

Corporate Social Responsibility (CSR) & State-Owned Enterprises: A Case of Asmara Brewery Share Company (ABSC)

Yemane Ghebreluul, Tirhas Gebremeskel
College of Business and Social Sciences, Asmara, Eritrea

In any country, every company is part of the society in which it operates primarily for achieving economic goals and to take into account in its actions and decisions both society and environment. The main reason behind the success of large companies is, their commitment to the implementation of corporate social responsibility (CSR), corporate social responsiveness, and corporate social rectitude. In light of this, this study aims to assess the application of CSR in state owned enterprises (SOEs) in Eritrea at Asmara Brewery Company. The study analyzed the application and impact of CSR practices on the profitability and productivity of the company. This research adopted explanatory approach and intended to achieve four objectives. Data were collected through unstructured interview with the top management of the company. Our study found that, the company is committed to CSR application and it has initiated many schemes to institutionalize it. The findings also revealed that, CSR significantly affects the company financial performance and productivity. The study recommended top executives of Asmara Brewery Share Company (ABSC) to push further in the application of all CSR components so as to attract more customers, talented employees, and investors.

Keywords: assessment, corporate social responsibility, state owned enterprises, Asmara brewery company, Eritrea

Introduction

In any country every company is part of society in which it operates primarily for achieving economic goals and to take into account in its actions and decisions both society and environment. It's evident that, the main reason behind the success of many companies is: the incorporation of corporate social responsibility (CSR) into company policies and programs as well as the implementation of the social responsibility.

While there is no universal definition pertaining corporate social responsibility, it's, however, generally defined as transparent business practice based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment at large. According to Geoffrey (2001), people constitute the company's stakeholders i.e. its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. The definition of CSR varies from organization to organization. Geoffrey (2001) asserts that, the idea of social responsibility supposes that the corporation has not only economic and legal

Yemane Ghebreluul, MA, lecturer, Department of Business Management & Public Administration, College of Business and Social Sciences, Asmara, Eritrea.

Tirhas Gebremeskel, BA, teacher, Ministry of Education, College of Business and Social Sciences, Asmara, Eritrea.

obligation but also certain responsibilities to society which extend beyond these obligations. Though there is not a single definition, but most definition entails the concepts of CSR which does not only focus on economic but it also emphasizes in the full-fledged application of legal, ethical, and philanthropic mandates in order to foster gains and company profitability. It's worth to conclude that, the concept of cooperate social responsibility is managerial obligation to take actions that protect and improve the welfare of the society as whole and the interest of the organization.

Carroll et al. (2018) explain the four parts of CSR and clearly articulate the multifaceted nature of social responsibility. The economic responsibility cited in the definition refers to: society's expectations of companies to produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable/fair price. Asemah, Okpanachi, and Edegoh (2013) suggested that, organizations are expected to be efficient, profitable and to keep shareholder interests in mind. In the meantime, legal mandates companies to comply with the laws, rules, and regulations laid to them by government so as to govern competition in the marketplace. Organizations required to strictly adhere to bunches of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental and employment laws. Another essential responsibility of companies is ethical responsibilities. Its societal expectation goes beyond the frontiers of legality and is concerned with societal expectations for company to make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enhanced in law. Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations be good citizens. This may involve such things as philanthropic support of programs benefiting a community or the nation. It may also involve donating employee expertise and time to worthy causes of community.

Motivation for Study

Several research findings revealed that, corporate social responsibility is one of the most important aspects of a business that lead to the increase of firm productivity, image, profitability, and performance. If it's applied properly, it may reap financial benefits (because of lowers cost), protecting environment, assisting local communities, ensuring a positive reputation as an organization, improving employee job satisfaction, and so forth. Nevertheless, the application of CSR in state owned enterprises (SOEs) especially in the context of Eritrea is constrained due to monopoly nature of market operation to economic responsibilities merely. Other components of CSR are entirely or partially neglected.

Voluminous studies have been carried out on CSR. Some studies posited that CSR have a positive effect while others witness as having negative impact. For instance, the finding of Tariku (2020) showed that, the relation between CSR and organizational performance is either negative or in significant for firms with low customer awareness. Siddiq & Javed (2014) believed that, CSR philosophies do not make firms profitable and how market works rather CSR was a waste of time and money. As a result, what they conceived is as negative influence on organizational performance, and refuse to engage in CSR. This study, therefore, aims to assess corporate social responsibility application in Asmara Brewery Share Company (ABSC) and overcome the persistent knowledge gap in this area of business in Eritrean context.

Objectives & Inquiries

The study has both general and specific objectives. The general objective of the study is: to assess the application of corporate social responsibility in Asmara Brewery Share Company. Meanwhile, the specific

objectives of the study inter alia, are: (1) to address measures taken by ABSC to apply corporate social responsibility, (2) to examine the effect of applying corporate social responsibility in ABSC, and (3) to identify challenges faced by Asmara Brewery Company in applying corporate social responsibility. To provide acceptable and reliable answers to the study's objectives, the following questions were inquired to key informants as follows: (1) What are the measures taken in applying corporate social responsibility? (2) What are the effects of applying of corporate social responsibility? (3) What are the challenges faced in applying corporate social responsibility?

Significance

The findings from this research will contribute to better understanding of the concept of CSR by organizations within Eritrea and expected to nudge them to implement corporate social responsibility practices in order to upsurge their overall performances. It will also help the company under study understand the impacts so far made and the way forward in dealing with CSR. Moreover, the findings of this study will serve as a basis for further research and provide additional information to the existing literature in this field.

Methodologies

Saunders et al. (2009) identified two main approaches in conducting research, namely: quantitative research and qualitative research. Quantitative approach seeks to gather factual data in quantitative form subjected to rigorous quantitative analysis in a formal and rigid fashion with focus on quantified collection and analysis of data, and study relationship between facts. Whereas, qualitative approach is non numerical studying concerned with subjective assessment of attitudes, perceptions, opinions, and behaviour based on the measurement of quantity or amount and focus interviews (Kothari, 2004). Our study used qualitative approach and implemented deductive approach. The aim of our research is to interpret the application of the corporate social responsibility in an organization, and thus we adopted exploratory study, which means a valuable means of findings out what is happening; to seek new insights to ask questions and to asses' phenomena in a law light. Data have been gathered through interview with top executives, branch managers and supervisors and rigorous desk review of company strategic plans, operations, policies, procedures, rules, regulations, articles and web browsing. Qualitative data analysis method was utilized.

Literature Review

Terms & Concepts

Corporate social responsibility (CSR) is a concept of business management that is becoming increasingly popular worldwide. It assumes the inclusion of ethical, social, and environmental issues in business undertaking. CSR is long term and dynamic concept of creating a friendly climate around the company based on analyzing and meeting the needs of all stakeholder's, which strives to solve social and environmental problems.

CSR can be seen as an action oriented on undertaking or supporting socially significant initiatives, providing assistance, doing good to other business entities, institutions, and communities, regardless of the adopted time perspective concerning a waiting benefits beyond the law (Williams & Siegel, 2001). CSR is also interpreted as a corporate commitment to minimize negative impacts (Coombs & Holladay, 2015).

On the other hand, a state-owned enterprise (SOE) is a legal entity that is created by a government in order to partake in commercial activates on government's behalf. It's also known as government-owned corporations (GOCs) that can be either wholly or partially owned by a government and are typically earmarked to participate

in specific commercial activities. SOEs represent government in commercial affairs & sell physical resources to trading entities and corporations. State owned enterprises operate in all countries but prolific in China, the United States, New Zealand, South Africa, India, and Russia. Some of the defining characteristics of SOEs are: distinct legal form, operate in commercial affairs, and work to materialize public policy objectives. The activities of SOEs are differentiated from traditional government agencies (ministries, commissions, departments, agencies, and public authority) or state entities established to pursue purely non-financial objectives.

Theoretical Review

Theories are formulated to explain, predict, and help in understanding phenomenon and in many cases to challenge and extend existing knowledge within the limits of critical bounding assumptions (Saunders et al., 2009). According to Kothari (2004), theoretical framework is a set of assumptions about the nature of phenomena. In our studies, we have reviewed four theories that are relevant with our theme of study.

Stakeholder theory. Stakeholder theory is a theory of organizational management and business ethics that addresses moral and value in running an organization. This theory is based on the assumption that, organizations whether private or public have obligations to several groups that make up the society. These constituents are referred to as stakeholders, individuals, and groups that are critical to the existence of the organization; they influence what the organization does or they are being influenced by organizational actions (Asemah et al., 2013). The stakeholder's theory stipulates that management has moral duty to protect not only the corporation, but also the legitimate interest of all stakeholders.

Iron law theory. The iron law social responsibility theory stated that, in the long run, these organizations that do not use power in ways that society considers responsible will tend to lose it. Organizations are tied to the environment based on the iron law of responsibility. Thus, organizations must be socially responsible to the communities where they operate. This theory is relevant to our study because it lays emphasis on organizations being socially responsible in their operations so that they will be able to win the goodwill of stakeholders.

Institutional theory. Institutional theory has been adopted for the first time to CSR in 1995. This theory suggests that firms do not make decision regarding CSR purely on the basis of instrument decision making, but such decisions are framed vis-à-vis a broader social context. Institutional approaches have also been used to analyze environmental social responsibility of the firm. More specifically Marakova et al. (2021) analyze the role of institutions in shaping the consensus within a firm regarding the establishment of an "ecologically sustainable" organization.

Social identity theory. According to Dutton et al. (1991), this theory provides an explanation for the link between corporate social activities and employees work attitudes. The theory proposes that people tend to describe their self-description in a social context and classify themselves and others into different social categories. This theory briefly claimed that an employee's enhancing social identity, as a result of being a member of reputable organization, will affect his or her work attitudes.

Empirical Review

Aleksic, Bjekić, and Rodić (2020) conducted a study to investigate the application of corporate social responsibility in company's environmental performance in Serbia. The study finds that, there is positive relationship between CSR and environmental performance. Based on the analysis and obtained correlation analysis, the study concluded that there are statistically significant correlations only in the dimension of the CSR and environmental performance. Marakova, Wolak-Tuzimek, and Tuckova (2021) examined if CSR is a source

of competitive advantage in large enterprises. The study concluded that, CSR affects five areas of enterprises: enterprise image, consumer, marketing, activates in accordance with social expectations, knowledge and skills of employees.

Ayelew (2020) studied the effect of corporate social responsibility in organizational performance of Dangote Cement Factory in Ethiopia. The study attempts to assess the impact of three types of CSR on firm's performance. Eventually the study concluded that, CSR has a positive impact on the performance of the organization in the areas of: corporate image, employees' retention customer retention and profitability. Moreover, Tariku (2020) studied the effect of corporate social responsibility practice on building brand equity in Hilton Addis-Ababa. The findings of the study show that, environmental and societal CSR practices have a positive and significant effect on brand equity. The researcher strongly recommended company managers to do what is right toward community, the environment, and social causes.

Nguyen (2016) studied corporate social responsibility in Vietnam state owned enterprises. The research was focused on comparative analysis of two large Vietnam state owned enterprises. The study discovered that, these state-owned enterprises have not considered or recognized profit-making impact of CSR on corporate performance to appropriate extent. Radwan (2015) conducted an investigation on the impact of CSR on employees in Hotel industry in Egypt and they found that, internal CSR variables have a significant positive relationship with employees' organizational performances.

Findings and Analysis

Company Profile & Situational Analysis

Asmara Brewery was originally established in 1939 in Asmara, during Italian colonial era. The present site of the factory was previously used as a depot of road construction materials. It was set up by Engineer Luigi Melotti, an Italian national who came to Eritrea during the Italian colonial period, as an expert in road construction. The factory, to start with, used to produce liquor products based on rudimentary technology. Asmara brewery started to diversify its line of production to include beer in 1942. In due course, beer production started to become its main line of activity. To that effect, its production facilities were progressively expanded and modernized.

Its name was officially changed to "Asmara Brewery" in 1982. With regard to its human resource development and management, the brewery reinforces the principles of enlightened and human employment practices by promoting training and development skill, keeping employees highly motivated, and recognizing employee's inalienable right to organize and negotiate their conditions of employment. The company has at present 436 employees. This includes 16% in management, 42% in production, 14% in technical, and 28% in marketing (ABSC archives, 2024).

The principal objectives of Asmara Brewery Share Company include manufacturing safe and quality product, ensure real earnings growth and productivity gains, share fairly among all stakeholders the wealth created, and play an active role in the development of Eritrean economy. Among the strategies of the company are: ensure the excellence of the quality of its products, provide efficient service, maintain the dominant share of its market, penetrate niche export market, promote the domestic production of some of its major raw materials, upgrade the professional qualification and skill of its employees, ensure preventive health and safety structure for its employees, manage proper environmental impact, and sponsor community development and social activity.

The present organizational structure of the firm has a board of directors reflecting its conversion from fully state-owned enterprise into a share company. The day to day management of the factory is headed by the general

manager who is responsible to the board of directors. It has four major departments: Administration and Finance, Marketing, Production and Technical Service; and three support units: Corporate Planning, Quality Assurance and Internal Audit, which directly report to the general manager.

The company produces variety of beverages and other materials, with different flavors and uses, among these are:

- Beer (Lager-Draught-Stout);
- Alcohol (Natural and Denatured);
- Alcoholic Drinks (Liquors, Zibib, Gin, Cognac & Fernet);
- Carbon Dioxide.

From the vision, mission, and strategies of the Asmara Brewery Share Company, it can be seen how Asmara Brewery views CSR. Accordingly, Asmara Brewery noted that an enterprise cannot just focus on seeking profit objectives but also must perform their responsibilities and obligations to the community, from which to build a model where the company development is in harmony with the environment, society, and the population. The brewer company views CSR should be implemented through a variety of activities in different forms which may include charity programs, campaigns or contributing to the improvement of socio-cultural environment at the local areas and reduce environmental wastes.

Findings

The researchers asked a question pertaining the understanding of the management of ABSC to the concept of CSR and the general manager replied as follow:

we have the knowledge and proper understanding of it and we have been applied it for long period of time. Our company boldly believes that social responsibility is an “integral part” of our corporation. The clear understanding of CSR helps our company partake in many activities of Eritrean society. He emphasized the importance of social responsibility to the corporation & its impetus in making us the largest brewer enterprise in Eritrea. To ABSC, activities related to social responsibility field of work “attached” to business results and especially have close ties with the financial situation of the corporation.

In responding to our inquiry, if ABSC considered CSR as an important tool of business strategy, he agreed that CSR is important strategy as stated in the strategy of the company to manage properly environmental impact, sponsor community development and social activities, and ensure preventive health and safety structure for its employees.

Key informant also asked on the types of CSR measures taking currently in ABSC. He reaffirmed that: They are providing funds, labor works, construction, community development, active sport tournament sponsorship and provision of facilities for Mai-Nefhi College of Engineering. He added that, the company is providing funds in cash form to community members with shortage of finance that resides in collective neighborhood. Besides, employees of the company engage in labor works voluntarily. In addition to that, employees of the company are participating in planting trees every Wednesday on the way of Asmara-Keren near the village of Embaderho and incur either transport or miscellaneous expenses of employees during planting time. Most recently, the company had contributed in the construction of Bahti-Meskerem Plaza and offered plenty of money during festivals and national holidays’ as in the form of charity.

In our attempt to assess the effects of applying CSR in ABSC; the general manager replied that, financially it’s costly in short term and already spent thousands of Eritrean Nakfa in executing different activities. The

general manager views CSR as taking more times of ABSC, because for instance, planting of trees almost sacrifices annually two months' production time. Nevertheless, the general manager confidently believes that the incorporation of CSR into company strategy contributes to company good image, reputation and increase productivity.

The key informants were asked, if the company encounters any challenge facing in applying CSR. The key informant replied that, government intervention, wages & salaries based on government scale forced the company not to perform fully its economic responsibility. Though the management pursues CSR as company main goal, however, the concept of CSR is not fully understood by managers in middle and lower level positions and this is to greater extent due to dried promotion, low wages, and salaries.

Concluding Remarks

CSR in any organization is instrumental to overall success and long-term viability of a company. Several CSR studies show that applying CSR in organizations reinforces to achieve their undertaking goals and objectives, improve their financial position, decor image and foster reputation, promote productivity as well as growth and competitive advantage.

Our study attained its objectives and answered the planned research inquires. Our study finds that, the primary reason for survival and blossom of ABSC in Eritrea & abroad ought greater credit to its incorporation of CSR as company integral part to handle & approach society and its employees in responsible and ethical ways.

We conclude that, ABSC undertakes different aspects of CSR in order to enhance its performance and the company pays special attention for philanthropic, ethical, legal, and economic responsibilities. CSR has positive effects on ABSC performance and middle and lower levels managers lack awareness on CSR.

The study recommends the following suggestions to ABSC and policy makers of Eritrea to improve its performance:

- The management should continue the pursuit of CSR.
- Provide training to middle and lower level managers to have proper understanding of CSR and its salutary effect to organization.
- Government should devolve more administrative power to ABSC to design its own wages & salaries regime.
- Government should encourage and award firms (such as tax exemption and financial assistance) that pursue & apply CSR as it contributes to greater common good.

References

- Adegbie, F. F., & Organ, T. P. (2020). Investment in corporate social responsibility and performance of quoted manufacturing firms in Nigeria. *African Journal of Accounting and Financial Research*, 3(1), 12-24.
- Aleksic, M., Bjekić, R., & Rodić, M. (2020). Application of corporate social responsibility and companies environmental performance. *Journal of Engineering Management and Competiveness (JEMC)*, 10(2), 81-89.
- Amare, T. (2020). The effect corporate social responsibility practice on building brand equity; the case study of Hilton Addis Ababa. Retrieved from <http://repository.smuc.edu.et/handle/123456789/6182>
- Aras, G. (2006). The ethical issues in the finance and financial markets. In D. Crowther and K. Caliyurt (Eds.), *Globalization and social responsibility* (pp. 135-145). Cambridge: Cambridge Scholars Press.
- Asemah, E. S., Okpanachi, R. A., & Edegoh, L. O. N. (2013). Business advantage of corporate social responsibility practice: Critical review. *New Media and Mass Communication*, 18, 45-54.
- Asmara Brewery Share Company. (2024). Annual Financial Report (Company internal use). Asmara, Eritrea.
- Ayelew, A. (2020). The effect corporate social responsibility on organizational performance: A case of Dangote cement factory in Ethiopia. Retrieved from <https://repository.ju.edu.et/handle/123456789/4063>

- Carroll, et al. (2018). *"Business and Society": Ethics and stakeholder management* (10th ed.). Independence: Cengage Learning.
- Chemwile, P. (2017). Relationship between strategic corporation social responsibility practices and the performance of companies. Case study of Nairobi securities exchange in Kenya. Retrieved from <http://ir.jkuat.ac.ke/handle/123456789/3452>
- Coombs, T., & Holladay, S. J. (2015). Two-minute drill: Video games and social media to advance CSR. In A. Adi, G. Grigore, and D. Crowther (Eds.), *Corporate social responsibility in the digital area* (pp. 127-142). Retrieved from https://www.researchgate.net/publication/284912649_Two-Minute_Drill_Video_Games_and_Social_Media_to_Advance_CSR
- Crowther, D. (2008). *Corporate social responsibility*. Telluride, Colorado: Ventus Publishing.
- Dutton, J. E., & Dukerich, J. M. (1991). Keeping an eye on the mirror: Image and identity in organization adaption. *Academy of Management Journal*, 34, 517-554.
- Frederick, W. C. (1998). *Business and society, corporate strategy, public policy, ethics*. New York: McGraw Hill Publishing Company.
- Friedman, M. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press.
- Grigoris, G. (2016). The challenges of corporate social responsibility assessment methodologies. *International Journal of Economics and Business Administration*, IV(1), 39-55.
- Henrique, S. (2019). Strategy, independence, and governance of state-owned enterprises in Asia. ADBI Working Paper Series, No. 986. Asian Development Bank Institute (ADBI), Tokyo, Japan.
- Hue Nguyen. (2016). *Corporate Social Responsibility in Vietnam State Owned Enterprises*. Hanoi, Vietnam.
- Joyner, B. E., & Payne, D. (2002). Evolution and implementation: A study of values, business ethics and corporate social responsibility. *Journal of Business Ethics*, 41, 297-311.
- Kerlin, J. A., & Gagnarire, K. (2009). United States. In J. A. Kerlin (Ed.), *Social enterprises: A global comparison* (Chap. 11). Medford: Tufts University Press.
- Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd rev. ed.). New Age International Publishers
- Marakova, V., Wolak-Tuzimek, A., & Tuckova, Z. (2021). Corporate social responsibility as a source of competitive advantage in large enterprises. *Journal of Competitiveness*, 13(1), 113-128.
- Mc Williams, A., & Sigel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26(1), 117-127.
- Mekonnen, K. (2018). An assessment of corporate social responsibility practice of Sanofi Aventis in Ethiopia. Retrieved from <http://repository.smuc.edu.et/handle/123456789/4113>
- Moharana, S. (2013). Corporate social responsibility: A study of selected public sector banks in India. *IOSR Journal of Business and Management (IOSR-JBM)*, 15(4), 1-9.
- Olateju, D. J., Olateju, O. A., Adeoye, S. V., & Ilyas, I. S. (2021). A critical review of the application of the legitimacy theory to corporate social responsibility. *International Journal of Managerial Studies and Research (IJMSR)*, 9, 1-6.
- Radwan, H. (2015). The impact of corporate social responsibility on employees. Case study of the hotel sector. *International Journal of Tourism & Hospitality Reviews*, 2(1), 85-96.
- Saunders, et al. (2009). *Business Research Methods*. 5th ed. Saffron House. 6-10 Kirby Street. London, UK.
- Schiebel, W., & Pochtrager, S. (2003). Corporate ethics as a factor for success—The measurement instrument of the University of Agricultural Science (BOKU), VINEA. *Supply Chain Management: An International Journal*, 8, 116-121.
- Siddiq, S., & Javed, S. (2014). Impact of CSR on organizational performance. *European Journal of Business and Management*, 6(27), 40-46.
- Tsoutsoura, M. (2004). Corporate social responsibility and financial performance. Retrieved from <https://escholarship.org/uc/item/111799p2>
- Tuan, L. T. (2012). Corporate social responsibility, leadership, and brand equity in healthcare service. *Social Responsibility Journal*, 8(3), 347-362.
- Turban, D. B., & Greening, D. W. (1997). Corporate social performance and organizational attractiveness to prospective employees. *Academy of Management Journal*, 40, 658-672.
- Wojciech, L. (2019). Barriers to the implementation of corporate social responsibility in chosen enterprises. Retrieved from <https://managementpapers.polsl.pl/wp-content/uploads/2020/04/136-Leonski.pdf>