the total population 2281 staff workers from four factories using proportional allocation method (freud, 2013).

From the sample population of the selected factories appropriate samples for questionnaire administration was determined by using stratified random sampling technique to give equal weights for each factory. The researchers were used use proportionate allocation method during sampling based on the number of employees of each factory.

Consequently, the personnel manager, marketing manager, finance manager, Quality assurance and general Service managers of the four factories were communicated and focus group discussions were made accordingly with societies living around each selected factories.

Validity and Reliability

During time of data collection, where actual data is not available through secondary sources, consent of the informant is obtained while confidentiality is maintained to assure the data accuracy with the staff and the interview is carried out through maintaining convenience of participants. Using Cronbach’s alpha coefficient reliability statistics acceptable relationship requires above 67% and the result obtained (74.3%)

is good enough to show strong acceptance on the result of the relationship which indicate the data used was relevant reliability to the study.

Methods of Data Analysis

Version 21 of SPSS was employed for the purpose of processing and analyzing of the results through descriptive analysis and logistic regression to analyze the impacts of social responsibility practices. The first part of the questionnaire which is about the practices of CSR was analyzed through descriptive statistics and was presented using tables, percentages and graphs.

Data analysis and interpretation

These sections assess and analyze CSR Practices in four factories in Ethiopia using the questionnaires developed and distributed to the respondents. The demographic data was used find out if people respond differently items with respect to differences in gender, educational background, and work experiences.

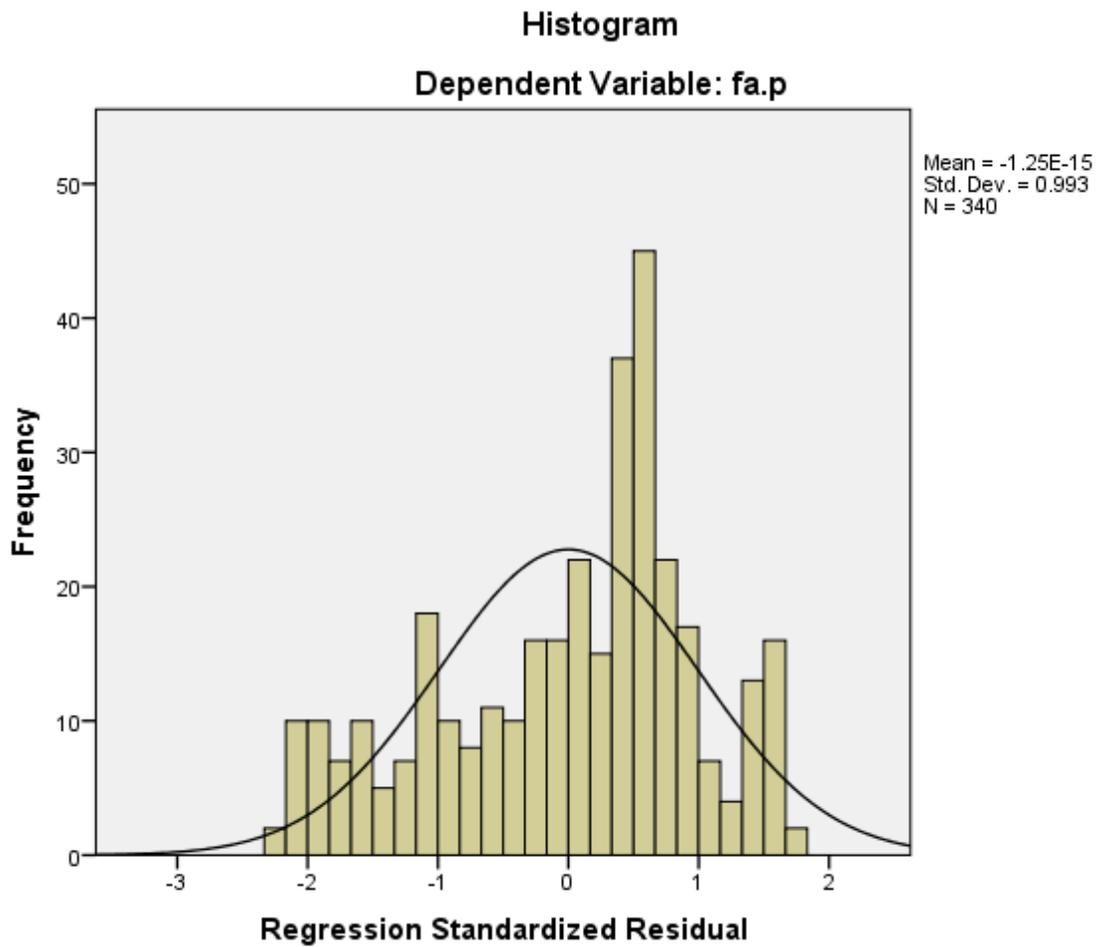
Model Assumption chalking

Normality assumption

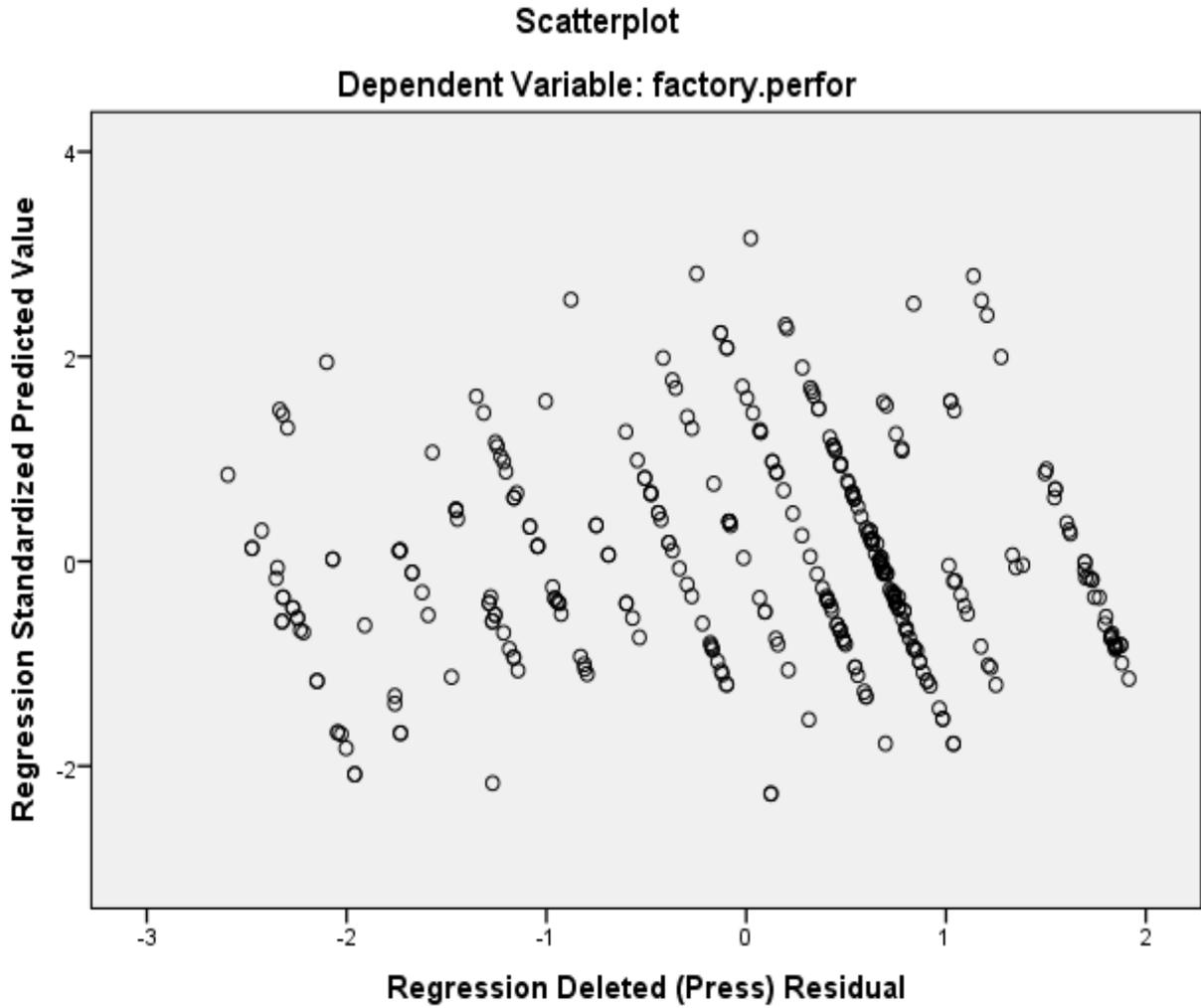
Skewness and Kurtosis values are also provided as part of the descriptive statistics output, giving information about the distribution of scores for the two groups. These statistics are displayed with their standard errors.

Therefore, it indicates that the distribution of this data is normal. Because, the coefficient of skewness data value is between -0.5 and 0.5 and kurtosis value is not far from zero and the distribution is normal for this study.

Fig.2



Regression Standardized Residual
Source: Compiled by the researchers



Objective related questions analysis

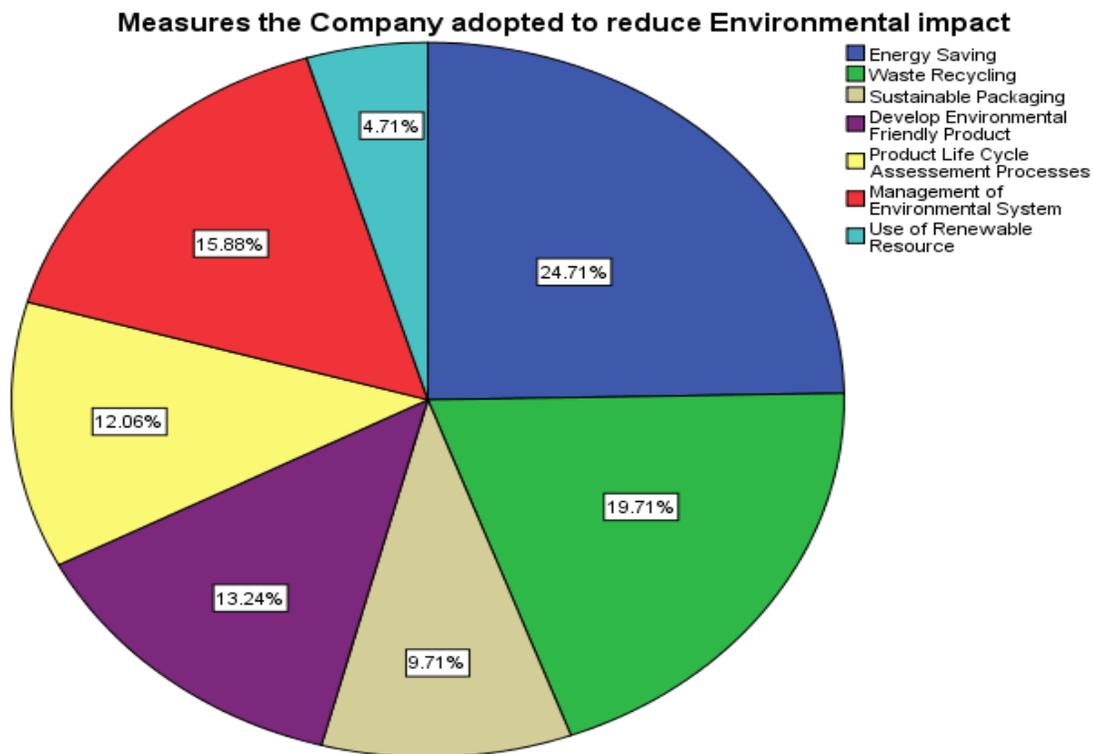
Table-3

Which problem your company has recently faced?

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Employee Safety	124	36.5	36.5	36.5
Children Work	19	5.6	5.6	42.1
Irregular Work	69	20.3	20.3	62.4
Valid Women Rights	38	11.2	11.2	73.5
Over time work	41	12.1	12.1	85.6
Fair pay	49	14.4	14.4	100.0
Total	340	100.0	100.0	

Source: survey, 2019

From the above table 4.4, the respondents were asked to answer the problem their company has recently faced and majority of the respondents 124(36.5%) replied employee safety, followed by irregular work 69(20.3%), fair pay 49(14.4%), overtime work 41(12.1%), women rights 38(11.2%) and children work 19(5.6%). This figure indicates that employee safety problems are the major problems faced by the sample factories followed by irregular work which shows labor treatment is the first ranked which impacts company performance.



Source: survey, 2019 (Fig.3)

Pie chart

The above pie chart shows that in relation to measures the factories adopted to reduce environmental impacts the majority of the respondents 84(24.5%) energy saving followed by waste recycling 67(19.7%), management of environmental system54 (15.9%), Develop Environmental Friendly Product 45(13.2%), Product Life Cycle Assessment Processes 41(12.1%), Sustainable Packaging 33 (9.7%) and few respondents 16(4.7%) the factory adopted the Use of Renewable Resource. This implies that the factories adopted more on energy saving and significant respondents replied that the factories adopt on waste recycling works.

Table-4 CSR Activities of the Organization				
Description	Frequency	Percent	Valid Percent	Cumulative Percent
Environmental Care	128	37.6	37.6	37.6
Education	55	16.2	16.2	53.8
Health Care	26	7.6	7.6	61.5
Peripheral Development	14	4.1	4.1	65.6
Housing	21	6.2	6.2	71.8
Village Adoption	16	4.7	4.7	76.5
Community involvement	37	10.9	10.9	87.4
Employment	35	10.3	10.3	97.6
Welfare	8	2.4	2.4	100.0
Total	340	100.0	100.0	

Source: survey, 2019

Based on the above table 4.5 majority respondents 128(37.6%) replied environmental care, Education 55 (16.2%), Community involvement 37(10.9%), Employment 35(10.3%), Health Care 26(7.6%), Village Adoption, housing 21(6.2%) 16(4.7%), Peripheral Development (4.1%) and the least community welfare 8(2.4%) accordingly.

Table-5			
Major factors for the implementation of CSR practices			
Description	Mean	Std. Deviation	N
Factory performance	3.3402	1.13910	340
Labor treatment	2.9699	.69617	340
Social Dialogue	2.5897	.86092	340
Consumer protection	3.0701	.61299	340
Community welfare	2.9426	1.03373	340
Environmental protection	2.8539	.90976	340

Source: Survey, 2019

The findings of the research from the questioners distributed about the CSR practices in industries (four selected factories) from the five pillars of labor treatment, Social Dialogue Customer performance, Community welfare and environmental protection is presented in the above table.

Table 4 above results of dependent variable factory performance which its mean 3.3402 and STD 1.13910 and the factors which affects factory performance of the study were mean 3.0701and STD .61299 consumer protection is the first determinant factor for the implementation of CSR practices followed by labor treatment which its mean result was 2.9699 and STD .69617, community welfare its mean result 2.9426 STD 1.03373, Environmental protection 2.8539 STD .90976, social Dialogue 2.5897 STD .86092 accordingly. This figure indicates that the independent variables have strong relationship with the dependent variable factory performance even though they have different mean scores and standard deviations. The results and facts are discussed from each pillar as follows:

Labor treatment

Social responsibility issues, employees related problems are repeatedly mentioned. According to the interview results previously employees are too much Negligent in applying the factories code which is related with of employee’s safety, health and their right.

On the other hand factory related problems in providing equal opportunities for all workers in order to protect personal data and privacy of workers and paying for work of equal value.

Now currently some of the factories show some progress and better to use the safety material properly while in production, loading, unloading manually and using automated machines.

In the survey of this study the Pearson correlation shows that Environmental protection (.456**), Community welfare (.450**), Customer performance (.416**) which shows labor treatment have strong impact on the factories performance.

Social dialogue (Sustainability)

From the social point of view factories involved in different social activities considered as CSR programs like transport facility ,educations for communities, health & welfare, utilities, Unemployment rate, female labor force participation rate, While reviewing of social in respect of the four pillars it is correlated with environmental (.510**) and customer performance (.571**) sustainability.

Consumer protection

Anupam and Ravi (et al, 2012) stated that consumer protection can be achieved through improved products. Customer trust is a critical success factor for any business. Strong customer employee relationship can build customer confidence. Factories or businesses strive in consumer protection practices truthful and reliable advertising, does not replicate packing to mislead consumers, accept new ideas and encourage feedback from customers and maintains accurate and true business records. Consumer protection have direct relationship at Pearson correlation ranked Social Dialogue (.571**), Community welfare (.446**), Labor treatment (.416**). This figure implies consumer protection have direct relation with social dialogue, community welfare and labor treatment accordingly.

Community welfare

Nirmala L. (2008) studied about CSR as “the Social and Environmental Impacts of Leather

Production”. The study indicates health problems which are related to tanneries. Therefore, factories strategically working on community welfare tries to minimize the exposure of toxic chemicals used, properly manage wastes materials discharged from the inside of the factory. The community welfare is highly correlated with Pearson correlation Labor treatment (.450**), Customer performance (.446**) and Social Dialogue (.417**). This indicates community welfare have direct relationship with labor treatment, Customer performance, and social sustainability which consequently impacts factory performance.

Environmental protection

Environment issues are one of the factors in sustainability of the tannery, cement, brewery and textile industries in Ethiopia due to the fact that these industries need huge amount of water, energy, chemicals etc. However, in respect of environmental programs of CSR by factories are not done too much in comparison of the four pillars while correlating Pearson Correlation .510** the five pillars. Environmental protection (sustainability) includes factory complying with set of environmental laws, rules & regulations. Like brewery, cement Factories emits fewer green house gases.

Therefore, in sustaining environment friendly factories produces products from recycled materials to minimize environmental impacts, sustainable packing, use environmental friendly inputs/products etc. According to questionnaire responses from factory managers/owners participated most of them are not so proactive to the environment in water and air even though factories contribute a lot for water and air pollutions and problems related to air & water pollution, emitting fewer green house gases. The cement, tannery and brewery sectors are currently emerging economy and fastest growing industries in Ethiopia which demands high consideration of environmental protection.

The environmental protection aspects are highly related with social dialogue Pearson Correlation .510** this is because some of the factory activities of CSR are highly directly related with social sustainability measurements.

Results and Discussion on Interviews

These direct interviews was made with key informants from general manager and different line managers such as marketing, production, quality assurance and general service managers of each selected four factories. on CSR practices were based on a set of open-ended questions to see the overall industry practice on CSR and governance System. The interview results from the four organizations are generally summarized.

It shows that the overall interactions and relationship between the governments, factories, employees, buyers, other stakeholders. The interviewees from the four the four factories expressed that there is good communication systems with the factories and the association as industries vision is to see Ethiopia a leading African country in export led production Development. The informants outlines that the major objective of the factories are to ensure the fast and sustainable growth of the industry product by providing in the area of three pillars of development, i.e., capacity building, investment and market promotion. Currently the factories are implementing different capacity building projects. The main objectives of these trainings are to promote and safeguard the sustainable competitive position of the Ethiopian products especially leather and textile sector within the global market. The factories took the voluntary initiation to

have sector based code of practices that has positive impact on economic, social and environment. This code contribute a lot for factories to practice CSR programs.

However, from the interview and the questioners the results shows that during planning and implementation phases of CSR there is a gap among the two influential stakeholders (the factories, and the Government agency).

In addition to the above data sources focus group discussions were made with the communities located around the selected factories.

Conclusions and recommendations

Conclusions:

The Ethiopian production industries have begun to realize what motivates or opportunities the producers have in Ethiopia to engage in CSR practices, to answer what are the determinants and implementation challenges of Social Responsibility practices, and alternative strategies are used. The results are seen from the five bottom line concepts that considered CSR Practice from labor treatment, social dialogue, customer performance, community welfare and environmental protection issues and data are analyzed by SPSS 21.0 for Windows'.

As a result companies attempt to exercise the CSR programs as a responsible business practice from their own business profit aspects that contribute to increase the economic aspects. There also an attempt for social issues which is highly related with employees benefits.

The research shows that the most important stakeholders for the CSR initiatives are investors or share holder owners and followed by employees and customers. Since the manufacturing industries stakeholders are very interrelated for the business mostly the customers/buyers are the major influential part for Ethiopian manufacture products due to the nature of the market. Due to fact that the investors are mostly forced to apply different good operational practices or codes that includes international production codes mostly required by the customers.

On other hand the demand for CSR practices is originally driven by marketplace expectation and comes mainly from overseas customers and this lead inventor's to have CSR as its main motives for CSR were a morality the right thing to do and needs to keeping its company's image is so vital. Even from societies point of view the industry has got a lot of challenges. Because of the nature of the product keeping its image is good. However, according to respondents government support for CSR practice is very minimal.

Finally, the cost challenge is one of the factors for not being implanting different CSR Programs especially in respect to environments issues. Since it need a lot of money to engage.

Recommendations

Based on the analysis regarding to CSR practice the most important recommendations are set to be considered in the future interventions;

The country's manufacturing factories investment policy and due to the availability of raw materials coupled with the high demand for the products. Ethiopia factories better to implement Incentives mechanisms for CSR activities may includes extending of tax, holiday year, tax free, recognitions, etc. From this it is observed that CSR environmental activities are very minimal in comparing with economic and social factors. Therefore it is better to make forceful code of practice so that companies the government should have to apply the new legislation and familiarize with code.

Factories shall have to involve of employees and community leaders in the CSR process and evaluation so that all of them have common understanding and responsibility that will enhance to have an effective CSR programs.

The researcher proposed strategies for the factories by focusing on management commitment preparation, implementation and monitoring so as to measure increment of factories performance.

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