

CSR and sustainable community development in Nigeria: WAPCO, a case from the cement industry

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Abstract

Purpose – Following the scarcity of studies in the developing countries, particularly Africa, on corporate social responsibility (CSR) and sustainable community development, this paper intends to examine the case of a major cement company, WAPCO plc, and its host communities.

Design/methodology/approach – A total of 15 CSR factors covering the three elements of sustainable development (economic, social and environment) were adopted, and with data extracted from the company's annual reports the contributions of WAPCO to sustainable development in the host communities in Nigeria were analysed.

Findings – Analysis of 15 CSR factors shows that WAPCO has gone beyond assistance and community development per se to sustainable development in the host communities; its recent inclusion as a member of Lafarge SA may have attributed to this. However, the position of WAPCO seems not to be clear in the area of social and environmental reporting, and codes of conduct on bribery and corruption. Some areas such as health seem not to be given priority in the WAPCO's CSR expenditure. Further, WAPCO's CSR activities are observed to be directly related with its turnover; however, CSR as a ratio of turnover is less than 0.5 per cent throughout the study period.

Research limitations/implications – The limitation of this study lies in the fact that although the firm used as a case study accounted for over half of the output in the industry, this study is based on a single firm in the cement manufacturing industry. Besides, data extracted from the company's annual reports are taken as given. Thus, caution needs to be exercised in the interpretation and generalisation of the results and conclusions/recommendations.

Practical implications – WAPCO and polluting firms in general should devote more resources to CSR activities. Besides, there is the need to design a clear policy/strategy and enforcement mechanism in the area of social and environmental reporting, and codes of conduct on bribery and corruption. The area of health needs to be given priority in a firm's CSR expenditure and regulations.

Originality/value – The study adopts both theoretical and empirical approaches to analyse the contributions of a firm (which generates negative externalities) to sustainable development of its host communities so as to forestall crisis between the two stakeholders. To the authors' knowledge, no previous study in a developing continent such as Africa has taken such an approach to analyse the case of a firm in the cement industry.

Keywords Sustainable development, Community development, Stakeholder analysis, Corporate social responsibility, Nigeria

Paper type Research paper

1. Introduction and research issue

Various stakeholders in a community have different complementing roles to play in the development of that community. Apart from government, traditional institutions, opinion leaders, philanthropists, associations and religious groups, corporate entities are equally stakeholders in community development. In particular, corporate entities should be a key stakeholder in community development because of a number of factors that have been highlighted in the literature (Moon, 2007; Hess *et al.*, 2002; Baughn *et al.*, 2007; Welford *et al.*, 2007; Lee, 2007). One of these factors is the need for corporate entities to use their

corporate social responsibility (CSR) activities to contribute to sustainable community development (particularly that of their host communities) to enhance their social status and competitive edge which is critical to their existence (Moon, 2007). This factor is very important because consumers, employees and communities are becoming increasingly well-informed about the adverse impacts of business activities on their lives and their future generations. This is well confirmed by the recent crisis in the Niger Delta region (NDR) of Nigeria (between the militants in the host communities and the oil companies) where employees are afraid of going to work because of kidnapping activities of the militants protesting against inadequate compensation of the host communities by the oil companies. This has implications for production activities and existence of the oil firms.

Given that activities of some corporate entities undermine the human and environmental resources on which future development depend, the emerging concern is the extent to which CSR activities of corporate entities can address the important issues of sustainable community development (SCD). Thus, the idea has extended beyond the adoption of the principle of CSR (with limited application) but to that of sustainable community development involving environmental concerns. This implies that the CSR principle and activities of firms (particularly those whose activities involve negative externalities) should be enlarged to encapsulate sustainable production and consumption and provide for the management of climate change and energy, natural resources protection and environment enhancement in the context of participatory approach to development.

This paper is informed by factors such as the lessons from the Niger Delta crisis mentioned earlier, weak legislative and regulatory framework in Nigeria and gaps identified in the literature concerning the issue of CSR in Nigeria. A number of studies have reported the inadequacy of the CSR activities and environmental policy of the foreign oil companies in the NDR of Nigeria and how it has generated persistent crisis (Ite, 2007, 2004; Hess *et al.*, 2002; Boele *et al.*, 2001a, b; Adewuyi, 2002, etc.). The lesson from this is the need to commence studies in other industries particularly cement industry (which is liable to generate negative externalities) to see whether the practice of CSR is broad enough to be considered as a contribution to SCD that is capable of forestalling the replication of the kind of crisis observed in the oil industry. It should also be noted that the dual role of the Nigerian government (to the citizens of the NDR and to the oil firms) and the weak legislative, regulatory and monitoring framework as well as lack of partnership and participatory approach (grass root approach) to development have aggravated the crisis in the NDR. Thus, there is a conflict of interests.

Beyond the above factors, this paper has been motivated not only by few studies in the area of CSR in Nigeria but also the concentration of the earlier studies on the oil industry (listed earlier) and insurance industry (Obalola, 2008). Added to the fact that we are unaware of any study on CSR in the cement industry and sustainable development, we have further observed the gap in the existing studies concerning the adoption of CSR factors covering different areas of sustainable development. This will give room for correlating a firm's CSR practice not only with the issues of economic dimension of development, but also with social dimension.

In specific terms, this paper seeks to:

- appraise the performance of the case study firm and relate it with its CSR activities or investment expenditure;
- analyse the extent to which WAPCO uses CSR activities to address the issue of sustainable development in the host communities; and
- draw lessons for policy on how to forestall future conflicts and promote sustainable development in the host communities that will be useful not only for polluting firms in Nigeria and Africa, but also for the world at large.

It should be mentioned that the choice of our case study (WAPCO plc.), is informed by the fact that it is currently responsible for about 50 per cent of local cement production in Nigeria (WAPCO, 2006), therefore findings of this study can be generalised for the industry, Nigeria

and beyond. In addition, there seems to be a direct relationship between the growth of production activities of this firm and volume of environmental pollution and other inherent negative effects on both human and non-human agents (Iyawe *et al.*, 2000; Adekoya, 2003; Aigbedion, 2005; Abimbola *et al.*, 2007).

Following the introduction, section 2 supplies some background information on the case study. Section 3 reviews some relevant literature, while section 4 discusses the theoretical framework and methodology. In section 5 we present a descriptive analysis of available data and key information obtained from the company's records, while section 6 summarises major findings and conclusion as well as offers some policy lessons.

2. The case study: West African Portland Cement plc (WAPCO)

WAPCO plc was incorporated on 26 February 1959. Its first and second plants in Ewekoro and Sagamu were commissioned in 1960 and 1978 respectively; both plants were located in Ogun State, Southwestern Nigeria. The company, which was listed on the Nigerian Stock Exchange on 16 February 1979 commenced production with an initial capacity of 200,000 tonnes per annum, which later grew with increased demand to about 1.5 million metric tonnes per annum in the 1980s. The company has recently expended US\$130 million ($n = 11$ billion) on the supply and erection of modern plants.

The trends and structures of some of the company's performance indicators (turnover, output, assets, profit after tax) over a ten-year period show a downward trend of most indicators up to the 2003 and 2004. The period of Ewekoro refurbishment in the mid-1990s is accompanied by increased output and foreign shareholding, signifying the infusion of capital and quality management into the operations of the firm. Consequent on the commissioning of the modern plants, the company's production capacity has increased by over 1 million metric tonnes per annum (WAPCO, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006).

As a result of its take-over of Blue Circle Industries plc, UK on 1 July 2001, Lafarge SA of France became the majority shareholder in WAPCO. Lafarge as a major player in building materials industry all over the world with presence in over 75 countries, is quoted on the New York Stock Exchange. Thus WAPCO fulfils its financial obligations through compliance with the Sarbanes-Oxley Act. WAPCO's vision is "to be the undisputed leader in the manufacturing and marketing of cement in South-West Nigeria", and serving as evidence to this, it won in 2005 the Nigerian Stock Exchange Quoted Company of the Year Award and Winner in the Construction and Building Materials Sector.

As will be evident in our discussions later on, the reader will notice the recent improvement in the company's performance and CSR activities coinciding with its joining the Lafarge SA Group. This is not a mere coincidence as Lafarge areas of priority are: climate change, health and safety, sustainable construction and acting locally.

3. Review of previous studies

3.1 Health and environmental impacts of WAPCO's activities

A number of studies have discussed the health and environmental impacts of cement manufacturing processes and WAPCO's activities in particular. For instance, Abimbola *et al.* (2007) reveals that heavy metals like cadmium, lead, zinc and copper are higher in the limestone, shale, dust and soil found in Sagamu factory of WAPCO cement. Relating this externality with the health status of the inhabitants during 2000 and 2004 period, the study observes a steady increase in the reported cases of respiratory/lung, heart, skin, kidney/liver diseases and cancer cases with reported cases of respiratory/lung and heart diseases doubling between 2000 and 2004 and those of cancer trebling.

Similarly, Earthtrends (2003) indicated that cement manufacturing as the 4th largest CO₂ emitter in Nigeria after gas flaring, liquid fuels and gaseous fuels combustions. Other studies around Sagamu and Ewekoro cement works have also shown that several people are

suffering from eye pain and asthmatic attack due to the dust laden air (Aigbedion, 2005), a declining kolanut output from the plantations within a few kilometres radius of the cement factory (Aigbedion, 2005; Aigbedion and Iyanyi (2007); Adekoya, 2003).

Given the foregoing, polluting firms need to ensure that their CSR activities include health and safety as well as environmental management. Thus, the situation with WAPCO is examined in this paper.

3.2 CSR and SCD

Some studies have been done on the CSR activities of oil firms and sustainable development of the Niger Delta region of Nigeria. For instance, Ite (2004, 2007) discussed the dynamic nature of the CSR activities of the Shell Oil Company from community assistance to contribution to community development and the endemic crisis into the Niger Delta region. Also, Okafor *et al.* (2008) identify how inadequately addressed CSR has degenerated to crisis in the Niger Delta region of Nigeria. On the other hand, studies like those by Ojo (2008), which examine the extent of involvement by Nigerian business organisations in CSR, have found out that Nigerian corporations commit an insignificant proportion of their resources to social responsibility. However, the study by Obalola (2008) on the CSR activities of the Nigerian insurance industry indicates a strong support for social responsibility; though the latter is still grossly perceived as a philanthropic gesture. The preceding corroborates our initial justification that there is a concentration of studies on the oil sector and a dearth of study on the cement industry in Nigeria.

In other regions of the globe, Welford *et al.* (2007) adopted 15 CSR factors to conduct opinions survey of businesses and their stakeholders in Hong Kong using a sample of 491 respondents. They report that the most important factors are the environment; health and safety; and governance, while the least important factor is philanthropy. They equally observe major differences in responses between firms and their stakeholders, and within various stakeholder groups, which implies that priority areas vary from one group to another. They conclude by stressing the importance of undertaking stakeholders' dialogue in the determination of the needs of the various stakeholders of a firm.

Similarly, Krishnan and Bachandran (2005) present a case of how the socially irresponsible Coca-Cola plant in Plashimeda, Kerala, India was picketed by community protesters and its subsequent closure by the government. The study therefore suggests that in the face of loose laws, usually characterising developing economies, failure of corporation to take care of the welfare of the local community may lead to protests and loss of brand value by the firm. Fleishman-Hillard (2006) in a national survey of USA consumer find that despite the fact that consumers believe that companies CSR records are important to their working, buying, loyalty and investing decisions, US companies are still rated low on CSR.

Moreover, Pohle and Hittner (2008), in a survey of over 250 businesses worldwide, find out that 68 per cent are now using CSR as an opportunity and platform for growth; however, over 76 per cent admitted they do not understand their customers' CSR expectation well. Further, lack of manifest public interest also discourages companies to supply CSR information. These findings also corroborate that of Hassanein *et al.* (2007) which survey 202 Canadian extractive firms but find out that the adoption of voluntary CSR polices is remarkably low, despite that CSR practice has positively impacted on the few that adopt them. Cases of firms embellishing their inept CSR records and even influencing the results of findings that are likely to reveal the true magnitude of the impact of their activities are also reported in the literature (Markowitz and Rosner, 2002).

In the light of the foregoing, Reinhardt *et al.* (2008) opined that businesses are not legally prevented from engaging in CSR, however, a firm that participate in costly CSR activities will have to raise prices, reduce wages, accept smaller profits, or pay smaller dividends which make it uncompetitive, except it operates in imperfect markets. These therefore, suggest that firms are most likely to treat socially responsible actions the same way they view more traditional business activities. Considering the alternatives therefore, CSR should be encouraged provided it serves as a complement to increasingly effective government regulation and not as

a substitute for it. Extending this to our case study, WAPCO Nigeria plc can be said to operate in an imperfect Nigerian market, its practice of CSR is expected to therefore remedy some of the imperfections especially negative externality in the form of pollution.

4. Theoretical framework and methodology

4.1 Theoretical framework: the stakeholders and SCD theory

The Bruntland (1987) Report, defines sustainable development as “development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. According to Swisher *et al.* (2006), a community that is developed on a sustainable basis is an economically productive; socially just; and environmentally sound community. Therefore, sustainable community development can be seen to cover three main areas: social, economic and environmental.

Stakeholders in the development activities include all individual economic agents or groups who can substantially affect, or be affected by the activities of another individual economic agents or group which includes not only the financial claimholders, but also employees, customers, communities and government (Jensen, 2001). According to Clarkson (1995), two categories of stakeholders can be distinguished, which are primary and secondary stakeholders. Primary stakeholders can be seen as those in which survival of a firm (as a going concern) is not guaranteed without their continuing co-operations. This group is typically comprised shareholders/investors, employees, customers, suppliers and host community. If any primary stakeholder group becomes dissatisfied and withdraws from the corporate system, in whole or in part, the corporation will be seriously damaged or unable to continue as a going concern (Clarkson, 1995). Secondary stakeholders are those that influence, or are been influenced by the firm, but do not have any engagement (in terms of transactions) with the corporation and are not very essential for its survival.

The inference from this is that as the community is a stakeholder in the firm, the latter is also a stakeholder in the former. They therefore need to cooperate to promote overall development of the society. Preston and Post (1975), as discussed in Lee (2007) point to the idea that business and society are interdependent leading to the idea of the nexus between business sustainability and sustainability of community. Thus, a firm which cares about the sustainability of its host community is likely to enjoy support and co-operations of that community, which ensures the sustainability of the firm. In the light of this, ignoring stakeholders (especially host communities) may lead to disruption of a company's operations and consequently its value (Krishnan and Balachandran, 2005; Donaldson and Preston, 1995; Frooman, 1999; Phillips, 2004). This is essentially a factor that degenerated into the crisis in Niger Delta region in Nigeria which has been mentioned earlier. Therefore, recognising and addressing external stakeholders' interests go a long way in placing a firm in a better perspective.

It has been widely recognised that business contributes to the welfare of both the primary and secondary stakeholders through its CSR activities. The definition of CSR has varies by time and perception of researchers, institutions, professionals and managers. According to the World Business Council for Sustainable Development (WBCSD) CSR can be defined as ongoing commitment by firms to reflect ethical behaviour and contribute to economic development without neglecting the welfare of employees and their families, local community and the entire society (Krishnan and Balachandran, 2005). Similarly the European Commission (EC) conceptualised CSR as simultaneous fulfilment of legal expectations, compliance and investment in human capital, the environment and maintenance of relations with stakeholders (Krishnan and Balachandran, 2005). Corporate activities that exhibit and tackle both the social imperatives for firm's success and the social consequences of firm's activities (including environmental impact) are regarded as firm's social responsibility (Moon, 2007).

Against the above background, the emerging issue is “what should firms be responsible for?” In spite of the continued great debate over this important issue, there seems to be lack of consensus with respect to both the theoretical and operational definitions of the concept

of CSR (Frederick, 1994 and Lee, 2007). Operationally, the decisions of the top management on specific levels of corporate social responsibility depend on their perceptions of stakeholders as threats and/or opportunities in the course of carrying out their business activities (Lee, 2007). The call (especially to a polluting firm) for appropriate and elaborate CSR that enable a firm to contribute significantly to sustainable development of their host communities, can be rationalised within the framework provided above.

Looking at the identified elements and reporting of CSR, it can be said that CSR activities may be enlarged to cover different areas of sustainable development. Thus, a number of factors have been considered as priorities areas for corporate social responsibility of a firm. In total, 15 of such factors have been clearly identified in the literature and used in empirical research by researchers such as Welford *et al.* (2007) and Moon (2007). These priority factors include:

1. Published social and environmental policies.
2. Good health and safety practices.
3. Good environmental performance.
4. Good corporate governance.
5. Good human resource management and employment practices.
6. Community investment and employee volunteering.
7. Codes of conduct on supply chains and factory inspections.
8. Product and service responsibility and responsible marketing.
9. Philanthropy and charitable donations.
10. Support for human rights initiatives.
11. Partnership with other business and NGOs.
12. Adherence to international standards and guidelines.
13. Social and environmental reporting.
14. Codes of conduct on bribery and corruption.
15. Ongoing stakeholder dialogue

It can be seen that these factors cover the three areas of sustainable development – economic, social and the environment. The 15 factors listed above have been adopted in the empirical research to determine the importance of each of them to the various stakeholders (see Welford *et al.*, 2007). In this current work therefore, we state the position of WAPCO PLC in each of these 15 factors.

4.2 Methodology

We used descriptive analysis (trends, percentages and content analysis) to analyse the relationship between WAPCO's performance and its CSR expenditure. We also adopted the 15 CSR factors earlier used by Welford *et al.* (2007) because they covers various issues that are of interest to various stakeholders including the host communities who may be more interested in the three areas constituting sustainable development. Available data collected from annual reports (and other sources) of the case study firm were analysed to gauge not only the extent and coverage of its CSR activities, but also its contributions to sustainable development of its host communities.

5. Empirical results and discussions

5.1 Analysis of relationship between WAPCO's performance and CSR expenditure

Table I summarises the ten years trend of WAPCO's CSR expenditure. Tables II and III as well as the Appendix give more information on the specific CSR projects executed for selected

Table I WAPCO's total and community CSR expenditures

Year	Total CSR		Community CSR		
	Values (n)	% of turnover	Values (n)	% of total CSR	% of turnover
1997	2,650,650	0.0293	82,773	3.12	0.0009
1998	2,352,493	0.0239	163,573	6.95	0.0017
1999	31,593	0.0003	2,773	8.78	0.0000
2000	2,706,000	0.0226	282,182	10.43	0.0024
2001	1,206,507	0.0090	481,590	39.92	0.0036
2002	896,040	0.0068	680,999	76.00	0.0051
2003	51,070,616	0.3720	50,231,616	98.36	0.3659
2004	5,860,000	0.0265	2,150,000	36.69	0.0097
2005	38,900,000	0.1461	35,175,000	90.42	0.1321
2006	65,035,000	0.1640	60,000,000	92.26	0.1513
Overall Average	17,070,890	0.0801	14,925,051	46.293	0.0673

Sources: Underlying data are obtained from WAPCO (1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006)

Table II WAPCO's CSR expenditure by stakeholders

S/N	Stakeholders	2003		2006					
		n	Percent	n	Percent				
1	(a) Primary (host community and others within Ogun state	50, 271,616	98.44	62,600,00	96.26				
	Host communities					50	98.20	60	92.26
	Others within Ogun state					140	0.24	2	4.00
2	(b) Secondary (outside Ogun state)	799,000	1.56	2,435,000	3.74				
3	Total (a + b)	51,070,616	100.0	65,035,000	100.0				

Sources: WAPCO (2003, 2006)

Table III Distribution of WAPCO's CSR expenditure by socio-economic areas (2003 and 2006)

S/N	Economic and social areas covered by WAPCO's CSR	2003 (n)	2006 (n)
1	Education (scholarship awards, school materials and reconstruction of library)	5,271,000	5,550,000
2	Health (chest clinic and public toilets)	?	4,350,000
3	Water (deep water wells)	4,410,000	4,850,000
4	Security (support for community vigilante)	8,438,250	15,250,000
5	Electricity (electrification project)	10,000,000	10,000,000
6	Youth empowerment programmes	22,012,366	5,035,000
7	Construction and repairs of roads and bridges (including completion of town hall)	?	20,000,000
	Total	51,070,616	65,035,000

Sources: WAPCO (2003, 2006); and records

years. According to Table I, an average of 0.08 per cent of the company's turnover is spent on CSR generally, while about 0.07 per cent of turnover is averagely spent on community CSR. Approximately, 46.3 per cent of WAPCO's CSR expenditure is on the community, and this percentage is observed to be increasing in the latter part of the study period, implying that the CSR of the company is becoming more community-focussed. Particularly interesting is the over 280 per cent increase in the community CSR as percentage of total CSR expenditure in 2001, coinciding with the year WAPCO became a Lafarge SA member. As mentioned earlier, one of the key priorities of Lafarge is "Acting Locally"; thus, an upward trend in community CSR has been consistently observed.

Table I depicts a wide variation in the CSR expenditure of WAPCO. Explanations to this may be sought in the structure of projects executed. For instance, in 2005, huge expenditures such as the construction of town hall and lock-up shops in Ewekoro, provision of 300 KVA transformer for Olujobi and Egbado Ajegunle also in Ewekoro and the purchase of a new 18-seater bus for Sagamu were responsible for the sharp increase in total CSR as a percentage of turnover from 0.027 per cent in 2004 to 0.15 per cent in 2005. Further, in 2006 (Appendix), major expenditures include: the construction of Wagunnu River bridge, road in Olapeleke, chest clinic at Sagamu, public toilets for all markets in Sagamu, purchase of one vehicle and 15 motorcycles for several vigilante groups. Note that in these two years, community CSR as a percentage of total CSR increased to 90.42 per cent and to 92.26 per cent.

Apparently, the CSR activities of the company is not mainly performance-driven, however, the immediate needs of the community and other stakeholders are the major considerations. On a different note however, this may suggest the company's deliberate strategy to phase out its CSR expenditures on major projects until pressures mounts. After all, it is still a polluting company trying to balance its conflicting role of traditional profit maximisation and its modern role as being socially responsible.

5.2 Analysis of the extent of the contributions of WAPCO plc's CSR activities to sustainable development in the host communities (SDHCs)

The 15 CSR factors are used here to examine the extent of the WAPCO's CSR activities and contribution to sustainable development of the host communities. It should be mentioned that there is no information on two of the 15 CSR factors. These are social and environmental reporting and codes of conduct on bribery and corruption.

(1) Published social and environmental policies. WAPCO has an environmental policy which is published in its annual reports. It is designed to comply with application of environmental legislation and to continuously improve its environmental performance. It also aims to contribute to long term economic, environmental and social sustainability by adhering to well laid out commitments, including:

- Assignment of environmental responsibility and open communication with interested parties on environmental issues.
- Consideration and management of the environmental impacts associated with products throughout their life cycle.
- Integration of environmental considerations into decision making at all levels.
- Training of employees to achieve high standards of environmental performance.

(2) Good health and safety practices. WAPCO has a set of health and safety practices which is published in its annual reports. The objectives of its health and safety policy include:

- To encourage continuous improvement in health, safety and welfare.
- To prevent accidents and ill health by effective planning at all key stages.
- To encourage employee participation in improving health and safety standards.

In order to achieve these objectives, some targets and strategies are developed. The implementation of this policy started in 2001 and it was noticed that for some years plants have operated without an accident (WAPCO, 2005).

The parent company (Lafarge Group) initiated a project involving the collaboration with Du Point (The global industry leader in Health and Safety Management System (HSMS)) to evaluate and assess the state of HSMS in WAPCO plants across the globe, including Nigeria. The outcomes of the assessment have served as an input into to design of a group HSMS improvement plan (WAPCO, 2006). Also, a vehicle inspection programme was initiated in 2006 to set minimum safety standards such as seat belts and functioning mechanical and electrical system for vehicles hauling cement and to ensure compliance. Other activities in this area include weekly safety briefing and road risk analysis as well as

implementation of wheel chocking standards for loading and unloading operations to safeguard employees. A health management committee has been set up to monitor and provide advice on occupational and other health related issues in the organisation. At present, the priority areas are malaria and HIV/AIDS (WAPCO, 2006).

(3) *Good environmental performance.* In order to maintain health and environmental quality dust recycling plant was installed in 1996 to process over 50 percent of the dust generated by Kiln, which used to be dumped previously (WAPCO, 1997). Also, Kiln scoop system was installed in the same year for the purpose of returning waste dust to the manufacturing process. This also applies to other waste products such as used cement packages recycled for use. A new initiative was introduced by WAPCO in 2006 in form of collaboration with the Lube manufacturing companies in Nigeria to ensure management of “used engine oil” (and other waste materials) on a sustainable basis. This waste oil is incinerated in the Rotary Kiln at the temperature of 14,500–C. The policy of WAPCO is not to abandon excavated pits and make it turn to hazard or danger zone but to pursue its reclamation and rehabilitation programmes, through forestation and maintenance of a pond or mini-river to supply water required by trees and shrubs particularly in the dry season thereby ensuring that exploited areas are turned into forest again (WAPCO, 2006). The company was listed in 2006 among the 100 global most sustainable corporations in the world (WAPCO, 2006).

(4) *Corporate governance.* The governance profile of WAPCO plc is analysed in the context of the provisions of the New Code of Corporate Governance for Nigerian Companies released in 2003 (hereafter called the Code). This is necessary as good corporate governance is expected to impact on a corporation’s social responsibility via the right treatment of its stakeholders (Olowookere, 2008). Analyses of data show that as at 2006, WAPCO Nigerian plc operates a 12-member board, although this is a bit over the average of nine members for listed companies in Nigeria (Adelegan, 2007), the figure is still within the five to 15 members recommended by the Code. Equally, the company separates the positions of the chairman and chief executive officer, therefore, undue concentration of power in a single person is unexpected. Members of the board meet quarterly as recommended by the Code for effective control and monitoring. In terms of foreign membership, 25 per cent of the board members are foreigners; which is usually seen as a form of board quality. All board members are noted to possess stakes in the company, albeit low but increasing from 0.16 per cent in 2005 to 0.22 per cent in 2006 (WAPCO, 2006). This is expected to influence their monitoring role; however, it also puts in question the independence of the board members.

Another factor noted to aid the corporate governance of the company is the status of its external auditor as it is one of the “Big Three”. Equally, the company maintained a six-member audit committee, with a non-director as the chair and a 50 per cent non-director membership according to the provision of the Code. The monitoring role expected from the creditors of the company, especially on the Ewekoro project, is expected to improve the firm’s governance, since the creditors tend to see to it that a firm is well managed (Sanda *et al.*, 2005).

(5) *Good human resource management and employment practices.* Table II shows that the structure of WAPCO’s total staff emoluments reflects a general upward trend. Further, non-wage labour costs i.e. medical, welfare and pension costs are assuming increasing relative importance lately. This is expected of a firm that has good employees’ relations and takes it as a priority area of its CSR especially and when a sizable number of its workers are from the community and this is considered as part of community development.

A further review of Table IV shows Medical and Welfare as the major source of variation in staff emoluments ranging from its highest share of 61.96 per cent in year 2000 to the lowest share of 7.99 per cent in 2004. Given the activities of a company with high environmental and health impacts, situations requiring expenditures on medicals may arise randomly; and this may be responsible for the fluctuations in medical expenditure. However, the recent increase in medical expenditure share can be explained by the establishment of a new health committee with emphasis on malaria and HIV/AIDS treatment and awareness.

Table IV WAPCO: structure of staff emoluments

Year	Wages and salary		Medical and welfare		Retirement benefit and pension		Total staff emoluments	
	n = '000	% of total cost	n = '000	% of total cost	n = '000	% of total cost	n = '000	% of total cost
1997	517,298	51.41	347,355	34.52	141,608	14.07	1,006,261	100
1998	651,540	60.86	268,469	25.08	150,566	14.06	1,070,575	100
1999	415,795	32.37	795,857	61.96	72,918	05.68	1,284,570	100
2000	524,254	56.15	359,235	38.47	50,239	05.38	933,728	100
2001	492,949	48.54	495,054	48.75	27,560	02.71	1,015,564	100
2002	737,593	73.25	197,895	19.65	71,487	07.10	1,006,975	100
2003	936,003	83.78	89,275	07.99	91,960	08.23	1,117,238	100
2004	1,085,437	83.20	122,581	09.40	96,552	07.40	1,304,570	100
2005	1,376,095	72.00	418,760	21.91	116,225	06.08	1,911,080	100
2006	1,622,324	51.96	730,651	23.40	769,317	24.64	3,122,292	100

Sources: Underlying data are obtained from WAPCO (1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006)

(6) *Community investment, and philanthropy and charitable donations.* Investment by WAPCO plc in the host community development is presented in Tables II and III. The share of the amount of investment between the primary and secondary stakeholders is shown in the available data for 2003 and 2006. The host communities and other areas around Ogun state where the plants are located are regarded as the primary stakeholder and therefore show to benefit very significantly from the CSR investment of WAPCO (Table II), while others outside Ogun state are regarded as secondary stakeholders who received philanthropy and charity donations. Economic and social areas covered by WAPCO's CSR expenditure are presented in Table III. For 2003, no project was undertaken in the area of health and road construction, while more resources were devoted to the youth empowerment programmes. However, in 2006, more resources were allocated to construction of roads and bridges as well as security than other areas such as health and water.

(7) *Codes of conduct on supply chains and factory inspection.* Available information reveals that as a matter of policy, WAPCO assesses the environmental values and policies of its current and potential suppliers and contractors. It is imperative for suppliers and contractors to respect WAPCO's environmental values and comply with policies and procedures when dealing with the company (WAPCO, 2006)

(8) *Product and service responsibility and responsible marketing.* WAPCO is known to be responsible in the areas of effective and efficient product and service delivery and responsible marketing. For instance, available information shows that one of the projects designed around the WAPCO's new initiative called "New Dawn" is tagged "Deliver to Delight" is aimed at improving grinding, packing and dispatch operations (WAPCO, 2006). This initiative is also meant to reflect the WAPCO belief that "Consumer is the king".

(9) *Support for human rights initiatives.* There is evidence in the annual report of the company (WAPCO, 2006) that through its CSR activities donations are given to some human rights organisations, including the Child Care Trust, Nigerian Red Cross Society, Nigerian Union of Journalists and Correspondents Associations, Walk for Sight Initiatives, Nigerian Labour Congress, Nigerian Heart Foundation and women societies.

(10) *Partnership with other business and NGOs.* WAPCO collaborates with other organisations in the areas of environment, health and safety. Some of these collaborative initiatives have been mentioned earlier under environmental performance, and health and safety management. It is collaborating in the area of sustainable waste management, malaria and HIV/AIDS education, care and prevention. It collaborates with many stakeholders including the suppliers, NGOs and consumers in the realisation of the vision project (New Dawn) on improving its reputation in the society. It engages in global partnership with habitat for humanity to provide decent housing and with "CARE" to fight against HIV/AIDS. It gives out donations to NGOs, religious organisations and foundations including those of the handicapped (WAPCO, 2006).

(11) *Adherence to international standards and guidelines.* WAPCO was awarded the NIS ISO 9001 Certification in 2000 and has been certified to NIS 14001 as a sign of its adherence to environmental and safety standards in its operations. It has both internal and external mechanisms for checking the degree of compliance with international and local standards and regulations. It ensures adherence to the Kyoto Protocol agreement on emission reduction concept (WAPCO, 2006).

(12) *Ongoing stakeholder dialogue.* In order to promote improved stakeholders relationship WAPCO launched a management initiative called "New Dawn" in 2005, which is a three-year programme meant to improve its reputation. WAPCO has a web site (www.lafargewapco.com) for the purpose of promoting communication with stakeholders. It also has public relations department which deals with complains, comments and suggestions of the various stakeholders. In particularly it hold regular dialogue with the host communities and collaborate to ensure that community development projects are driven by the preference of the people and are executed to their satisfaction (WAPCO, 2006).

6. Summary, conclusion and policy lessons

This paper examines the contributions of WAPCO Plc. to sustainable development of the host communities through its CSR activities.

We adopted 15 CSR factors from the literature (which includes the three elements of sustainable development-social, economic and environment concerns) to shows the extent to which WAPCO contributes to sustainable development of its host communities. With the aid of data collected from its annual reports, our analysis suggests that WAPCO has gone beyond assistance and community development per se to sustainable development in the host communities. For instance, the recent relative rise in the non-wage labour costs i.e. medical, welfare and pension costs signifies a good practice that complements sustainable development efforts. Also, efforts in promoting health and safety as well as in sustainable management of the environment are in the right direction. The governance practice is also acceptable. However, the position of WAPCO seems not to be clear in the area of social and environmental reporting and codes of conduct on bribery and corruption since information is not available on these.

Analysis using available data from the annual reports shows that about 46.3 per cent of WAPCO's CSR expenditure is on the community, and that the CSR of the company is becoming more community-focussed. Although WAPCO's CSR activities are observed to be directly related with its turnover, CSR as a ratio of turnover is less than 0.5 per cent throughout our study period. Some areas such as health seem not to be given priority in the WAPCO's CSR expenditure.

Based on the foregoing, we recommend that WAPCO and polluting firms in general should devote more resources to CSR activities so as to be acceptable to their various stakeholders particularly the host communities. Besides, there is the need to design a clear policy/strategy and enforcement mechanism in the area of social and environmental reporting, and codes of conduct on bribery and corruption. Since health is wealth, therefore the area of health needs to be given priority in the CSR expenditure and regulations of WAPCO and polluting firms in general.

An important issue is whether the idea of a sustainable polluting company is not an oxymoron. Definitely, it will be difficult to defend a stance that one can ascertain and cater for the needs and limitations of future generations perfectly. This however in no way demeans the fact that the current generation will still engage in resource exploitation and productions for its survival. Hence, it is the role of CSR, especially through appropriately addressing the 15-factor framework adopted in this study, that this trade-off between current and future generations can be balanced to some reasonable extent.

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Appendix. Some items in the CSR community investment expenditure package of WAPCO plc

In 2006, WAPCO committed the sum of $n=60$ million to the following community development projects in communities around our Ewekoro ($n = 25$ million) and Sagamu ($n = 35$ million) plants:

1. Ewekoro:

- Replacement of Electric poles (24 Nos) in Ewekoro village.
- Commencement of bridge construction across Wagunnu River in Olujobi.
- Construction of 1.38 km road in Olapeleke.
- Installation and commissioning of 300 KVA transformer in Egbado Ajegunle.
- Repair of road and 900MM (2 nos) culverts in Oke-Oko Sekoni.
- Repair of Papalanto – Elebute Road.
- Completion of a town hall at Akinbo.
- Repair of NGC, Alaguntan Road.

2. Sagamu:

- Chest clinic for Olabisi Onabanjo University Teaching Hospital, Sagamu.
- Reconstruction of Sagamu Central Library.
- Five boreholes in Simawa, Ajaka II, Sotubo, Sabo II and Oba Sonariwo Market.
- Reactivation of radio communication for security operatives.
- Public toilet for all markets.
- A total of 13 motorcycles for town vigilantes.
- One pick-up vehicle and two motorcycles for central vigilante.
- Exercise books for public primary schools.

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