



Health Institutions and Corporate Social Responsibility Standard Compliance in Developing Economy

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Abstract

This paper examined the effect of Corporate Social Responsibility (CSR) and standard compliance of health institutions with the associated recurs in South West Geo – Political Zone of Nigeria, this was with a view to spur all related corporate organization to add value to their operational business environment in developing economy instead of incurring undue penalty cost when agitation ensued. Both primary and secondary data were sourced and analyzed through descriptive statistics techniques of Analysis of Variance (ANOVA) and Simple Percentage Method (SPM). The result revealed that there were significant relationship between CSR and earnings potentials of health institutions in Nigeria. On the average, CSR cost showed p-value of $(0.000) > (0.05)$ level of significant in normal situation and p-value of $(0.18) > (0.05)$ level of significance when crisis occurred. The result obtained from (80.1% indigenes of host community and 65.711% staff of selected hospitals showed that needs of host communities are often neglected until when agitation is staged. Out of six corporate health institutions studied, it was found that benefits derived from voluntarily compliance with the principles of CSR as prescribed by ISO 26000 reduces social costs compared to when crisis results. Basic principles like human rights observation, labour standardization, environmental pollution protection, health education, treatment-cost reduction and harsh treatments avoidance among others factors are the basic CSR costs which a workings corporate health Institutions need to meet up with. Based on this, the study recommends proactive response to all corporate organization to meet the recommended standards on CSR and to adequately evaluate the critical needs of people of the host communities from time to time.

Keywords: Health; Social responsibility; Developing economy.

1. Introduction

Generally, corporate social responsibility refers to the responsibilities that a company has towards society. It described decisions made by a business that is linked to ethical values and respects for individuals, society and the environment as well as compliance with the prescribed legal requirements. CSR is based on the concept that a company is a citizen of the society in which it exists and operates, and as such as a corporate citizen of a society, it owes the same sort of responsibilities to society at large. Thus, there is a social contract between a company and the society in which it operates. As the user of large amounts of property and other resources of hosting community, corporate institutions owe a duty to the society whose property and resources is been used for their economic advantages. In a responsible way, society should allow the company to operate and remain in existence so as to allow value addition as prescribed in ISO 26000 standard drafts. There are two key areas of responsibilities emphasized in the draft - general responsibilities that are a key part of the institution duties which need to be completed in order to succeed in their industrial activities within the regulatory/legal requirements that are imposed on them and which must be seen by the people as those that goes beyond the general responsibilities. The economic cost of these responsibilities and business activities are usually included not only in the direct costs of the business operations but also as social costs. Basic responsibilities like human rights preservation, labour standards observation, environmental pollution prevention, health education, costs reduction and harsh treatments avoidance among others are the basic CSR costs which guides the workings of any Corporate health Institutions especially hospitals. Sharing useful and educative information with indigenes of business environments, customers and trade associations endears corporate organization to sustaining its businesses and earnings potentials.

Social costs include the costs of damage to the environment and the costs of having to clean up waste and pollution created by business activities. These costs created by companies are sometimes referred to as 'externalities'. Many of these social costs are paid for by government, and so are paid by the taxpayer, but there is a growing recognition of these costs in developed countries where the government has developed 'green policies' aimed at removing the payment from innocent taxpayers and making the relative institution to pay for the social costs they incurred in as much as there are derived benefits attached. Along the same vein, International Standard Organisation on CSR Standard draft mandate the government to have a range of 'green' policies for the protection of the environment and promotion of 'sustainable businesses'. These could include policies for the prevention or reduction of pollution of the air, land or water (rivers and seas) development of environmentally-friendly energy sources which are peculiar to health care institutions. Many institutions especially health institutions have direct

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effect on people's life and as such deserved to be compensated voluntarily by investing in technology that will reduce pollution, disease epidemics and other hazards. Environmentally friendly policies such as robust biodegradable packaging materials, extremely low medical charge for the residents of the institution host community, but more often than not the cost that supposed to be a moderate cost is paid under duress as a penalty by defiant corporate organization

Health institutions in Nigeria comprises of public and non-profit organization within the state that provides health cares and related services including and not limited to the provisions of inpatient and outpatient care., laboratory services, medicinal drugs, nursing care etc. The awareness of CSR will vary between different countries. To remain successful in business, institutions must respond to changes in the expectations of its customers. In many countries, there has been a significant increase in public awareness of environmental problems, such as global warming (pollution and energy consumption) and the potential for natural disasters that this institutions creates. There is also concern about the irreplaceable loss of many natural resources and the failure to re-cycle many raw materials that could be used again in products or services. If an institution fail to respond to growing public concern about social and environmental needs of the stakeholders especially that of host community, they will suffer a damage to their reputation and the possible loss (long term) of sales and profits. This is the problem for institution reputation risk which is of great economic factors. Beside this, corporate organizations are facing so many competition while providing services to customers both locally and internationally. A lot of institutions and business organizations are moving toward internationalization and in that wise, they have to meet the international standards to compete and succeed in the market. They are also aware of the need to be concerned about the environmental, social and economic aspects if they want to meet the current market challenges. Hence, there is a growing interest on the resultant effect of the activities of business organization on employees, customers, investors and the host communities. It is therefore becoming increasingly obvious that firms can contribute to the growth of their own wealth by considering their effect on the society when making decision (Waseem and Omar, 2013). Unfortunately, there is no genuine reason for health institutions not to address CSR issues on host community going by the huge amount of profit often recorded by private hospitals and huge amount of taxpayer's funds the government hospital often enjoyed as grant. But more often than not the needs of host communities who provides land, natural resources and other amenities to their personal detriments are often neglected and the people are made to suffer hugely which the principles of CSR condemned out rightly.

2. Theoretical Framework

Corporate social responsibility refers to the responsibilities that a company has towards society. It can be described as a decision-making platform that is linked to ethical values and respect for individuals, society and the environment, as well as compliance with legal requirements. It is based on the concept that a company is a citizen of the society in which it exists and operates as a corporate citizen of society, it owes the same sort of responsibilities to society at large that other citizens should owe and there is a social contract between a company and the society in which it operates. As the owner or user of large amounts of property and other resources, companies as corporate citizens also owe a duty to society to use its property and resources in a responsible way. In return, society allows the company to operate and remain in existence. There are two key areas of responsibility, general responsibilities that are a key part of the business duties and basic responsibilities which goes beyond the general responsibilities. Corporate social responsibility has five main aspects which includes ethics, integrity, fairness with respects, responsible in its community and sustaining the environment for future generations. This could take the form of reducing pollution of the air, land or rivers and seas, developing a sustainable business, whereby all the resources used by the company are replaced, cutting down the use of non-renewable (and polluting) energy resources such as oil and coal and increasing the use of renewable energy sources (water, wind) and re-cycling of waste materials.

The concept of corporate citizenship and corporate social responsibility is consistent with a stakeholder view of how a company should be governed. A company has responsibilities not only to its shareholders, but also to its employees, all its customers and suppliers, and to society as a whole. Blowfield and Frynas (2000) defines Corporate Social Responsibility as an umbrella term for a variety of theories and practices all of which recognizes that companies have the responsibility for their impact on society and the natural environment, companies have a responsibility for the behavior of those with whom they do business; and businesses need to manage its relationship with wider society, whether for reasons of commercial or for value adding.

The United Nation Global compact has introduced some basic principles, which are used in both developed and developing countries as a foundation for applying Corporate Social Responsibility in their organizations (Sendil, 2015). The awareness of CSR varies between different countries. To remain successful in business, companies must respond to changes in the expectations of its customers. In many countries, there has been a significant increase in public awareness of environmental problems, such as global warming (pollution and energy consumption) and the potential for natural disasters that this creates. There is also concern about the irreplaceable loss of many natural resources and the failure to re-cycle many raw materials that could be used again in products or services. If companies fail to respond to growing public concern about social and environmental issues, they will suffer a damage to their reputation and the possible loss (long term) of sales and profits. Thus, the company reputation is at risk.

There are lots of damages that any health institution can inflict on its environment as there are tendencies of spreading contagious diseases which could be contacted by people of the community. It often take form of pollution of the air, land or rivers and seas around the environment of the corporate institution. Going by these reasons, International standard organization prescription on CSR covered Human Rights which states that business should

support and respect the protection of internationally proclaimed human rights, make sure that they are not complicit in human rights abuses, labour standards that **says** businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced and compulsory labor and the effective abolition of child labor, the elimination of discrimination in respect of employment and occupation and environment protection which should support a precautionary approach to environmental challenges.

Undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.

CSR has been justified through many sources such as businesses working against corruption in all its forms, including extortion and bribery, business owners are beginning to see that the Corporate Social Responsibility (CSR) activities that integrate broader societal concern into business strategy and performance are evidence of good management. In addition, building trust with the community, and acting responsibly with workers and the society can help build value for firm and their stakeholders. Ethics has witnessed a number of serious and high-profile breaches by corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards. Citizens in many countries are making it clear that business organizations should meet the same high standards of environmental and social care. In the CSR context, firms can help build a sense of community and shared approach to common problems and business organizations have recognized that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

The benefits of CSR can definitely not be quantified, corporate organizations for the most part especially in developing countries has taken on most of the responsibility of government by constructing roads, providing pipe borne water, building schools and health care centers and providing electricity etc. The communities feel the organizations owe them for doing business in their locality, in spite of the fact that they pay taxes to government. Few organizations see CSR as a drain on resources, some believe that businesses are meant to make money for their stakeholders, while it is government's responsibility to take care of its citizenry. While it is true that government need to do more, the contribution through a well articulated and carefully implemented CSR policies has greatly helped to improve the quality of life of the people as well as improve businesses. The advantages of CSR are many but not limited to positive publicity, visibility and media opportunities. It builds a distinctive brand image, help to build a reputational responsible business organization, ensures that organizations comply with regulatory requirement, build innovation and enthusiasm, minimize any negative report on the organization, attracts and retain quality staff, increase customer and staff retention, reduces penalty costs and improves productivity gains.

No matter the size of an organization or the level of its involvement with CSR, every contribution is important and they provide a number of benefits to both the community and business. Contributing and supporting Corporate Social Responsibility does not have to be costly or time consuming, since active business organizations in their local communities derived significant benefits from their involvement. Some of the positive outcomes that can arise when businesses adopt and comply with policy of Corporate Social Responsibility includes: improved financial performance, low cost of operation, enhancing the brand image and organization reputation, increased sales and customer loyalty, greater productivity and quality, ability to attract and retain employees, reduced regulatory oversight, access to capital, workforce diversity, product safety and decreased liability among others. Benefits to the community and the general public should include - charitable contributions, improved relationships with the local community and corporate involvement in community education.

3. Roles of CSR in Community Development

The role of CSR in community development can be classified into direct and indirect benefits received by the community as results of the social commitment of business organization to the overall community system. Such roles includes sharing the negative consequences as a result of industrialization, closer ties between corporations and community, helping to get talents, transference of technology, protection of its immediate environment, human right sustainability, interdependency between a corporation and community, poverty alleviation and data gathering for other public organization function. Sometimes, monitoring the impacts of the organization in respect to their CSR is important and the following checklist questions are asked. [Sendil \(2015\)](#) does the organization provide a safer working environment and educational assistance to employees?, does it improve contractual relations, does it enhance gender equality in the workplace?, does it use more energy-efficient appliances (e.g., light bulbs) or vehicles? Does it improve customer service standards?, does it support more local community projects?, does it purchase fair trade products that support workers in developing countries?, does it recycle more waste?, does it ensure a better work/life balance for employees? And does it provide accessibility to customers of various abilities?

3.1. CSR Models and Health Institutions in Nigeria

European Foundation for Quality Management (EFQM) model provides a modern approach to integrate CSR activities into the observation of business performance and measure business success on a sustainable foundation ([Sendil, 2015](#)). The model provides an ideal framework for measuring compliance rate of health institutions to the prescribed treatment recommends in the ISO 26000 official draft and their influence on institution performance. The first step is to identify the contribution of CSR to each examined criteria then select the affected criteria as closely linked to known stakeholders. The relevant data of the stakeholders must be collected to decide on effective method of obtaining required data on the basis of the stakeholder concept.

4. Data Analysis and Findings

Data were collected through interview of different groups of stakeholders and a structured questionnaire were used to elicit information from two major group namely indigenes of host community and officials of the studied health institutions.. The satisfaction levels of different stakeholder groups in this concept are used as the dependent variables while the cumulated CSR activities represent the independent variable. The analysis showed that the satisfaction level in respect of enhancement of human right observation has a significant positive effect with cumulated CRS ($t = 4.23$), $p > 0.05$ with a beta factor of 0.244, this showed cumulated CSR activities explains 74% of the variance in human right violation observation. Also, the satisfaction level in the area of environmental and diseases spreading protection has a significant positive effect with CSR activity in the community ($t = -3.041$), $p < 0.005$ with a beta factor of 0.254, This shows that satisfaction level of CSR explains 25% of the variance in the diseases spreadable and environmental pollution in most host communities. The analysis further showed that improvement in the community where health institutions are sited as in standard of living has a significant positive effect with the satisfaction level of CSR ($t = 4.827$, $p < 0.005$) with a beta factor of 0.657. This indicates that the satisfactory level of CSR in developing country explains 65.7% of the variance in the improvement of standard of living. The result of the analysis of variance (ANOVA) shows the reported f- value of (22.86) is significant of the degree of freedom of (29.06) $p < 0.005$. Based on the result of the ANOVA, it could be deduced that the satisfaction level of different stakeholder group is enhanced by the cumulated CSR activities in the host communities. The result showed that 18.04 of the total variation in the level of satisfaction by different stakeholders was as a result in the predictor. The result indicate that there is a significant relationship between CSR activities with health institution and level of satisfaction among different stakeholder.

F different of compliance costs and penalty costs of defaults by the cumulated CSR activities in the host communities Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------------|--|-----------------------------|------------|---------------------------|--------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .923 | .577 | | 1.598 | .112 |
| | enhance human rights observation | .259 | .061 | .244 | 4.231 | 0.000 |
| | improves labour standardization | .191 | .052 | .292 | 3.689 | 0.000 |
| | environmental pollution protection | -2.265 | 0.745 | -0.254 | -3.041 | 0.003 |
| | enhance health education | .091 | .061 | .151 | 1.476 | 0.141 |
| | reduces harsh treatments | .463 | .055 | .501 | 8.466 | 0.000 |
| | increasing the health institution sizes | -.026 | .057 | -.028 | -.447 | 0.655 |
| | Penalty cost and other social costs | -.249 | .112 | -.187 | -2.226 | 0.027 |
| | improves staff well being | .163 | .105 | .128 | 1.552 | 0.122 |
| | improves community standard of living | 5.547 | 1.149 | 0.657 | 4.827 | 0.000 |
| | influencing the infrastructural development | -2.025 | 0.46 | -0.298 | -4.404 | 0.000 |
| | symbiotically benefit of health institutions and host community. | -.129 | .142 | -.066 | -.905 | 0.367 |
| R | | | | | | |
| R-Square | | | | | | |
| Adjusted R ² | | | | | | |
| Std Error Of The Estimate | | | | | | |
| ANOVA | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 23.402 | 11 | 2.127 | 22.860 | .000 |
| | Residual | 18.427 | 198 | .093 | | |
| | Total | 41.829 | 209 | | | |

5. Conclusions and Recommendations

The study concludes that selected concepts of CSR that are recommended by ISO 2600 were not adequately observed by health institutions studied. On a general note, such concept are not stated in the mission and policy statements of most corporate institutions especially health service rendering ones such that the people living in the community are exposed to epidemics of chronic diseases'. That the cost of complying with the prescriptions of ISO 2600 are often low compared with that of when the people make request in form of agitations. Also that the list of practical CSR activities as recommended in health sectors need to be put into use and these initiatives are likely to be of interest to personnel of larger firms. Based on this, every organizations should reduce the consumption of energy, water and other natural resources, that are capable of causing hazard in host community and resolve to using stakeholders' friendly means. It is the responsibility of organizations to train and encourage staff to look for additional ways to create a friendly environmental footprint, organizations should also establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices. Corporate organizations should establish policies to ensure the health and safety of all employees and indigenes of host communities, provide training opportunities and mentoring to maximize promotion from within the organization; and encourage a healthy workplace - implement a smoking ban or drug and alcohol abuse support program. Health service firms should ensure that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, ethnicity, disability or religion. Health organizations should encourage indigenes volunteering in the community by offering of quality health education and apprentice /understudy programme for students, collaborators with local teachers to make the business advantageous to the people in the host community. The study therefore concludes that corporate social responsibility standard and compliance rate is low in Nigeria and the relationship between health institutions in developing countries as shared lessons was not significantly felt in most of the host communities.

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