'SOCIAL MONITORS' AS AGENTS/CATALYSTS OF CORPORATE SOCIALLY RESPONSIBLE BEHAVIOURS*

Abstract
That big companies are important, if not indispensable, for the growth and stability of any economy can hardly be doubted. They equally contribute, in no small measure, to social security of any nation as they offer employment opportunities to the citizens of the country. As the people are busily engaged, the crime rate is most likely to reduce. Again, they help in improving the social welfare or wellbeing of the populace through payment of corporate taxes and by indulging in other forms of corporate philanthropy, otherwise popularly referred to as corporate social responsibility. Having said all these, there is, however, no gainsaying the fact that some of these companies exhibit a poor or irresponsible behaviour and are concerned principally with making so much wealth to the detriment of the stakeholders. There are various ways through which these kinds of irresponsible or unethical corporations may be forced to behave responsibly. One of such is through legal regulations, especially when such rules or regulations are backed with criminal sanctions. Other ways are through what can be referred as social monitoring which is mainly carried out by concerned non governmental organisations (NGOs) which pressure companies, through monitoring and exposing their improper or irresponsible corporate conducts to the public, to have a rethink and retrace their steps. A similar effect can be had by a well organised consumer boycott of the goods produced and/or services rendered by an irresponsible company. The researcher sets out to see how potent social monitors can be in pressurising companies to be more attentive to the impacts of their corporate activities and decisions on the public. Doctrinal research method was employed in doing this. It is found that, if well harnessed, social monitoring can be a veritable tool used in curbing corporate excesses and irresponsibilities, most especially where there is availability of the needed information to such social monitors. The potency of this tool is, however, not much felt in Nigeria as it is in the advanced nation due to dearth of information disclosure, illiteracy, subjectivity or biasness of the few existing social monitors, amongst other factor.

Introduction:

There is now a growing awareness of environmental problems and persisting social inequality often induced by campaigning efforts of activist groups.[1] It cannot be over-emphasized that whether a big company can be socially responsible or not is, to some extent, dependent on a number of factors, principally amongst them is the kind of environment or jurisdiction it is operating on. A company that is operating in an advanced country where sound corporate rules and regulations are well entrenched and judiciously enforced will be forced to behave responsibly lest it will be penalised for any proven irresponsible behaviour. Such companies operating in those nations are most likely going to adopt corporate best practices. The existence of robust, effective and efficient corporate social monitors equally helps to bit the otherwise irresponsible and/or recalcitrant companies into line as pressure from those social monitors will force such companies to change their improper corporate practices that are inimical to the corporate stakeholders and the environment. These social monitors have a great impact in moulding public opinions for or against any company. It may not be doubted that a 'reasonable' company is conscious of its corporate reputation and

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[1] Preuss, L, Haunschild, A and Matten, D (2009) "The Rise of CSR: Implications for HRM and Employment Representation, 24(4) Int'l Journal of Human Resources Mgt 953, at p 955.

would guide or protect it jealously. Where there are effective corporate monitors, companies operating in such a jurisdiction are always careful the kind of picture they send to the world as any seriously negative behaviours of its will be thrown or showcased to the public by this monitors. Such negative report may elicit various reactions from the public including consumer boycott of the said company, stiffer legal control or regulations – most often backed with sanctions - from the government. All these reactions will obviously have an inroad to the pockets of the company concerned which is detrimental to the company, its shareholders and negatively affect the management team, reputation-wise.
That is, 'social monitors'[2] play an important role in informing and shaping public opinion about corporate behaviour and stimulating and co-ordinating market and other kinds of responses.[3] Information disclosure is very vital in aiding them in their act of monitoring the companies.[4] According to Boswell, social monitors perform the roles of collecting and refining of publicly disclosed information which in its raw state and without interpretation, may be overwhelming and confusing to the members of the public, and its supplementation through the "forceful probing which is needed to break down typical institutional secrecies or even obstructions."[5] Social monitors can activate public opinion on issues of company's social and ethical performance and can "focus and represent a public opinion which would otherwise tend to be amorphous."[6] This, they are able to do by sifting and evaluating relevant data concerning the company.

Social monitors can produce changes in company behaviour through various ways, for instance, by stimulating and coordinating market and other kinds of responses from the stakeholders against poor performing companies.[7] By drawing attention to improper corporate conduct, it may create pressure for enforcement - either in a given case or generally. Publicising social harm may cause demands for a strengthening of the regulatory framework or other government action(s). Again, social monitor helps in moulding public opinions; and the force of public opinion cannot be over-stressed. Company managers acting or endeavouring to act in a socially responsible way are partly driven by the need to defend their reputation and that of their company.[8] Corporate managers view their company having reputable image as a valuable asset to both the company itself and themselves.[9] By directing and focusing public attention on the negative sides of the company's behaviour which may damage that image and by calling on managers to account personally for their conduct, social monitors can exert pressure for a change.[10] This public visibility or exposure of the ugly side of the company (and those of the top management team) through the activities of social

[2] 'Social monitors' are "bodies which evaluate, praise, or criticise sectional units from the outside. Often, they start out from legally disclosed data.....They include consumer, environmental and other pressure groups, academe, religious organisations, the media and, in terms of some of their work, public regulatory agencies."- Boswell, J.S (1990) *Community and the Economy: The Theory of Public Co-operation*, London: Routledge, at 117.
[3] See Secrett, C "Under Pressure: Pressure Groups, Campaigns and NGOs" in R Cowe (ed.) *No Scruples?* London: Spiro, 2002, at p 3.
[4] Notable among the social monitors are the NGOs.
[5] Boswell (above, n 139), at pp 382-3.
[6] Ibid.
[7] Social monitors exercise some degree of influence, *inter alia*, on the product, employment and investment markets. These markets, as noted earlier, have the potential of influencing standards of corporate responsibility by punishing poor performers and rewarding good ones.
[8] See Bromley, D.B (2001) "Relationships between Personal and Corporate Reputation" 35(3/4) European Journal of Marketing 316.
[9] See Puncheva (above, n 8).
[10] See Warwick, S.L (1992) "The Relationship between Intense Media Exposure and Change in Corporation Reputation" 31 Bus and Society 33.

monitors facilitates or rouses public scrutiny and pressure and therefore plays a role in beating the management into line.[11]

Currently, however, there seems to be weakness in the existing system of social monitoring. Its current optimal effectiveness is also doubtful. For instance, its coverage is limited.[12] Again, comparison of the social performance of different companies may prove difficult as there is no standardised basis or indices to do so. Similarly, though there are many social monitors, they do not have or apply a uniformed (methodological) approach.[13] Consequently, sometimes, conflicting signals may be given out by different monitoring groups thereby limiting the guidance monitoring provides to companies' managements thus letting companies off the hook in the ensuing confusion.[14] Moreover, some companies may decide to ignore to respond to the complaint or pressure especially if the cost of compliance is on the high side. On the same vein, as noted by Herman, modifying objectionable conduct is not the only way companies and their management team respond to or cope with public reactions to disclosure: "Corporate response to disclosure of adverse information vary from 'toughing it out' to making token gestures, to investing in image-making expenditures in lieu of substantive change. For example, the poor image of the polluter may be offset by stressing on the fact that closing down polluting factories eliminates jobs."[15]

All these notwithstanding, social monitoring seems capable of making appreciable impact on corporate behaviour.[16] Arguably, it is a good way of increasing managerial circumspection and stimulating social pressure. The import of external pressure or influence towards prompting company's management to act responsibly cannot be over-emphasised.[17] Thus, in their research, Silberhorn and Warren suggest that company's corporate social responsibility (CSR) notion is a product of the interactions between the company's organisationally framed values and external influences.[18] Similarly, Parkinson avers that "companies are increasingly subject to pressure from market and civil society actors with regard to their social and environmental performance. These pressure, often referred to as being part of a process of 'civil regulation', offer some prospect of advancing the cause of CSR, but without the need to rely on altruism on the one hand, or to have recourse to problematic governance reforms on the other. Viewed from the perspective of regulatory theory, while its practical significance

[11] Thus, Andersen, A (2000), *Ethical Concerns and Reputation Risk Management: A Study of the Leading U.K Companies*, London: Arthur Andersen, at p 9, noted that "the desire to protect or improve reputation is the most common factor influencing the development of business ethics activities in organisations."

[12] **As in the case of consumer boycott**, I t is only limited issues that attract the interests of the social monitors, such as child labour.

[13] Thus, Boswell poised a question: "What regular, open, non-esoteric social monitoring is applied to banks, insurance companies or pension funds, not to mention foreign exchange markets, merger broking, or the portfolio investments of large financial institutions and multinational companies?" Boswell (above, n 139), at page 120.

[14] Parkinson *Corporate Power and Responsibility* (above, n 80), at p 380.

[15] Herman, E.S (1981) *Corporate Power, Corporate Control*, Cambridge: CUP, at p 278. See also Parkinson, ibid, at p 379.

[16] Appreciable impact is perceivable in the area of the environment. Under the pressure of social monitors and legislation, a number of companies currently conduct assessments of environmental impact of their corporate activities - especially for internal management purposes. This has given rise to increase in environmental consultancies and the development of sophisticated measurement and reporting techniques.

[17] A number of authors are suggestive that companies are primarily reactive with respect to CSR, responding to external pressures rather than proactively defining CSR. See for instance, L'Etang, J (1994) "Public Relations and Corporate Social Responsibility: Some Issues Arising", 13(2) Journal of Business Ethics 111; Vogel, D (2005) *The Market for Virtue: The Potential and Limits of CSR*, Washington: Brookings Institute Press.

[18] Silberhorn and Warren, (above, n 21).

should not be exaggerated, it is arguable that civil regulation might be able to compensate for some of the limitations of conventional regulatory techniques."[19] Continuing, he said: "A pre-requisite for effective civil regulation is, however, the public availability of reasonably complete, reliable information about companies' social and environmental impacts."[20] It is therefore desirable that attention be paid to social monitors' information needs by, *inter alia*, ensuring their appropriate rights of access to information held by the company and other stakeholders.[21]

Parkinson notes that for social disclosure to be effective and meet the desired result, it must be made mandatory.[22] The importance of this mandatory disclosure requirement was equally highlighted by Kirkman and Hope who, in their survey of voluntary environmental disclosure by major UK companies, accused some of them of 'green-washing' noting that "majority of the information provided was selective and almost solely concentrated on the positive aspects of a company's environmental performance. Most disclosures would appear to have been public relation driven, making it virtually impossible to derive a comprehensive picture of a company's environmental record."[23]

Disclosure must be objective; revealing good as well as ugly news for it to be useful. Again, it is desirable for reporting to be on a standardised basis, as to both content and format. This will help in the comparison of companies' performances. There is also the need for some kind of external check and validation on all publicly disclosed social information. Thus, in the words of Gray, evidence exists to suggest that what a company is required to report can have a significant influence on what it does – "if and only if.....the reported information can be considered to bear any reliable relationship with the events and things it purports to represent."[24] We will proceed by discussing the effectiveness of these social monitors in Nigeria.

To what Extent are these Social Monitors Effective in Nigeria?

As noted above, the importance of social monitors in making and/or forcing companies to be socially responsible cannot be over-emphasised. There are in existence, a number of social monitors, especially NGOs, in Nigeria. This does not mean that it can, in any way, be compared with what is obtainable in developed country like the UK.[25] In Nigeria, some of

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[19] Parkinson "Disclosure and Corporate Social and Environmental Performance" (above, n 118), at p 3.

[20] Ibid. Obviously, the appreciation of the above must have led to the formulation or requirement of Business Review under the UK Company Act 2006, s 417.

[21] See Imberg, D and MacMahon, P (1973) "Company Law Reform" 2 Social Audit 3, at p 16, where they wrote that "the most effective solution.....would be to give the public a statutory right of access to all company information, except where there was a good case against: personnel records, trade secrets, and the like, would clearly need to be excluded."

[22] Parkinson *Corporate Power and Responsibility* (above, n 80), at p 381.

[23] Kirkman, P and Hope, C (1992) *Environmental Disclosure in UK Company Annual Reports*, Cambridge: CUP, at p 21.

[24] Gray (above, n 161), at p 105.

[25] Many of the internationally leading actors in the CSR field are based in the UK. UK is the home of a number of CSR think tanks, research institutions and CSR vanguard organisations like AccountAbility, Chatham House, Tomorrow's Company, Institute for Public Policy Research etc, and CSR campaigning NGOs like Friends of the Earth, Forum for the Future, Amnesty International, Oxfam and Christian Aid are examples of NGOs creating remarkable impacts as watchdogs in the UK. Again, a CSR consultancy industry has emerged in the country rendering consultancy services to corporations, policy makers *etc* on CSR issues. (See Moon, J (2004) "The Institutionalisation of Business Social Responsibility: Evidence from Australia and the UK" 5(1) The Anahuac Journal. Furthermore, extensive coverage of CSR issues by UK media is viewed to be of a competitive advantage. See Ward and Smith (above, n 220), at p 5.

these monitoring groups are under-financed. Again, because of the corruption common in the country, the objectivity and dispassionateness of some of them in discharging this crucial role cannot be vouched.[26]

In the words of Parkinson, "availability of information is a pre-condition for effective public pressure for improved (corporate) performance."[27] It is beyond doubt that corporate information disclosure and social reporting are very essential in aiding these social monitors in playing their roles effectively. Corporate information disclosure through social reporting - especially when this is comprehensively and objectively done and not aimed merely to serve as a corporate image-enhancing mechanism - is a vital tool in stimulating and strengthening public pressure on companies to improve their social, ethical and environmental performance. But, some of these social monitors cannot function very well in Nigeria because of scarcity of relevant information. The activities of some of these corporations are shrouded in secrecy. Though the public liability companies are duty-bound under CAMA to publish their annual reports, the contents are mainly 'green washing'.

Again, when compared with the UK, social awareness is generally low in Nigeria.[28] Many Nigerians tend to adopt 'I don't care attitude' to human right, socio-economic and political issues. Corporate irresponsible behaviours are usually greeted with the same nonchalant attitude. Illiteracy, obviously, is one of the contributory factors to this, so also is poverty. Ineffective law enforcement institution(s) is also to be blamed - as it discourages even the enlightened ones who know their rights from seeking legal redress.[29] These and other factors do make the activities and efforts of the few social monitors not to be adequate and effective enough in exposing and curbing the irresponsible behaviours of the big corporations.

Having considered the chances of social monitors in positively influencing corporate behaviour it will be good if we will look at another issue that may steer companies towards ethical and responsible behaviour which is consumer boycott of the goods and/or services of the company concerned.

Consumer Boycott as One of the Means of Pressuring Companies to be more Responsible:

Social monitors are, of course, not the only constituency capable of influencing corporate behaviour. Another set of people who can pressurise management behaviour towards a socially responsible end are parties that have contractual relationships with the company - for example - employees and consumers. Just as is the case with shareholders, their influence is likely to increase with enhanced disclosure.[30] It is believed that with adequate information,

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[26] Shareholder activism can be a veritable instrument in some countries in promoting stakeholder inclusivity approach, and also in enhancing good corporate governance by acting as a watchdog checking or monitoring managerial abuses. However, shareholder activism has, allegedly, been politicised in Nigeria making it to be less effective in actualising these targets. It now affords an opportunity for self-enrichment of the officials of those associations. Some of the officials of the associations (formed, with the support of the government, to monitor the activities of the corporate management team and to co-ordinate the activities of the passive and dispersed shareholders) collect bribes and other favours from the company's management whose activities they are meant to check. They also participate in numerous corrupt practices of the executives of the company. These obviously hinder their activism. See Adegbite, E, Amaeshi, K and Amao, O (2012) "The Politics of Shareholder Activism in Nigeria" 105 Business Ethics 389.

[27] Parkinson (above, n 118), at p 11.

[28] Generally, the level of social awareness in the UK is high. See, for instance, Buckley, C (2002) "UK 'Most Socially Aware'" *The Times* 18th June, 2002

[29] This has been treated in more details above.

[30] There are marketing researches which demonstrate that corporate social performance information shapes consumer purchasing intentions. See Creyer, E.H and Ross, W.T (1997) "The Influence of Firm Behaviour on Purchase Intention: Do Consumers Really Care about Business Ethics?" 14 Journal of Consumer Marketing

the product, employment and investment markets have the capability of influencing corporate social, ethical and environmental performance by penalising poor performers and rewarding good ones.[31] One of the major ways by which the product market can respond to corporate irresponsibility is through organised consumer boycott.[32] Consumers can turn to "strategic nightmares" for companies perceived as acting improperly.[33] They can deliberately, either individually or in an organised form, boycott or avoid a company's product so as to force or pressurise the company into altering its irresponsible behaviour. Though there is few evidence of the financial impact of boycotts, it can be gathered from the reactions of the companies targeted that their impact does prove to be enormous.[34] Apparently, boycott tends to prove more potent where the issues are narrowly defined. Even at that, the tempo/momentum tends to be difficult to sustain for a long period of time.[35] Again, it is generally applicable to companies with brand name. Moreover, the organised boycott is normally hit by collective action problems, and it is only limited issues that attract high levels of interests, for instance, child labour issue but not necessarily wider employment issues or the right of indigenous communities.[36]
According to Parkinson, a more generalised way of pressurising companies that are perceived not to be committed to social and ethical issues is through 'ethical purchase behaviour'. This embraces the deliberate selection of explicitly 'ethical' products, and the act of "avoiding mainstream suppliers on reputational grounds or actively seeking out those with a positive reputation."[37] He warned that though a survey result claims that a good percentage of consumers tend to base their purchases on the company's reputation, this should be viewed with caution, as the same survey shows that conventional product attributes, *viz*- quality, value for money, and service were far more important determinants of purchasing behaviour than perception of the company's social performance.[38] Obviously therefore, ethical considerations are "often quite easily displaced by other positive aspects of the offering."[39]

Though consumer boycott has the potential of working out nicely in a developed, 'civilised' and socially-aware countries like UK, Germany and France where necessary information required to organise such a boycott is readily available and accessible to a greater number of

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421; Brown, T.J and Dacin, P.A (1997) "The Company and the Product: Corporate Associations and Consumer Product Response" 61 Journal of Marketing 68.

[31] See Parkinson "Disclosure and Corporate Social and Environmental Performance" (above, n 118), at pp 11-13.

[32] See Smith, C.N (1990) *Morality and the Market: Consumer Pressure for Corporate Accountability,* London: Routledge, at ch 8.

[33] William and Aguilera (above, n 7), at p 471.

[34] See Schuler, D.A and Cording, M (2006) "A Corporate Social Performance-Corporate Financial Performance Behavioural Model for Consumers" 31 Academy of Mgt Rev 540. (They were interested, inter alia, in how consumer purchasing decisions based on issues such as company's reputation and company's social performance relate with the company's financial performance).

[35] See Smith (above, n 127), especially ch 7.

[36] See Konzinets, R.V and Handelman, J.M (2004) "Adversaries of Consumption: Consumer Movements, Activism and Ideology" 31 Journal of Consumer Research 691. They, among other things, discussed consumers' capabilities, strategies and ultimate power as an organised group to impact on companies' CSR behaviours.

[37] Parkinson "Disclosure and Corporate Social and Environmental Performance" (above, n 118), at p 12. In a survey conducted by Cowe, R and Williams, S (2000) *Who are the Ethical Consumers?* (Manchester, The Corporative Bank, 2000), 5% of consumers said that they make active and informed choice on ethical grounds in most of their purchase decisions, while 18% claimed that their purchase choice is influenced by the company's reputation for socially responsible conducts. On the whole, about half of the population have at some point chosen products because of the producer's positive reputation or rejected them because of its negative reputation.

[38] See ibid, at p 28.

[39] Parkinson "Disclosure and Corporate Social and Environmental Performance" (above, n 118), at p 12.

the consumers, the question is: how easy is it for consumers in a developing country like Nigeria where poverty is rift, so also ignorance/illiteracy, lack of access to information, and general apathy – 'I don't care attitude' to organise themselves and mount such pressures on an irresponsible company or boycott its products? In a poverty stricken consumer environment, the difficulty of organising a successful boycott is further brought to bear if the company in question offers their products and/or services at a cheaper rate when compared with other competitors.[40]

Company's employees can also influence company's behaviour in various ways. For instance, companies with negative reputation may not find it easy to recruit and retain high calibre employees. Thus, in a survey conducted by the Industrial Society, 82% of employees in higher skilled occupations claimed that they would not take up employment in companies whose values they did not share, and 72% would take social and ethical issues into consideration in choosing an employer.[41] Again the survey conducted by Just Pensions suggests that good corporate reputation is regarded as more important than starting salary, fringe benefits, or sports and social facilities by potential employees.[42] Arguably, employees' morale and productivity may be negatively affected in a company with a poor reputation.[43] The attention (and abilities) of the stakeholder constituencies discussed above to influence corporate behaviour is usually triggered and sustained by 'social monitors'. They can, through investigation and publicity, expose irresponsible corporate behaviours and policies to a much wider audience.

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[40] See, for instance, Maignan, I (2001) "Consumers' Perception of CSR: A Cross-Cultural Comparison" 30 Journal of Business Ethics 57; Maignan, I and Ferrell, O.C (2003) "Nature of Corporate Responsibilities: Perspectives from American, French and German Consumers" 56 Journal of Business Research 55 – (The two research works looked into the differences across countries regarding the extent to which consumers support socially responsible business through 'socially responsible buying' behaviours. In the latter, they observed that French and Germans, more than Americans tend to be more inclined towards supporting companies with good socially responsible behavioural records, and French and Germans also have better mechanisms and tactics in place to monitor and influence company's behaviour as a consumer group).

[41] See Draper, S (2000) *Corporate Nirvana: Is The Future Socially Responsible?* London: The Industrial Society, 2000.

[42] Just Pensions, *Socially Responsible Investment and International Development*, London, 2001, at p 5.

[43] Draper, S "Good Work: Employees as Drivers and Demonstrators of CSR" in R Cowe (ed.) *No Scruples?* London: Spiro, (2002), 48, at pp 53 and 60.