

Research Paper

Practices and Challenges of Corporate Social Responsibility in Ethiopia: The Case of Dangote Cement Factory, Ada'a Berga District, West Shoa Zone, Oromia Regional State

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Abstract

Corporate social responsibility (CSR) is the way organizations integrate social, environmental and economic concerns in a transparent and accountable manner. Studies done in the past overstressed the financial aspect of CSR and provided less attention to the environmental and social perspectives. The study was aimed at assessing practices and challenges of CSR in Dangote cement factory of Ethiopia. Specifically, the study addressed issues pertaining to environmental protection, employment creation and challenges of its implementation. Survey respondents, FGD discussants and key informants were selected using simple random, convenience and purposive sampling techniques respectively. Questionnaires, key informant interviews and focus group discussion checklists were used to collect primary data. While the quantitative data were analyzed using descriptive statistics (frequency and percentage) and presented using tables, qualitative data were analyzed through narrative and thematic analysis. With regard to environmental protection, the findings of the study revealed that 'fog of dust which emitted during transportation covered all over the area. Large number of vehicles and workers continuously flocking in the vicinity of the cement factory also overcrowded the local environment and this in turn increased the volume of wastes. Though the company created employment opportunities for the local communities, most of the employment opportunities were found to be below-profile and less attractive. Furthermore, the findings indicated that lack of commitment on the part of the factory's top management and over-ambitious expectations on the side of the local community were the major challenges to implement corporate social responsibility. These challenges call for collaboration of the company owners, management bodies, the government, and the local communities to properly implement corporate social responsibility.

Keywords: - *Challenge, Corporate social responsibility, Dangote, Local communities.*

1. Introduction

Corporate Social Responsibility (CSR), a concept that has been around for over 50 years, has become prominent again recently. Scholars of corporate social responsibility of business organizations assert that an increasing number of transnational corporations (TNCs) and large domestic companies, supported by business and industry associations, are adopting a variety of so-

called voluntary CSR initiatives (Baxi, 2005; Utting, 2005).

CSR may refer to the responsibility of enterprises for their impacts on society and highlights the principles that encourages enterprises to have in place a process to integrate social, environmental, ethical human rights, and consumer concerns into their business operations and core strategy in close collaboration with their

stakeholders (Berenbeim, 2006; Christina, 2008; Crane & Matten, 2011; The European Commission; 2011). Companies also create jobs and help finance the general welfare of the population as attested by Burke (2005). This indicates that corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs (Crowther & Aras, 2008). Business organizations are also being called to take responsibility for the ways in which their operations impact societies and the natural environment (Marrewijk & Werre, 2003; Narwal & Singh, 2013; UNDP, 2002). As a result, organizations have developed different strategies to deal with the intersection of societal needs, and the natural environment through CSR (Enquest et al., 2006). CSR addresses complex and critical issue such as human rights, environmental protection, equal opportunities for all, fair competition, and the interdependencies that occur between organizations and society (Quinn, 2008). Despite the aforementioned initiative, in developing countries like Ethiopia, practices of CSR in fulfilling the multifaceted social needs are claimed to be challenging as it tends to put too much pressure on companies to satisfy such and other societal needs (Baughn et al., 2007; Jeremy, 2006). However, there are grave concerns about the need to mainstream CSR into business operations of organizations to solve some imperative setbacks facing the poorest parts of the world considering the fact that majority of CSR initiatives are driven by the western organizations (Banerjee, 2008)

Different global level studies that were carried out in the past over stress the financial aspect of CSR and provided less attention to the environmental and social issues (Tsoutsoura, 2004). However, surveys of CSR amongst businesses in African countries, mostly South Africa, Ghana, Namibia and Malawi have found that the most common approach to CSR issues is through philanthropic support, focusing on education, health and environment (Kusku & Zarkada, 2004). Visser et al. (2008) argued that in Africa, CSR is confined to certain activities, mainly charity, community development programs and philanthropy. In Ethiopia, most of the previous studies (Fentaye & Mohan, 2016; Mathias, 2015; Mechale & Shiibre, 2011) were conducted on alcoholic and horticultural industries. These studies

attempted to investigate the practices of CSR, focusing on limited stakeholders while disregarding others (Fentaye & Mohan, 2016; Natta, 2012). Therefore, cognizant of the inevitable effect of such misrepresentations on the outcomes of these studies' to fill the gap, the researchers approached the problem under study by incorporating views of all the main stakeholders such as the company managers, employees, local community members and district administrators.

Although the company has been frequently facing allegations and challenges from local communities on different occasions, there was no much relevant study conducted in the company from corporate social responsibility perspective. Hence, the study was underpinned by the aforementioned rationale and previous CSR studies in Ethiopia focused on service-oriented economic sectors and studies on cement companies from CSR perspective are scant (Yeung, 2011). Hence, this study was aimed at assessing the extent to which Dangote cement factory is executing its corporate social responsibilities and the major challenges it is facing in this regard.

2. Methods and Materials

The study was conducted on Dangote Cement factory, located in Ada'a Berga District, West Shoa Zone of Oromia Regional State. Geographically, the district is located at 64 kms North west of Addis Ababa on the road of Muger Cement Enterprise at 9° 12' to 9° 37' N latitude and 38° 17' to 38° 36' E longitude. It has a climatic condition of 21% highland, 54% mid latitude and 75% lowland and three main agro-climatic regions; "Daga" (28%), "Winadega" (38%) and "Kola" (34%). Dangote Cement is African leading cement producer in 16 African countries with revenue of USD 2 billion and nearly 17,000 employees. Dangote Cement in Ethiopia is the largest plant capable of producing high-quality cements to meet market needs since May 2015. The information obtained from Dangote Human Resource Officer showed that the company was established on 134 hectares of land. It also has 1243 employees (permanent 1158 and 85 contractual workers).

2.1. Research design and methods

The study employed a mixed research design where a case study and descriptive survey research designs

were combined. While case study research design was employed to narrate some qualitative aspects of the study through focus group discussion and key informant interview, descriptive survey design was employed in conducting employees’ survey in October, 2017 to assess practices and challenges of corporate social responsibility in Dangote Cement Factory from employees of the company. The company’s employees and local communities were the sources of data to undertake the study. The data were triangulated by employing qualitative and quantitative methods of data collection and analysis to enhance the reliability and validity of the generated information.

The study employed both probability and non-probability sampling techniques as sampling methods of the study. With regard to the former one, a simple random sampling technique was employed. Accordingly, from the total population of 1243 company employees, 138 were selected using Yemane’s (1967) formulas (equation 1) for the employees’ survey questionnaire. Hence, the researchers adopted a confidence level of 92% and the margin of error of 8% which is acceptable in social science research.

$$n = \frac{N}{1 + N(e^2)} \tag{1}$$

Where, *n* = sample, *N* = total population and *e* = margin of error at 8%.

Participants of the qualitative methods of data collection were selected using convenience and purposive sampling techniques. Convenience sampling technique was employed for FGD considering accessibility of displaced communities. Hence, four FGDs were held with the local community members (two FGDs with elders and two FGDs with local youths) to explore their perceptions on the company’s CSR in relation to environmental protection and provision of social services. Key informant interviews were administered with two managers of the company, two agency workers and Ada’a Berga district administrator (a total of five key informants were interviewed). The interviewees were selected purposively because these individuals were supposed to provide detail information as they are experienced and knowledgeable about the issue under investigation. Quantitative data collected through employees’ survey were analyzed using simple

descriptive statistics (percentage and frequency) while qualitative data collected through focus group discussion and key informant interview were analyzed through thematic analysis and narrative analysis. The major criteria underpinning the combined application of the aforementioned two qualitative methods of data analysis were: transparency, maximizing validity, maximizing reliability, comparative analysis, and reflexive approach in the process of analysis. The major steps involved in the process include: 1. reading and annotating transcripts; 2. identify themes; 3. developing a coding scheme; and 4. coding the data.

3. Results and Discussion

This section presents results and discussion. To this end, analysis of quantitative data was presented in tables while qualitative information was presented through narrations and qualitative arguments. Finally, the results were compared with findings in existing literature in relation to the issues investigated with the aim of discussing the results.

3.1. Socio-Demographic Characteristics of Respondents

With regard to gender, 81.9% (n=113) of the respondents were males while females account for 18.1 % (n=25). The highest and the lowest age of respondents were 20 and 48 respectively. More proportion of the respondents (37.7%; n=52) were in active age group (26-30) and have the potential to play role in the production of the organization if managed properly. The data show that 62.3.7% (n=86) of employees were single whereas 37.7 % (n=52) were married at the time of the interview. As far as their educational status is concerned, (39.9 %; n=55) of the respondents were first-degree holders; 25.4 % (n=35) were diploma holders; 20.3 % (n=28) were masters and above; 10.1 % (n=14) were with certificate; and 4.3 % (n=6) were high school graduates.

3.2. Practice of the Factory in Environmental Protection

Companies acquire raw material from rural areas for their industries. Pollution on air, water and land is inevitable during the process of production and processing of their products. With increasing significance of environmental friendly products, processes, and services, firms are recognizing the value

of adopting environmental standards for their sustainability in the long run.

In this study, respondents were asked about the corporate social responsibility of their organization towards environmental protection or organizational practice of protecting the environment from pollutions. As can be seen from Table 1, 61.7% (n=87) of the survey respondents reported that no dust has been released to the local environment; 31.7% (n=44) reported that no air pollutants such as CO₂ released to the external environment during production and 7.1%(n=7) of them opined that the factory has been playing its role in planting trees around.

Table 1: Areas of Environmental Protection

<i>Areas of environmental protection</i>	<i>Frequency</i>	<i>Percentage</i>
No air pollution	44	31.2
No dust released to outside	87	61.7
Conservation of natural resources/planting trees	7	7.1
Total	138	100

The results of the key informant interviews (KIIs) made with company managers indicate that Dangote Cement factory has environmental impact assessment policy. In relation to this, one of the key informant states, “...Our Company has environmental impact assessment policy and in the normal cement production, no dust is emitted to the local environment even though dust emission occurs during transportation of cement...” (Key informant one).

Recent trends also show that similar business firms are spending more resources on environmental protection practices and are seeking proactive actions to reduce the environmental impacts of their actions (Banjere, 2001; King, 2009; Marrewijk & Werre, 2003). However, the result of focus group discussions (FGDs) held with locally displaced communities (elders and youths) indicate that there is exacerbated environmental pollutions in the local environment due to large number of workers coming to the area and related increase in volume of waste released to the environment. This indicates that the company did not implement its environmental impact assessment policy as the local communities claimed that the local environment is

polluted due to improper management of wastes relating to the operation of the company in the local environment.

3.3. Practice of the Factory in Creating Employment Opportunities

The social responsibility of a firm is also measured in terms of employment opportunities it created for local communities. Respondents were asked to express their feeling on whether Dangote Cement factory of Ethiopia has created employment opportunity for the local communities or not. As can be seen from Table 2, (68.6%; n=95) of the respondents responded that the establishment of the factory in the area has created more employment opportunities for the local communities. On the other hand, 31.2 % (n=43) of the respondents contended that no significant employment opportunities are created by the company for the local communities.

Table 2: Did the plant create employment to local communities?

<i>Response</i>	<i>Frequency</i>	<i>Percentage</i>
Yes	95	68.8
No	43	31.2
Total	138	100.00

Respondents were further asked to tell about the type of employment created for local communities after the establishment of the company in the area. Table 3 reveals that the majority of the respondents (73.9 %; n=102) reported that the created employment opportunities for the local communities are permanent employment while 26.1 % (n=36) of them indicated that the created employment opportunities are contractual. This indicates most of the created employment opportunities are permanent.

Table 3: Type of the created employment opportunities

<i>Created employment</i>	<i>Frequency</i>	<i>Percentage</i>
Contract employees	36	26.1
Permanent	102	73.9
Total	138	100.0

Respondents were also further asked to explain about the way of employees’ recruitment by the company. As indicated in Table 4, 67.4% (n=93) reported that workers’ recruitment in the company was made through vacancy announcement while 31.6% (n=45) of them

responded that workers’ recruitment was made without official announcement.

Table 4: Mechanism of recruiting workers

<i>Response</i>	<i>Frequency</i>	<i>Percent</i>
Through announcement	93	67.4
Without announcement	45	31.6
Total	138	100.00

The KII made with factory workers also confirmed that individuals having close relatives/ network with some organizational figures such as top managers and agency owners were getting access to better employment opportunities. The responses of the following KII illustrate this: “...Most of the people working in the mineral site of the company came from Shekiso while very few of them were from the local communities because agency owners responsible for hiring workers were also not from locals” (Key informant two).

The quantitative data revealed that most of the employees were recruited based on announcement though the results of KII indicate recruitment is done based on favoritism. According to the result from KII, agency workers have been giving little attention to the local communities.

The data from Ada’a Berga district administrator also reveals that attention was not given to the local communities. With regards to this, one of the key informants stated, “...Previously, one top manager passed a decision of firing 16 local people from their work when they requested him to renew their contract. He ordered his guards to shoot. He then replied for his coercive deed saying ‘in our country by firing nine, we can hire nine’...” (Key informant three). This led local communities to feel pessimistic about the company and they lost any hope of benefiting from the employment opportunities.

The finding of the study comply with the assertion of Johnson (1971) who asserts that instead of striving for bigger profits, a responsible enterprise should also takes into account employees, local communities, and the nation at large.

3.4. Perception of the local community towards the company’s CSR Practice

It was emphatically stated that the main focal point of corporate social responsibility is the normative correctness of the products of corporate action (Epstein, 2007). Regarding perception of local communities, the FGD discussants acknowledged that local people have negative perception towards the company as the amount of money paid to those displaced from their land was insufficient for their livelihood. Hence, majority of these people became daily laborers as a result of lack of education and mismanagement of the money they received as compensation. Even questions related to ownership of their resources were diverted and given political connotation.

To this end, one of the participants has claimed about this problem when he said “...*Most local residents are not appropriately receiving what they should have received as a means to reimburse for their assets (land). As a result, they wish the organization were not established in their area*” (FGD participant two). According to Banerjee (2008), corporations should be responsible to those who openly affect or are affected by their activities. However, the result of this study indicates that, in relation discharging its CSR, the company did not comply with the assertion of the aforementioned scholar. As a result, local communities perceived the company negatively.

3.5. Challenges to implement corporate social responsibility

Respondents were asked to tell the challenges of implementing corporate social responsibility in their organization. As indicated in Table 5, 52.8% (n=73) of the respondents reported that lack of management support is the challenge while 15.9 % (n=22) stated that the implementation of CSR drains financial resources of their company. This shows that more than half of the respondents perceived lack of management support as a challenge for implementing CSR in Dangote Cement Factory.

One of the key informants also expressed his view in relation to lack of top management support for implementing CSR when he said “...*there is no strong commitment on the part of the company’s top management as they are outsiders and not much*

concerned to address the local communities' pressing issues like socio-economic and environmental issues other than maximizing company's profits. Sadly, top managers of the company strive to meet the interest of the company owners."(Key informant three). However, Faulkner (1995) attests that the designing and implementation of corporate social responsibility requires long-term commitment and vision from managers.

Table 5: Challenges in implementing CSR

Challenges in implementing CSR	Frequency	Percentage
Lack of management support	73	52.8
Failure to engage Key Stakeholders	22	15.9
Inadequate Skills needed to CSR	18	13.2
Drains company's resources	25	18.1
Total	138	100

Moreover, the result obtained during KII demonstrated over-ambitious expectations of the local communities as another implementation challenges the company is facing in implementing CSR. The scenario of this expectation was stated as follows:

While displacing local communities to commence the plant, we convinced them that the coming of the factory would create employment opportunities. Even graduates of un-related disciplines/ professions like animal sciences asked the managers of the organization for employment due to this promise. Furthermore, local people found in different strata (educated, uneducated, young, aged, students) etc. are wasting much of their time in requesting the company for employment (Key informant four).

This finding reveals similar implication with the study conducted by Baughn et al. (2007); Hatcher (2002); and Stralecka (2006) who affirm that the implementation of CSR is very much challenging as a result of the numerous needs of societies.

4. Conclusion and Recommendation

4.1. Conclusion

The current study was aimed at assessing practices and challenges of corporate social responsibility in Dangote Cement Factory of Ethiopia from social and

environmental perspectives. In conclusion, the promises of the factory to provide social services led the local communities develop higher expectation; the local communities are much concerned about the environmental pollution in their area underpinned by the transportation of cement by heavy vehicles and poor disposal mechanisms of wastes. The company did not realize many of the promises it had given the local community at the time of establishment in relation to corporate social responsibility practices such as environmental protection and provision of social services. Favoritism was claimed to be demonstrated in the employment procedures having adverse effect on the local communities. Lack of top management support for implementing corporate social responsibility and over-ambitious expectations of the local communities were the major challenges that the company is facing in implementing corporate social responsibility. This led the local communities to lose their hope and trust on the organization.

4.2. Recommendations

Based on the findings of the study the following recommendations were forwarded:

Recommendation for company management:

- The management of the organization should adequately discharge the corporate social responsibility.
- Top management of the organization need to work closely with the local communities so that sense of ownership can be created among the locals communities; and
- Company management should abstain themselves from giving unattainable promises, which may lead to dispute and strike.

Recommendation for company owners:

- Owners of the factory are expected to reshuffle their management structure in order to create smooth relationship with local communities;
- The owners should consider local people who have strong say in the communities to properly manage communities over-ambitious expectations;
- Owners of the factory should implement corporate social responsibility practices like protection of the local environment and provision

of social services as stated in their project document in order to get acceptance among the locals.

Recommendation for the government and local communities:

- The local government and local communities should not be over-ambitious in expecting the organization to address the entire development problems of the local communities;
- There should be a continuous follow up on the part of the government specially the investment bureau (federal/regional) to check whether the organization is on the right track in implementing

the promised CSR practices as stated in its project proposal;

- Government should encourage the establishment of strong labor union so that major problems of the employee can be solved.

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