Making Corporate Social Responsibility Sustainable in the Nigerian Supply Chains: A Case of Nigerian Pharmaceutical Companies

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Abstract - Chronically, the Nigerian pharmaceutical arena has witnessed a series of scandals, perhaps unprecedented level of unethical behaviors, cruelty or of a kind. These events have seriously shaken people’s belief. In general, such activities have left a black-hole in the Nigerian pharmaceutical supply chains. These asymmetries are due to unscrupulous elements, lax regulations and as well as deep failings of unregulated pharmaceutical frameworks. Therefore, this paper aims to unravel some of these events from tooth to nail so as to perform ethical analysis in the light of CSR and triple bottom line (social dimension). To achieve this, two theories were employed: Agency and Stakeholder theories. Based on the literature, CSR will certainly have bearings in the pharmaceutical supply chains. And business continuity may lies within the premise of CSR. In the light of the analysis, both agency and stakeholder theories consider such behaviors unethical. Reason being, their behaviors were found to be detrimental to their respective stakeholders. With this in view, this research will create awareness and serve as a reference to policy makers and other related parties.

Keywords - Corporate Social Responsibility; Supply chain; Agency theory; Stakeholder theory; Pharmaceutical

I. INTRODUCTION

As outsourcing and globalization increases, supply chains are increasingly becoming fragmented and geographically dispersed. Suppliers now play a starring role towards sustainable operations of a buyer company’s products and services [21]. Therefore, on daily basis, companies are extensively facing a greater level of risk than ever before. The risks related with social and environmental negligence at the supplier part impel purchasing companies to actively manage their supplier’s irresponsible deeds [22]. For instance, a renowned smartphone maker, Xiaomi was alleged to fail in disclosing the environmental illicit behaviors by its suppliers which along the way might probably be detrimental to its corporate reputation and image as well [20]. Thus, there are many cases of such phenomenon in Nigeria. Notable scandals include Aspen drug scandal, the ban of insecticide and pesticides, the complete ban of codeine and tramadol. In essence, this irresponsibility could be further complicated by other factors such as difference in time zones, linguistic barriers and cultures. This in turn has significantly reduced transparency within the circle of supply chains except mitigated via an improved information sharing. Moreover, absence of
transparency across supply chains will probably not only slow competitiveness but will for certain increase the risk of opportunistic behaviors. These asymmetries will also no doubt shake the populace and this will cause a great deal of panic and loss of confidence in public health facilities. Based on this surface, an overview of these scenarios will be provided in the latter of section 3 so as to give a rounded picture of events or rather scandals. This in particular could disengage the public toward patronizing their products.

At the center of the problem frequently lies a naïve belief, among corporate executives in outsourcing business operations in order to improve short-term financial metrics. This means that some managers prefer to strengthen their short term financial metrics rather than been long term conscience. This could prove detrimental to any firm in the long run. Therefore, managers are urged to undertake initiatives that could be beneficial to their respective firms in the long run. But however, in some cases, executives do sub-contract responsibility consciously or unconsciously. When this happens, the company is no longer in control; instead its operations fall in the hands of its suppliers and distributors. Nowadays, a competition is also rampant in the supply chains.

Given this background, this research work seeks to analyze some irresponsible scenarios in the Nigerian supply chains. Such irresponsible behaviors will be analyzed in the light of agency theory and stakeholder theory respectively vis-a-vis CSR/sustainability (social dimension). That is, how will non adherence to CSR practices affect business? And also, how will CSR impact supply chains?

To achieve the above objective, this paper will be structured into the following part: the above is the introduction which holds the preliminary issues and the direction of the paper. The second section is shall hold the literature review and alongside the theoretical underpinnings. Next are research methods. The fourth section will be presentations of cases, analysis and discussions. And the final section will be the summary.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORKS

In this section, the discussions will be central on the impacts of CSR in supply chains. This will be followed by highlighting the key theories in CSR and their applicability in supply chain arena.

CSR

In recent years, CSR has evolved as an integral part of business activities. And such development has been rapid. The concept of CSR is anchored within the premise of environmental, social, and sustainability as well as ethical challenges [15]. Other issues it seems to embrace include philanthropic activities, protection of human rights, diversity and containing of issues like bribery, safety and other related activities [24]. Drawn altogether, oodles of companies are now hurling to this cause [23]. Reason been, over the previous years, there has been an intense pressure from company’s personnel’s, customers, regulatory bodies, shareholders as well as other stakeholders.

Succumbing to such pressures as well as seeing it imperatives, many organizations have heightened their curiosity towards embracing social culture. Based on the complexity of CSR, its definitions are numerous and varied in nature. Due to the nature of this research work, few definitions are utilized. In the same vain, this research is inclined towards exploring the probable incentives of employing CSR in Nigerian supply chains. However, this issue has been an issue of huge concern. Chronically, suppliers do engage in activities that are clearly detrimental to the whole stakeholders. Therefore, this paper aims to impact the knowledge of this subject (CSR).

Reference [14] sees CSR as a firm’s allegiance to increase community welfare by a means of discretionary or rather flexible corporate practices and contributions of the business resources. In the same surface, the World Business Council for Sustainable Development highlights that consistent adherence to corporate citizenship could also pave way for sustainable development. To this end, a company that embraces such practices has the tendency to impact positively the welfare of its stakeholders. From CSR point of view, a company may be indispensable towards shaping a better world [1].

CSR in Supply Chains

It is noteworthy to switch to the other side of the coin. That is, to see how CSR could possibly impact supply chain management operations. In many companies, there is a heightened increment in the activity of CSR in relation to supply chain management, with wide range of issues across various sectors [15]. Such increment is due to lots of scrutiny from wide range of audiences and this will for certain make companies more accountable for their internal practices as well as to hold their respective suppliers accountable also [13].

The concept of CSR has been in existence for the past couple of years but its impacts in supply chains surfaces in the last 20 years. A closely related concept of CSR in supply chain management is sustainability [39]. According to [36], sustainability refers to activities such as economic, social and
environmental options that will not in any way be detrimental to the future generations. Sustainability is synonymous with CSR. A couple of literature or rather scholars label the concept differently. For instance, [13] view CSR as Socially Responsible Purchasing, [38], label the concept Ethical Sourcing. Others like [37] and [35] labeled it Green Supply Chain Management and Environmental Purchasing respectively.

In furtherance to above excerpt, there are two-split ways for companies to integrate CSR routines down the supply the chains arena. For instance, meeting the requirement of the CSR criterions as well capacity building [39]. As for the latter, capacity building is anchored within the premise of enhancing stakeholders environmental and social responsibilities with the view of working with them closely with special focus on continuous improvement and carrying out random audits [25].


Agency and Stakeholder Theories

Traditionally, CSR is analyzed from different theoretical frameworks. For instance, it been analyzed from institutional perspective, resource based view point of view [27] or via stakeholder lens [30]. In the line of reasoning, agency theory is capable of providing an indispensable insights regarding CSR issue vis-à-vis supply chain management on the basis of “its natural fit with SCM endeavor” [32].

In essence, agency theory holds that individuals are self-centered. That is, they are been driven by interest. And the overriding principle of these theory aims to address such problem which is popularly known as opportunistic behavior. In order to eradicate such behavior, it is has become a bare necessity to introduce monitoring regulations as well as rewarding incentives to remarkable outcomes. Other underlying issue include: information asymmetries, risk allocation and uncertainties [9]; [31].

Applications of this theory (agency) to supply chains are relatively rare or rather infrequent, yet contribute to better comprehension of the various dilemmas that arise or exist within the supply chain arena [34]. This could be based on the notion agency theory is usually used in accessing relationships or interactions between two things, while in the supply chain arena, there are number of agents serving as one principal [34]. In recent years [9] and [36] highlights the probable goal incongruity which stems as a result of inconsistencies in the supply chain arena and at the same time highlights the probable role agency theory plays in minimizing or remedying such incongruity.

Looking at the principal-agent issues within the confines of supply chain, the executives could be seen as the principals while the other such as the outsourcing beneficiaries or distributors could be seen as the agents. In this regard, the conflict of interest may arise as they been driven by creating value for their respective firms, but either of the two (the principal or the agent) might desire large proportion. In order to contain such conflicting issues, the principal which is the director may needs to introduce monitoring techniques so as to mitigate any probable problems that may arise. Code of ethics could also be valuable and indispensable in this regards. Another supplement to this will take us to the work of [39], as pin-point a clear plan towards implementing CSR in international product chains.

Like stated in the previous excerpt, CSR is mostly analyzed from the point of view of stakeholder theory [30]; [29]. In the same vain, stakeholder theory is the most astounding template for measuring CSR [26]. The notion of CSR posits that a corporation’s obligation goes beyond economic and legal but also to certain obligations to the society at large. Also, CSR refers to those set of motivations which should be held in high regards by business in relation to their economic activities and most importantly their performances. In addition, CSR is seen as a prerequisite towards mending any potential or maintaining long standing relationships between companies and the society at large.

Looking at the above assertions, CSR alongside it principles should be taken into consideration and at the same time be held in high regards. In essence, companies should employ ethical behaviors so as to attain their visionary projection or rather objectives. In the same vain,[33], claims that an ethical management is not only streamlined to the welfare of shareholders but also to all stakeholders. Having this in mind, it is imperative to highlights what stakeholder is. According [1] he defines stakeholders as individual or rather group of people who could actively affect or is being affected by the activities of the firm/company. The extreme proponents of stakeholder theory suggest that sea, even the future generations yet unborn and so on are also regarded as stakeholders.

In summary, adhering to ethical concepts and at the same time paying attention to the whole stakeholders is the over-riding principles of CSR and this seems to converge at one issue which is ethical management. With this in mind, incorporating all these, firms should fulfill their obligations to all its constituents (that is all stakeholders), as in this case suppliers should take this into consideration whenever perusing it economic activities. For instance, companies should also disclose any of it operational activities. In
general, this refers to the notion of accountability: the development of what we set to be the potential of CSR [8]. Reason being, it has become paramount for any firm to discharge ethical values which in turn conforms to the expectation of every stakeholders or the society at large [35].

III. RESEARCH METHODOLOGY

This paper will utilize deductive approach; since there are different theories in relation to CSR, agency and stakeholder theories, which provide the base for this paper. In general this research work is qualitative-case study based. This was carefully chosen in order to address the research question properly. Scenarios will be provided in the form of case so as to give the hindsight of those illicit behaviors within the supply chain arena. In essence, two theoretical frameworks were considered by the researcher. They include: agency and stakeholder theories. These theories shall be used to analyze the case study.

Case Study

The concept employed by the researcher is an old one: qualitative case study as the main method of investigation. Case studies are known to be rigorous, general description as well as analysis of a circumscribed phenomenon. This paper is inclined towards exploring the present phenomenon based on the actual real life scenario, especially in the case where the limits amongst incidents as well as scenario are not noticeably apparent [12]. Also, this method was employed so as to give an in depth knowledge of what happen in the supply chain arena. The narrations of the involved case are formal and the intention aims at providing the potential readers with valuable insight and full knowledge of the situation or events. Such issues includes: opportunistic behaviors and other related issues.

Achieves

This research work will make use of company annual reports so as to extract necessary data. For instance, such annual report will be of Nigerian Federal Ministry of Health, National Agency for Food and Drug Administration Agency (NAFDAC) and some randomly selected companies. Some of them will be gathered via the Nigerian Stock Exchange (NSE) library. Annual reports as considered as a principal official and legal document which a firm/agency prepares on regular basis will throw more light on how they communicate with their stakeholders. This in turn will give the true pictures of the contemporary issues within the selected industry. Also, achieves of these agencies and companies shall be looked upon.

Data Analysis

Prior to data analysis, selection of two relevant theories was done, which include agency and stakeholder theories. These theories will be used together for the analysis and justification. This leads to apparent use of extensive secondary data.

Case Overview: The State of Nigerian Pharmaceutical Supply chains

Counterfeit pharmaceuticals have been a persistent or rather long-standing issue especially in less developed countries [5], and at the same time led to unnecessary series of illness, mortality, and lost in public health confidence and other related health systems [2]. Nigeria in particular is well known as a notorious destination for such illicit asymmetries. For instance, in the year 2018, the Nigerian pharmaceutical supply chains have witnessed a couple of shocking, perhaps unprecedented level of dishonesty, greed, illicit supplies and of a kind. This scenarios has unravels the multifaceted set of deceptions that is at the heart of the supply chain arena in Nigeria. This is due to number of reasons. These includes: lax medical regulations, bribery, corruption, less emphasis on quality control, and most importantly less well-defined pharmaceutical supply chains, among others. Therefore, this is a well vehicle to drive their ill-gotten benefits, financial gains or in kind at the expense of the general public.

In a survey conducted by WTO which comprises of seven African countries it was found that between 20% to 90% of all medications for malaria, alongside chloroquine-based tablets and syrups do not pass quality test, while on the other hand, 90% of sulfadoxine tablets were found to have less standard content-ingredients [5]. In 1995, as many as 109 children lost their lives in 1995 as result of consuming the cough medication which contains ethylene glycol, a substance mainly used in antifreezes. In the following year (that is, 1996), some Nigeria regions were plagued with meningitis disease, of about 60,000 people who happened to be immunized with substandard vaccines, as many as 2,500 lost their lives [16].

As recent as last year, the Nigerian regulatory body NAFDAC had to close down three pharmaceutical companies. They are: Enzor Pharmaceutical Limited; Peace Standard Pharmaceutical Limited and Bioraj Pharmaceutical Limited. This was due to less convincing sufficient evidence and seemingly resistance to provide much needed documents on visit of the Nigerian regulatory agency taskforce. In
the same vain, all their product lines were closed. This was inevitable due to the apparent weaknesses on their part of monitoring and supply of medications that contains narcotics and codeine. These very medications were highly abused and were easily obtainable. Similarly, counterfeits in excess of over 1 million dollars were destroyed. These very medications were rid-off due to less standardization, expiry and unwholesome products. These includes: cancer medications, anti-malaria, anti-biotic and hypertension drugs. Others include perishable paste, insecticides and so on. Interestingly, another cartel was busted and was found to have pilled controlled banned syrups in excess of over 30,000 dollar [5].

In an effort to combat such growing movement of counterfeit, controlled medications as well as containing compromised suppliers, NAFDAC in collaboration with the Ministry of Health had to wield their biggest stick by banning couple of companies that supplies medications to the populace. For instance, the agency was believed to have clamped down on unregistered honey packaged due to hygiene issues. Other efforts by the agency include banning of number of pesticides and veterinary medications that were proved to be detrimental. As the agency name indicates, they are mandated to regulate these long standing problems other related issues such as quality supply of foods and agricultural pesticides.

IV. ANALYSIS AND DISCUSSIONS

It is imperative to commence this section with echoing of what the case enfolds as it is inclined toward analyzing the aforementioned theme of this paper. That is, illicit behaviors and operation within the Nigerian supply chain arena.

Agency and stakeholder theories are amongst the theoretical perspectives of corporate governance or CSR. And based on their respective premise, will overtly justify these immediate asymmetries unethical. On one hand, agency theory is way of examining individual greed. In this sense it means that putting managers in charge of someone’s wealth that is not theirs creates in a way cost generally known as agency cost [7]. The main over-riding principle of agency theory continuously informed business managers to shun illicit behaviors that can in turn have unsavory consequences for stakeholders. This is because; such behavior will certainly have far-reaching consequences especially for the shareholders and the company at large. For instance, reputation of companies involved will no doubt be in jeopardy as such news of illicit behaviors unfolds. These companies are meant to be producing or supplying qualitative medications to communities. But unfortunately, the reverse is the case. Therefore, on the emergence of such news consumers might initiate a boycott or rather prompt shareholder activism. Other consequences could be divestment from the shareholders. This represents the ultimate threat to company’s viability and continuity as well as failure to hold glue company investors. In such scenario a company might found itself short of resources to further its continuity. Other issue this might lead could be ‘residual losses. This refers to reduction in shareholders investments.

Ethically self-minded managers are expected not to indulge in any corrupt or related practices. It is overtly certain that these companies used the resources at their disposal to indulge in illegal activities. Such behaviors if taken into consideration are deemed unethical and also go contrary to established rules set by NAFDAC. As such, this reveals how absence of accountability on their part as they tend to have an eye for short-termism and risk-sharing. Short-termism is well known outlawed. For instance, the UK is notorious of such doing [1]. By definition, refers to propensity to shorten the period of an investment. As for risk sharing, the involved managers tend to prefer an alternative course of investment decision that is contrary to their shareholders’ decisions. It necessary to emphasize that their collective behaviors under the agency theory is deemed unacceptable as their behaviors and doings clearly undermine what the theory intends to contain which include: honor agreements; avoid harming others; respect other point of view and; abstain from lying.

On the other hand, the main over-riding principle of stakeholder theory affirms that businesses should not streamline its responsibilities to its shareholders but also to whole group of stakeholders. This principle in essence, clearly encourages entities and their respective managers to consistently sustain the economic viability and most importantly financial muscle of their respective institutions, not just to maximize shareholders wealth, but also to consider the interest of other stakeholders. A profit here is likely to have gone further than numeric monetary tenets taking into account social, economic and other related utilities for stakeholders at large. This notion as such has echoed the inferring themes of Class-hegemony theory, which emphasize directors, should not streamline their obligations only to being agents of organizations but to also to individuals, families, or a social class [3].

In response to the above assertion, it is evident that these companies had employed deception as they clearly supplies and distributes controlled medications as well as withholding other information with the aim of spreading their tentacles. Supplying
such medications which are detrimental is certainly a thoughtless or a deliberate act to ultimately spread their tentacle and fulfill their money making desires. For instance, NAFDAC learned that some unscrupulous elements were supplying Methyl bromide as a fumigant. This very fumigant has an exposure consequence. Studies have shown that it can severely cause injury to the lungs. Within this theme of reasoning, they have shunned their obligation to wide range of stakeholders. Their behaviors when viewed on this surface have gone contrary to addressing health issues. Their behaviors are deemed unethical under stakeholder theory as it was clear they took full advantage of weak regulatory system. Such weakness reveals how eager entities will embrace illicit behaviors. The absence of such social responsibility will be damaging rather companies should embrace it as [6] said:

“The business case underpinning our commitment to sustainable development has become more compelling. Companies that maintain high standards across the full spectrum of their social, environmental and economic performance have shown that they attract the best people enhance the motivation and commitment of their employees and sustain the loyalty of their customers. They typically enjoy strong relationships with other stakeholders and benefit from a stronger corporate reputation. All these add to shareholder value”.

Again, within the themes of stakeholder theory, firms should be driven to enhance the society as they discharge externalities. This assertion for the society’s well-being is also the over-riding principle of CSR. Therefore, in reference to both perspectives, managers are required to act in a well responsible manner that will sustain society’s welfare. As seen in previous section, there were supplies of controlled medications by some unscrupulous supply chains. This in turn reveals a behavior that lacks prudence as well as showing their height of cruelty towards endangering people’s health. By such action, these companies behaved contrary to the generally established code of ethics expected of businesses and more so of financial institutions and their obligations to the larger society. According to [4], within the stakeholder theory, there exists duty of care that lies upon directors of any entity. As such, this holds that these supply chain’s priority should be to protect the welfare of the populace and the public health facilities. It is obvious these unscrupulous supply chains have betrayed and disregard this principle of care. Reason being, they are inclined towards perusing their self-interests. In this context, their behaviors are ‘deemed unethical’.

This duty of care can also be applied to the regulatory framework of Nigeria. Every government or state has a moral responsibility to safeguard its society’s well-being via it supervisory mechanisms. In essence it can also include: establishing appropriate regulatory agencies; proactive measures and provisions of invaluable tools so as to ensure compliance. With reference to Nigerian regulatory systems, there exist a well system in place, however the existing systems proves ineffective. Therefore, such failure has in turn placed a significant risk in the Nigerian health system. Another issue seems to be the adherence of professional ethics.

V. CONCLUSION

This paper unfolds some of the recent violations in the history of Nigerian pharmaceutical industry. This case illustrates high level of violations, inadequate professional ethics that will subsequently have far-reaching consequences. Based on this surface, pointing the blame in this regard seems to be straight forward. These unscrupulous supply chains in the process illicitly disregard safety measures and suppressed information as well as circulating controlled and ill-certified medications.

Bearing this mind, the involved elements failed in their duties to properly ensure the well-being of their subject or customers. Based on the employed theories, their behaviors are deemed unethical. On the contrary, such series of scandals has for long battered the Nigerian pharmaceutical supply chains. Therefore, the government must step up and introduce well decisive and bold measures so as to contain such growing trend and how they respond will no doubt shaper the pharmaceutical supply chains. These unscrupulous elements and the aforementioned companies will go down the history lane as those who ignored their professional business virtues in order to drive their ill-gotten benefits, financial gains or in kind.

In general their behaviors are deemed unethical and uncalled for. Therefore, embracing social culture as well as CSR will compel companies to act in the interest of not only their shareholders but to their wide range of other constituents.

The limitations of this paper signify a turning point for further research. CSR is relatively new in Nigeria especially within the supply chain arena. This paper only delves into some series of pharmaceutical and supply chain failings. And it is a case study based. Therefore, future research may decide to employ quantitative or qualitative broad based that might include thorough interviews.

REFERENCE