Social Contract: A Factor for Organization and Local Community Relation

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Abstract
Organization/community relation continues to gain attention much as people continue to have more awareness of their environment. As well, how to achieve sustained organization/community relation has become an exigent issue to business leaders and policy makers. The objective of the study is to ascertain if social contract has association with the relation of organization and her local community. The independent variable is social contract and the dependent; sustained relation. The study was conducted in Port Harcourt, Rivers State of Nigeria. All the staff of Ciscon Nigeria Limited and all the indigenes of Rumuorianwo community in Rumuokwurusi town, Rivers State, formed the population of study. This study adopted a cross-sectional design. 80 indigenes of the community were systematically selected, whereas, 40 staff of the organization were randomly chosen, to form the sample size. The 4 points likert’s (ordinal) type of scale which was anchored on the continuum of: Strongly agree, to strongly disagree was used to measure respondents’ opinion in the study. Data were collected, organized, presented and analyzed. Formulated hypothesis was tested using Z-test. The result of the study supported the posited hypothesis. Findings indicate that there is association between social contract and relation of organization and her local community. This study recommends that organizations and local communities should work toward maintenance of the union agreement which brought them into being. This is to enable them achieve sustained relation, because to function well, each needs the other.

Keywords: Social contract, Local community, Obligation, Consideration, Offeree, Offeror, Contractarianism.

1.0 Introduction
Large corporations’ social performances have become a matter of growing public concern, and much of the social performance debate has focused on the relationship of business and society (Longenecker and Pringle, 1984). While relationship between business and her community should be symbiotic, it is expected that businesses have to have autonomy and should not be unnecessarily controlled, compelled or directed by her community. The foundation of their autonomy, and indeed the rationale that they are affected with the public interest should be their concern. This is to say that a business organization is private in the sense that it is autonomous and not subject to political or ideological control, but it is public in the sense that the welfare of the society that consume its products and services sets limits to its conducts. Companies display social attention through corporate philanthropy which involves cash contributions, donations of equipments and products, and support for the volunteer efforts of company employees or local communities, sometimes, this effort is seen not to be enough. Corporate philanthropy has typically involved seeking out needy groups and then giving them money or company products. Today, the focus is shifting to strategic giving, which ties philanthropy more closely to the corporate mission or goals and targets donations to regions where a company operates. The present trend in social responsibility is the effort by organizations to redefine their relationships with their local communities. It is hoped that this idea will help both the organization and local community understand that they owe one another obligation. The expectation is that once they are aware of the role owed to each other, and work towards accomplishing that role, eventually, the spirit of cordiality will be instilled among them.

1.1 Problem Presentation
Many people have viewed Organization/Local Community relation as a one-way affair that focuses on the obligations of business to Local Community alone. This may be in the light that sometimes, there is no agreement that sets forth the relationship between business and most of her publics. Observation has shown that local communities expect business to show more social concern without giving anything in return, implying that they owe business no obligation. Probably, they quickly forget that they should ensure the protection of local environment where business operates. Amazingly, the increasing expectation on the part of business to do more, may have goaded sporadic local community protest, youth restiveness and other types of disturbances in a bid to push on to their demands. This may have occasioned the lack of sustained business/local community relation; which hitherto, affects smooth business operation.

Now, businesses are expressing that local communities owe them responsibility, and that their relationship should be a two way thing. The new contract goes this way, “we will continue to fulfill our obligation to the
local community as long as they provide congenial work environment, and in return, they have the right to make demands”. These days, businesses want binding obligations and rights to be created. They want local communities to know that they are involved in business and as such, have contributions to make for successful business operation. You may recognize that the relationship according to business should be in the spirit of give and take, based on expressed agreement (not implied) between the parties so as to create legal rights and obligations. The idea is that, the expressed and binding understanding between the two parties defines what each has to do for the other (consideration). Once this line is drawn, it is expected that organizations will be willing to do more, after fulfilling their own quota of social contract, and on the part of the local community, there is no breach. One is actually left in awe about this situation and wants to know if social contract has something to do with sustained relation of organization and her community. It is on the backdrop of the foregoing, that this study was designed,

1.2 Study Objective
The major objective of this study is to identify if social contract is a correlate of sustained relation of organization and her local or host community in Nigeria. Specifically, the study seeks to determine if social contract has association with sustained relation of an organization and her local community.

1.3 Research Questions
For the purpose of achieving the aim of this research, the under stated question has been designed to provide a focus and direction to the study.
Is there any association between social contract and sustained relation of an organization and her local community?

1.4 Research Hypotheses
To enhance the effectiveness of this study, the following null hypotheses (H₀) were conventionally formulated by the researchers and will be tested against the alternative hypotheses (H₁).

H₀₁: There is no association between social contract and sustained relation of an organization and her local community.
H₁: There is association between social contract and sustained relation of an organization and her local community.

1.5 Significance of the Study
Organizations and host communities needs each other. The local community provides operating environment for organizations, whereas organizations offer employment to members of the local community where they operate and other social attentions. This study will benefit organizations, local communities, the government and the larger society. It will help reduced to the barest minimum, organization and local community conflicts and strained relations. Once the line is drawn and each party knows their bound in the relationship, they will work toward fulfilling their own quota of the social contract. This will engender sustained relationship, create congenial work environment and improve organizational performance. The multiplier effect of this is that, the local community will receive social attention from the organization; the organization will operate in a congenial environment and have the capacity to pay tax to government. This will hitherto, increase the income base of government and make the economy buoyant thus, benefitting the larger society.

2.0 Meaning of Contract
Many definitions of contract have been advanced. Nwachukwu (1995) sees a contract as a promise or set of promises for the breach of which the law gives a remedy or the performance of which the law in some way recognizes as a duty. A contract is an agreement that sets forth the relationship between parties regarding the performance of a specific action. It is an agreement qualified by intents of the parties (contractants). A contract is the culmination of a mutual intent to create legal right and obligations, mutuality evidence agreement or “consensus ad idem”. Intent of the parties will show whether or not the parties want binding obligation(s) and rights to be created. According to Adesanya and Oloyede (1978) the basis of all contracts is an agreement; a consensus ad idem, which is the coming together of two minds with a common intention.

The contract creates a legal obligation and is enforceable in a court of law. A contract can be expressed or implied. A contract is expressed when it specifies the terms of the agreement in either written or spoken words. It is implied when it depends on the acts and conducts of parties to show agreement. A contractual agreement involves offer and acceptance. An offer is the initial force (motive) towards the creation of a contract. It is a communication by an offeror (person making the offer) to another party; the offeree (person receiving the offer), as to the intended terms for which a contract is sought to be created. An acceptance occurs when the particular party to whom an offer is directed agrees to the terms of the offer without modification or conditions
2.1 Meaning of Social Contract

The American Heritage Dictionary in www.answers.com/topic/socialcontract, extracted on 15/02/11 defines Social Contract as an agreement among the members of an organized society or between the governed and the government defining and limiting the rights and duties of each.

Oxford Dictionary of Politics in www.answers.com/topic/socialcontract, extracted on 15/02/11 states that Social Contract is a contract between persons in a pre-political or pre-social condition specifying the terms upon which they are prepared to enter society or submit to political authority.

For many authors, the social contract ‘explains or illuminates a transition from a state of nature to a social and/or political existence. The ‘terms’ of such a contract depend on their plausibility upon the depiction of the gains and losses of such a transition, and thus upon the plausibility of depiction of the state of nature. Adherents of social contract theory need not suppose the historical reality of the agreement, for they are often interested in exploring the limits of political obligation by reference to what a rational actor would be prepared to agree to, given such gains and losses. Social contract is an understanding between members of the society or institution defining their rights, duties and privileges.

Ottih (2003) views social or union contract as a set of two ways understanding that show the relationship between major institutions, in this case business and local community.

Columbia Encyclopedia in www.answers.com/topic/socialcontract, extracted on 15/02/11 view Social Contract is an agreement or covenant by which men are said to have abandoned the “state of nature” to form the society in which they now live.

The social contract may be articulated as the laws and regulations that society has established for business operations and operationalized through the shared values, harmonious relationships and manifests appreciation of each other’s role.

Lewis and Fandi (1995) assert that social contract is an implied set of rights and obligations that are inherent in social policy and assumed by business between businesses because, business exists at the pleasure of society, as a result, it must comply with the guidelines established by society. This is to say that business should act as social agent.

Oxford Dictionary of Philosophy in www.answers.com/topic/socialcontract, extracted on 15/02/11 says that Social Contract is a basis for legitimate legal and political power in the idea of a contract.

2.2 Social Contract and Its Dynamics

At one time business responsibility was defined commonly as consisting of those pictured in the center of figure 1 - responsibilities for providing jobs, goods and services, but many, if not most observers now see business obligations extending to other issues related to business operations.

The outer circle contains social needs of a more general character. Public opinion is mixed as to business responsibilities in these areas. The social contract has been expanding to include more and more obligations outside the centre circle which make the society ask for more.

2.3 Theoretical Framework

The theoretical framework of this study is routed on the theory of social contract.

The theory of social contract sometimes called “contractarianism.” which was first formulated by the English philosophers Jaen Jacques Rousseau (1762), Thomas Hobbes (in the Leviathan 1651) and John Locke (1689) assumes that men at first lived in a state of anarchy in which there was no society, no government, and no organized coercion of the individual by the group. Hobbes maintained that by the social contract, men had surrendered their natural liberties in order to enjoy the order and safety of the organized state. Locke made the social contract the basis of his advocacy of popular sovereignty; the idea that the monarch or government must reflect the will of the people (http://academics.vmi.edu/psy_dr/social%20contract%20theory.htm).

Like Locke, the French philosopher Jean Jacques Rousseau, in Le Contrat social (1762), found the general will, a means of establishing reciprocal rights and duties, privileges, and responsibilities as a basis of the state. The notion of the social contract is that individuals unite into a society by a process of mutual consent, agreeing to abide by certain rules and to accept duties to protect one another from violence, fraud, or negligence. It implies that the people give up sovereignty to a government or other authority in order to receive or maintain social order through the rule of law. According to the Internet Encyclopedia of Philosophy (IEP), the social contract theory postulates that morality is founded solely on uniform social agreements that serve the best interests of those who make the agreement.” (http://www.utm.edu/research/iep/s/soc-cont.htm)

The theory of social contract is an outgrowth of the “natural law” theory. Proponents of the theory say that acting unfairly toward others is, to a degree satisfactory to humans, yet we also obviously recognize that it’s not in our best interest when others act unfairly toward us. This means that if we are unfair to others, they will
likely be unfair to us. According to kriswrite-ga (2003), how this theory is applied to everyday life depends upon who is interpreting the theory. “It could be thought of as a kind of rule utilitarianism”. We should do whatever is (or would be) commanded by the set of rules that make us all better off. What it means to be well off would have to be determined some way, but for a classical utilitarian it would be defined in terms of pleasure (or the absence of pain). (http://academics.vmi.edu/psy_dr/social%20contract%20theory.htm). Social contract theory might be thought of as a kind of justification of obeying the rules; whatever they might be, rather than a theory aimed at telling us what rules should exist.

Figure 2: Areas of Corporate Social Responsibility


2.4 Review of Literature

Oxford Dictionary of Philosophy in www.answers.com/topic/socialcontract, extracted on 15/02/11 says contracts are things that create obligations, hence if we can view society as organized, ‘as if’ a contract had been formed between the citizen and the sovereign power; this will ground the nature of the obligations of each to the other. This form of theory is prominent in Hobbes’.

In Locke and Rousseau, the idea becomes one of a contract between citizens, as a result of which power is vested in government. This aspect is also reproduced in later contractarian writers such as Rawls. It adds that social contract theory needs to explain whether the contract is thought of as having actually taken place, or as implied by social conformity, or as merely hypothetical, with the idea being that a legitimate body politic is one that a suitably placed agent could rationally have contracted into. Insisting that Hume’s essay ‘the Social Contract’ is a devastating critique of some uses of the notion, primarily on the grounds that both the obligation we owe to contracts, and that which we owe to civil society, are constructions which themselves stand in need of some other fundamental basis.

As aptly suggested by Reynold (1993) Corporations and managers look for ways to fulfill their
obligations to society; they should keep the following commandments in mind.

- Get involved in appropriate social programs; most organizations that are truly concerned about their responsibility to society become involved in one or more social programs. Where possible, organizations should look for programs that have a need for some special talent or skill that they possess so that the benefit of their contribution are magnified.

- Help correct environmental problems: Regardless of industry in which a firm operates. In line with that assertion Lewis et al (1995) says, “The world’s environmental problems are real, immediate and long term in their effect, business and government must face them with creative thinking, definite action and total commitment. Betts (1994) adds, at a minimum, doing so can help a company build a favourable image in its community, and in many cases, it can even lead to significant cost savings. A research conducted by Jamilah (2013) certainly confirms this. The findings of that study shows that various Corporate Social Responsibility (CSR) awards and acknowledgement of the awards provide high value and positive reputation to the organizations that implement CSR related activities.

- Monitor the changing social environment: like other components of the external environment, the social environment is ever changing. Socially responsible organizations should monitor these changes and act proactively to address social trends as they occur e.g. the increasing diversity of the workforce requires organizations to make aggressive effort to ensure that people of different social ethnic and culture backgrounds are given equal opportunities for advantage. Being on the “cutting edge” of social responsibility will enhance the image of the organization and provide greater benefits for those affected by such trends.

- Organizations should never ignore social issues or refrain from taking a position. Clearly, many organizations would prefer to avoid controversial issues, but it is important that they stand up for what is right, whether the issue is discrimination, unsafe products, or disregard for the environment. It is important to take a stand.

One could apply the theory to a real life situation in this way: For instance, if a person is faced with a decision about whether or not to treat someone unfairly, applying the social contract theory would make them turn from their desire to behave unfairly. For example, let’s say two students hand in an assignment and they are identical; one student has obviously copied the other student’s work. When the teacher discovers this, the student who stole another’s homework is faced with this dilemma: Should he lie, trying to make a convincing case that the other student is the cheat, not him? (Thereby, saving his own behind, but causing the other student great harm) or, should he tell the truth (even though he will suffer the consequences) so that he does not unfairly hurt another person? If the student applies the social contract theory, he will choose the latter course ( Lewis et al (1995) maintain that as moral agents, the obligation of business is to act honorably and to reflect and enforce values that are consistent with those of society. Because business can be held accountable as a moral agency, business must act in a way that it perceived as a moral agent.

In the words of Drucker (2007) managers have an ‘ethical responsibility; to take an active and constructive role in their community, to serve community causes, give their time to community activities and so on. He also points out that there are many countries where such community activities do not fit the traditional mores; Japan and France would be good examples. Drucker says that, in a community with a tradition of ‘voluntarism’ as the USA, managers should be encouraged to participate and to take responsible leadership in community affairs and community organizations but such activities should, however, never be forced on them. Neither should they be appraised, rewarded, or promoted according to their participation in voluntary activities. Ordering or pressuring managers into such works is abuse of organizational power and illegitimate Drucker maintained. An exception might be made for managers in business where the community activities are really part of their obligation to the business. For example, Community Liaison Officer (CLO) of a company who takes part in community activities, does so as part of his management duties as a representative of his company.

But the real estate man who belongs to a dozen different ‘social clubs’ knows perfectly well that he is not serving the community but promoting his business and hunting for prospective customers.

While desirable community participation of managers in various CSR related activities provides high value and positive reputation to the organizations, Jamilah (2013) reports, that there is increasing awareness among businesses to focus beyond compliance with laws in order to respond to the dynamic economic, societal and environmental changes.

3.0 Methodology
This study which adopted a cross-sectional design was conducted in Port Harcourt, Rivers State of Nigeria. All staff of Ciscon Nigeria Limited; an oil servicing company (organization) and indigenes of Rumuorianwo Community in Rumuokwurusi town, Rivers State (local community), formed the population of study. 80 indigenes of the community were systematically selected, whereas, 40 staff of the organization were randomly chosen, to form the sample size. The 4 points likert’s (ordinal) type of scale which was anchored on the
continuum of: Strongly agree, to strongly disagree was used to measure the variables (respondents’ opinion from the questionnaire) in the study. The scale was validated within the context of using pretext, and a pilot study was conducted to aid final development of the questionnaire in order to fit the current research context and purpose.

Data were analyzed using Z-test because the study involved two independent samples whose sizes are greater than 30.

3.1 Test of Hypothesis

H₀₁: There is no association between social contract and sustained relation of organization and her local community.

H₁: There is association between social contract and sustained relation of organization and her local community.

<table>
<thead>
<tr>
<th>Option (Measures)</th>
<th>Ciscon (Organization)</th>
<th>Rumuorianwo (Local community)</th>
<th>(Local community)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score (x₁)</td>
<td>(x₁)²</td>
<td>(x₂)</td>
<td>(x₂)²</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>32</td>
<td>1024</td>
<td>44</td>
</tr>
<tr>
<td>Agree</td>
<td>05</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Disagree</td>
<td>06</td>
<td>36</td>
<td>06</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>02</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>TOTAL</td>
<td>45</td>
<td>1089</td>
<td>80</td>
</tr>
</tbody>
</table>

Table 1: Response for the Measured Dimension: “Rate your level of Agreement or Disagreement on the Association between Social Contract and Sustained Relation of Organization and Her Local Community”.

Source: Field Survey, 2014

According to Amadi (2002), the formula of mean, variance and t-statistic is given as:

\[
\text{Mean (} \bar{x} \text{)} = \frac{\sum x}{N} \quad \text{Equation (1)}
\]

\[
\text{Variance} (S^2) = \frac{\sum x^2 - (\sum x)^2}{N-1} \quad \text{Equation (2)}
\]

\[
\text{Z-test} (z) = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S^2_1}{n_1} + \frac{S^2_2}{n_2}}} \quad \text{Equation (3)}
\]

Computing Mean (\( \bar{x} \)) for organization using equation (1) = \( \frac{45}{4} \) = 11.25;

Mean for organization (\( \bar{x}_1 \)) = 11.25

Computing Variance (\( S^2_1 \)) for organization using equation (2)

\[
= 1089 - \frac{(45)^2}{4} \Rightarrow 1089 - \frac{2025}{4}
\]

\[
\Rightarrow 1089 - 168.75
\]

Variance for organization (\( S^2_1 \)) = 920.25

Computing Mean (\( \bar{x} \)) for local community using equation (1) = \( \frac{80}{4} \) = 20;

Mean for local community (\( \bar{x}_2 \)) = 20

Computing Variance (\( S^2_1 \)) for local community using equation (2) = 2664 - \( \frac{(80)^2}{4} \)

\[
\Rightarrow 2664 - \frac{6400}{4} \Rightarrow 2664 - 533.33
\]
Variance for local community \( (S^2_2) = 2130.7 \)

### 3.2 Summary Result of Mean and Variance

<table>
<thead>
<tr>
<th>Organization</th>
<th>Local Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>N(_1) = 4</td>
<td>N(_2) = 4</td>
</tr>
<tr>
<td>( \bar{X}_1 ) = 11.25</td>
<td>( \bar{X}_2 ) = 20</td>
</tr>
<tr>
<td>( S^2_1 ) = 920.25</td>
<td>( S^2_2 ) = 2130.7</td>
</tr>
</tbody>
</table>

Substituting in equation 3 to compute the value of \( t \)

\[
Z = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S^2_1}{n_1} + \frac{S^2_2}{n_2}}} = \frac{11.25 - 20}{\sqrt{\frac{920.25}{4} + \frac{2130.7}{4}}} = 3
\]

Degree of freedom is given by \((r - 1) (c - 1) = (4 - 1) (2 - 1) = 3\)

The critical or table value is given at \( \chi^2 \) 0.05 significance level as 2.353

**Decision Rule:** Reject Null hypothesis if computed or calculated value at 0.05 level of significance is greater than critical or table value or otherwise.

### 3.3 Interpretation of the Hypothesis Test

The computed value (3) is greater than table value (2.353). We reject the null hypothesis \((H_0)\) which says there is no association between social contract and sustained relation of organization and her local community, and adopt the alternative hypothesis \((H_{a1})\) which says that is association between social contract and sustained relation of organization and her local community.

### 3.4 Findings

The posited hypothesis was supported. This is because, the computed (calculated) value of \( Z; 3 \), is greater than critical (table) value of \( z; 2.353 \). This result indicates that there is association between the measured variables (social contract and sustained relation of organization and local community). The above finding confirms that social contract has association with sustained relation of organization and her local community. The findings corresponds with what the Internet Encyclopedia of Philosophy (IEP) says about social contract, “that morality is founded solely on uniform social agreements that serve the best interests of those who make the agreement” (http://www.utm.edu/research/iep/ssoc-cont.htm). It also concurs with the results of Locke and the French philosopher Jean Jacques Rousseau (1762), on the study “Le Contrat social”, they found that the notion of the social contract is that individuals unites into a society by a process of mutual consent, agreeing to abide by certain rules and to accept duties to protect one another from violence, fraud, or negligence. This is to say that the people give up sovereignty to a government or other authority in order to receive or maintain social order through the rule of law. This further agrees with a study by kriswrite-ga (2003), whose result showed that “the social contract could be thought of as a kind of rule utilitarianism”, meaning that we should do whatever is (or would be) commanded by the set of rules that make us all better off. This means that, a binding agreement is for the good of the parties involved.

### 3.5 Conclusion and Recommendation

Based on the result of this study, conclusion is drawn that social contract has association with organization and local community sustained relation.

This study recommends that organizations and local communities should work toward maintenance of the union agreement which brought them into being. This is to enable them achieve sustained relation; since each needs the other to function well.
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