**Graduate School of Business**


# Corporate Social and Environmental Responsibility (CSER) Reporting Practices in a Developing Country: Evidence from Bangladesh


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# DECLARATION

I declare that:

(a) Except where due acknowledgement has been made, this work is mine alone.

(b) The work has not been submitted previously, in whole or in part, to qualify for any other academic award.

(c) The content of the thesis is the result of work which has been carried out since the official commencement date of the approved PhD research program.

(d) Ethics procedures and guidelines have been followed.

Md. Moazzem Hossain

21 July 2014

# DEDICATION

To my loving family


My mom, dad and parents-in-law

My wife: Aklema Choudhury Lema

My Prince: Ayaan

My brothers: Saiful, Arif & Robin

# ACKNOWLEDGEMENTS

# ABSTRACT

Corporate social and environmental responsibility (CSER) reporting practices have witnessed a growing trend among organisations in meeting stakeholders' and society expectations. The growing amount of CSER research has mainly concentrated on investigating the extent, volume, nature, patterns and determinants of CSER. Moreover, many recent studies have explored the organisational or managerial motivations for CSER although few studies have explored the views of stakeholders as opposed to managers. Notwithstanding several noteworthy studies from developed countries that have investigated CSER, until recently relatively little empirical research has been conducted in developing countries. The contextual aspects between developed and developing countries differ due to their socio-economic differences. This study aims to close this research gap. Thus, the main objective of this study is to explore corporate social and environmental responsibility (CSER) reporting phenomenon within the context of a developing country, in this case, in Bangladesh. This study is one of the few comprehensive empirical studies in a developing country context using in-depth semi-structured interviews as well as secondary data and combined views from both managers and identified stakeholders.

This study has extended the utilisation of a variety of social system-based theoretical concepts such as legitimacy theory, stakeholder theory and institutional theory that have been widely approached by accounting researchers in CSER sustainability studies. In order to understand CSER reporting phenomenon within a particularistic Bangladeshi context, constructivist ontology and interpretivist epistemology research methodology had been chosen. Hence, a qualitative research method was adopted for this study. The current engagement-based study focused on managerial and stakeholders' perceptions using semi-structured interviews to explore the emerging CSER phenomenon in Bangladesh. Content analysis of annual reports and other publicly available information, including observations, were also used to examine the nature and pattern of actual CSER reporting practices. The data have been collected from two phases of semi-structured interviews. The first phase was conducted with 20 senior managers from 20 companies

listed on the Dhaka Stock Exchange (DSE), Bangladesh. The content of the annual reports and other publicly available documents of these same 20 companies were analysed. The second phase of semi-structured interviews was conducted with 14 key stakeholder groups to explore their views and expectations in terms of CSER practices and reporting. The influential stakeholder groups were identified by the senior managers during the first phase of interviews. Data obtained from these interviews with 34 participants (20 senior managers and 14 key stakeholders) and from the content of annual reports, websites and newsletters were analysed using NVivo software package.

The findings of the study revealed that social obligation and poverty alleviation, board directors' and management influence, corporate image, regulators' influence and external pressure such as from foreign buyers are the driving forces for CSER practices that motivate disclosure in Bangladesh. The major barriers for embracing CSER in Bangladesh as perceived by senior managers include: the absence of a regulatory CSER framework; lack of law enforcement; lack of government initiatives; lack of sustainable education; and the socio-economic context. These CSER impediments have been corroborated by the stakeholders interviewed. The results also authenticated that the level of CSER reporting is very low and the quality of social and environmental disclosure is poor. However, the trend towards disclosure is beginning to show a positive indication for the future prospects of CSER reporting. Multinational companies tend to have CSER policies in place, whereas local Bangladeshi companies are still lagging behind them in this aspect. Drawing on the findings, suggested strategies for enabling CSER practices and reporting include: developing a clear CSER reporting framework and guidelines; conceptualising 'Bengali values' by incorporating the poverty alleviation agenda within the CSER framework; sustainability leadership through public-private partnerships and regulatory initiatives; involving NGOs, media and other influential stakeholders; and creating awareness among organisations and stakeholders through sustainable education for greater corporate accountability.

As with most studies of this kind, there are limitations. Data collected were limited to companies listed in Dhaka Stock Exchange (DSE) and key stakeholders' interviews were limited to influential groups. However, the prime expectations of this qualitative

research were for it to be reliable but not in the sense of generalisation over time and across contexts. Also, due to the perceived sensitivity of both senior managers' and stakeholders' opinions about CSER in Bangladesh, 'politically correct' responses may have prevailed either intentionally or unintentionally. Nevertheless, the current research provides methodological, theoretical and practical contributions proposing innovative engagement-based qualitative research methods coupled with a range of theoretical perspectives and research issues of social and environmental global significance. This thesis has provided some fundamental relationships between the findings and the social system-based theories which have been crucial for explaining social and environmental reporting in Bangladesh. In terms of practical implications, the findings provide important empirical data and research information for scholars, decision makers such as government and regulatory authorities, standard-setters and stakeholders, as well as providing a benchmark for CSER managers and organisations in Bangladesh. This exploratory field study provides the emergent basis for future developments of social and environmental disclosures.

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# ABBREVIATIONS

| | |
|---|---|
| ACCA | Association of Chartered Certified Accountants |
| ADB | Asian Development Bank |
| ASA | Association for Social Advancement |
| BAPA | Bangladesh Poribesh Andolon |
| BB | Bangladesh Bank |
| BBS | Bangladesh Bureau of Statistics |
| BDT | Bangladeshi taka |
| BEI | Bangladesh Enterprise Institute |
| BELA | Bangladesh Environmental Lawyers Association |
| BEN | Bangladesh Environmental Network |
| BGMEA | Bangladesh Garment Manufacturers and Exporters Association |
| BIMSTEC | Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation |
| BP | British Petroleum |
| BRIC | Brazil, Russia, India and China |
| BUET | Bangladesh University of Engineering and Technology |
| CAB | Consumer Association of Bangladesh |
| CAER | Centre for Australian Ethical Research |
| CICA | Canadian Institute of Chartered Accountants |
| CRI | Climate Risk Index |
| CSD | corporate social disclosure |
| CSE | Chittagong Stock Exchange |
| CSER | corporate social and environmental responsibility |
| CSR | corporate social responsibility |
| CSR Asia | Corporate Social Responsibility Asia |
| D-8 | Developing Eight (group of eight developing countries with large Muslim populations which have formed the D-8 Organization for Economic Cooperation) |
| DAA | Drug Administrative Authority |
| DOE | Department of Environment (Bangladesh) |
| DSE | Dhaka Stock Exchange |
| ECA | *Environment Conservation Act 1995* (Bangladesh) |
| ECC | Environmental Clearance Certificate |
| EIU | Economist Intelligence Unit |
| EMS | environmental management system |
| EPB | Export Promotion Bureau |
| ETP | effluent treatment plant |
| EU | European Union |
| FBCCI | Federation of Bangladesh Chambers of Commerce and Industry |
| FDI | foreign direct investment |
| FMCG | fast-moving consumer goods |
| GAAP | Generally Accepted Accounting Principles |
| GDP | gross domestic product |
| GRI | Global Reporting Initiative |
| IAS | International Accounting Standard |
| ICAB | Institute of Chartered Accountants of Bangladesh |
| ICB | Investment Corporation of Bangladesh |
| ICDDRB | International Centre for Diarrhoeal Disease Research, Bangladesh |

| | |
|---|---|
| ICMAB | Institute of Cost and Management Accountants of Bangladesh |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| ISO | International Organization for Standardization |
| LDC | least developed country |
| MDG | Millennium Development Goal (UN) |
| MNC | multinational company |
| MOEF | Ministry of Environment and Forests (Bangladesh) |
| MOI | Ministry of Industries (Bangladesh) |
| NBR | National Board of Revenue (Bangladesh) |
| NGO | non-government organisation |
| NRB | non-resident Bangladeshi |
| OIC | Organization of the Islamic Conference |
| PAT | positive accounting theory |
| PPP | public–private partnerships |
| RMG | ready-made garments |
| RQ | research question |
| SAARC | South Asian Association for Regional Cooperation |
| SAFA | South Asian Federation of Accountants |
| SEA | social and environmental accounting |
| SEC | Securities and Exchange Commission |
| SME | small and medium enterprise |
| SOE | state-owned enterprise |
| SUJON | Sushasoner Jonno Nagorik |
| TIB | Transparency International Bangladesh |
| UN | United Nations |
| UNCSD | United Nations Conference on Sustainable Development |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNEP | United Nations Environment Programme |
| UNGC | United Nations Global Compact |
| UNICEF | United Nations' Children's Fund |
| WBCSD | World Business Council for Sustainable Development |
| WCED | World Conference on Environment and Development |
| WHO | World Health Organization |
| WTO | World Trade Organization |

# CHAPTER 1
## INTRODUCTION

## 1.1 INTRODUCTION

Corporate social and environmental responsibility (CSER) reporting has become a growing research agenda over the past decade. In recent times, as social, environmental and economic problems attract more global attention and demand immediate solutions, CSER reporting has become increasingly important as a business strategy for meeting stakeholders' expectations of transparency and accountability (see for example, Deegan 2002; Deegan 2007; Gray et al. 1997; Mathews 1995, 1993). More recently termed "triple bottom line" or "sustainability reporting", CSER reporting has long been considered a valuable strategy in discharging accountability through transparency (Elkington 1997; SustainAbility/UNEP. 2002). Stakeholders' trust and confidence in the competitive world of business have suffered severe blows in the wake of corporate malpractice. Therefore, improved transparency and accountability are instrumental in restoring trust through social and environmental responsibility reporting (Sustainability 2010). This chapter provides background information on the current research followed by the research questions and objectives. The chapter then elaborates on the significance of the study within a developing country context such as in Bangladesh and on the contributions of the study. The final section describes the organisation of the thesis.

## 1.2 BACKGROUND OF THE RESEARCH AREA

The research interest in CSER reporting has risen to prominence in the accounting literature (Gray et al. 2001; Unerman and Bebbington 2007) as corporate social interest is increasingly recognised, and the importance of environmental protection is globally accepted (Joshi and Gao 2009). Consequently, as society at large becomes more aware and critical of the impacts on the environment and community in which companies operate, there is an expectation of greater transparency (Kolk and Pinkse 2006; KPMG 2008). The evolving concept of corporate social responsibility (CSR), from which the notion of CSER has developed, can be defined as the voluntary commitment of a firm to

contribute to social, environmental and economic goals (European Commission 2002). By definition, CSER is aligned with the concept of CSR because environmental responsibility is implied. As the concept of CSER evolves and gains popularity, it has also been associated with various other terminologies such as: accountability, communication and transparency, corporate social reporting, triple bottom line, environmental and social governance reporting, and sustainability disclosures (Gray, Owen, and Adams 1996; Lund Thomsen 2004; Lynes and Andrachuk 2008; Welford and Starkey 1996; Kamal and Deegan 2013; Elkington 1999).

The origins of CSER can be traced back to the "social responsibility of business" (Gray, Owen, and Adams 1996, p. 91). Milne and Gray (2007) refer to the current interest in addressing "corporate social responsibility, accountability and sustainability" as a subject. The issue of CSER has been widely discussed in the economics, management and accounting literature (Jaggi and Zhao 1996). Social accounting or social responsibility of business initially appeared in the 1930s, although the modern era of CSER started in the 1950s (Carroll 1999). Under the banner of "corporate social responsibility" (CSR) and "corporate social audit", several social responsibility concepts emerged in the late 1960s and early 1970s. It began in the USA, UK and Germany and was subsequently embraced by other western European countries (Antal et al. 2002). With the desire for social and environmental change, increasing concerns about social and environmental issues have been witnessed among stakeholders (Gray, Kouhy, and Lavers 1995; Bebbington and Gray 2001). Thus, an avenue has been provided for forming a new method of accounting and reporting to solve the current dissatisfaction of stakeholders who are emphasising increased social welfare and environmental sustainability.

Gray and Collison (2002) have argued that the present nature and the purpose of traditional accounting have to be changed as the focal objective of corporate activity is no longer confined to the pursuit of the profit imperative or economic growth. The new forms of voluntary social and environmental accounting and reporting which are more socially and environmentally focused have the potential to create a fairer society (Bebbington 1997). The period of the 1980s saw the speedy disclosure of CSER and

therefore was considered remarkable as social accounting emerged as a 'fashion' statement in the business and socio-political arenas (Gray 2000). This progress in the CSER reporting phenomena is due to increasing concerns among stakeholders, growing anxiety about business ethics, increasing importance of ethical investments, and the need for a new social accounting method for organisations and their stakeholders to address such matters (Deegan 2002). Some of the world's most alarming environmental incidents such as Bhopal (Union Carbide), Prince William Sound (Exxon), OK Tedi (BHP) and, more recently, the Gulf of Mexico (BP) have propelled social and environmental issues onto the management agenda.

Previous research has found that CSER reporting differs across countries (Guthrie and Parker 1989a; Adams, Hill, and Roberts 1998), between developed and developing countries (Imam 2000) and varies between industry sectors (Gray et al. 2001). Human resources such as the number of employees and their remuneration, equal opportunities, employee share ownership, indigenous policies and employee training have become a part of CSER reporting by Western developed countries (Gray et al. 2001). Adams, Hill and Roberts (1998, P.3) noted that: "corporate social accountability is likely to be an increasingly important element of the western European psyche in the years to follow, evidenced not only by corporate, professional and academic developments, but also by the increasing legislative developments of the European Union and European Economic Area requiring greater corporate social responsibility and accountability". In this current study, CSER takes on an all-encompassing meaning within the accounting disclosure context where it is also broadly known as "corporate social responsibility", "triple bottom line" (Elkington 1997), "social and environmental accounting" and even referred to as "sustainability accounting" which has become a generic term (Schaltegger and Burritt 2010). The most recent term being "environmental, social and governance (ESG)" reporting as referred to by Kamal and Deegan (2013).

The previous literature has suggested that social and environmental accounting (SEA) researchers mainly use political economic theory under the umbrella of system-oriented theory (Gray, Owen, and Adams 1996) to explain the social and environmental disclosure of an organisation. According to Gray, Kouhy and Lavers (1995 P.52), "the

economic domain cannot be studied in isolation from the political, social and institutional framework within which the economic takes place". Therefore, economics, politics and society are inseparable and are all considered in accounting research. Three of the main political economic theories consistently used in SEA research are legitimacy theory, stakeholder theory and institutional theory (Gray, Kouhy and Lavers 1995; Deegan 2002). These theories are mainly used within the developed countries' context. However, this research uses the above-mentioned theories from a developing country perspective, particularly in Bangladesh, to explain the social and environmental reporting phenomenon.

## 1.3 PROBLEM STATEMENT

The importance of and the concerns for CSER as expressed by communities, lobby groups, government and even sectors of the business community have attracted accounting and management researchers to investigate this field (Parker 2005). The growing literature has attempted to explore the relationship between social and environmental reporting by large corporations and corporate characteristics – notably size, profit and industry (Ullmann 1985b; Mathews 1997; Gray, Kouhy, and Lavers 1995). Some researchers have found a positive relationship between social disclosure and financial performance (Bowman 1978), whilst Ullmann (1985b) and Hackston and Milne (1996) found no relationship. There is empirical evidence that environmental disclosures are mostly produced by large companies and environmentally sensitive industries (Guthrie and Parker 1990; Deegan and Gordon 1996). Although the recent trend of CSER reporting has increased, the quality of disclosures is yet to meet stakeholders' expectations (Gibson and O'Donovan 2007).

A number of academic studies have been conducted on CSER from a managerial perspective and for communication to external stakeholders (O'Dwyer, Unerman, and Bradley 2005; O'Dwyer 2002). CSER reporting has been found to be a result of legitimacy pressure and, consequently, for many managers, the continued practice of CSER is deemed somewhat perplexing (O'Dwyer 2003). The previous literature has also suggested that, in many instances, attempts at legitimising, especially through

environmental and social disclosures, have been greeted with increased scepticism and heightened public demand for action regarding social and environmental issues (O'Dwyer 2003; Qian, Burritt, and Monroe 2011; Deegan 2007). Environmental managers perceive different values for various stakeholder groups and are able to assess the importance of diverse corporate concerns (Cormier, Magnan, and Velthoven 2005). Bronn and Vidaver-Cohen (2009) examined corporate managers' motives for engaging in social and environmental initiatives. They found three different motives, namely, legitimacy, profitability and, finally, sustainability. Managerial perceptions towards social and environmental responsibility reporting have been solicited mainly in the Western developed countries such as Ireland (O'Dwyer 2002, 2003, 2005; O'Dwyer, Unerman, and Bradley 2005), Australia (Cummings 2007; Deegan and Blomquist 2006) and the USA (Frost and English 2002; Shafer 2006). The cultural value of universalism is positively associated with general support for CSER, and gender has a significant impact on support for government enforcement of social and environmental accounting standards (Fukukawa, Shafer, and Lee 2007).

Although most of the previous studies on CSER were mainly based on secondary data (such as content analysis of annual reports), a limited number of CSER reporting studies have sought views from both managers and stakeholders to explore the motivation behind social and environmental responsibility disclosures within the context of developing countries (See for example, Belal and Owen 2007; Islam and Deegan 2008; Jaggi and Zhao 1996; Jamali 2008; Kuasirikun 2005; Lodhia 2003; Naser and Baker 1999; Rahaman, Lawrence, and Roper 2004; Rowe and Guthrie 2010). Rahman (2000) identified remarkably little or no disclosure of social and environmental issues by Ghanaian companies. In another study, Rahman et al. (2004) explored the driving forces for CSER in the Volta River Authority, and found positive external pressure from international lending institutions such as the World Bank. Lodhia (2003) explored the views of Fijian accountants and found that their involvement was conspicuously absent from environmental management accounting and reporting in organisations. This was attributed to their lack of competence in environmental matters and the voluntary nature of the present environmental accounting practices.

**5**

Several researchers (e.g., Hoffman 2001; Kuasirikun 2005; Rowe and Guthrie 2010) have observed that the government could be the most influential factor in compelling companies to be more socially and environmentally responsible. Kuasirikun (2005) also showed that the overall attitude towards social and environmental accounting is most likely to be positive among accountants, auditors and accounting-related professionals in Thailand. The research also reported that "companies which claim to have environmentally-friendly practice may not generally want to make an issue out of it by disclosing their environmental activities" (p. 1049). To understand the nature of this relationship in terms of managerial interpretation and practical application, Jamali (2008) interviewed top managers of eight Lebanese companies and found very little CSR activities.

However, research on CSER reporting in emerging and developing countries, including Bangladesh, is still relatively scarce as most of the studies in this area have concentrated on Western developed countries (Belal and Owen 2007; Islam and Deegan 2008). The socio-economic realities of emerging and developing countries are different; hence, the different motivations for undertaking CSER. The countries commonly known as BRIC (Brazil, Russia, India and China) are also considered as emerging countries because of their recent economic growth (Wilson and Purushothaman 2003). Such growth will inevitably have social and environmental effects. BRIC, as well as some eastern European countries and other developing countries, face massive problems such as climate change, poverty, human rights' violations, child labour, corruption and other forms of social exploitation (Goldman Sachs 2005). As with many other developing economies, Bangladesh's corporate sector is characterised by high ownership concentration, lack of quality manpower, unsatisfactory legal enforcement and poor working conditions (Siddiqui 2010) that raise attention among international communities.

A growing body of research has been conducted on CSER and has made a significant contribution to the social and environmental accounting literature both in developed and developing countries (Belal and Owen 2007; Cooper and Owen 2007; O'Donovan 2002). However, researchers have given little attention to undertaking engagement-based

studies within the developing countries' context, more specifically, in Bangladesh, to explore the emerging phenomenon of CSER reporting. Most of the studies on CSER reporting in Bangladesh are descriptive in nature, mainly concentrating on measuring the volume and extent of disclosures (Belal 2000, 2001; Imam 1999; Imam 2000) by using secondary data such as annual reports. Previous studies have not provided much insight into CSER from either or both a managerial perspective and/or a stakeholder perspective within the context of Bangladesh. Several scholars (Islam and Deegan 2008; Parker 2005; Belal and Momin 2009; Owen, Swift, and Hunt 2001) have called for more direct engagement-based studies and have suggested further in-depth investigation on CSER reporting.

In addressing the gap in the literature, this study investigates the CSER reporting phenomenon in a rapidly growing emerging developing country, such as Bangladesh. The study also identifies the key stakeholder groups and seeks their response to the CSER phenomenon. Generally, Bangladeshi organisations do not produce social and environmental reports due to the voluntary nature of such reports. Therefore, this study, after identifying the emerging phenomenon of CSER, then suggests a range of recommendations to encourage CSER reporting practices in Bangladesh.

## 1.4 RESEARCH QUESTIONS AND OBJECTIVES

Based on the discussion in Section 1.3, this study, therefore, attempts to investigate the following research questions (RQs):

**RQ.1:** What are the drivers and barriers for greater accountability through corporate social and environmental responsibility (CSER) reporting in Bangladeshi-listed companies as perceived by senior managers?

**RQ.2:** What are the possible perceptual differences in conceptualising CSER between senior managers and recipients (relevant stakeholders) within the context of Bangladesh?

**RQ.3:** What are the enablers that will possibly have the most impact on enhancing CSER in the fulfilment of stakeholder expectations in Bangladesh?

In this attempt, this study has identified the following research objectives to be achieved:

**RO.1:** To explore senior managers' perceived drivers and barriers in enhancing accountability through corporate social and environmental responsibility (CSER) reporting in Bangladeshi-listed companies.

**RO.2:** To explore and understand the possible perceptual differences in conceptualising CSER between senior managers and recipients (relevant stakeholders) within the context of Bangladesh.

**RO.3:** To discover the emerging insights that will possibly have the most impact on enhancing CSER in the fulfilment of stakeholder expectations.

For the purpose of this study, the term "corporate social and environmental responsibility (CSER) phenomenon" relates to the trend in the occurrence of social and environmental practices as well as reporting of such activities by companies in Bangladesh. Specifically, CSER practices and CSER reporting are used interchangeably.

## 1.5 DEFINITION OF THE TERMS

**Accountability:** A term often used in discussions of ethics and social responsibility, referring to "the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible" ( Gray, Owen, and Adams, 1996, P. 38).

**Corporate social and environmental responsibility (CSER) reporting:** Corporate social and environmental responsibility (CSER) reporting (also known as social and environmental accounting (SEA), corporate social reporting (CSR), corporate social responsibility reporting, non-financial reporting or sustainability reporting) is the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large (Gray, Owen, and Maunders 1987).

**Stakeholders:** For the purpose of this study, stakeholders are "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman 1984, 46).

**Stakeholder engagement:** Stakeholder engagement is the process by which a firm's stakeholders engage in dialogue with the firm to improve a firm's decision making and accountability towards CSER and sustainability. Stakeholder engagement takes into account the varying perspectives, priorities and limitations of different stakeholders (Accountability 2005).

**Developing country/emerging economy:** The classification of "developing" country and "emerging" economy remains debatable. However, for the purpose of this study, the terms "emerging and developing economies" are used interchangeably to refer to countries listed as "emerging and developing countries" by the International Monetary Fund (IMF)'s World Economic Outlook report (International Monetary Fund 2008).

## 1.6 WHY BANGLADESH?

Notwithstanding the contributions of previous social and environmental accounting (SEA) and reporting research, there is still a dearth of research on CSER in developing countries such as Bangladesh. This sub-section provides justification for selecting Bangladesh as the location for this research. Firstly, Bangladesh is prominent in international affairs with a staggering population of 167 million people, is an emerging economy within developing countries and is the second largest textile and ready-made garments' exporter in the world (WTO 2012). Bangladesh is listed among the 'Next Eleven' economies and 'Global Growth Generator' countries (Goldman Sachs 2005).

Secondly, Bangladesh has been the country most affected by extreme weather conditions between 1990 and 2008. Over this 18-year period, extreme weather conditions have killed 600,000 people and have incurred a loss of US$1.7 trillion (Harmeling 2010). Therefore, Bangladesh is considered most vulnerable to global warming on the basis of the Global Climate Risk Index (GCRI). Thirdly, Bangladesh has been the subject of international scrutiny, particularly in terms of perceived poor labour and working

conditions, environmental vulnerability, governance problems, widespread poverty, and political and bureaucratic corruption (Islam 2009). Some of these issues like industrial pollution, labour and trade union movements combined with corruption and violation of consumers' rights have become general practice by corporate organisations (Belal and Cooper 2011). The large number of industrial units and factories situated on the banks of major rivers threaten the inhabitants. These social and environmental issues pose a profound risk for international organisations having business relationships with Bangladesh.

Fourthly, as mentioned previously, only limited research has explored both managerial perceptions as well as key stakeholders' views through engagement-based studies within a developing country context such as in Bangladesh. Lastly, the researcher and supervisors of this study are passionate about the emerging CSER phenomenon within the developing countries' context. In addition, the researcher is an Australian of Bangladeshi origin who is culturally savvy and who has had easy access to the participants who provided data for this research. Access to these interviews was crucial with the success of the research being dependent on the availability of data.

## 1.7 RESEARCH CONTRIBUTIONS

This research is expected to contribute to theory and practice. It contributes to the body of knowledge in the literature which relates to the CSER phenomenon in developing countries, particularly in Bangladesh, with each part of the study making several independent contributions. Firstly, this research provides a useful understanding of the drivers and barriers of CSER through the lenses of senior managers [RO.1]. Whilst there is an abundant amount of research that has explored CSER in developed countries, there is a paucity of research which has explored managerial perceptions of CSER within the developing countries' context, as in Bangladesh, through engagement-based study (for other research in this area, see e.g. Islam and Deegan 2008; Belal and Owen 2007; Teoh and Thong 1984).

Secondly, this research is one of the very few initiatives to have explored the possible differences in perception between senior managers and key stakeholders in the conceptualisation of CSER, thereby, contributing to an 'emic' (Brislin 1976; Knorr-Cetina 1999) understanding of the CSER phenomenon in Bangladesh [RO.2]. Only a limited number of studies in this area have identified key stakeholders and explored their views and expectations through in-depth engagement-based field study (for other research in this area Boesso and Kumar 2009; Belal and Roberts 2010). Thirdly, this study provides insights into the expectations of stakeholders who have the most impact on enhancing CSER in Bangladesh.

**Theoretical contributions**

This research contributes to the system-oriented theoretical framework of legitimacy theory, stakeholder theory and institutional theory combined with socio-economic contextual factors and provides a richer explanation of managerial perceptions and stakeholders' expectations of CSER. As mentioned earlier, these theories have been frequently used in social and environmental accounting (SEA) research in the developed country context (Belal and Owen 2007).

**Practical Contributions**

The findings of this research will develop better CSER awareness for policy-makers, academics and relevant government agencies to encourage the steady practice of voluntary social and environmental disclosures [RO.3]. By practising CSER, organisations and regulatory authorities will develop clearer guidelines for addressing key stakeholders' expectations and views which are a crucial factor in the survival of any organisation. Lack of effective good governance in Bangladesh has resulted significantly in the lack of business ethics and a poor CSER culture. The findings of this research present the basis of stakeholders' expectations and provide directions to companies to involve more stakeholders in their CSER process. Finally, the findings of this research present the emerging phenomenon of CSER within the developing country context such as in Bangladesh.

## 1.8 STRUCTURE OF THE THESIS

This thesis is organised and presented in eight chapters. The chapters are closely related and complementary to each other. Figure 1.1 illustrates the structure of the thesis, chapter by chapter. The chapters are briefly outlined below:

### Chapter 1: Introduction

This current chapter establishes the structure of the thesis, commencing with the background of the research area, followed by the statement of the problem and the gap in the literature. The discussion then proceeds to determine the focus and locus of the research which, in turn, leads to the presentation of the research questions. The research objectives further elaborate upon specific areas of the research questions. This chapter also presents the contributions of this research in terms of theory and practice. Finally, this chapter presents the overall structure of the thesis.

### Chapter 2: Literature Review and Theoretical Perspectives

Chapter 2 discusses the basis of CSER and its emergence. The chapter also reviews CSER research in the developing countries' context. It reviews research on CSER-related standards and on managerial motivation and stakeholder perspectives regarding CSER. This chapter also provides a general overview of some of the commonly used theories in social and environmental accounting (SEA) research.

### Chapter 3: The Context of Bangladesh and CSER Research

Chapter 3 presents the socio-economic and environmental context of Bangladesh. The chapter also provides an overview of previous CSER reporting research and stakeholders' growing concerns about CSER in Bangladesh.

### Chapter 4: Research Methodology

This chapter presents an overview of the research methodology used for this study. It encompasses discussion about the research paradigm (e.g. ontology, epistemology and methodology) and the qualitative research approach, discussing methodological theoretical approaches such as phenomenology and symbolic interactionism. Chapter 4 also provides an overview of the different methods of data collection such as interviews

and content analysis. The interview process and data analysis techniques including transcription of interviews are described in detail in this chapter.

| Structure | Description | Output |
|---|---|---|
| Chapter 1 | **Introduction**<br>Establish the research problem | Determine the research questions and objectives |
| Chapter 2 | **Literature Review and Theoretical Perspectives**<br>Existing CSER research and gap<br>The theoretical perspectives | Review the relevant literature and theories used in this study |
| Chapter 3 | **The Context of Bangladesh and CSER Research**<br>The socio-economic context, CSER and Bangladesh | Provides the research background and rationale of the study |
| Chapter 4 | **Research Methodology**<br>Details of qualitative research<br>Data collection and interviews<br>Rigour and validity of the data | Discusses the qualitative research methodology: interviews and content analysis |
| Chapter 5 | **Findings from Managerial Perspective**<br>Detailed analysis of managerial interviews and content analysis of annual reports | Findings from managerial interviews and content analysis of annual reports in developing the core concepts and themes |
| Chapter 6 | **Findings from Stakeholders' Perspective**<br>Stakeholders' interview analysis | Develops emergent core themes from stakeholders' points of view |
| Chapter 7 | **Discussion and Research Implications**<br>Discussion and implications of the findings | Provides the interpretation of the emergent CSER phenomenon in Bangladesh, constantly comparing and contrasting it with the theories and literature |
| Chapter 8 | **Conclusion**<br>Overview of the research and future research directions | Wrapping up the thesis and proposing future research directions |

**Figure 1.1:** Structure of the thesis

The rigour and trustworthiness of qualitative research are further described in this chapter to ensure the validity and reliability of this current research.

**Chapter 5: Findings from Managerial Perspective**

Chapter 5 presents the findings obtained from qualitative semi-structured interviews with 20 senior managers and from content analysis of documentary evidence (e.g. company annual reports, website information and other documents) of 20 companies listed on the Dhaka Stock Exchange (DSE), Bangladesh. The qualitative research approach has been selected as the approach to use to develop the emerging theme/core concepts from the findings in this research. The findings of the managerial interviews also identified the key stakeholders of these organisations.

**Chapter 6: Findings from Stakeholders' Perspective**

The results from the interviews with key stakeholders are discussed in this chapter. Moreover, this chapter provides discussion of the stakeholders' expectations of CSER and their suggestions for enhancing CSER in Bangladesh.

**Chapter 7: Discussion and Research Implications**

Chapter 7 discusses the overall findings and emerging themes that resonate well with the relevant theoretical concepts. This chapter explains the process of constantly comparing and contrasting the findings with prior literature and theory in order to develop the emerging themes of CSER within the context of Bangladesh.

**Chapter 8: Conclusion and Future Research Directions**

The final chapter summarises the research and concludes by discussing its significant contribution to theory and practice. Chapter 8 acknowledges the limitations of the current research and therefore proposes recommendations for future research outlining possible research directions.

## 1.9 SUMMARY

This chapter has provided a brief overview of the current research and has established the scope of this research thesis. The discussion identified the existing literature gap regarding CSER and how this gap can be filled by this research. Finally, this chapter presented an outline of the current research including the structure of this thesis.

# CHAPTER 2

## LITERATURE REVIEW AND THEORETICAL PERSPECTIVES[1]

*"Companies are key contributors to economic, environmental and social well-being."*

(Schaltegger, Bennett, and Burritt 2006)

## PART A

### 2.1 INTRODUCTION

The main purpose of this chapter is to present the literature review and theoretical perspectives relevant to the current research. This chapter is divided into two parts namely, Part A and Part B. Part A provides details of the literature review on CSER reporting in both the developed and developing countries' context. It also explains how CSER contributes to organisations and society in general. While presenting the literature review on CSER, this chapter reveals the gap in the literature that is to be addressed in the current research. The prior literature on CSER reporting standards, on factors influencing CSER, on managerial motivation and stakeholders' views on CSER are also discussed in this chapter. The initial discussion starts with corporate sustainability and the conceptual development of social and environmental accounting (SEA) and reporting and is followed by reviewing the literature on different contextual factors within developed and developing countries. Part B discusses relevant theories used in this research. It also presents the justifications for the adoption of the theories used in the current research.

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[1] Part of this chapter has been presented in the following conferences:

1. Hossain, M and Rowe, A (2011). "Enablers of corporate social and environmental responsibility (CSER) practices: Evidence from Bangladesh". Paper presented in the proceedings of 10th Australasian Conference on Social and Environmental Accounting Research (CSEAR), 5-7 December 2011, Launceston, Australia.

2. Hossain, M, Rowe, A and Quaddus, M (2012). "Drivers and barriers of corporate social and environmental reporting in an emerging economy: Evidence from Bangladesh". Paper presented in the proceedings of 10th Interdisciplinary Perspectives on Accounting (IPA) Conference, 11-13 July 2012, Cardiff, United Kingdom.

## 2.2 CORPORATE SUSTAINABILITY

The concept of corporate sustainability or sustainable development was accepted as a national goal by most countries after the official responses of both the World Conference on Environment and Development (WCED) in (1987) and the United Nations Conference on Environment and Development in 1992 (Atkinson 2000). Corporate sustainability is the business's commitment to contribute to sustainable development, more particularly, for the environment, society and economic development and taking into consideration stakeholders' expectations (European Commission 2002). The terms "corporate social responsibility" or "corporate citizenship" continue to be used but are increasingly outdated by the broader term "corporate sustainability". Organisations across the world are rapidly changing their policies to adopt new creative ideas related to sustainable development. The World Business Council for Sustainable Development (WBCSD) has brought widespread attention to the notions of sustainability and sustainable development to the boardrooms of organisations (Schaltegger and Burritt 2000). A sustainable society "is one that has reached sustainability, at a given point of time, through the process of ecologically and economically sustainable development" (Schaltegger and Burritt 2000 , P. 46). The Brundtland Commission of the WCED (1987) described sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The United Nations (UN) World Summit (UNCSD. 2005) outlined three pillars of sustainability, namely, environmental sustainability, social sustainability and economic sustainability. These pillars, that is, the "triple bottom line" (Elkington 1997), served as a common ground for numerous sustainability guidelines and standards such as the Global Reporting Initiative (GRI), United Nations Global Compact (UNGC) and the International Organization for Standardization (ISO) 14001. Most scholars and academics have asserted that the term "corporate sustainability" includes economic, social and environmental aspects – the triple bottom line (Naeem and Welford 2009).

Environmental sustainability is defined as the "maintenance of natural capital" (Goodland 1995). Scholars have argued that the depreciation of natural capital cannot go on endlessly (Lovins, Lovins, and Hawken 1999). Natural capital is consumed in many

economic processes (Dyllick and Hockerts 2002, P. 133), and can either be renewable (e.g. wood, fish and corn) or non-renewable (e.g. fossil fuel, biodiversity and soil quality). Moreover, natural capital could be in the form of ecosystems' services such as climate change, waste management, and reproduction of plants and animals (Dyllick and Hockerts 2002). Figure 2.1 shows the dimensions of corporate sustainability:

Economic
sustainability

Environmental
sustainability

Social
sustainability
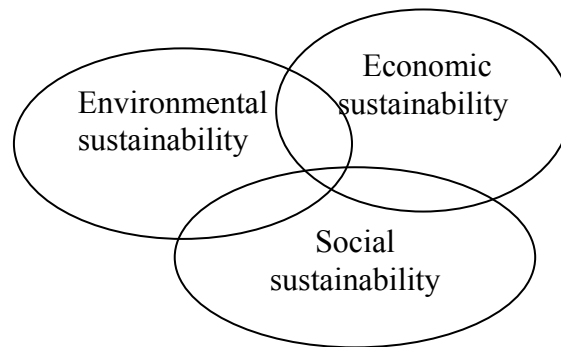
**Figure 2.1:** Dimensions of corporate sustainability Adapted from (Elkington 1997)

In business, social sustainability focuses on the corporate social responsibility (CSR) of organisations. Corporate social responsibility is the obligation of the firm to its stakeholders – people and groups – who can affect or who are affected by corporate policies and practices. The fulfilment of these obligations is intended to minimize any harm and maximize the long-run benefits of firms on society (Bloom and Gundlach 2000). To be a socially sustainable business, an organisation needs to internalise social costs, maintain and grow its capital stock, foster democracy, consider the views of stakeholders, undertake socially responsible investment and distribute resources and property rights fairly (Gladwin, Kennelly, and Krause 1995). However, organisations cannot meet the expectations of all their different stakeholders due to resource scarcity.

Economic sustainability focuses on that segment of the natural resources base that provides physical inputs, both renewable and exhaustible (i.e. non-renewable), into the production process (Goodland 1995). For example, financial capital (such as debt–equity), tangible capital (such as fixed assets) and intangible capital (such as brand image, reputation, patents and technology) need to be managed in a sustainable way to produce maximum outputs. Goodland (1995) has argued that an economically sustainable organisation ensures sufficient cash inflow to ensure liquidity while

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producing average or above average return to groups with a vested interest. Several recent studies have discussed internal and external factors which support the adoption of sustainability practices by organisations (Wilkinson, Hill, and Gollan, 2001).

## 2.3 SOCIAL AND ENVIRONMENTAL ACCOUNTING (SEA) AND REPORTING

### *2.3.1 Social and Environmental Accounting (SEA)*

Corporate social and environmental accounting (SEA) focuses on the cost structure and social and environmental performance of the company. It describes the preparation, presentation and communication of non-financial information to groups with a vested interest. Social and environmental accounting (SEA) emphasises the notion of corporate accountability. According to Crowther (2000), SEA is an approach for reporting a firm's social and environmental-related activities which stresses the need for the identification of socially and environmentally responsible behaviour, the determination of those to whom the company is accountable for its social and environmental performance and the development of appropriate measures and reporting techniques. Environmental accounting is a part of social accounting (Gray 2002) and different scholars have named it in a variety of ways such as "corporate social accounts", "social accounting" and "social and environmental accounting" (Cooper et al. 2005). Moreover, SEA prepares accounts for social, environmental, employee, community, customer and other stakeholder interactions and activities and, where possible, for the consequence of these interactions and activities (Gray 2000). In order to comprehend the various points of view of academics about SEA, Islam (2009) has presented a list of definitions of SEA as used by scholars. Table 2.1 presents definitions of SEA coined between 1976 and 2003. Orlitzky and Whelan (2007) also defined "[s]ocial and environmental accounting (SEA) as the provision of information about business impact and performance with regard to social and environmental issues. Like standard financial accounting, SEA measures, monitors, and controls business activities and thus is helpful to both internal (e.g. managers) and external (e.g. investors) stakeholders" (p. 312).

**Table 2.1: Definitions of social and environmental accounting (SEA)**

| Author | Definition |
|---|---|
| Ramanathan (1976, P.519) | Social accounting is the process of selecting firm-level social variables, measures and measurement procedures; systematically developing information useful for evaluating the firm's social performance; and communicating such information to concerned social groups, both within and outside the firm. |
| Gray, Owen, and Maunders (1987, P.9) | Social and environmental accounting is the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly corporations) beyond the traditional role of providing a financial account of capital, in particular, to shareholders. Such an extension is predicated upon the assumption that companies have wider responsibilities beyond simply making money for their shareholders. |
| Mathews and Perera (1995, P.364) | At the very least, social accounting means an extension of disclosure into non-traditional areas such as providing information about employees, products, community services, and the prevention and reduction of pollution. However, the term "social accounting" is also used to describe a comprehensive form of accounting which takes into account externalities. |
| Gauthier et al. (1997, P.1) | Environmental accounting is that aspect of accountancy which, while indistinguishable from financial and management accounting, deals more specifically with environmental concerns; that is, it is an aspect of the information system that enables data collection and analysis, performance follow-up, decision making and accountability for the management of environmental costs and risks. |
| Schaltegger and Burritt (2000, P.30) | Environmental accounting is a branch of accounting that deals with activities, methods and systems; recording, analysis and reporting; and the environmentally induced financial impacts and ecological impacts of a defined economic system. |
| Deegan (2003, P.10) | Environmental accounting is a broader term that relates to the provision of environmental performance-related information to stakeholders both within, and outside, the organisation |

Adopted from Islam (2009)

This functional definition meets two equal objectives: firstly, the non-financial requirements of organisational stakeholders in variable forms and, secondly, SEA as a performance-enhancing tool (Epstein 2008). Subsequently, many companies in both

developed and developing countries now produce social and environmental reports such as a sustainability report or a corporate social and environmental responsibility report to ensure accountability and transparency. Whilst there are a number of differences, most definitions emphasise key themes such as a link between financial and non-financial performance, qualitative and quantitative measurement, and a consideration of wider stakeholder groups (Islam 2009). The next section discusses corporate social and environmental responsibility reporting as a subset of social and environmental accounting (SEA).

### *2.3.2 Corporate Social and Environmental Responsibility (CSER) Reporting*

While definitions applicable to SEA vary, most consider reporting to be a subset of SEA (Islam 2009). There is no universal definition applicable to CSER reporting. The concept of social and environmental reporting frequently overlaps with other similar terms, including corporate social reporting, social responsibility reporting, corporate sustainability reporting and triple bottom line reporting. Deegan (2002) has provided an inclusive definition of social and environmental responsibility reporting in which he concentrated on the following factors:

> Interaction with the local community;
> Level of support for community projects and for developing countries;
> Health and safety record;
> Training, employment and education programs; and
> Environmental performance.

CSER reporting deals with the organisation's voluntary activities such as its public image with regard to environmental, community, employee and consumer issues (Gray et al. 2001). However, SEA researchers did not generally consider whether it should be mandatory or voluntary: CSER practices and reporting are predominantly voluntary. Organisations arguably need to manage their stakeholders through socially and environmentally responsible behaviour as much as they manage other activities within the enterprise (Waddock 2006). According to Schaltegger, Bennett and Burritt (2006), the linkage between SEA and reporting is crucial for two reasons: firstly, accounting

information without communication purposes does not have any influence. Therefore, the accounting information is unable to contribute to socially and environmentally friendly business practices that are commonly known as sustainable development. Secondly, reporting on social and environmental information presents the actual sustainable performance of the company. For the purposes of this thesis, a review of voluntary social and environmental responsibility reporting is more appropriate because social and environmental responsibility reporting is not mandatory in Bangladesh.

## 2.4 DEVELOPMENT OF CSER REPORTING RESEARCH

The emergence of CSER has developed over several decades and most notably during the era of "social accounting" in the early 1970s. Scholars have argued that some concept of social responsibility and responsiveness practice started in the 1920s (Windsor 2001). Others have argued that the concept of CSER developed during the 1930s when the debate about the managerial role was observed between Adolf Augustus Berle and Edwin Merrick (Post 2003; Turner 2006). In 1953, Bowen conceptualised CSER as social obligation – the obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen in Maignan and Ferrell 2004 P. 4). Carroll (1999) described Bowen as a father of corporate social responsibility. However, as "social accounting" is the root of CSER research, it would be appropriate to return to the SEA literature for the purpose of this research. This section mainly considers the following six studies about the historical evolution of CSER research, namely: Mathews (1997), Carroll (1999), Gray (2002), Parker (2005), Deegan (2002) and Cormier, Magnan and Velthoven (2005).

The historical evidence has suggested that social accounting goes back to the 1920s when reporting on employees started as a part of financial reporting (Lewis, Parker, and Sutcliffe 1984). Scholars have argued that social responsibility is the guide to future business, and that management of an organisation must consider the impact of every business policy and action upon society (Bowen 1953; Drucker 1954). According to Carroll (1999), the second founder of CSER was Davis who formulated the "Iron Law of

Responsibility" by stating that companies' "avoidance of social responsibility leads to gradual erosion of social power" (Davis 1960, P.73). Carroll (1999) has pointed out that Davis's position is limited because legal compliance is inherently part of CSER. However, it is notable that Davis's broader perspective of the social responsibility of business is parallel to the current CSER practice. Early researchers (McGuire 1963; Frederick 1960) mainly focused on economic and legal obligations and recognised the intimacy of the relationships between the corporation and society (Carroll 1999). During that time, organisational legitimacy existed due to the weak capitalist structure of companies and businesses (Gray 2002).

Social and environmental accounting (SEA) and responsibility reporting research gained popularity in the 1970s because of its published empirical works, together with a significant amount of papers which explained the building models with which to foster social accounting disclosures (Mathew 1997). However, the literature has suggested that environmental matters did not typically come into research focus in their own right at that time but were rather considered as a broader part of social accounting research (Dierkes and Presort 1977; Ullmann 1976) and this literature reflected the importance of social matters to economic growth (Jones 2003). Moreover, the majority of SEA research has led to the reporting of fairly unsophisticated empirical work which has attempted to measure the amount of new information being produced and published by a limited number of organisations (Mathew 1997). The concepts of accountability to external stakeholders, social justice, environmental degradation, accounting politics, morality, the political nature of linguistic dualisms and labour (Tinker and Gray 2003; Lehman 1999; Everett 2004) emerged in the 1970s.

These researchers used content analysis to measure the nature and volume of voluntary disclosures in annual reports under the headings of corporate responsibility, social responsibility, social action, public service, corporate citizenship, public responsibility, and social responsiveness (Carroll 1999). In the Australian context, Trotman and Bradley (1981) have shown an increased trend in social disclosures by the largest corporations listed on the Sydney Stock Exchange. Scholars used different models for voluntary disclosures which were related to non-financial disclosures and mainly

focused on environmental impacts (Ullmann 1976). Rather than attempting to put a financial quantification on externalities, Dierkes and Presort (1977) proposed a model that was based on inputs and outputs, and used a description of non-financial quantification. Sethi (Sethi 1975) proposed a three-level model with the three tiers comprising "social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive)" (Wheeler, Colbert, and Freeman 2003).

The decade of the 1980s is important due to the witnessing of the increasing rate of CSER reporting by organisations (Adams 2004). The development of CSER reporting became a global debate on sustainable development and raised attention among SEA researchers. In order to reduce subjectivity and improve the replicability of content analysis, studies since the 1980s have emphasised different methods, and have attempted some explanation of the sources, direction and type of disclosures (Guthrie and Mathews 1985; Guthrie and Parker 1989a). In the early 1980s, organisations started to produce employee disclosures and other value-added non-mandatory statements to attract different stakeholders (Burchell, Clubb, and Hopwood 1985). The growing literature provided more efforts to explain why organisations did or did not disclose social and environmental issues in their reports (Guthrie and Parker 1989). The empirical research become more analytical but rather less descriptive with greater philosophical debate on the extent to which accountants should be involved in disclosing social and environmental information (Benston 1982; Schreuder and Ramanathan 1984). In the late 1980s, a growing body of empirical research on theoretical frameworks such as: social contract; organisational legitimacy; and stakeholder theory emerged to justify the development of social and environmental disclosures which would benefit wider stakeholder groups (Donaldson 1982; Ullmann 1985a; Freeman 1984; Gray, Owen, and Maunders 1987; Parker 1986).

Freeman (1984) argued that meeting stakeholders' needs is important as it is considered the only value-adding process. The CSER literature has enormously benefited from the critique of social and environmental accounting literature in the fields pertaining to performance of the accounting profession, business ethics and the pervasive influence of

preserving the status quo by choosing the capitalist preference over social equity interests (Laughlin and Puxty 1986; Tinker 1985). It is worth noting that social accounting received progressively less attention during this period as environmental accounting increasingly gained momentum. Environmental-related legislation and environmental protection laws were enacted and their impact on the development of activities such as environmental audits started to satisfy stakeholders' expectations (Mathews 1997). Even if the works of critical theorists were perceived as lacking prescriptive content (Mathews 1997), they nonetheless provided the much-needed debate on various social reporting models (Deegan, Rankin, and Tobin 2002). The studies by Parker (1986) and Puxty (1986) made more interesting reading and provided insights into the alternative views of a developing area in their published exchange. Therefore, mainstream environmental and social accountants benefited from this interchange of ideas and philosophies (Mathews 1997).

The CSER research further advanced in the 1990s and was completely dominated by the environmental accounting literature over that of social accounting, (Mathews 1997) with the exception of Gray's research (See for example, Gray, Bebbington, and Walters 1993; Gray et al. 1997; Gray, Kouhy, and Lavers 1995; Gray, Owen, and Adams 1996) and a few other studies. This diminishing interest in social, as distinct from environmental, accounting has been noted by researchers (Gray, Kouhy, and Lavers 1995). The number of studies continued to expand with formal use of theorising and the positivist method to determine the extent of environmental disclosures (Adams, Hill, and Roberts 1995; Gibson and Guthrie 1995; Roberts 1991; Roberts 1992), and environmental auditing (Tozer and Mathews 1994). These empirical studies illustrated how powerful the research method could be when appropriately informed by theory. Developed countries like Australia, New Zealand, Canada and the United Kingdom (UK) have developed clear environmental regulatory frameworks (Bates 1992; Collier, Doolittle, and Broke 1993) due to increased legislation and to meet stakeholders' expectations. Schaltegger and Burritt (2000, p. 40) noted:

> Recent changes to conventional accounting have taken the form of environmental accounting as the foundation for external environmental reporting, with a major

emphasis on environmental impacts and extended performance being expressed in physical and qualitative terms, or non-financial terms.

### *2.4.1 CSER in the 21st Century*

Under the umbrella of sustainability and/or the "triple bottom line" (i.e. social, environmental and economic issues), CSER is continuously escalating in the 21st century. Developed countries such as the USA, Australia, UK, Norway, Sweden, the Netherlands, France, Germany, Canada, Denmark and Japan have adopted mandatory legislation in relation to social and environmental issues (Deegan 2007). The growing interest in CSER among different stakeholders such as accountants, governments, regulatory authorities and researchers has re-invigorated imaginative approaches to both SEA and reporting (Schaltegger and Burritt 2000).

As argued by Gray (2002, p. 691):

> The business and management literature which had generated the basic terms of debate about 'social responsibility' was increasingly interested in the accountants, audits and metrics of social accounting.

The technical expertise of accounting professionals has progressed social and environmental reporting as a mechanism to ensure accountability (Gray 2002); however, Deegan (2002) warned that nonstop efforts of corporate and government bodies would materialise the development of the area (social and environmental issues) away from the accounting profession. Significant international developments have influenced the CSER movement such as the appointment of a UK Minister for Corporate Social Responsibility in March 2000; the release of the European Commission's Green Paper, *Promoting a European Framework for Corporate Social Responsibility*; the Global Reporting Initiative (GRI); the Institute for Social and Ethical Accountability; the World Business Council for Sustainable Development and the United Nations Global Compact regarding human rights, labour and the environment. Such developments are also reflected in the literature, where the linkage between government and CSER reporting practices has been explored (Perrini, Pogutz, and Tencati 2006; Zappala 2003).

A number of longitudinal studies have revealed that organisations are now reporting more social and environmental issues in their annual reports with a greater degree of corporate responsibility and social responsiveness (KPMG 2013; SustainAbility/UNEP. 2002). The trend for disclosing social, environmental or sustainability reports has increased from 35% in 1999 to 95% in 2011 among Global Fortune Top 250 companies (KPMG 2011). Prior research has also revealed that larger companies and environmentally sensitive industries such as forestry, chemical products and mining are more likely to voluntarily disclose environmental and sustainability information (Patten and Trompeter 2003; Trotman and Bradley 1981). Deegan and Rankin (1996) noted that organisations mainly mention self-congratulatory good news in these reports which are generally lacking in financial and non-financial quantification of social and environmental data. Large companies such as Rio Tinto, BHP Billiton and Shell have continuously improved their CSER reporting through their innovative efforts both in terms of quality and quantity. Some scholars have argued that the increasing trend in social and environmental disclosures may be partially influenced by regulatory effects (Deegan, Rankin, and Tobin 2002; Patten and Trompeter, 2003), while others (O'Donovan 2002; Guthrie and Parker 1990; Patten 1991) have affirmed that organisations disclose social and environmental information to develop a positive image and goodwill, and in their efforts to legitimise corporate activities. Their business strategies are now combined with sustainability guidelines such as Dow Jones Sustainability Indexes, Global Reporting Initiative and Association of Chartered Certified Accountants (ACCA) sustainability reporting standards.

The review of prior studies clearly shows that there is a gap in the literature in terms of exploring the CSER reporting phenomenon in developing countries. This current research aims to close this gap in the CSER literature by investigating emerging CSER reporting phenomenon in a developing country in this case, Bangladesh. The next section discusses some of the standards and guidelines for CSER reporting.

## 2.5 STANDARDS AND GUIDELINES FOR CSER REPORTING

The most widely embraced reporting standards and guidelines followed by organisations internationally are the GRI; Social Accountability 8000 (SA8000); Accountability 1000 (AA1000); ISO 14001 – Environmental Management Systems; and ISO 26000 – Guidance on CSER reporting (Helms, Oliver, and Webb 2012; Deegan and Unerman 2006). The Social Accountability 8000 (SA8000) standard is a voluntary standard for social audit and mainly ensures factories' social compliance with the standard. Organisations' ethical performance and validity to external stakeholders are ensured by the Accountability 1000 (AA1000) standard. The following subsections discuss some of the standards and guidelines for CSER reporting.

### 2.5.1 Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is a network-based organisation that produces a comprehensive social and environmental reporting or sustainability reporting framework which is widely used around the world. The GRI is committed to the framework's continuous improvement and its application worldwide. The GRI's core goals include the mainstreaming of disclosures on environmental, social and governance performance (Global Reporting Initiative 2006). The GRI was established in 1997 as a joint initiative and coalition among businesses, the International Labour Organization (ILO), the United Nations Environment Programme (UNEP) and accounting societies. The main reasons for starting the GRI were to develop sustainability guidelines to satisfy the needs of multiple stakeholders for voluntary social and environmental responsibility reporting. The GRI aims to encourage transparency and accountability in annual reports on the so-called "triple bottom line" (economic, social, environmental) issues of businesses (White 1999).

Before the emergence of the GRI guidelines, there were no formal guidelines for social and environmental/sustainability reporting. The absence of formal voluntary reporting guidelines caused inconsistency between these reports from different companies. Three versions of the guidelines have been released to date. The first version was released in

1999 and tested worldwide in a number of pilot companies, with the second version released in September 2002 (Hedberg and Malmborg 2003), and the latest version guideline released in 2013 is called the G4 guidelines (Global Reporting Initiative 2013). This new set of GRI guidelines places more focus on materiality and impacts. The G4 sustainability reporting guidelines is the fourth generation of GRI guidelines. This project is part of the GRI's commitment to the continuous development of its guidelines. This version has been developed using GRI's multi-stakeholder international consultation process. The guidelines are not supposed to govern an organisation's behaviour, but to describe the outcomes of adopting and applying sustainability codes, policies and management systems. A number of leading world companies such as Toyota, Ricoh Company Ltd, Volkswagen, BHP Billiton and Rio Tinto prepare sustainability reports in accordance with the GRI guidelines. As of June 2013, more than 1523 international companies from 65 countries have registered with the GRI and are publishing their sustainability reports (Corporate Register 2013).

### 2.5.2 United Nations Global Compact (UNGC)

The UN Global Compact (UNGC) provides a practical framework for reporting on sustainability policies and practices that requires participating organisations to disclose environmental, social and governance issues. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. By doing so, businesses, as a primary driver of globalization, can help to ensure markets, commerce, technology and finance operate in ways that benefit economies and societies everywhere (UNGC 2013). The UN Global Compact was announced at the World Economic Forum in Davos, Switzerland in January 1999 and launched officially in July 2000. The UN Secretary-General Kofi Annan personally made an appeal to create a more responsible global economic community so that sustainability could be achieved through public–private partnership between the UN and multinational corporations. As social, political and economic challenges (and opportunities)—whether occurring at home or in other regions—affect businesses now more than ever before, many companies have recognised the need to collaborate and

partner with governments, civil society, labour and the UN. The UN Global Compact is a voluntary corporate citizenship initiative that aims to mainstream its 10 principles (on human rights, labour standards, the environment and anti-corruption) in business activities around the world and to serve as a catalyst for actions which support the goals of the UN. The Global Compact does not enforce behaviours and actions; rather, it relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society in order to pursue its principles (Enquist, Johnson, and Skålén 2006). The importance of the Global Compact relates not only to its provision of a global framework to promote sustainable growth and good citizenship through committed and creative leadership, but also to its attempt to specify in detail the principles that should inform corporate activity on a global scale (Whitehouse 2003).

### 2.5.3 ISO International Standards

The International Standards such as ISO 14001 and ISO 26000 are also voluntary guidelines for social and environmental responsibility management that encourage CSER reporting. ISO 14001 is an international standard for environmental management systems (EMSs). It changes corporate culture by sensitising management and staff to the environmental implications of their operations (Bansal and Hunter 2003). As stated by Bansal and Hunter (2003, p. 291):

> ISO 14001 has a high degree of credibility with such stakeholders as governments, customers, NGOs, suppliers and competitors, and can improve corporate environmental performance and, therefore, confirm a firm's commitment to social responsibility. ISO 14001 has strong brand recognition, and may fulfil the multiple corporate goals of helping to improve the environment, improve financial performance, and signal the firm's social responsibility to external stakeholders.

More recently, ISO 26000 was issued as a standard for social responsibility for small and medium enterprises (SMEs). The core objective of ISO 26000 is to integrate international expertise on social responsibility – what it means, what issues an organisation needs to address in order to operate in a socially responsible manner, and

what is best practice in implementing sustainability reporting (Schwartz and Tilling 2009). For the purpose of content analysis of annual reports, this study adopted the GRI guidelines.

## 2.6 CSER REPORTING IN DEVELOPING COUNTRIES

Whilst there is strong evidence of CSER reporting and SEA research in Western developed countries, they are still at the infancy stage and not up to the mark in most developing countries. According to Kemp (2001), over the past decade, a powerful movement of CSER reporting has been observed in western European countries aiming to improve the social and environmental performance of large organisations and their affiliated organisations in developing countries. Table 2.2 has been developed by the current study's researcher in order to categorise the CSER reporting research in developing countries by themes and methods following the style of Belal and Momin (2009). One of the earlier studies was by Singh and Ahuja (1983) who investigated corporate social disclosures in India using annual reports from 40 public sector companies for the financial year 1975/1976. The results revealed a significant deviation in the level of CSR reporting between the sampled companies. For example, approximately 33% of companies disclosed less than 20% of the information included in the index and 40% of companies disclosed more than 33% of the disclosures listed in the index. Corporate social reporting is not mandatory in India, so the patterns of voluntary disclosures are still very low (Sharma, Agarwal, and Ketola 2009).

A more recent study in India by Arevalo and Aravind (Arevalo and Aravind 2011) explored the drivers for and barriers to CSR via a questionnaire survey of managers from 33 firms. The findings indicated that caring or moral motives followed by strategic or profit motives were important drivers for pursuing CSR in India. However, the lack of resources was the main obstacle for implementing CSR in India.

**Table 2.2:** Developing countries' CSER research by themes and methods

| CSER Research | Methods | Explanation | Themes |
|---|---|---|---|
| Alnaimi, Hossain, and Momin (2011); Amran and Haniffa (2010); Andrew et al. (1989); Azim, Islam, and Ahmed (2009); Batra (1996); Belal (1997, 2000, 2001, 2011); Choi (1998, 1999); de Villiers (1999); de Villiers and van Staden (2006); Disu and Gray (1998); Gao et al. (2005); Haniffa and Cooke (2005); Imam (1999, 2000); Kamla (2007); Kisenyi and Gao (2011); Gray (1998); Kuasirikun and Sherer (2004); Lodhia (2000); Lynn (1992); Maali, Casson, and Napier (2006); Naser et al. (2006); Newson and Deegan (2002); Rashid and Lodh (2008); Savage (1994); Singh and Ahuja (1983); Thompson and Zakaria (2004); Tsang (1998); Williams (1999); Welford (2007); Williams and Pei (1999); Xiao et al. (2005); Sharma, Agarwal, and Ketola (2009); Saleh, Zulfkli, and Muhamad (2010) | Content analysis of annual reports and other published information such as websites, newsletters, and other publicly available documentary evidence: mainly data from secondary sources | Combining both qualitative and quantitative research methods which examine the nature and pattern, and measure the extent and volume of disclosures | Related to examining the level and determinants of CSER |
| Belal and Owen (2007); Islam and Deegan (2008); Jaggi and Zhao (1996); Rahman (2000); Rahman et al. (2004); Teoh and Thong (1984); Arevalo and Arvind (2011); Welford (2005) | Questionnaires and interviews | Mainly qualitative research which explores the motivation behind CSER through interviews with senior corporate managers | Explore the views of managers and managerial perceptions |
| Tsoi (2010); Al-Khater and Naser (2003); Kuasirikun (2005); Lodhia (2003); Naser and Baker (1999); Belal (2010); Islam (2012) | Questionnaires and interviews | Predominantly qualitative research which explores the perceptions of key stakeholders who have an interest in organisations' CSER activities | Explore the views of key stakeholders and stakeholders' perspectives |

Teoh and Thong (1984) interviewed 100 executives to examine CSR accounting and reporting. Their study focused on three levels of a social objectives' hierarchy, namely, social awareness, social involvement and social reporting. The findings indicated, firstly,

that social reporting lags behind corporate social involvement and, secondly, that major corporate attention is focused on activities related to employees and products/services. In addition, the results showed that corporate size and the country of origin of the corporate ownership are relevant to the extent of social commitments made by companies. For example, multinational companies are more likely to accept social and environmental disclosures compared to their counterparts among Malaysian companies. Andrew et al.'s (1989) findings were aligned with those of Teoh and Thong (1984). Andrew et al. (1989) surveyed 119 companies based in Malaysia and Singapore via annual reports' content analysis. They found that approximately 31% of companies produced social and human resource disclosures. A survey by the Association of Chartered Certified Accountants (ACCA 2002) found that the trend of CSR involvement by Malaysian companies was increasing. Most of the companies used annual reports for social disclosure and some of the companies had started to produce separate reports for environmental and social information. Chan (2000) examined 40 Malaysian companies' annual reports and found that 90% of companies made social and environmental disclosures in their annual reports.

The prior research on social and environmental reporting in Malaysia has shown a positive development and increasing trend among organisations (Thompson and Zakaria 2004; Amran and Haniffa 2010; Zulkifli and Amran 2006), although foreign-owned companies showed greater concern about social and environmental reporting. A study by Haniffa and Cooke (2005) examined the extent and variety of social disclosure at two different times, 1996 and 2002. They also assessed culture and governance structure by using the legitimacy theory. Their findings indicated that there was a significant relationship between corporate social disclosure and boards dominated by Malay directors, boards dominated by executive directors, a chair with multiple directorships and foreign share ownership. The results also indicated that "four of the control variables (size, profitability, multiple listing and type of industry) were significantly related to corporate social disclosure with the exception of gearing" (p. 391).

In recent times, China has been observed as experiencing a tremendous revolution in social and environmental reporting. In 2003, only one company openly published a

CSER report with no companies having publicly published any CSER reports before 2002 (Gao 2009). However, in 2008, 81 companies published CSR reports and the number of companies is growing very fast. Gao (2009) carried out content analysis of 81 companies listed on the domestic securities' markets of China (the Shanghai Stock Exchange and Shenzhen Stock Exchange). The main findings of the research showed that only 5.05% of listed companies published their CSER report in China, and 4.42% of them issued a separate CSER report. Approximately 97.18% of the sampled companies used "corporate social reporting" as the name for their stand-alone CSR; 79% of companies had a positive attitude to taking on social responsibilities, while no company had a negative attitude. State-owned companies addressed most of the social issues as if following 'political slogans' influenced by the Chinese government. On the other hand, non-state-owned companies provided more focus on stakeholders' interests.

China is the world number one ready-made garments' exporter. The external pressures from international buyers force Chinese companies to ensure social and environmental compliance. Most of the Chinese stakeholders now have positive views towards social and environmental issues (Tsoi 2010). Traditionally, companies in Hong Kong faced little external pressure to disclose social and environmental information in their annual reports (Lynn 1992; Ng 2000). A number of scholars have examined the volume and extent of social and environmental disclosures in Hong Kong. Lynn (1992) reported that Hong Kong society is highly family oriented. Therefore, family responsibility has plagued corporate social responsibility in Hong Kong as in many other developing and developed countries where family ownership controls the business. Like many other Asian countries, the level of social and environmental disclosures in Hong Kong was very low (Ho, Ng, and Ng 1994). The companies in Hong Kong disclosing social and environmental information in their annual reports were purely driven by their business interests. As Ho, Ng and Ng (1994) commented: "it is very disappointing to find that very few companies indeed disclose such information to the public through their annual reports. Also the disclosures are crude and limited to non-financial narrative statements expressing the firm's support on environmental protection and reporting on progress of environmental projects" (p. 62). Jaggi and Zhao (1996) and Ng (2000) also reported the

low level of social and environmental disclosures in Hong Kong. A more recent study by Gao, Heravi and Xiao (2005) examined 154 annual reports of 33 listed companies and reported that differences between industries had an impact on the amount, the theme and the location of social and environmental disclosures. They highlighted that utility companies provided more disclosure than property companies.

Welford (2005) carried out a comparative study of six Asian countries on the existence of written CSR policies. The six countries included in his research were Japan, Singapore, South Korea, Thailand, Hong Kong and Malaysia. The findings revealed that more companies in Japan, Singapore and South Korea had more written policies on CSR compared with those in Hong Kong, Malaysia and Thailand. The findings also reported that Japan (62.55%) and South Korea (50%) were the leading Asian countries in terms of disclosing more social information in their reports, whereas companies operating in Thailand (28.6%), Singapore (22.2%), Hong Kong (18.8%) and Malaysia (14.3%) disclosed less CSR reports. Another comparative study by Chapple and Moon (2005) reported that national types of CSR were a product of specific norms and conjunctures of that specific country.

A further contribution was offered by de Villiers and van Staden (2006) who utilised content analysis of mining companies' reports in South Africa. Their findings showed that there was an increasing trend of disclosing environmental information from 1994 to 1999 and then a decreasing trend until 2002. They concluded that "companies in industries known for their negative environmental impacts prefer to disclose less specific and more general environmental information" (p. 779).

In terms of the Middle East, and specifically from the Arab countries' perspective, Naser et al. (2006) examined the extent and determinants of CSER reporting by analysing the annual reports of 22 companies listed in the Doha Stock Exchange, Qatar. They found that corporate social disclosure was affected by firm size (measured by market capitalization) and business risk (measured by leverage and corporate growth). Their study supports agency theory, political economy theory, legitimacy theory and stakeholder theory as well as the accountability approach. Al-Khater and Naser (2003)

investigated Qatari users' perceptions of corporate social responsibility and accountability and made the point that "the current Qatari financial and auditing systems are still primitive" (p. 3). The companies in Middle East countries had lower disclosures of CSER (Maali, Casson, and Napier 2006) and large companies were found to have more motivation than small companies for disclosing social and environmental information (Naser and Al-Khatib 2000).

A limited amount of research has focused on the motivation behind social and environmental disclosures and has sought views from managers and stakeholders to explore social and environmental disclosures within the developing countries' context (Lodhia 2003; Kuasirikun 2005; Islam and Deegan 2008; Rowe 2006a; Jamali 2008; Rahaman 2000; Rahaman, Lawrence, and Roper 2004; Jaggi and Zhao 1996). Rahaman (2000) identified very little or no disclosure of social and environmental issues in Ghanaian companies. In a later study, Rahaman, Lawrence and Roper (2004) observed and explored the driving forces for CSER in the Volta River Authority as being external pressure from international lending institutions such as the World Bank. Lodhia (2003), in exploring the views of accountants in Fiji, found that their involvement was conspicuously absent from environmental management accounting and reporting. This was attributed to their lack of competence in environmental matters and the voluntary nature of the environmental accounting practices at the time. Lodhia (2003) further argued that environmental legislation and greater awareness could improve the situation. Kuasirikun (2005) observed that government could be the most influential factor in making companies more socially and environmentally responsible. The findings of Kuasirikun (2005) also showed that the overall attitude in Thailand towards social and environmental accounting is more likely to be positive among accountants, auditors and accounting-related professionals. More recently, scholars have focused their research on current CSER reporting on the stakeholders' perspectives, as opposed to the managerial perspective (Unerman and Bennett 2004).

The review of prior literature has revealed that most of the research used content analysis and tested hypotheses to examine the social and environmental reporting within the context of developing countries. However, Unerman and Bebbington (2007) argued

that social and environmental accounting research conducted by using content analysis of annual reports might not capture all salient social and environmental issues, although publicly available information on the internet has become a common practice. Moreover, the context of developed and developing countries is not the same, given the social and economic differences (Xiao et al. 2005) and the differences in technological development (Williams and Pei 1999). This indicated the need for further in-depth research of CSER in the developing country context which might progress the exploration of the overall emerging phenomenon of CSER. In this field research, content analysis of annual reports was combined with semi-structured in-depth interviews of managers and key stakeholders.

## 2.7 FACTORS INFLUENCING CSER REPORTING

### 2.7.1 Corporate Characteristics

Prior studies have identified different factors which have an influence on CSER reporting. A number of studies have advocated that corporate characteristics such as company size, ownership, board composition, financial performance, risks, length of management decision horizon and industry membership influence CSER reporting (See for example, Gray et al. 1997; Deegan and Gordon 1996; Hackston and Milne 1996; Khan, Muttakin, and Siddiqui 2012; Trotman and Bradley 1981; Cormier and Magnan 2003; Rashid and Lodh 2008; Gao, Heravi, and Xiao 2005; Adams 2002; Naser et al. 2006; Abbott and Monsen 1979). Adams (2002) argued that most of the CSER studies looked at large companies and the sample sizes were different in terms of both size and industrial affiliation. Researchers have found a strong relationship between corporate size and CSER disclosure (Cromier and Magnan 2003). Gao et al. (2005) found a positive correlation between company size and the level of CSER disclosure which was similar to the findings of Gray et al. (2001). Conversely, some researchers found an insignificant relationship between size and disclosures (Cowen, Ferreri, and Parker 1987). Evidence of the relationship between CSER and the profit imperative produced mixed results; however, most researchers revealed that CSER reporting did not have a relationship with profit or financial performance (Hackston and Milne 1996; Singh and

Ahuja 1983; Abbott and Monsen 1979) with the exception of Roberts (1992) who reported a strong positive relationship between economic performance and CSER reporting.

With regard to the corporate governance structure, particularly the ownership structure and its broad composition, researchers have predominantly found a positive relationship between corporate governance and CSER (see e.g. Haniffa and Cook 2005; Rasid and Lodh, 2008; Khan, Muttakin, and Siddique 2012). The prior literature also suggested that industry affiliation such as industry sensitivity has an influence on CSER (Foo and Tan 1988; Andrew et al. 1989; Harte and Owen 1991). For example, environmentally sensitive industries such as mining, and oil and gas disclose more social and environmental information. Trotman and Bradley (1981) reported a positive relationship between the level of CSER and the length of management decision horizon from an Australian perspective; however, a negative relationship was found by Roberts (1992) with systematic risk beta. Other corporate characteristics have influence on CSER such as strategic posture, senior executive attitudes, capital intensity, etc. (Roberts 1992; Cowen et al. 1987; Trotman and Bradley 1981).

### 2.7.2 Contextual Factors

The nature and extent of CSER disclosures vary between countries (Newson and Deegan 2002). A number of prior studies also noted that the company's country of origin was one of the determining factors (Williams and Pei 1999; Adams and Kuasirikun 2000; Ness and Mirza 1991) for CSER reporting. Recently, SEA researchers have identified culture and religion as influential for CSER reporting. Sobhani, Amran and Zainuddin (2011) reported how the Islamic religion has motivated the Islamic Bank's CSER practices in Bangladesh. Similarly, Sharma, Agarwal and Ketola (2009) discussed how the Hindu philosophy influenced corporate governance and corporate social responsibility in India. The literature also found that the cultural context helped to explain differences in environmental and social concerns, as did the Green Movement with its demands that organisations act in a socially and environmentally responsible way (Adams 2002). As argued by Deegan and Unerman (2006), accounting cannot be

isolated from culture and as with other human and social institutions, it is culturally determined, thus cultural customs, values, beliefs and norms influence CSER reporting.

In the Chinese context, Rowe and Guthrie (2010) found significant informal institutional cultural norms, namely, *Guanxi* (personal connections), trust and secrecy with regard to environmental management disclosure. The parent company's global strategy plays a vital role in the CSER policy of multinational companies operating in developing countries. The multinational companies, international donor agencies such as the World Bank, the IMF and organisations like ILO and the United Nations' Children's Fund (UNICEF) play vital roles in determining CSER practices in developing countries (Haider 2010). For example, companies such as British American Tobacco, Unilever, Nestlé and Siemens practise CSER in the same way wherever they are operating around the world. The effects of prior colonisation also have an influence on countries' accounting and reporting systems. For example, countries that were colonised by Britain (such as Pakistan, Bangladesh, India, Malaysia and Hong Kong) follow British accounting and reporting systems. Similarly, countries like Lebanon, Morocco and Tunisia follow French accounting systems.

Other general contextual factors which have an influence on CSER disclosure are media and NGO pressure (Islam and Deegan 2010), stakeholder pressure (Belal and Roberts 2010) and stakeholder power (Carroll 1999). Roberts (1992) reported the influence of stakeholder power on corporate strategies which ultimately impacts on CSER. There has been a growing body of CSER research work which has focused on internal contextual factors. The chairperson of the company may change the pattern of social and environmental disclosures (Campbell 2000) and organisations which have a separate CSER committee tend to disclose more social and environmental information (Cowen et al. 1987). Internal contextual factors such as corporate managers' attitudes, corporate governance systems, stakeholders' engagement and dialogue, institutional norms, financial cost–benefit motivation, etc. play a vital role in CSER reporting. Prior research has found that the positive attitude of top management is crucial for CSER (Teoh and Thong 1984; Rahaman 2000), although competence and understanding about the concept are necessary to translate the attitude into practice. In this current context, we

also explored corporate characteristics and contextual factors' influences on CSER reporting practices through interview data.

## 2.8 RECENT AREAS OF CSER RESEARCH

### 2.8.1 Managerial Motivation for CSER Reporting

As Deegan (2002) has noted, government, industry bodies and the accounting profession have shown a remarkable increase in the amount of attention being directed to social and environmental accounting issues, particularly in the area of external voluntary reporting. Within the CSER research agenda, managerial motivation for social and environmental reporting has gained a prominent position (Owen 2004) in developed countries. The body of previous literature in the area of social and environmental reporting has explained why managers are motivated to undertake CSER reporting within the context of developed countries (O'Dwyer 2002, 2003; Unerman, Bebbington, and O'Dwyer 2005; Owen, Swift, and Hunt 2001; Cormier, Gordon, and Magnan 2003; Adams 2002; Adams, Hill, and Roberts 1998; Guthrie and Parker 1989a). The results of these studies have provided some insight into phenomena such as corporate reputation; ensuring environmental sustainability; pressure from powerful external stakeholders; and managers' personal attitudes and self-interested behaviour which are the main motivations for CSER reporting.

According to Deegan (2002), "to comply with community expectations, perhaps is reflective of a view that compliance with the 'community license to operate' or 'social contract' is dependent upon providing a certain amount of social and environmental performance." (p. 290). Deegan (2002) further argued that reporting might be a response to negative media attention, particularly in relation to social or environmental incidents, or perhaps as a result of poor ratings being given by particular rating agencies which he termed a 'legitimacy threat'. Owing to legitimacy threat, organisations are now more proactive in relation to CSER, specifically spending more time in managing powerful stakeholder groups (Neu, Warsame, and Pedwell 1998; Ullmann 1985a). Islam and Deegan (2008) argued that there was a lack of research that explores managerial motivation through engagement-based studies in which managers' views are directly

sought rather than using secondary data. A few notable studies are the exception having used primary data obtained via semi-structured interviews (O'Dwyer 2002, 2003; Adams 2002; Owen 2001; O'Donovan 2002). O'Dwyer (2002) explored the views of senior managers in the Irish context and found that most Irish industry sectors had witnessed specific threats in environmentally sensitive companies and pressure from powerful stakeholders. The relevant powerful stakeholder groups that were mentioned were local communities, environmental pressure groups and the media. The study by Adams (2002) also highlighted the public pressure, corporate image building and environmental concerns which are motivating factors for managers to be accountable through the practice of CSER.

In the developing countries' context, researchers have found socio-contextual factors and external pressure from key stakeholder groups (Jaggi and Zhao 1996; Teoh and Thong 1984; Belal and Owen 2007; Islam and Deegan 2008; Rahaman 2000; Rahaman, Lawrence, and Roper 2004) through seeking views from managers. More recently, Belal and Owen (2007) conducted interviews with 23 managers in Bangladesh and reported that the main motivation of managers for CSER came from powerful stakeholders such as international buyers who are outsourcing products from developing countries. Islam and Deegan (2008) examined the managerial motivation for CSER within the clothing industry in Bangladesh. They used legitimacy theory and stakeholder theory to explain the CSER phenomenon in the clothing industry in Bangladesh. The findings of Islam and Deegan (2008) echoed those of Belal and Owen (2007) who reported on the external pressure perceived by managers. The problem with the research by Belal and Owen (2007) is that they conducted interviews in the financial year 2002/2003 when corporate governance codes were yet to emerge or to be implemented in Bangladesh. The interesting link missed by Islam and Deegan (2008) that was identified by Belal and Momin (2009) was that:

> It is unclear to what extent pressure perceived by BGMEA [Bangladesh Garment Manufacturers and Exporters Association] on its social disclosure and policies equally drives social disclosures and policies of individual garment companies. BGMEA as an industrial association is a powerful

stakeholder to all garment companies and may influence social policy and disclosure at this individual company level, but this interesting link was not explored. (p. 133)

Therefore, it would be interesting in this current study to explore the views from senior managers from individual companies. The next section presents studies which have explored CSER from the stakeholders' point of view.

### 2.8.2 Stakeholders' Views on CSER

The importance and usefulness of CSER reporting to specific stakeholders have been observed by various researchers. The major stakeholders of a company have been variously categorised and include shareholders, employees, creditors, suppliers, customers, banks, regulatory authorities, government, community, media, NGOs and other pressure groups (see for example, Tilt 1997; Islam and Deegan 2008; Belal 2004). An organisation is not self-contained or self-sufficient but, through exchange relationships with external actors, depends on its environment for resources, information or social legitimacy (Pfeffer and Salancik 1978). This dependency gives stakeholders the possibility of controlling organisations. For example, shareholders can bring capital; suppliers can provide material knowledge or expertise; local community members can offer infrastructure; employees and managers can grant knowledge; and customers can raise revenue and provide loyalty through positive word of mouth. These sorts of resources give potential power to stakeholders over firms.

According to Frooman (1999), stakeholders can enact their influence through two types of strategies: 1) a withholding strategy where stakeholders stop providing a resource with the intention of making the firm change a certain behaviour, and 2) usage strategy where stakeholders continue to supply a resource but with strings attached. Frooman (1999) also argued that withholding and usage strategies could be performed by an ally of the stakeholders with whom the focal firm has a dependency relationship. For example, the media and NGOs sometimes act as powerful stakeholders by voicing their concerns about society and the environment. Islam and Deegan (2008) observed how NGOs use the media to create changes in the operation and associated accountabilities of multinational companies operating in, or sourcing products from, a developing country.

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They found that social and environmental NGOs strategically use the news media to effect change in the operating and reporting policies pertaining to social and environmental reporting practices in developing countries.

Unerman and Bennett (2004) observed that expectations of different stakeholders are often likely to be mutually exclusive. Organisations are motivated to engage stakeholders in CSER by the belief that these processes will enhance stakeholder value (O'Dwyer 2003). Stakeholders' expectations towards CSER would be different from country to country, because these expectations largely depend on a shared cultural and social background (Lewis and Unerman 1999). However, stakeholders' expectations are important for organisations which are motivated to engage in CSER by a desire to minimize the negative social and environmental impacts of their organisation's operations on those stakeholders who are affected by those operations (Thomson and Bebbington 2005a; Unerman and Bebbington 2007).

Prior studies have focused on understanding stakeholders' expectations of CSER in both developed and developing countries (O'Dwyer, Unerman, and Hession 2005; O'Dwyer, Unerman, and Bradley 2005; Deegan and Blomquist 2006; Lodhia 2003; Kuasirikun 2005). Many academics, NGOs and other stakeholders have argued in favour of mandatory CSER (Adams and Whelan 2009); however, the complexity of the mandatory debate arises from questions about shareholder wealth maximization (Owen, Swift, and Hunt 2001). O'Dwyer, Unerman and Bradley (2005) explored the views of NGO leaders and focused on the nature of demand for administrative reform of CSER within the Irish context. They highlighted a number of obstacles which restrict voluntary information on social and environmental issues and active corporate resistance to dialogue with stakeholders. In the context of countries from the Middle East, studies have found a favourable response by stakeholders to mandatory CSER which is relevant to the countries' social, political and economic situations (Naser and Baker 1999; Al-khater and Naser 2003). Islam and Dellaportas (2011) examined the perceptions of accountants in Bangladesh and reported positive attitudes among accountants to CSER: this was similar to the findings of two previous studies (Lodhia 2003; Kuasirikun 2005) which explored accountants' perceptions about CSER in developing countries. These findings

are mostly consistent with earlier studies conducted in the UK (Bebbington et al. 1994) and Australia (Deegan, Geddes, and Staunton 1995). Researchers have argued that the identification of stakeholders and engaging them through dialogue with the organisation need to be prioritised as stakeholders' actions have extreme impacts on the organisation's success (Deegan and Unerman 2006; Unerman and O'Dwyer 2006).

While there has been academic research from the managerial perspective involving communication with external stakeholders (O'Dwyer 2002, 2003; Adams 2002; Islam and Deegan 2008; Rowe and Guthrie, 2010), a relatively few studies have explored the views of non-managerial stakeholders or of key stakeholders of organisations. To address these above-mentioned issues, the current research further identified the key relevant stakeholders and explored their views to gain an 'emic' (Brislin 1976; Knorr-Cetina 1999) understanding of the CSER reporting phenomenon in Bangladesh.

# THEORETICAL PERSPECTIVES

## PART B

### 2.9 INTRODUCTION

The first part of this chapter discussed social and environmental accounting (SEA) reporting and its related concepts to gain an in-depth understanding of the issues. It also presented the development of CSER reporting research and contemporary areas of CSER. The primary purpose of Part B is to review the most widely accepted theories used by SEA researchers. Specifically, these most frequently used theories are legitimacy theory, stakeholder theory and institutional theory. Although a number of theories have been used in previous studies as researchers sought to understand SEA and reporting, in the current research, to understand the CSER phenomenon in a developing country such as Bangladesh, it would appear most plausible to consider these theoretical frameworks.

### 2.9.1 A Brief Review of Theoretical Interpretations

There is no universally accepted theoretical framework on which one can conclusively rely in explaining SEA and reporting. Numerous researchers have applied different theories based on their paradigmatic preferences and arguments. Gray, Kouhy and Lavers (1995) categorised the theories used in SEA research into three broad groups: decision usefulness theory; economic theory; and social and political economic theories. In the CSER literature, several researchers have theorised about why organisations voluntarily report on social and environmental information to external stakeholders. Prior literature on SEA and reporting considered a normative–deductive approach in debating the use of additional voluntary disclosures. However, Benston (1982) opposed managerial involvement in measuring additional social and environmental disclosures. According to Deegan (2009), there are two major theoretical groups within SEA research: positive theory and normative theory. The normative theory includes accountability theory and critical theory. Accountability theory is concerned with

accountability and transparency of organisations to all their stakeholders. The accountability theory and critical theory reject market-related solutions, and consider that organisations are morally responsible to all stakeholders. A more recent development in SEA theorising, represented by Lehman and other critical theorists (Lehman 1999; Lehman 2001, 2004; Andrew 2000) in which they addressed Rawls' theory of social justice, incorporated the concept of fairness into the notion of accountability (Parker 2005). With regard to moral and ethical concerns, Lehman (2001) argued the need for social change through justice and equality in order to build an accountable society. According to Deegan (2009), accountability theory and critical theory consider SEA and reporting as a moral obligation to society: both of these theories cannot be empirically tested.

Therefore, these theories have not been adopted in this research due to their limited insights in explaining the social and environmental reporting phenomenon. A review of the previous literature has suggested that organisations disclose social and environmental information due to the usefulness of accounting information in making decisions. Based on the previous literature, Gray, Kouhy and Lavers (1995) argued that the financial community found CSER useful and, indeed, considered it moderately important. Other studies (Belkaoui and Karpik 1982; Jaggi and Freedman 1992) indicated the CSER relationship with market reactions. For example, some researchers focused on the usefulness of social and environmental information for investment decisions. Moreover, Gray, Kouhy, and Lavers (1995, p. 51) stated that:

> There appear to be instances when social and environmental information does influence financial behaviour (Epstein 1991; Epstein 1992) and the ethical investment literature (Harte and Owen 1991): the whole process of information and response is under-theorized and begs too many important questions.

A number of SEA researchers used economic theories such as agency theory and political cost theory based on positive accounting theory. According to Watts and Zimmerman (1990), positive accounting theory (PAT) is concerned with explaining practice. It is designed to explain and predict which firms will and which firms will not use a particular method but it says nothing as to which method a firm should use.

Economic theory suggests that government regulation is a political cost to organisations (Branco and Rodrigues 2007). Organisations take actions to reduce their political costs such as increased taxes and other related regulations (Watts and Zimmerman 1978). Agency theory has the view that "managers will disclose social and environmental information only if it increases their welfare, that is, when the benefits of disclosure outweigh agency costs by acting in his/her self interest" (Ness and Mirza 1991, p. 212). This confirms Milton Friedman's (1970) assertion that the mere existence of corporate social responsibility (CSR) is a signal of an agency problem within the firm. Friedman (1970) further argued that CSR is a misuse of corporate resources that would be better spent on value-added internal projects or benefits to shareholders. Einhorn (2007) used economic theory and found that organisations practise voluntary disclosure to inflate the investors' expectations about the value of the firm, thereby attempting to maximize the price at which the firm's stocks are traded in the capital market. A few recent studies have drawn upon resource-based views in management research to analyse the economic potential of CSER (Toms 2002; Hasseldine, Salama, and Toms 2005). As mentioned earlier, economic theories have relied upon self-interest and discussions about wealth maximization. Therefore, Gray, Kouhy and Lavers (1995, p. 51) voiced the following criticism:

> While the accounting community clearly has benefited from the methodological pluralism of recent decades, economic theory in the pristine sense in which it normally is applied in accounting research has little or nothing to offer as a basis for the development of CSR.

While some researchers have used system-oriented economic theory after criticisms by qualitative researchers, a growing number of researchers have been using social and political economic theory such as legitimacy theory, stakeholder theory and institutional theory. These theories have been providing the most insightful analysis of the CSER phenomenon (see e.g. Deegan 2002; O'Dwyer 2002, 2003, 2005; Guthrie and Parker 1989; Gray, Owen, and Adams 1996; Deegan and Gordon 1996; O'Donovan 2002; Roberts 1992). Some researchers have used legitimacy theory to explain social and environmental reporting (O'Donovan 2002; Deegan 2002), whereas others have used stakeholder theory (Ullmann 1985; Deegan and Blomquist 2006; Gray et al., 1997).

Another group of researchers has used institutional theory which considers organisations to be a part of the larger social systems in which they operate (DiMaggio and Powell 1983). Political economic theory suggests that "the economic domain cannot be studied in isolation from the political, social and institutional framework within which the economic takes place" (Gray, Kouhy, and Lavers 1995, p. 52). Therefore, as economics, politics and society are considered interrelated, they should be included in accounting research. Gray, Kouhy and Lavers (1995) further classified political economic theory into two sub-classes, namely, the "classical" variant and "bourgeois". The classical variant of political economic theory adopts the "radical" paradigm that is critical of the power and inequity of capitalist society (Puxty 1986). It views CSER as part of an attempt to legitimise not only individual organisations but also systems as a whole (Adams and Harte 1998).

Proponents of the bourgeois variant of political economic theory argue that disclosure can only be explained by considering the social, political and environmental matters within which organisations operate (Branco and Rodrigues 2007). With motivation from bourgeois political economic theory where social, environmental, political and economic matters are interrelated, this research has adopted legitimacy theory, stakeholder theory and institutional theory.

### 2.9.2 Legitimacy Theory

Legitimacy theory is the most widely used theory in SEA, particularly when researchers have attempted to explain why organisations undertake CSER and its disclosures. A number of previous studies have used legitimacy theory as their conceptual framework to explain the CSER reporting phenomenon (Lindblom 1994; Suchman 1995; Deegan 2002). The survival of an organisation is highly dependent on both market forces and community expectations. Therefore, it is essential to ensure compliance with society's expectations.

According to Deegan (2007 p. 128):

Legitimacy is considered to be a resource upon which an organization is depends for its survival. It is something that is conferred upon the organization by society, and it is something that is desired or sought by the organization

The review of prior literature has suggested that legitimacy theory is a positivist theory (Deegan 2007). However, another group of researchers considered legitimacy theory to be a systems-based theory (Suchman 1995) and a political economic theory (Gray, Owen, and Adams 1996; Deegan and Unerman 2006; Guthrie and Parker 1990). Within a systems-oriented perspective, an organisation is influenced by the society where it operates. Political economic theory explicitly recognises the power conflicts that exist within society and the various struggles that occur between various groups within society (Deegan 2007). The disclosures of social, political and economic information are perceived as a tool under the political economy perspective. As stated by Deegan (2002, P. 292):

> Consistent with the view that organisations are part of a broader social system, the perspectives provided by legitimacy theory (which, as stated, builds on foundations provided by political economy theory) indicate that organizations are not considered to have any inherent right to resources, or in fact, to exist. Organizations exist to the extent that the particular society considers that they are legitimate, and if this is the case, the society 'confers' upon the organization the 'state' of legitimacy.

It is important to differentiate between "legitimacy" and "legitimisation". Whilst legitimacy can be considered as a "condition or status", legitimisation is a process engaged in by organisations to achieve that status (Brown and Deegan 1998). Deegan (2007, p. 131) provided the following summary of legitimacy theory:

Within legitimacy theory, the important resource is organisational legitimacy.

Legitimacy theory is a positive theory.

Legitimacy theory is a systems-oriented (or open-system) theory.

Legitimacy theory has a managerial branch and an institutional branch, although most of the research within accounting is informed by the managerial branch.

Legitimacy theory is derived from the bourgeois branch of political economy theory, and as a result assumes a pluralistic society.

### 2.9.2.1 Organisational Legitimacy, Strategic Legitimacy and Institutional Legitimacy

As mentioned earlier, legitimacy is crucial for an organisation's existence within society. Organisational legitimacy is a general perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman 1995). The key issue of organisational legitimacy is controlled by social norms and expectations. As a result, organisations can potentially change or manipulate stakeholders' perceptions without altering their own activities (Lindblom 1994). An organisation technically manages all of its stakeholders, although their satisfaction is a matter of debate. However, managerial initiatives can make a substantial difference by the variety of legitimacy dynamics. Suchman (1995) further classified organisational legitimacy into two perspectives, namely, strategic legitimacy and institutional legitimacy.

Strategic legitimacy considers the views of organisational managers and suggests that conflicts between systems of beliefs are responsible for the competition and conflict among organisations (Suchman 1995). Accordingly, strategic legitimacy is highlighted as an operational resource that organisations competitively extract from their cultural environment for the pursuit of their goals (Dowling and Pfeffer 1975). As argued by Bansal and Roth (2000 p.727):

> Firms adopting environmental initiatives with a legitimisation motive emphasize survival, compliance with norms, the costs and risks of non-compliance, avoiding impending legislation, and following others in the industry.

The second branch of organisational legitimacy is institutional legitimacy which is shaped by institutional pressure that creates tendencies towards isomorphism within the organisation (DiMaggio and Powell 1983). External institutional decisions and actions may change the behaviour of an organisation. Therefore, the organisation gains legitimacy by becoming isomorphic with its environment while disclosing socially and environmentally-related information. For example, the corporate managers disclose

environmentally-related policy and activities, community engagement and other socially and environmentally-related information due to perceived institutional pressure from regulatory institutions. Some studies have found that institutional legitimacy restrains the conflict between an organisation's management and its stakeholders (Milne and Patten 2002).

### 2.9.2.2 Relationship of Legitimacy with the Social Contract

It is assumed that there is an implied contract between an organisation and its stakeholders. According to Deegan (2007), the survival of an organisation will be threatened if society recognises that the organisation has breached its social contract. The review of previous literature has suggested that legitimacy theory and the social contract are interrelated and that legitimacy theory directly relies upon the notion of the social contract (Shocker and Sethi 1973; Deegan 2002). As stated by Mathews (1993 P.26):

> The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organizations draw on community resources and output both goods and services and waste products to the general environment. The organization has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society.

Generally, an organisation is deemed to be a social product, and the activities of organisations are expected to be legitimate within a society. If any organisation fails to maintain their legitimate behaviour, the society will not accept them. As Deegan (2007, p. 280) stated:

> Where society is not satisfied that the organization is operating in an acceptable, or legitimate manner, then society will effectively revoke the organization's 'contract' to continue its operations. This might be evidenced through, for example, consumers reducing or eliminating the demand for the products of the business, factory suppliers eliminating the supply of labour and financial capital to the business, constituents lobbying government for increased taxes, fines or laws to prohibit those actions which do not conform with the expectations of the community.

Shocker and Sethi (1973) have argued that no social institution or business is the exception as all operate in society via a social contract, expressed or implied, whereby their survival and growth are based on socially desirable ends for society and the distribution of economic, social or political benefits to groups from which it derives its power.

### 2.9.2.3 Legitimacy Gap, Tactics and Strategies for Legitimisation

The term "legitimacy gap" has been utilised by Deegan (2007) to describe the situation where there appears to be a lack of correspondence between how society believes an organisation should act and how it is perceived that the organisation has acted. According to Sethi (1979), a legitimacy gap might arise, firstly, from changing societal expectations and, secondly, when previously unknown information becomes known about an organisation, perhaps through disclosures within the news media. For several reasons, an organisation's legitimacy status can change in such a way that the organisation might no longer be perceived as legitimate. The increasing trend of social and environmental awareness is particularly concerned about the global climate change impacts on the community or about social expectations. For example, oil companies started coming under scrutiny and heavy attack as British Petroleum (BP)'s recent oil spill in the Gulf of Mexico raised tensions in the community. Alternatively, a legitimacy gap suddenly arises from new information obtained about an organisation that differs from its public image. Mitchell, Agle and Wood (1997) have stated that organisations' managers direct their legitimising attention to meeting stakeholders' expectations. Managers are deemed to have the ability to use strategy to influence perceptions of legitimacy through disclosures. Mitchell, Agle, and Wood (1997) further argued that managers have an incentive to disclose information about their various social and environmental responsibilities and related activities to conform to the expectations of particular powerful stakeholder groups. Therefore, disclosures of social and environmental information or any voluntary activities are extracted following pressure from powerful stakeholder groups (Neu, Warsame, and Pedwell 1998). In relation to the legitimacy gap and strategies for legitimisation, Deegan (2007, p. 136) has stated that:

Much of the work that has been undertaken within the social and environmental accounting area, and which has embraced legitimacy theory, has typically addressed actions undertaken by organisations to regain their legitimacy after some form of legitimacy-threatening event occurs.

Several scholars have been frequently referenced in the SEA literature concerning organisational strategies and tactics for maintaining, repairing and gaining legitimacy (Dowling and Pfeffer 1975; Lindblom 1994; O'Donovan 2002; Suchman 1995). The task of maintaining legitimacy is argued to be the task that can be achieved with less effort than gaining or repairing legitimacy (Ashforth and Gibbs 1990; O'Donovan 2002). Management's ability to predict future changes and expectations of stakeholders and community is essential for maintaining legitimacy (Suchman 1995). Moreover, organisations' existing achievements of socially and environmentally-related responsibilities need to be upheld to satisfy stakeholders. As Deegan (2007, p. 137) stated:

> For maintaining legitimacy, the greater the extent to which the organisation trades on its level of legitimacy, the more crucial will it be for that organisation to ensure that it does not deviate from the high standards that it has established.

Repairing legitimacy is essential when an organisation is in a process of unforeseen crisis. For example, BP's recent oil spill in the Gulf of Mexico threatened legitimacy which then needed to be repaired. O'Donovan (2002) reported that maintaining legitimacy has been related to different levels of crisis management. If a crisis is evolving, proactive strategies may need to be adopted, as has been the case for the tobacco industry during the past two decades (Belal and Owen 2012; Pava and Krausz 1996). In regards to gaining legitimacy, Suchman (1995) suggested that a firm needs to provide more proactive efforts to win social acceptance. For long-term organisational success, organisations have to combine proactive and reactive legitimisation tactics within the legitimacy theory framework. When an organisation is faced with threats which affect the maintenance of its legitimacy or the congruence between the social values implied by an organisation's operations, and the values embraced by society, Dowling and Pfeffer (1975) have outlined the following strategies:

- the organisation can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy;

- the organisation can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output and values; and

- the organisation can attempt, through communication, to become identified with symbols, values or institutions which have a strong base of legitimacy.

Lindblom (1994) expanded upon Dowling and Pfeffer's (1975) legitimisation strategy and proposed four courses of actions that an organisation can take to obtain or maintain legitimacy. The actions are:

- educate and inform its "relevant publics" about (actual) changes in the organisation's performance and activities;

- change the perceptions of the "relevant publics" – but not change its actual behaviour;

- manipulate perceptions by deflecting attention from the issue of concern to other related issues through an appeal to, for example, emotive symbols; or

- change external expectations of its performance.

Numerous studies have been found in the SEA and CSER literature which are in favour of legitimacy theory for exploring CSER reporting both in developed and developing countries (Deegan 2002; Islam and Deegan 2008; De Villiers and van Staden 2006). However, some scholars have found that legitimacy theory fails to empirically show relevance to CSER reporting (Cormier, Gordon, and Megnan 2004; Bebbington et al. 2007). A more recent study by Adams (2008) has argued that legitimacy theory provides a more comprehensive explanation of CSER reporting.

### 2.9.3 Stakeholder Theory

Stakeholder theory relies upon the notion of stakeholders' involvement with the organisation. The objective of stakeholder management is to balance the conflicting demands of the firm's various stakeholders. Freeman and Reed (1983) have reported the significant role of various stakeholders and their influence on firms. Stakeholders are

defined as "any group or individual who can affect or is affected by the organisation's objectives" (Freeman and Reed 1983, p. 91). Freeman (1984) developed two models: the first model discussed the corporate planning and business policy for developing corporate strategic decisions and evaluating the approval of stakeholder groups whose support is required for the firm to continue its operations. The second model, called the CSR model, discussed the external influences on the firm which allowed it to adapt to changes in the social and environmental expectations of powerful stakeholders. Considering Freeman's (1984) CSR model as a guideline, Ullmann (1985) presented a three-dimensional model to explain the correlations between CSER and social and economic performance. Ullmann (1985) found that stakeholder power is crucial for a firm's responsiveness to the demands of stakeholders. Pfeffer and Salancik (1978) argued that the response of an organisation is viewed as a function of the stakeholders' degree of power in controlling the resources required by the organisation. The organisation needs to manage and organise the entire range of its stakeholders to ensure their further interest and benefits for organisational success. According to Madsen and Ulhoi (2001), the implication of stakeholder theory is that organisations should put additional emphasis on the opportunity dimension of stakeholder analysis because the interests of the organisation can be cultivated by an interactive and symmetrical two-way communication with its stakeholders (Qian, Burritt, and Monroe 2011).

Prior studies have identified and categorised stakeholders as primary (economically powerful) and secondary (economically less powerful) stakeholders. Clarkson (1995 p.106) argued that a primary stakeholder is "one without whose continuing participation the corporation cannot survive as a going concern" and secondary stakeholders are "those who influence or affect, or are influenced or affected by, the corporation, but ... are not engaged in transactions with the corporation and are not essential for its survival" (p. 107). Consumers, NGOs, media and government including regulatory authorities have become more powerful in changing the social and environmental policies and strategies of businesses.

*2.9.3.1 Normative Variant of Stakeholder Theory*

Two variants of stakeholder theory have been identified by scholars (Gray, Owen, and Adams 1996; Deegan 2002), namely, the normative or ethical branch and the managerial branch. The normative branch, according to Deegan (2002), holds that all stakeholders have the right to be treated fairly by the organisation. The normative stakeholder theory tends to be embedded with various moral and ethical considerations providing normative "prescriptions", in terms of fairness and equality. In support of the normative justifications for stakeholder theory, a number of scholars have examined the moral foundation of the theory (see Table 2.3). Reed (1999) proposed fastening the theory normatively onto critical theory. He contended that all citizens have a general stake, namely, that "their political equality is assured". He further argued that "we all have a stake in all members of the communities to which we belong living in accord with the norms and values of our shared identity" (p. 470). According to Donaldson and Preston (1995), the central core of stakeholder theory is normative and prescribes how organisations ought to treat their stakeholders. The normative aspect of stakeholder theory is used to interpret the function of the organisation, including the identification of moral or social and environmental responsibility guidelines for the operation and management of the company.

**Table 2.3:** Normative justifications for stakeholder theory

| Author (s) | Normative or Ethical Branch |
|---|---|
| Argandona (1998) | Common Good |
| Burton and Dunn (1996) | Feminist Ethics |
| Wicks, Gilbert, and Freeman (1994) | |
| Clarkson (1994) | Risk |
| Donaldson and Dunfee (1999) | Integrative Social Contracts Theory |
| Donaldson and Preston (1995) | Property Rights |
| Evan and Freeman (1993) | Kantianism |
| Freeman (1994) | Doctrine of Fair Contracts |
| Phillips (1997, 2003) | Principle of Stakeholder Fairness |

Source: Adopted from Phillips, Freeman and Wicks (2003)

The basic normative pillar of stakeholder management, as stated by Donaldson and Preston (1995), is the recognition of the ultimate moral values and obligations of the firm. Jones (1995) argued that firms which treat stakeholders in a trustworthy manner will develop a competitive advantage as they are able to reduce costs; in other words,

good stakeholder management translates into good business. However, the key limitation, according to (Humber 2002), is that it is based on moral decision making which requires a subjective evaluation as to where the appropriate and optimal balance among competing interests lies and how resources should subsequently be allocated. Deegan (2009) illustrated a number of the limitations of normative stakeholder theory. For example, the power of the stakeholder is not described by normative theory. Therefore, empirical observation cannot be justified.

### 2.9.3.2 Managerial Variant of Stakeholder Theory

The managerial branch of stakeholder theory is notably an organisation-centred "bourgeois" accounting theory. This theory provides a structure in which to analyse CSER between the organisation and its stakeholders. As van der Laan (2009 p.19) stated:

> The successful outcome of appropriately managing stakeholders by the discharge of accountability through CSR is arguably some form of organisational legitimacy. However, this stakeholder management approach to CSR will only gain, maintain or restore organisational legitimacy for those stakeholders whose needs have been addressed.

There is a deal of overlap between the managerial branch of stakeholder theory and legitimacy theory (Deegan 2002). The managerial branch of stakeholder theory emphasises the need to "manage" particular stakeholder groups – particularly those which are deemed to be "powerful" owing to their ability to control resources that are necessary to the organisation's operations (Ullman 1985). A comprehensive study of what stakeholders require in social and environmental reports was undertaken by Azzone et al. (1997) who outlined the information requirements of eight major stakeholder groups. Stakeholder analysis, therefore, involves initially identifying organisational stakeholders who have some "right" to information, and ranking or prioritising their interests (Gray et al. 2001). Unerman (2007) explained CSER from two broad perspectives. Based on his first perspective, an organisation and its managers are truly responsible and accountable for all of their social and environmental impacts on stakeholders – not just for those impacts or activities prioritised by the organisation's

managers (Bebbington and Gray 2001). The second broad perspective is used as a tool by corporate managers to win or retain the support of those stakeholders who have the ability to influence the achievement of the organisation's goal.

However, the emerging efforts to expose non-managerial stakeholder voices have proved to be a role in the accountability process of organisations (O'Dwyer 2005). The corporate social and environmental disclosures are a strategic plan by corporations to show their social performance to their stakeholders (Roberts 1992); in other words, CSER is a part of the dialogue between the company and its stakeholders (Gray, Kouhy, and Lavers 1995). Therefore, to engage with all relevant stakeholders is beyond the capacity of many companies. Pedersen (2006) identified four factors affecting stakeholder engagement with organisations, namely, commitment, capacity, consensus and consciousness.

Using Ullmann's (1985) framework as a guideline, Roberts (1992) documents a positive relationship between stakeholder power and CSER performance. For the second dimension, Ullmann (1985) argues that a firm is perceived to possess a passive posture when its management does not manage stakeholder relationships. In the third dimension, Ullman (1985) argued that shareholders are the most important stakeholder group: meeting the economic demands that impact directly on a firm's continued operations and viability is the top priority of management. In describing stakeholder theory, Gray, Owen and Adams (1996, p. 45) stated:

> Here (under this perspective), the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interest of the organisation. (The interest need not be restricted to conventional profit seeking assumptions). The more important the stakeholder to the organisation, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval.

A number of insightful studies have investigated the links between stakeholder management, CSER activities, stakeholder power and the rationale for stakeholder theory (Harrison and St John 1996; Frooman 1999; Mitchell, Agle, and Wood 1997). A

growing number of scholars support the view that an organisation could adopt different approaches such as proaction, accommodation, defence and reaction to deal with each stakeholder (Clarkson 1995; Carroll 1979). The strategy for proaction is to anticipate responsibility whereas the strategy for accommodation is to accept responsibility. The strategy for defence is to admit responsibility and the strategy for reaction is to deny responsibility. According to Mitchell, Agle and Woods (1997), the following three attributes of stakeholders influence the firm: power, legitimacy and urgency. The attributes of power and legitimacy are present in dominant stakeholders and, therefore, their expectations will receive attention from the managers of the firm. The attributes of urgency and legitimacy are present in dependent stakeholders. For example, these stakeholders depend on others for the power to achieve their goals. From the CSER literature, stakeholder theory provides a resourceful framework for organisations to manage their stakeholders particularly through disclosing social and environmental information. The disclosure of particular types of information can be used to gain or maintain the support of particular groups (Deegan and Blomquist 2006). Roberts (1992) empirically tested CSER practices by using stakeholder power, strategic posture and economic performance. He found a significant positive relationship between the levels of CSER reporting and stakeholders' attributes such as power, posture and economic performance.

### 2.9.4 Institutional Theory

SEA researchers frequently use another theoretical perspective, namely, institutional theory. Institutional theory views the organisation as a part of the larger social system in which it operates. The application of institutional theory in CSER study might be a comparatively new proposition, but it is an established theoretical perspective in social organisational management, accounting and financial reporting (Meyer and Rowan 1977; Scott 1995). Prior studies have argued that institutional theory may serve as a useful framework in addressing the national context that is shaping the CSER phenomenon by focusing on the role of social, political and economic systems that surround organisations (Scott 1995). The earliest and most influential version of institutional theory in organisations was the work of Philip Selznick in which he viewed

organisational structure as an adaptive vehicle shaped in reaction to the characteristics and commitments of participants as well as to the influence of and constraints from the external environment (Scott 1987).

A number of scholars have further expanded institutional theory with different social science concepts (Berger and Luckmann 1966; Zucker 1983, 1987; Meyer, Scott, and Strang 1987; Meyer and Rowan 1977; DiMaggio and Powell 1983) in which the organisation is viewed as an institutional form or, more compellingly, as the finest institutional form of modern society (Zucker 1983). Meyer and Rowan (1977) have argued that societal modernisation is being accomplished by the growth of rationalised institutional elements or "rational myths" that give rise to an increasing number of organisations as well as to the elaboration of existing organisational forms (Scott 1987). Broom and Selznick (1955 P.238) view, "institutionalisation as the emergence of orderly, stable, socially integrated patterns out of unstable, loosely organised, or narrowly technical activities". An organisation has been "institutionalised" when it has embraced a distinctive character and achieved a unique competence or perhaps a trained or built-in incapacity (Selznick 1996). Organisations find themselves immersed in a certain cultural and historical context which is portrayed by the existence of a system of shared beliefs, symbols and regulation requirements (Meyer, Scott, and Strang 1987). Therefore, organisations achieve institutional legitimacy by conforming to current conventional practices such as adopting different standards (e.g. social and environmental accounting and reporting) and adapting to pressure from powerful external groups (Scott 1987).

### 2.9.4.1 Mechanisms of Institutionalisation

Institutional stability and inertia are often discussed within institutional theory. DiMaggio and Powell (1983) contended that institutionalisation brings about a homogenization of organisations (a process they called "isomorphism"). This process of homogenization of organisational structures is viewed as arising from the need for organisations to respond to environmental and social expectations to guarantee their survival and increase their possibilities for success in a particular environment

(Larrinaga-Gonzalez 2007). Institutional theory explores different mechanisms through which information about legitimate and socially accepted organisational behaviour can be transmitted and such behaviour institutionalised within the organisation (Qian, Burritt, and Monroe 2011; Meyer and Rowan 1977). DiMaggio and Powell (1983) noted that isomorphism emerges through three different mechanisms: coercive, normative and mimetic. Scott (1995) phrased this differently: he called it regulative, normative and cognitive isomorphism. These forms of isomorphism are discussed below.

### 2.9.4.2 Regulative or Coercive Isomorphism

Coercive isomorphism arises when organisations are forced to comply with rules and regulations imposed by different powerful stakeholders such as government, regulatory authorities, lenders, creditors and other vested interest groups. According to DiMaggio and Powell (1983, p. 150), "coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function". For example, manufacturers adopt occupational health and safety procedures to comply with regulations. The underlying logic is followed based on the interests of the organisation, in terms of acquiring or maintaining organisational resources (Larrinaga-Gonzalez 2007). In the context of social and environmental reporting, coercive isomorphism or regulatory structures and activities would include reporting and environmental responsibility or sustainability practice and their related standards and enforcement as well as the possible threat of regulations for reporting. A more specific example was provided by Bebbington et al. (2007) who commented that environmental issues were given highest priority in European countries after the European Union issued a recommendation for environmental sustainability in 2001.

Therefore, a growing number of organisations across Europe now have mandatory reporting on social and environmental issues in their financial statements. More recently, organisations are producing stand-alone sustainability or CSER reports to comply with the regulations passed by the European Union. Coercive isomorphism takes place as a function of dependencies among organisations. Pfeffer and Salancik (1978) have

discussed how organisations faced with unmanageable interdependence seek to use the greater power of the larger social systems and its government to eliminate difficulties (DiMaggio and Powell, 1983). In seeking institutional legitimacy by conforming to changing norms and expectations of relevant stakeholders, there is a tendency for organisations within a particular field to assume similar structures and practices.

### 2.9.4.3 Normative Isomorphism

Normative isomorphism takes place when norms are internalised within the organisation along with external coercive social pressure (Mizruchi and Fein 1999). The normative structure of institutional theory focuses on values and norms that could be applicable to all members of the collective or to specific actors in which case those values and norms are termed "roles" (Scott 1995). DiMaggio and Powell (1983) have argued that normative isomorphism is reached through professionalization, formal education and professional networks: those are the networks in which values and norms are acquired. Prior research has shown that organisations are considered normative structures because of their provided role in society (Larrinaga-Gonzalez 2007). Organisations also want to achieve community recognition by showing their socially and environmentally-responsible activities. For example, the Global Reporting Initiative (GRI), United Nations Global Compact and ISO 14001–Environmental Management Systems are the standards for social and environmental responsibility reporting and sustainability practices. These are the voluntary guidelines for organisations so they can carry out and practise their activities in a sustainable way. As Larrinaga-Gonzalez (2007, p. 157) has argued, "some organisations think that they have to sign the Global Compact or have to prepare their reports based on GRI guidelines simply because this commitment has been accepted by society, and specially within the organisation field in which the organisation operates, as a norm".

### 2.9.4.4 Cognitive Structures or Mimetic Isomorphism

Cognitive structures form a culturally supported and conceptually correct support of legitimacy that becomes unquestioned (Hoffman and Ventresca 1999). According to

DiMaggio and Powell (1991), mimetic isomorphism occurs when organisations imitate successful peer organisations that seem to be more legitimate and more recognised by society. For example, organisations benchmark and follow the best practice of their peer organisations within the same industry. In practice, it is very difficult to empirically prove mimetic isomorphism. However, there is some evidence of a mimetic process in social and environmental disclosure that is connected with the convergence isomorphism of neo-institutional theory (Larrinaga-Gonzalez 2007).

As mentioned previously, there is an apparent overlap between institutional arguments about social and environmental reporting and the overwhelming amount of legitimacy theory literature in SEA. However, the usual approach to legitimacy in social and environmental accounting is not always consistent with its use in institutional theory (Larrinaga-Gonzalez 2007; Deegan 2002). More recent literature has suggested that institutional theory has been applied to several empirical studies on social and environmental reporting (Cormier, Magnan, and Velthoven 2005; Rahaman, Lawrence, and Roper 2004; Qian, Burritt, and Monroe 2011). Institutional theory has also attracted criticism from a number of researchers from the point of view that institutional theory is an analytic strategy whose components may not be empirically distinct (Paradis and Cummings 1986; Oliver 1991) which, in turn, has proven to be a principal challenge to organisational researchers. However, this theory allows various motives to be explored primarily based on the logic of appropriateness and on the social construction of reality (Larrinaga-Gonzalez 2007).

### *2.9.5 Rationalisation of Adoption of These Theories in Current Research*

As has been argued, there is no single theory which has been identified as unique in explaining the social and environmental reporting of organisations; however, the recent CSER literature has indicated that there is a growing tendency to use legitimacy theory, stakeholder theory and institutional theory among SEA researchers to examine the motivations of organisations towards CSER (O'Donovan 2002; Deegan 2002; Islam and Deegan 2008; Parker 2005; Qian, Burritt, and Monroe, 2011). It is evident that CSER reporting is a fairly complex activity that cannot be fully explained by a single

theoretical perspective or from a single level of resolution (Gray, Khuhy, and Levers 1995). It is worth using two or more theories rather than viewing the various theories in the literature as competing theories (Cormier, Magnan, and Velthoven 2005). As discussed previously, this current study has applied the three theories mentioned above due to their applicability to the idea that an organisation and its managers are part of the larger social system in which they operate (Gray, Kouhy, and Lavers 1995). These theories have frequently been used in developed countries' CSER research and, more recently, in research in developing countries including Bangladesh. For example, legitimacy theory asserts the expectations of society and community, whereas stakeholder theory describes the stakeholders' right and power on organisations' social and environmental responsible activities (For more explanation, see section 2.9.2 and 2.9.3). Previous studies in Bangladesh context also found legitimacy and stakeholder pressures on CSER reporting practices to some extent (Islam and Deegan 2008; Kamal and Deegan 2013). Informal institutional factors (e.g., local culture, customs and values) have been found to influence CSER in a developing country, such as Bangladesh (Momin and Parker 2013).

As these theories have been developed from the broader political economy theory, they emphasise the political, social, environmental, cultural and institutional framework of an organisation. In the developing countries' context, the theoretical explanation of social and environmental reporting research is scarce as most of the CSER research has been based on secondary data and is mainly descriptive in nature to measure the extent and volume of disclosures. Recent studies from developing countries have used legitimacy theory, stakeholder theory and institutional theory to explain organisational social and environmental reporting (Kamla 2007; Islam and Deegan 2008; De Villiers and Van Staden 2006; Rahaman, Lawrence, and Roper 2004).

The research objectives for the current study are to explore senior managers' perceptions and key stakeholders' views on CSER in Bangladesh to gain an understanding of the emerging CSER phenomenon. As legitimacy theory, stakeholder theory and institutional theory appear plausible to a certain degree in addressing the research questions of this study (see Chapter 1), the current study has therefore adopted these theories to determine

to what extent they are appropriate for explaining the CSER phenomenon in the context of a developing country such as Bangladesh.

### *2.9.6 Summary*

This chapter was divided into two parts. The first part (Part A) summarised and described the existing research on social and environmental accounting and reporting in general. The literature review considered both developed and developing countries' SEA and reporting research. The second part (Part B) of this chapter described the theories most widely used by SEA researchers to explain the social and environmental accounting and reporting phenomenon. Finally, this chapter explained the rationale for using legitimacy theory, stakeholder theory and institutional theory in this current study. The next chapter (Chapter 3) discusses the contextual facts and CSER research in Bangladesh.

# CHAPTER 3
## THE CONTEXT OF BANGLADESH AND CSER RESEARCH[2]

### 3.1 INTRODUCTION

This chapter discusses the socio-economic and environmental context of Bangladesh and how it relates to organisations' CSER practices and reporting. In particular, the chapter provides a brief summary of corporate governance structures in Bangladesh and the major social and environmental issues which have increased the attention of different stakeholder groups. It is important to understand the socio-economic and environmental context of Bangladesh as this study uses political economic theory to explain the CSER phenomenon in Bangladesh. This chapter also provides an overview of previous CSER research and the growing number of stakeholders' views on CSER in Bangladesh. The present chapter also establishes the justification and the importance of the research questions used for this study.

### 3.2 A BRIEF OVERVIEW OF BANGLADESH

Bangladesh is a sovereign state located in South-East Asia. With a rich and diverse background of colonialism, Bangladesh is called the rising tiger of developing countries owing to her exceptional economic and social growth (*The Economist* 2012). Bangladesh is bordered by India on all sides except for a short border with Burma (Myanmar) to the far south-east and by the Bay of Bengal to the south. The country is listed among the Next Eleven economies and Global Growth Generator countries (Goldman Sachs 2005). Bangladesh is a founding member of the South Asian Association for Regional Cooperation (SAARC), the D-8 (Developing Eight) and

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[2] Part of this chapter has been presented at the following conference:

1. Hossain, M (2012). "Corporate social and environmental responsibility reporting practices by Bangladeshi listed companies: why they do not report?" Paper presented in the proceedings of 2nd CGSB Research Forum, Emerging Research Initiatives and Development in Business, Graduate School of Business, Curtin University, 2-3 March 2012.

BIMSTEC, and is a member of the Commonwealth of Nations, the Organization of the Islamic Conference (OIC) and the Non-Aligned Movement. However, Bangladesh continuously faces a number of substantial challenges which include widespread political and bureaucratic corruption, economic competition in relation to the world, serious overpopulation, widespread poverty, and an increasing danger of hydrologic shocks brought on by its ecological vulnerability to climate change (World Bank 2013a). According to the UN's Human Development Index, Bangladesh is classified as a least developed country (LDC). Bangladesh continues to attempt to improve various aspects of its overall governance. Efforts are underway to improve core governance systems in areas such as public procurement, financial management, fiscal reporting and watchdog institutions (World Bank 2002). The current social and environmental problems such as poverty, environmental degradation, child labour and poor working conditions in the workplace have focused international attention on Bangladesh. Although there has been continuous improvement in poverty alleviation, the majority of the population (56 million people) still live under the poverty line as in many other developing countries (World Bank 2011a). Bangladesh is one of the most vulnerable countries due to the impacts of global climate change. This is compounded by corporate manufacturing plants situated on the banks of rivers. According to recent reports by the Economist Intelligence Unit (EIU), Dhaka (the capital city) is ranked as one of the most unliveable cities in the world (Economist Intelligency Unit 2012).

Despite the fact that the Bangladesh Ministry of Environment and Forests requires every factory (those with chemical waste) to have an effluent treatment plant (ETP), in reality, factories are disposing of their untreated wastes directly into the rivers. The discharged pollutants are mainly mercury, lead, chromium, arsenic and iron. Therefore, people living near the rivers are suffering from different types of diseases. For example, thousands of tanneries and textile mills which produce a large amount of waste are located on the banks of the Burigongga River (the main river surrounding the capital city). Hospitals and chemical industries similarly dispose of their waste directly into the rivers. More recently, the Ministry of Environment and Forests has exerted pressure on the polluting industries to use ETPs. Industrial pollution is considered one of the key

environmental problems (Belal 1997), with concerns expressed that if nothing is done to check it, Bangladesh will run the risk of facing an "ecological catastrophe" (Inam 1995). As a result, Bangladesh is beginning to establish sustainable development strategic policies and plans such as:

- The Bangladesh Conservation Strategy, 1995

- National Environment Management Action Plan (NEMAP), 1996

- Bangladesh: Poverty Reduction Strategy Paper (PRSP), 2005

- Bangladesh's strategy for the Millennium Development Goals (MDGs)

- National Conservation Strategy 2005

- *Environment Court Act 2010*

- *Environment Conservation (Amendment) Act 2010*

Sources**:** (Ministry of Environment and Forests 2012)

Furthermore, child labour, equal opportunity, and workplace health and safety in Bangladesh have drawn international and local attention among stakeholders such as the ILO, the Bangladesh Government, local and international NGOs and human rights' groups. Bangladesh is the second largest ready-made garments' exporter in the world (WTO 2012). The organisations earn exorbitant export revenues for the cost of low wages paid to child labour. However, it is not possible to entirely remove child labour from the workforce without ensuring proper alternative arrangements for these workers due to the socio-economic realities in Bangladesh. In addition, corruption and violation of consumers' rights are of grave concern in Bangladesh (Belal and Owen 2007). The implementation of laws is very ineffective, and corruption is normal practice in Bangladesh as in many other developing countries. Tax evasion, loan defaults, share market manipulation and "black money" trading are evidenced in Bangladeshi corporate culture due to the poor corporate governance structure. However, more recently, the Bangladesh Government has introduced a corporate governance code and principles which aim to improve and strengthen corporate governance practices (Siddiqui 2010).

**3.3 CORPORATE GOVERNANCE AND CORPORATE REPORTING**

The corporate sector in Bangladesh is characterised by high ownership concentration, lack of shareholder involvement, the reluctance of firms to raise capital by issuing shares from capital markets, a high degree of bank borrowing and eventually non-payment of such loans, and lack of trained manpower. The socio-economic environment is affected by unsatisfactory legal enforcement and poor working conditions (Siddiqui 2010). Moreover, organisations also suffer from the lack of timely quality information (Imam, Ahmed, and Khan 2001). The financial reporting environment in Bangladesh is not in full conformity with international accounting standards. In fact, financial information and disclosures are provided to satisfy tax authorities rather than to meet the needs of investors and vested interest groups (Farooque et al. 2007). Realising this fact, the Bangladesh Enterprise Institute (BEI) proposed a guideline for corporate governance codes and principles in 2004. The following specific benefits in the Bangladeshi context were mentioned by the BEI (BEI 2004):

- Corporate governance will reward more investment and higher quality investors which will lead to well-governed and more profitable companies that are candidates for both foreign and domestic investment.

- The codes will ensure transparent and accountable reporting practices.

- Corporate governance will lead to a higher level of efficiency, quality and competitiveness of the national economy which will ultimately help to reduce poverty.

- The implementation of corporate governance codes and policies is expected to reduce corruption which is a vital issue for good governance in Bangladesh.

Bangladesh Bank (the central bank of Bangladesh) has issued a number of circulars advising of the formulation of an audit committee (Bangladesh Bank 2002), corporate governance practice (Bangladesh Bank 2003a) and the appointment of a board of directors (Bangladesh Bank 2003b). However, the circulars have not been implemented

as a formal code of corporate governance although banking organisations are following them as an informal practice. Based on the corporate governance regulations developed by the BEI, in 2006, the Securities and Exchange Commission (SEC), Bangladesh finally implemented the corporate governance codes and principles which are applicable to all companies listed on the stock exchange. The SEC understands the need for and importance of corporate governance to ensure accountability, sustainable development, transparency and the movement towards a corruption-free corporate culture.

More recently, the SEC (2012) provided some amendments to the corporate governance guidelines as a result of frequent illegal loan scandals at the state-owned bank and the share market collapse. A loan default culture is common in Bangladesh as businessmen can exercise their political and monetary powers to create pressure on financial institutions. The new guidelines focus on the board size, independent directors and their qualifications and skills, and the appointment of directors and an audit committee to enhance more accountability and transparency to the stakeholders. Younis (2005) identified that major reasons for non-payment of debt in Bangladesh include information problems in the form of moral hazards; adverse selection or monitoring costs for commercial banks in selecting borrowers; the lack of legal actions against defaulters (as a major portion of the loans go to influential businessmen, politicians and insiders); and the government practice of debt forgiveness (Siddiqui 2010).

It is evident from the previous literature that corporate governance attributes and CSER reporting and performance are positively related (Rao, Tilt, and Lester 2012; Kolk and Pinkse 2006; Haniffa and Cooke 2005). Corporate governance plays a significant role in ensuring organisational legitimacy through CSER reporting in Bangladesh. Khan, Muttakin and Siddiqui (2012) further argued that managerial ownership, public and foreign ownership, board independence and having an audit committee have significant impacts on CSER disclosure by Bangladeshi-listed organisations.

The financial reporting of Bangladeshi organisations is regulated by the *Companies Act 1994* that requires all public limited companies to have their annual reports audited by professional chartered accountants (members of the Institute of Chartered Accountants

of Bangladesh [ICAB]). While the disclosure of financial reporting with a true and fair view is legislated by the *Companies Act 1994*, the lack of accounting standards to guide the preparation and presentation of these reports has always been problematic (Mir and Rahman 2005). International donor agencies such as the World Bank, the IMF and the ADB and some industrialist countries who are development partners of Bangladesh continue to pressure the government to standardise financial reporting practices. Scholars have argued that there are many laws relating to organisations' operations and reporting, but organisations are reluctant to implement these laws (Uddin and Hopper 2003).

The following institutes and/or authorities are major bodies responsible for implementing the mandatory laws in the corporate sector:

- Securities and Exchange Commission

- Dhaka Stock Exchange

- Chittagong Stock Exchange

- Ministry of Environment and Forests (responsible for environmentally-related laws)

- Bangladesh Bank (central bank of Bangladesh)

- Institute of Chartered Accountants of Bangladesh (ICAB).

Bangladesh adopted the International Accounting Standard (IAS) in 1999 by the institutional involvement of the Bangladesh Government, the World Bank, the ADB and the ICAB. The SEC empowered ICAB to implement the adoption process of accounting standards as ICAB had the expertise on this issue (Mir and Rahman 2005). However, the adoption process overlooked other stakeholders' involvement such as the Institute of Cost and Management Accountants of Bangladesh (ICMAB) and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI). Siddiqui (2010) argued that the IAS adoption in Bangladesh was heavily influenced by the World Bank and the international donor agencies. The *Companies Act 1994*, the SEC Rules 1987 and the ICAB are the main sources of Generally Accepted Accounting Principles (GAAPs)

(Belal 1997). However, reporting on social, environmental and economic issues is voluntary for companies working in Bangladesh as in many other developed and developing countries. More recently, Bangladesh Bank (BB) issued a circular on CSER practices and reporting for all scheduled banks although this is voluntary (Khan, Halabi, and Samy 2009). For other sectors, there are no guidelines except some laws relating to the environment such as textile and chemical plants needing to ensure that they have an effluent treatment plant (ETP) for their operations. Due to pressure from powerful stakeholders, for example, international buyers, export-oriented ready-made garments and clothing companies have started voluntary disclosures on social and environmental compliance (Belal and Owen 2007; Islam and Deegan 2008).

## 3.4 SOME RISING CONTEXTUAL CONCERNS IN BANGLADESH

### 3.4.1 Environmental Issues

In recent years, Bangladesh has experienced severe environmental degradation. Several factors contribute to Bangladesh's vulnerability to environmental damage. The major environmental degradation issues in Bangladesh are urban air pollution; ground water contamination; water pollution; encroachment of rivers and canals; improper disposal of industrial, medical and household waste; loss of biodiversity; natural disasters; and land degradation (Islam 2000). The international community has expressed its concerns about the "arsenic" diseases which are caused by using contaminated ground water. Bangladesh is in a shaky position with regard to arsenic poisoning. Approximately 3.58 million people of a total of 17.92 million who are drinking water containing arsenic levels > 0.20 mg/l are potentially exposed to high-risk health hazards (Anawar et al. 2002). Moreover, frequent flooding and cyclones create new problems for the country's economic growth. Farmers (the majority of whom are illiterate) use chemical fertilisers which result in serious damage to Bangladesh's fresh and drinkable water supplies. The majority of industries in Bangladesh are situated on the banks of rivers, for example, the Burigongga, Sitolokha, Turag, Karnofuli, etc. These industries dispose of their untreated waste directly into the rivers, although the Ministry of Environment and Forests requires every industry (those which have chemical waste) to have an effluent treatment plant

(ETP). Human Rights Watch (2012), a New York-based organisation, has asserted that industries in Bangladesh employ child labour and avoid directions to reduce environmental pollution which are both unsustainable business practices. The tannery industry at Hazaribug, Dhaka has created an unhygienic living environment for workers and the community which lives near its factories. Similarly, hospitals and the chemical industry also dispose of untreated waste directly into the rivers (Sarker 2012).

A more recent environmental disaster has been caused by the ship breaking industry in Bangladesh which is located on the coastal area near Chittagong, Bangladesh. The ship breaking industry frequently experiences the accidental death of workers and causes environmental pollution due to hazardous chemicals and materials and, most importantly, is responsible for the violation of human rights (Cairns 2007; Karim 2009). The Bangladesh Ministry of Industries released an action plan on 12 December 2011 and provided guidelines for ensuring social and environmental compliance which included a hazardous wastage material plan and the safety of workers (The Ministry of Industries Bangladesh 2012). Under Section 12 of the Bangladesh *Environment Conservation Act 1995* (ECA 1995), no industrial unit or project can be established or undertaken without obtaining an Environmental Clearance Certificate (ECC) from the Department of Environment and Forests (DOE). The ECC ensures that the industry/project meets all the prescribed standards set by the Bangladesh Government in terms of the quality standards for air, water, noise, odour and other environmental components (Department of Environment 2013). However, all of these laws have become ineffective due to the lack of strict implementation and bureaucratic red tape which exist in the process of implementation. In short, wherever environmental pollution occurs, corporate organisations have direct or indirect involvement with pollution.

### 3.4.2 Child Labour

Child labour in Bangladesh has drawn international and local attention from stakeholders such as the ILO, the Bangladesh Government, local and international NGOs, and human rights' groups. According to a survey carried out by the Bangladesh Bureau of Statistics (BBS) in 2003, of the 42.39 million children aged 5–17 years,

7.42 million children are economically active, of which 3.18 million or 43% are considered to be child workers. The highest number of economically active children, 4.41 million, is in the age group of 10–14 years. The survey results also showed that about 77% of child labour, which is close to 2.4 million children, is from the rural areas of Bangladesh. The ratio of male to female child labour is 3:1 (Bangladesh Bureau of Statistics 2003). The survey results also reported that about 1.29 million children (or 3%) of the total child population work in hazardous and risky conditions, of whom about 90% are male child workers. The highest proportion of child labour is found working in the agricultural sector (4.5 million) compared to two million in the services sector and 1.4 million in the industrial sector (Bangladesh Bureau of Statistics 2003). According to an international donor agencies report (ILO, UNICEF, and UNESCO 2008), child labour mostly comes from poor households whose monthly income is 3000 Bangladeshi taka (BDT) or less. The main reason elucidated by parents for sending their children to work instead of sending them to school was to increase family income (Bangladesh Bureau of Statistics 2003). Poor parents think that their children will provide financial support and gain skills rather than going to a school which is far away to become an educated person.

The factors like low household income, parents' education, age, sibling sex composition and order of birth, as well as other cultural and social issues (ILO, UNICEF, and UNESCO 2008) have direct and indirect impacts on increasing the amount of child labour in Bangladesh. There is a positive relationship between poverty and child labour in Bangladesh. Salmon (2005) asserted that children from the poorest families or households are observed as being more likely to work than those from better-off households. These results identified two other variables which are likely to capture the effect of wealth on child labour, namely, the amount of owned land and home ownership. Bhalotra and Heady (2003) reported the same situation in Pakistan and Ghana. The Western developed countries consider child labour as an exploitation of children's lives; however, child labour only occurs in developing countries such as Bangladesh, India, China, Pakistan and other least developed countries. The USA passed a bill, called the Harkins Bill in 1993, which later become an Act, called the *Child Labour Deterrence Act 1993* which applies to outsourcing products from other

countries. Under this Act, the USA banned the importing of all products from countries that are using child labour. The effect of this Act was that the Bangladeshi ready-made garments' industry in 1990 released 10,000 workers who were aged less than 14 (Edmonds and Pavcnik 2005).

Moreover, the Act has been highly criticised by Bangladesh and other developing countries owing to the fact that the socio-economic realities of developing countries are different to those of developed countries. The Act overlooks the factor of poverty which is interrelated with child labour. Moreover, the Act does not provide any rehabilitation on a permanent basis for the children who have lost their jobs. More recently, local NGOs and human rights' activists as well as international buyers have increased the pressure regarding child labour in Bangladesh (Islam and Deegan 2008). Along with the ready-made garments' and clothing industry, tanneries and the ship breaking industry use thousands of child labourers which is not only a concern for international donor agencies but is also of concern to the Bangladesh Government.

Child labour is a complex and multi-dimensional issue generated by economic weaknesses, inadequate legal systems and labour laws, institutional barriers, and cultural and social inequalities as well as being the result of an inaccessible and low-quality education system. Education is considered as the key to combat child labour because it ensures and promotes the development of children's rights to education and protection from harm, and enhances children's ability to live a life that they have reason to value (ILO, UNICEF, and UNESCO 2008). The Bangladesh Ministry of Labour and Employment recently adopted a National Child Labour Elimination Policy 2010 which provides a framework for eradicating all forms of child labour by 2015. The key stakeholders such as UNICEF are monitoring the implementation of the policy. The main objectives of the policy are withdrawing children from hazardous jobs; improving income-generating opportunities for parents so they are not so reliant on children's income; offering incentives for working children to attend school; and enacting laws and improving law enforcement to eliminate child labour (Chowdhury 2012). The Bangladesh Government enacted the Labour Act in 2006 which is expected to improve hazardous child labour-free workplaces.

*3.4.3 Poverty Alleviation*

Poverty is a crucial problem and a challenging issue for Bangladesh as with many other developing and least developed countries. Despite the continuous average annual growth rate of more than 6% over the past eight years, the per capita annual income is still very low: in 2011, it was US$780 (World Bank 2011a). Newell and Frynas (2007) have argued that efforts to exploit business to alleviate poverty should not be misplaced as organisations make a direct contribution to the community by creating jobs, and by paying tax to government which is the usual business responsibility in any country in the world. The role of business organisations in poverty alleviation through CSR has been much debated in academic research as part of the broad discussion on development, investment and income inequality (Kolk, Tulder, and Westdijk 2006). Since the 1990s, there has been continuous progress in alleviating poverty in Bangladesh. A World Bank (World Bank 2011b) report revealed that Bangladesh has reduced poverty from 40% to 31.5% between 2005 and 2010. Nevertheless, despite this good track record, approximately 56 million people are still below the poverty line: thus, Bangladesh faces considerable development challenges. It is one of the most vulnerable countries to climate change and natural calamities like cyclones and floods: in the last 20 years, 60% of the deaths worldwide caused by cyclones were in Bangladesh. In more recent times, Bangladesh has made commendable progress on the Human Development Index. Since alleviating poverty by government efforts alone is very difficult, there is a strong requirement for corporations to participate in poverty alleviation. Poverty directly creates many social problems (e.g. crimes, a low level of education, low productivity, malnutrition, etc.). Therefore, the issue must be solved quickly and strategically especially when the UN's Millennium Development Goal (MDG) indicated that global poverty should be reduced significantly by 2015 (Mondol 2010). The World Bank (2013b P.1-2) noted that:

> Companies in developing countries could be sensitive to poverty alleviation. At both the collective and individual corporate level, the relationship between CSR and poverty alleviation could be better understood by utilizing the CSR, and the concept of survival economy. The key point is that although philanthropy and volunteerism have an important role, their capability to make a

fundamental impact on poverty alleviation is limited. Company involvement that goes beyond an arm's length model of corporate charity and is based on a solid business rationale is the best way to produce an impact and transformation.

Organisations in Bangladesh participate in poverty alleviation activities to achieve the MDG as part of their social and environmental responsibility practices. The development challenge in alleviating poverty through CSR is an important strategy undertaken by business organisations to ensure their long-term economic growth and survival (Blowfield and Frynas 2005). Therefore, social and environmental responsibility and disclosure of those activities by organisations are a charismatic mechanism for social change.

### 3.4.4 Society, Culture and Politics

Bangladeshi social culture is based on Bengali values and the Bangla language. Corruption, nepotism and regionalism have become common phenomena in each aspect of society. Bangladeshi people share a common language (mainly Bangla) and cultural values regardless of the fact that the population is diversified with people coming from different backgrounds (Parry and Khan 1984). The ethnicity of Bangladeshi people is a blend of Mongoloid, Indian, Arab and Pathan. Although Islam is the major religion in Bangladesh, other religions such as Hinduism, Buddhism and Christianity have a strong presence. The ancient tribal religion also has a considerable presence in Bangladesh. Bangla is the national language of Bangladesh and it is the sixth most spoken language in the world (UNESCO. 2004). The people of Bangladesh have a strong linguistic awareness which led to the formation of the Bengali (later Bangla) Language Movement in 1952 to gain recognition of Bangla as the state language of Bangladesh. More recently, UNESCO declared 21 February as International Mother Language Day as an expression of condolence for the people who died in 1952 for the Bengali Language Movement.

According to a World Bank (2009) report, women represent more than 40% of the total labour force mainly working in the ready-made garments' industry for very low payments. As in many other developing countries, the culture in Bangladesh is also

shaped by higher family values, powerful elite groups and corruption (Belal 2001). Corruption is an everyday burden in Bangladesh with about 66% of the population reporting that they have to pay bribes to access basic services (Transparency International 2012). Belal (2001) noted that the main reasons for such corruption are the very low levels of income earned by government officers and the existence of large foreign-assisted development contracts. The politicisation of business and society is also considered to be a major cause of corruption as politicians exercise their power to misuse public money. There is a link between corruption and politics in Bangladesh and it is widespread throughout Bangladeshi society. The corrupt politicians are merely charged for lack of accountability and this is a major drawback for true democracy and economic progress (Choudhury 2012). For example, the World Bank has recently cancelled a US$1.2 billion credit for the country's largest "Padma Bridge" project and reported that senior government officials including the Communication Minister and Advisor to the Prime Minister were involved in that corruption (Choudhury 2012).

More recently, one of the government advisors has been suspected of involvement in the country's top illegal loan scandal. The journey towards democracy started in 1990 in Bangladesh but the accountability of politicians has not yet been ensured. The political leaders own large shares of corporate organisations: problems arise when they exercise their political power to control both public and private sectors despite the laws that prohibit them from doing so. Haque and Hopper (1997) have asserted that Bangladesh has a long history of political instability and social unrest which are connected to business organisations. Most political parties in Bangladesh have affiliated trade unions in the corporate sectors, and the relationship between trade unions and politicians results in the use of unfair means and unsustainable growth for the future (Hoque and Hopper 1994).

### 3.4.5 Economic Context

Bangladesh is a rapidly growing agrarian country which comprises a market-based economy. According to the IMF (2011), it is the 43$^{rd}$ largest economy in the world. The recent report by the World Bank (2012) shows that growth in gross domestic product

(GDP) has moderated from 6.7% in financial year 2011 to 6.3% in financial year 2012 due to some unavoidable internal and external constraints. The industrial sector is characterised by the domination of a large public sector, which remains highly unproductive and inefficient as evidenced by the large amount of losses incurred by public sector units each year (Belal 2001). However, due to the adoption of a market-based economy in the late 1990s, the private sector, particularly the manufacturing and export-oriented clothing and ready-made garments' industries, have taken the lead over public sector industry. In addition, remittances from expatriates working overseas have contributed significantly to the economic growth of Bangladesh. The agriculture sector employs approximately 45% of the total labour force being the single largest production sector and contributing 18.6% of the country's GDP (World Bank 2012). The labour-intensive agriculture sector mainly produces rice, jute, wheat and different types of vegetables due to fertile soil which is favourable for cultivation.

After the agriculture sector, the textile and clothing industry (ready-made garments) is the second largest contributing sector in the national economy. The textile and ready-made garments' industry is economically significant because this industry contributes 12% of the national GDP, approximately 80% of the country's export earnings and employs approximately 3.5 million people, of whom about 85% are women (BGMEA 2013). In the financial year 2010/2011, the major products exported from Bangladesh were ready-made garments (76.76%), jute goods including raw jute (6%), frozen foods (2.9%), leather (1.3%), chemical products (0.42%), tea (0.14%) and others (7.03%) (EPB 2012). Remittances from non-resident Bangladeshis (NRBs) and workers are also a major source of foreign exchange earnings and have emerged as one of the key drivers of economic growth and poverty alleviation. According to a Bangladesh Bank (2012) report, foreign remittances are showing steady growth in volume. The report showed that in financial year 2011/2012, remittances reached US$12.73 billion compared to US$0.544 billion in the financial year 1993/1994.

Since the Privatisation Board commenced operation in 1993, more than 74 state-owned enterprises (SOEs) have been privatised (ICB 2012). The key sectors for privatisation have been engineering, jute, textiles, sugar and foods, banking and financial institutions,

chemicals, telecommunications and tourism. Recent policy of the Bangladesh Government has focused on more foreign direct investment (FDI) through offering a cheap workforce; low-cost energy and gas; a tax tariff and allowing 100% foreign equity with an unrestricted exit policy; flexible remittance of royalties; an established export processing zone; and repatriation of profits and income (EPB 2012). Global economists have forecast that the Bangladesh economy might overtake Western countries by 2050 (Elliott 2012). Therefore, considering the above-mentioned contextual factors, studying the emerging CSER reporting phenomenon in Bangladesh is invaluable.

## 3.5 CSER REPORTING RESEARCH IN BANGLADESH

CSER reporting is a journey, not a destination for Bangladeshi organisations. A review of previous literature has shown that CSER is understood differently in different cultures and in different countries (Gray, Kouhy, and Lavers 1995). For example, business managers in a developing country give comparatively more focus to social issues than business managers in developed countries, whereas environmental issues are prioritised highly by developed countries' business managers (Quazi and O'Brien 2000).

However, there are few empirical studies on social and environmental reporting in Bangladesh. Of these few studies, most are descriptive in nature and mainly measure the extent and volume of disclosures by analysing the content of annual reports. In addition, most of the companies in Bangladesh are reluctant to provide any social and environmental information to their stakeholders, although considerable improvement started to occur in the late 1990s (Imam 2000). Belal (1997) examined the environmental disclosures of 50 companies. The survey showed that only 6% of companies disclosed environmental information in their annual reports, under the heading of chairman's statement or directors' report. Imam (1999) reported an increasing trend of environmental disclosures. However, environmentally-sensitive companies provided more disclosures, although they concentrated only on positive news. These findings showed that 11.76% of companies disclosed environmental information based on 34 companies' annual reports in 1992/1993.

The later study by Imam (2000) showed a growing pattern of social and environmental disclosures by selected companies to which the findings of Belal (1999) also referred. Belal (2001) examined social reporting practices by Bangladeshi companies using a sample of 30 companies' annual reports. The results showed steady improvements in disclosure practices. For example, environmental disclosure had increased by 90% in the sampled companies. The results also revealed that employee disclosure had increased by 97% and ethical disclosure by 77% in the sampled companies. Belal (2001) argued that, although a number of companies were making social and environmental disclosures, the quality and quantity of disclosed information was very poor and that raised the question of the credibility of disclosed information. Rashid and Lodh (2008) suggested that corporate governance could be considered as a control mechanism that impacts on CSER disclosure in Bangladesh. Sobhani, Amran and Zainnuddin (2009) have carried out content analysis of 100 companies listed on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The findings revealed that 100% of companies disclosed at least one item related to human resources followed by community involvement (47%), consumers (23%), environment (19%) and others (18%). The results also revealed that stakeholders had become more aware about corporate operations.

Socio-political and organisational changes may influence the social and environmental responsibility disclosure of organisations in Bangladesh as in many other developing countries (Belal 2001; Sobhani, Amran, and Zainuddin 2009). Using content analysis and survey questionnaires, Khan, Alabi and Samy (2009) examined the CSER disclosure of selected banking companies in Bangladesh. They concluded that banking companies in Bangladesh only made small disclosures on CSER which were far from stakeholders' expectations. More recently, a further contribution to the debate has been offered by Azim, Islam and Ahmed (2009) who utilised content analysis from annual reports of 38 companies listed on the DSE to investigate the extent of CSR practices. Their results indicated that 76.32% of disclosures were generalised qualitative statements without supporting evidence, and that directors' reports under the corporate governance report were highly used to disclose social and environmental information. The overall results revealed that only 15.45% of companies made social and environmental disclosures. The

review of previous CSER literature based on secondary data has asserted that CSER is considered by Bangladesh companies as a philanthropic strategy. For example, relief and rehabilitation are common practices by organisations in Bangladesh after natural disasters like floods, cyclone and fire. Whilst most of the previous studies have been based on content analysis and questionnaire surveys, a limited number of engagement-based studies have been conducted on CSER that have explored managerial and users' perceptions. While several studies through content analysis investigated the volume and extent of CSER disclosures, a number of recent studies examine the relationship between CSER and corporate governance, firm characteristics and ownership structures (see for example, Muttakin and Khan, 2014; Rahim and Alam, 2013; Sufian and Zahan, 2013). The finding of these studies show positive relationship between CSER and corporate governance attributes including firm and ownership structures which are consistent with prior studies.

Belal and Owen (2007) have conducted a qualitative research study using 23 semi-structured interviews to examine managerial perceptions of Bangladeshi companies. The findings revealed that the main motivation of corporate social reporting practice in Bangladesh was driven from the view of managing corporate image and pressure from powerful stakeholders such as multinational companies' parent companies and international buyers.

As noted earlier, Bangladesh is the major exporter of ready-made garments in the global market. The buyers are highly focused on social and environmental compliance as they (international buyers) also face pressure from NGOs and environmental activists (O'Dwyer 2003). Belal and Owen (2007) further commented that the potential of social reporting practice to enhance corporate accountability was likely to become more widespread, as Bangladesh's social reporting standards were being imposed by Western developed countries without considering the reality of local culture, economic and social issues. Their engagement-based research is one among only a few research studies that have used in-depth interviews to examine social and environmental accounting (SEA). The prior CSER reporting research in Bangladesh is presented in Table 3.1 on the next page.

**Table 3.1:** Summary of previous CSER research in Bangladesh

| Author(s) | Research methods | Brief description | Remarks |
|---|---|---|---|
| **Belal (1997)** | Content analysis. | Examined the volume of CSER disclosure. | Used 50 companies' annual reports. |
| **Imam (2000)** | Content analysis. | Examined the extent and volume of disclosure. | Used 40 DSE-listed companies. |
| **Belal (2001)** | Content analysis. | Examined the extent and volume of disclosure. | Used 30 listed companies including only the largest companies from the industrial sector. |
| **Rashid and Lodh (2008)** | Tested hypothesis by descriptive statistics. | Examined influence of ownership structures and board practices on CSR. | Used 21 DSE-listed companies. |
| **Sobhani, Amran, and Zainuddin (2009)** | Content analysis. | Examined the nature and volume of disclosure. | Used 100 listed companies from DSE and CSE. |
| **Khan, Alabi, and Samt (2009)** | Content analysis and questionnaire survey. | Examined user perceptions relating to CSR in banking companies. | Used 20 scheduled banks in Bangladesh. |
| **Azim, Islam, and Ahmed (2009)** | Content analysis | Exploratory study by using content analysis. | Used 38 DSE-listed companies. |
| **Belal and Owen (2007)** | Interviews. | Examined senior managers' perceptions. | Interviewed 23 corporate managers. |
| **Islam and Deegan (2008)** | Interviews and content analysis. | Explored organisations' motivations towards CSER. | Interviewed 12 senior officials of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). |
| **Kamal and Deegan (2013)**<br><br>**Muttakin and Khan (2014)**<br><br>**Sufian and Zahan (2013)** | Content analysis of annual reports | Examine CSR disclosures with corporate governance, firms and industry characteristics | Used sample from listed companies in Dhaka stock exchange. |
| **Belal, Cooper and Roberts (2013)** | literature review | Explored notions for vulnerability and exploitability towards accountability and transparency | Conceptual paper. |
| **Rahim and Alam (2014)** | Literature review | Explored changing approach of corporate governance in the CSR actitivies | Conceptual paper recognises CSR and governance relationship to long-term sustainability. |

Following the current trend of qualitative interview-based research on CSER reporting practices, Islam and Deegan (2008) examined social and environmental reporting practices in Bangladesh within the context of the major clothing export-oriented body called the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). They used legitimacy and stakeholder theories to explain the social and environmental practices of the BGMEA and collected data via both content analysis and interviews with 12 senior managers of the BGMEA. They reported that the BGMEA receives pressure from particular stakeholder groups such as international buyers. This pressure which is also directly related to the expectations of the global community, in turn drives the industry's social policies and related disclosure practices. These findings of Islam and Deegan (2008) echoed those of Belal and Owen (2007). The findings also indicated that the ILO, the environmental NGOs and local media influence the improvement of the companies' social and environmental performance. Belal and Roberts (2010) suggested that there is a dearth of social accounting standards which, if available, would develop the prospects of CSER in Bangladesh. The findings of Belal and Roberts (2010) further showed that there was strong support among their study participants for mandatory CSER in Bangladesh.

Nevertheless, prior studies have mainly used secondary data from annual reports of companies and a limited focus on engagement-based field research using primary data. An investigation of previous CSER literature in Bangladesh further illustrates that there is a dearth of research in Bangladesh. This study, therefore, has explored CSER reporting practices by conducting semi-structured interviews with both senior managers and influential stakeholders. Moreover, this study also examined CSER reporting by content analysis of annual reports.

## 3.6 CSER AND STAKEHOLDERS' CONCERNS

The role of the stakeholder is presented through the Institute of Social and Ethical Accountability's framework, AA1000 (Unerman and Bebbington 2007). According to this framework, stakeholders are the central principle of "good accountability" practices. Although many researchers have focused on the stakeholders' voice within organisations

for accountability purposes (O'Dwyer 2003), pressures from less economically powerful stakeholders as well as from powerful external stakeholders are real challenges for organisations. The key stakeholders for CSER in Bangladesh (such as civil society, social and environmental NGOs, media, the regulatory authority and the government) are not as reasonably conscious as would be expected of ensuring the transparency and accountability of organisations. In Bangladesh, community-based civil society was in place as early as 1860 with the growth of Islam in the Indian region (White 1999). As described earlier, Bangladesh is one of the most vulnerable countries in the world due to the extreme effects caused by global warming. Civil society creates pressure against industrial pollution under the platform of the Bangladesh Environmental Network (BEN). In recent times, Bangladesh Poribesh Andolon (BAPA), Bangladesh Environmental Lawyers Association (BELA) and some other environmental activist groups have raised their voices strongly for environmental sustainability (Bangladesh Environment Network (BEN) 2012). Their activities have increased awareness among the general public against industrial pollution, air pollution, arsenic poisoning, land encroachers, etc.

Like civil society, NGOs play a vital role in creating pressure on polluting industries in Bangladesh. Gray, Owen and Adams (1996) noted that a number of international NGOs such as Amnesty International, Friends of the Earth, Greenpeace and Oxfam have had remarkable influence on corporate social and environmental disclosure practices although their influence is difficult to quantify. Stromquist (1998) has asserted that NGOs' role in developing a social and environmental movement is significant in developing and less developed countries "in the absence of stable political parties or organised low-income constituencies to carry out such activities" (p. 2). There are no specific statistics about how many NGOs are working in Bangladesh due to the existence of different NGO affiliation bodies. According to a list from the NGO Affairs Bureau (2012), approximately 1,995 NGOs are working under their control; however, a rough estimate shows that since 2004, a total of nearly 18,800 NGOs, both domestic and foreign, have been in operation. The NGOs are mainly working for poverty alleviation, health care, gender issues, child labour, health and safety, education and rural

development with the exception of the larger NGOs like BRAC, Grameen Bank, Proshika and the Association for Social Advancement (ASA) all of which have as their primary focus the provision of microcredit.

Despite the large number of NGOs working in Bangladesh, only a few of them have become influential in social, environmental and political spheres due to their sheer size, their agenda and their involvement with the general public (Momin 2013). In conjunction with NGOs, the media is supposed to reflect the changing values of the general public, and may also influence companies' activities in that they have "enormous power to project company image and influence consumer behaviour" (Rappaport and Dillon 1991). Islam and Deegan (2010) reported a significant relationship between media news and negative environmental issues within the ready-made garments' industry in Bangladesh. Therefore, NGOs and the media together can play a strong role in social development that will help to develop an ideology which is counter to the present corporatism ideology (Momin 2013).

Regulatory authorities such as the Securities and Exchange Commission (SEC) and the Dhaka Stock Exchange (DSE) have not yet issued any rules or guidelines for social and environmental responsibilities' disclosure. However, they are the prime regulatory authorities for listed companies in Bangladesh. The banking companies in Bangladesh experience pressure from the central bank (Bangladesh Bank) for CSER disclosures since Bangladesh Bank issued voluntary reporting guidelines on social and environmental matters in 2008. The Department of Environment (DOE) under the Ministry of Environment and Forests, Bangladesh plays a pivotal role as a participant of the United Nations Environment Programme. The principal activities undertaken by DOE consist of conservation and surveys of flora, fauna, forests and wildlife; prevention and control of pollution by the corporate sector; protection of the environment; and implementation of laws in the legislative framework (Department of Environment 2013).

The above discussion suggests that NGOs, the media and regulatory authorities are crucial stakeholders that exert pressure on the corporate sector in Bangladesh. Scholars like Tilt (2007) noted that "the social and environmental disclosure practices are

increasing in importance for most types of stakeholders, but that it is secondary stakeholders that place the greatest importance upon it" (p. 115). Therefore, the current study has identified influential stakeholders (such as NGOs, media and regulatory authorities) and has explored their views and expectations to close the knowledge gap.

## 3.7 SUMMARY

This chapter has presented a background literature review of Bangladesh's socio-economic and environmental context that is relevant for this study. Bangladesh is no longer a "basket case' as it was termed by Henry Kissinger (US Foreign Secretary) in 1971 owing to its economic growth, improvement in health, education, falling child mortality and many other achievements (*The Economist* 2012). *The Economist's* report further asserted that with the lowest labour costs in the world (textile workers make about $35 a month), it should be growing faster than China, not more slowly than India. As an emerging nation, Bangladesh has great opportunity to incorporate enhanced efficiency-based technology and a socially and environmentally-sustainable model at the ground level. The review of the Bangladesh context has discussed in detail corporate governance, society, culture, the economy, CSER research and stakeholders' concerns to establish the need for this study. The next chapter (Chapter 4) discusses the research methodology in detail.

# CHAPTER 4
# RESEARCH METHODOLOGY

## 4.1 INTRODUCTION

This chapter aims to provide an overview of the research methodology used to investigate the CSER phenomenon in Bangladesh. Whilst the theoretical concepts developed for embracing CSER reporting are predominantly derived from generalised theoretical models, one must be mindful of the uniqueness of the Bangladesh context as discussed in the previous chapter. Understanding the social construction and meaning of CSER practices and reporting in a developing economy may differ from those in the West, thereby requiring "emic" analysis (Knorr-Certina 1999). An "emic" research describes the unique values of a particular society (i.e. Bangladesh) requiring qualitative approach, whereas an "etic" analysis applies a generalised theoretical model across several societies.

Moreover, very few CSER reporting research studies in Bangladesh have employed a qualitative approach, especially engagement-based studies. This engagement-based study involves direct engagement with participants along with observation and publicly available documentary data analysis. In order to investigate the embryonic stage of CSER reporting in Bangladesh, the researcher needed to penetrate the social contexts of the phenomenon studied in such a way that perceptions and respondents' views could emerge. In this in-depth field study, the researcher sought to: explore the drivers and barriers of senior managerial motivation in enhancing accountability through CSER reporting in Bangladeshi-listed companies; explore and understand the possible perceptual differences in conceptualising CSER between senior managers and recipients (relevant stakeholders) within the context of Bangladesh; and discover the emerging insights that would possibly have the most impact on enhancing CSER in the fulfilment of stakeholder expectations. Chapter 1 provides the key research objectives and questions to this study.

Hence, this chapter comprises discussion about the research process with an emphasis on: the interpretive research paradigm; methodological theoretical approaches; research design; data management and analysis; rigour and trustworthiness in qualitative research; ethical issues; and the summarised conclusion.

## 4.2 RESEARCH PARADIGM

A research paradigm is a world view, a general perspective, a way of breaking down the complexity of the real world (Patton 1990). The basic framework for this research paradigm is interpretive which is guided by a set of beliefs and feelings about the world and how it should be understood and studied (Guba and Lincoln 1994; Denzin and Lincoln 2000). According to Creswell (1998), a research paradigm "is the overall perspective that contains the researcher's epistemological, ontological and methodological premises" (p. 74). Given the context of this research, the researcher has applied his own interpretation towards standardisation. Guba and Lincoln (2005) have described four paradigms in which inquiry or research can be carried out, namely, positivism, post-positivism, critical theory and constructivism. Heron and Reason (1997) offered the participatory action research paradigm as a substitute inquiry to the one proposed by Guba and Lincoln (2005). For this research, constructivist ontology, interpretivist epistemology and qualitative methodology have been chosen by the researcher to gain an understanding of the CSER phenomenon in Bangladesh.

Within each paradigm, an inquirer or researcher makes assumptions about: the world of things (ontology), the nature of knowledge and the role of the investigator, including human nature, perceptions of society (epistemology) and the best ways to investigate the world (methodology) (Burrell and Morgan 1979; Laughlin 1995). The researcher has been motivated to explore the CSER phenomenon in Bangladesh and to gain an understanding of the story behind what motivates companies to report or not report on CSER. The researcher further investigated the key stakeholders' expectations and explored their views on CSER. The researcher was keen to gain insight into the emerging CSER phenomenon in Bangladesh. Motivated by the assumptions of

constructivist ontology, the suitable epistemology is therefore interpretivist (Lincoln and Guba 2000; Guba and Lincoln 2005).

### 4.2.1 Ontology, Epistemology and Methodology

In this study, the researcher has combined philosophical beliefs such as ontology, epistemology and methodology. These philosophical beliefs have shaped how the research paradigm or interpretive framework was defined (Denzin and Lincoln 2000). Ontology is closely related to epistemology and methodology: ontology involves the philosophy of reality; epistemology addresses how we come to know that reality; while methodology identifies the particular practices used to attain knowledge of it (Trochim 2000; Krauss 2005).

The constructivist paradigm viewed knowledge as being established through the meaning attached to the CSER phenomenon being studied, whereby the researcher interacted with the participants of the study to obtain data, while the enquiry changed both the research and the participants, and the knowledge was context- and time-dependent (Coll and Chapman 2000; Cousins 2002). Drawing from the ontological explanation of constructivism, this research has used the constructivist paradigm as the main focus of the enquiry to understand and represent the perceptual constructions that participants initially held. It was the researcher's assertion that the participants in this study had the competence to interpret and construct their own, perhaps unique, views on the CSER phenomenon of Bangladesh.

The nature of the world is constructed socially (Crotty 1998) and constructivist ontology is fascinated about the ways in which human beings individually and collectively interpret the world. According to Berger and Luckmann (1966), the social construction of reality is crucial for explaining social phenomena. Therefore, it relies on human interaction to form the reality. Moreover, reality is constructed by individuals and is an evolving, changing multiple reality in the same way as the realities of the researcher, those participants being investigated, and those of the reader or audience interpreting the study are constructed, evolve and change (Creswell 1998). In this research, the reality of

the CSER phenomenon in Bangladesh and the key stakeholders' expectations of CSER have been explored by allowing respondents to voice their views in their own words.

In this research, interpretivist epistemology has been chosen for understanding the knowledge about CSER in Bangladesh. Within this epistemological assumption, the researcher's pre-existing assumptions, values and beliefs have guided the research. The combined interpreted information gathered from the semi-structured interviews and unstructured conversation with respondents as well as organisations' publicly available data (e.g. annual reports, corporate websites and newsletters) have developed the participants' perception of social reality (Schutz 1967; Rowe 2006a). The results have then been constantly compared and contrasted with previous literature, in order to generate a socially constructed reality in which some constructs appear to be shared between participants (Rowe 2006).

 Table 4.1 describes the basic beliefs and implications of the alternative paradigms of constructivism and positivism as described by Guba and Lincoln (1994) and Lincoln and Guba (2000). The table further demonstrates the relevance of constructivism for answering the research questions associated with the CSER phenomenon in Bangladesh. Given the nature of this study, a qualitative approach guided by the constructivist paradigm was more likely to facilitate the interpretation and understanding of senior managers' perceptions and key stakeholders' views and expectations of their realities.

**Table 4.1**: Basic beliefs of alternative paradigms

| Item | Constructivism | Positivism |
|---|---|---|
| Ontology | Relativism – local and specific constructed realities: realities are "apprehendable" in the form of multiple, intangible mental constructions, socially and experimentally-based, local and specific in nature, and dependent for their form and content on the individual persons or groups holding the constructions. Constructions are not more or less "true" in any absolute sense but simply more or less informed. Constructions are alterable, as are their associated "realities". | Naive realism – "real" reality but "apprehendable". An "apprehendable" reality is assumed to exist, driven by immutable natural laws and mechanisms. Knowledge of the "way things are" is conventionally summarised in the form of cause–effect laws. Research can, in principle, converge on the "true" state of affairs. The basic posture is argued to be both reductionist and deterministic. |
| Epistemology | Transactional/subjectivist-created findings which are interpretivist in nature. The investigator and the object of investigation are assumed to be interactively linked so that the "findings" are literally created as the investigation proceeds. | Dualist/objectivist: findings are true. The investigator and the investigated "object" are assumed to be independent entities and the investigator is assumed to be capable of studying the object without influencing it or being influenced by it. Values and biases are prevented from influencing outcomes. Replicable findings are, in fact "true". |
| Methodology | Hermeneutical/dialectical. The variable and personal nature of social constructions suggests that individual constructions can be elicited and refined only through interaction between and among the investigator and respondents. These varying constructions are interpreted, and are compared and contrasted, through a dialectical interchange. The final aim is to distil a consensus construction that is more informed and sophisticated than any of the predecessor constructions. | Experimental/manipulative: verification of hypotheses, chiefly quantitative methods. Questions and/or hypotheses are stated in prepositional form and subjected to empirical tests to verify them. Possible confounding conditions must be carefully controlled (manipulated) to prevent outcomes from being improperly influenced. |

(Sources: Adapted from Guba and Lincoln 1994, pp. 110-111; Lincoln and Guba 2000, p. 165)

### 4.2.2 Qualitative Research Approach

Qualitative research is a field of inquiry in its own right. It cuts across disciplines, fields and subject matters (Denzin and Lincoln 2005). Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible and these practices transform the world (Denzin and Lincoln 2000). According to Lewis, Bryman and Liao (2004), quantitative research is more appropriate for discovering natural reality whereas discovering social reality is better accomplished by qualitative research. The choice of whether the research adopts a quantitative or qualitative approach depends on some criteria. Baumard and Ibert (2001) outlined the following three questions to determine the approach:

- The research is constructing or testing theory.

- The probable outcomes of the research are objective or subjective.

- The research requires flexibility.

This research has focused on the emerging phenomenon of CSER in Bangladesh which required flexibility in order to gather subjective views of senior managers and the key stakeholders. Qualitative research gathers data using a variety of methods (e.g. empirical materials, case studies, personal experience, interviews, observations, cultural text and productions, and interactional and visual text) that describe routine and problematic moments and meanings in individuals' lives. To secure an in-depth understanding of the phenomenon in question, it was therefore more appropriate to employ the qualitative method for this research (Flick 2002). This research has employed in-depth semi-structured interviews with field notes, observation and annual reports' content analysis to collect data in order to gain a better understanding of the CSER phenomenon in Bangladesh. Previous research on CSER in Bangladesh has been mostly descriptive in nature and has mainly measured the extent and volume of disclosures by using secondary data (see e.g. Belal 1999, 2001; Imam 2000; Sobhani, Amran, and Zainuddin 2009; Azim, Islam, and Ahmed 2009). Therefore, to gain a broader social knowledge of the emerging CSER phenomenon which explained the variety of human activities, concepts and ways of being social, this research has used the qualitative approach.

## 4.3 METHODOLOGICAL THEORETICAL APPROACH

The interpretive approach of qualitative research emphasises the involvement of mental and social processes in order to understand the construction of social reality. Interpretive research is competent for looking through the particular lenses of respondents such as phenomenology (Morgan and Smircich 1980; Woods 1992; Moran 2000) and symbolic interactionism (Blumer 1969; Woods 1992). The basis for phenomenology "as a procedure is the belief that when people ask certain metaphysical questions (i.e., what is the nature of price change, of improvement, of truth, etc.), they do so burdened with the mental baggage of assumptions – unquestioned definitions, categories, or opinions that

separate the researchers from the truth about things" (Sanders 1982 p.355). Senior managers' perceptions and key stakeholders' views have been solicited to explore the emergence of the CSER phenomenon in a natural setting utilising a phenomenological approach (Moran 2000; Schutz 1967; Rowe 2006; Sanders 1982) and drawing on the meaning of participants' experiences using symbolic interactionism (Blumer 1969; Woods 1992). Brief descriptions of the phenomenology and symbolic interactionism perspectives are provided below.

### 4.3.1 Phenomenology

The phenomenological movement emerged initially as a descriptive philosophical method for challenging analytic/deductive philosophies (Chamberlin 1974). The task of the phenomenological researcher is the in-depth investigation of the contents of conscious phenomena, both objective and subjective, or of consciousness itself (Atkinson and Coffey 1997). The term "phenomena" is derived from the Greek verb, which means to show oneself or to appear (Sanders 1982) and the founding fathers of the phenomenological movement are the German philosophers, Franz Brentano (1838–1917) and Edmund Husserl (1859–1938). Phenomenology, according to Sanders (1982), seeks "to make explicit the implicit structure and meaning of human experiences" (p. 354). Husserl introduced concepts central to phenomenology from the works and lectures of his teachers, the philosophers and psychologists Franz Brentano (1838–1917) and Carl Stumpf (1848–1936). An important element of phenomenology that Husserl borrowed from Brentano is intentionality (often described as "aboutness").

Following Husserl's philosophical phenomenology, Schutz (1967) developed it into a major social science perspective that explicitly focuses on "how human beings make sense of experience" (Patton 1990, p. 104). Schutz (1967) asserted that an individual approaches the "life world" armed with a set of knowledge composed of common sense constructs and categories (Rowe 2006). Social actors achieve "inter-subjective" understandings and coordinated actions by interpreting experiences which are derived from these ideas, theories, values and attitudes.

Phenomenology is a qualitative research method and attempts to probe the life experiences of the individuals who are being investigated. In this research, participants provided their views from their life experience and shared their knowledge which produced the core concepts or themes. A phenomenological approach could take us a step further by illuminating how these sets of social and environmental issues were understood by the participants of this study.

### 4.3.2 Symbolic Interactionism

Symbolic interactionism is a broader sociological perspective on self and society based on the ideas of Mead (1934), Cooley (1902), Thomas (1931) and other pragmatists associated primarily with the University of Chicago in the early 20th century. Symbols are culturally derived social objects having shared meanings that are created and maintained in social interaction. The symbolic interaction approach is based on the beliefs that social reality is constructed by people each time they interact (Blumer 1969; Woods 1992). These constructions are achieved through symbols such as language and communication, signs and gestures that convey meaning enabling respondents to create their own version of reality (Rowe 2006). Blumer (1969) set out three basic principles of symbolic interactionism:

- The actions of humans towards things are based on meanings that they ascribe to those things.

- The meaning of such things is derived from, or arises out of, the social interaction that one has with others and society.

- These meanings are handled in, and modified through, an interpretative process used by the person in dealing with the things he/she encounters.

Thus, human interaction is mediated by the use of symbols and significations by interpretation, or by ascertaining the meaning of one another's actions (Blumer 1962; Woods 1992). Symbolic interaction is particularly important in qualitative research, where understanding human physical and behavioural actions is necessary. To understand the symbolic meanings that emerge in interaction, Woods (1992, p. 355)

remarked that, methodologically, this involves "learning the language of participants, with all the nuances and perhaps special vocabulary". Other means of communication such as gestures, looks, actions, appearances and the whole area of "body language" – which is intended to convey meaning to others – are also important.

In this study, the researcher was interested in participants' perceptions on CSER and how organisations have responded to this phenomenon. In order to understand these social constructions, a series of in-depth interviews were conducted to allow respondents to create their version of the concepts of CSER in their own language (in some cases, in Bangla). Through in-depth face-to-face interviews, the researcher has sought a clear understanding of the CSER phenomenon as expressed by personal communication. In addition, the researcher has also been interested in the symbolic dimensions that impact on social and environmental reporting policies and practices.

**4.4 RESEARCH DESIGN**

The research design process in Figure 4.1 illustrates how the data were collected and interpreted to satisfy the paradigmatic imperatives, the objectives and research questions of this study. The figure shows the connection of the research paradigms and assumptions discussed earlier with the strategies for inquiry and methods for collecting data (Denzin and Lincoln 2005). The research design needed to allow for the gathering of senior managers' and stakeholders' perceptions about CSER in Bangladesh. The logic or reasoning used was inductive as only a limited number of ideas had been established at the beginning of the study. According to Kaplan and Maxwell (1994), interpretive research does not assume the possible results, rather it provides the freedom for the data to emerge. The research design also needed to allow for the gathering of the attitudes of senior managers and key stakeholders towards CSER that would then contribute to a deeper understanding of their assumptions.

Moreover, as mentioned in the previous sections, this study used qualitative in-depth interviews utilising a constructive approach. The flexibility provided by interviews allowed the interviewer to examine how an interviewee framed and understood issues

and events – that is, what the interviewee viewed as important in explaining and understanding events, patterns and forms of behaviour (Bryman and Bell 2003). Familiarisation by way of a pilot study was also undertaken with participants of Bangladeshi background who were senior managers living in Perth, Australia. The preliminary field research (pilot study) was the stage where the formal research questions and some "local" concepts (Glaser and Strauss 1967) were identified from the social and environmental reporting phenomenon and the pre-fieldwork literature review. For the final data collection, two phases of in-depth semi-structured interviews were conducted with participants. The first phase of "opening" interviews was held with key managerial personnel of the companies (e.g. company secretaries or senior managers of CSER or related matters). Immersion in the field with these interviewees provided insights into the best choice of stakeholders to participate. The second phase of interviews was conducted with key stakeholders (i.e. relevant stakeholders who were identified from the first phase of interviews and from evidence in the existing literature). The following section describes the key steps involved in the research process.
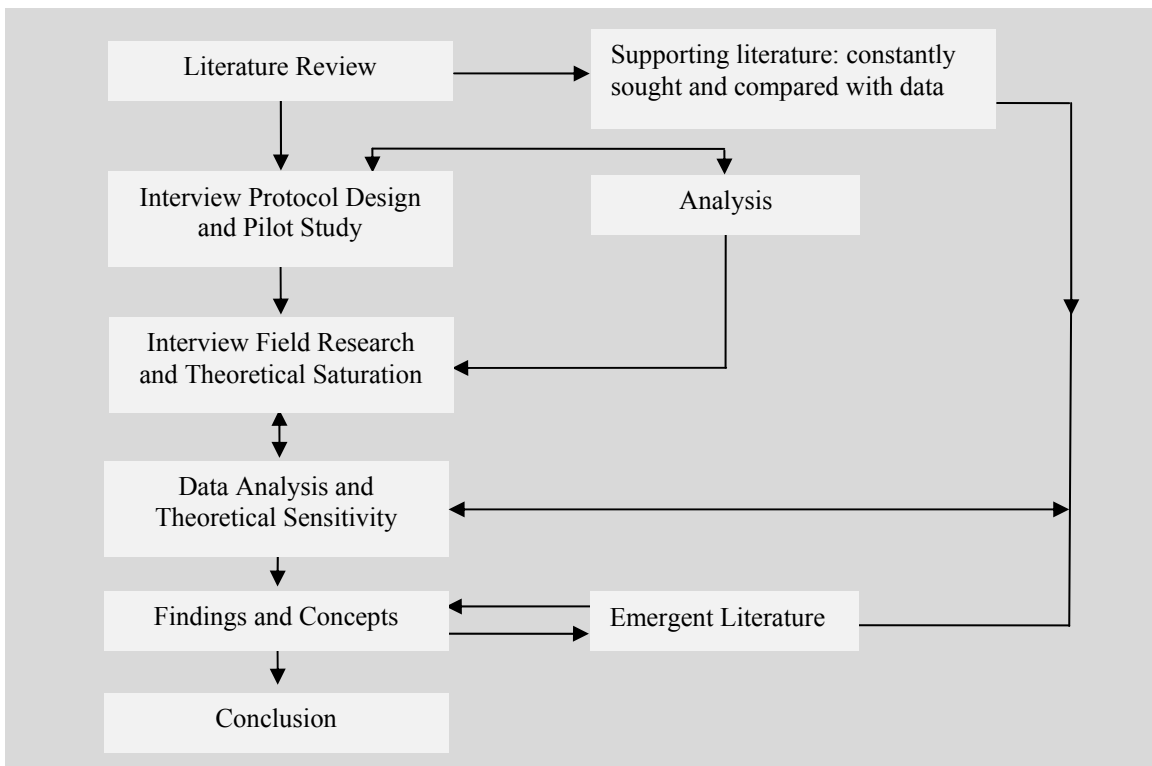


**Figure 4.1:** Research design and process

### 4.4.1 Literature Review

This research started by reviewing the existing literature on social and environmental reporting and other areas related to CSER. In conducting the literature analysis, the researcher looked for every documentary source such as books, journals, conference and seminar proceedings, working papers and case studies. Each document was then critically analysed in accordance with Handlin et al.'s (1970) guidelines. This comprehensive literature search supported the researcher in gaining a clear understanding about past and current trends of SEA and reporting research. It also assisted the researcher in finding the current gap in the literature and subsequently in finding the scope for this research.

### 4.4.2 Interview Protocol Design

The most important component of planning in-depth semi-structured interviews is the interview protocol design. The interview protocol describes as much detail as possible about the day of the interview sessions. The interview protocol takes many forms in different organisations and even varies within organisations for different projects or teams (2003). Qualitative research design can be complicated depending upon the level of experience of the researcher with a particular type of methodology. Various forms of interview design can be developed to obtain thick, rich data, as are found in quantitative analyses, but by utilising a qualitative investigational perspective (Creswell 2007). Three formats for interview protocol design have been identified by Gall, Gall and Borg (2003): (a) informal conversational interview, (b) general interview guide approach (semi-structured), and (c) standardised open-ended interview.

To achieve the purpose of this study, semi-structured in-depth interviews have been used to explore the CSER phenomenon in Bangladesh. Patton (2002) asserted that the semi-structured interview protocol allows the interviewer to "explore, probe, and ask questions that make clear and enlighten particular subjects". The interview protocol for this research has clearly described the following matters: (1) the name, address and institutional involvement of the researcher; (2) the purpose and objectives of the

research; (3) how participants will benefit from the proposed research; (4) ethics approval and attachment from the Graduate School of Business, Curtin University, Australia; (5) the participants' right to withdraw from the interviews and from further participation at any time; (6) how agreement will be sought for using an electronic recorder to tape the interview; and (7) ensuring the confidentiality and anonymity of the research. Appendix A includes details of the information sheet and consent form. Although, this study used semi-structured interviews, the participants talked freely covering many of the broad areas with minimal questioning.

### 4.4.3 Selection of Interviewees

This study conducted a total of 34 semi-structured interviews at two stages with two different groups of participants. The first stage of interviews was conducted with senior managers of 20 organisations and the second stage with 14 key stakeholder groups. The sample size for qualitative interviews varies among researchers, but the majority prefer the number of interviews until the point of saturation is reached (Rowe 2006). The 20 senior managers were chosen from 20 different organisations which were selected from the top 100 listed companies operating in the Dhaka Stock Exchange (DSE), Bangladesh (ranked based on market capitalization). The participants were chosen by considering their intention to allow time for the interview. The 14 key stakeholder groups were identified by senior managers with support from previous literature. The selection of companies and interviewees were purposive. Suri (2011) argues that qualitative researchers increasingly use purposive sampling because the logic and power of purposive sampling provides in-depth and rich data to explore a particular phenomenon. The profiles of each participant for both the first and second stage of interviews are summarised in Tables 4.2 and 4.3.

### 4.4.4 Participants' Profile

**Stage One:** The 20 companies selected from three major sectors are situated in Dhaka, Bangladesh and are listed in the Dhaka Stock Exchange (the major stock exchange in Bangladesh). Of the 20 companies, three were multinationals. The interviews were

conducted with the senior managers who were responsible and most likely to be more knowledgeable in CSER or related matters. Where there was no separate CSER department, interviews were conducted with the company secretary or the head of the accounts and finance department. The average number of employees was not less than 1,000 in all selected companies. Most of the companies had a long tradition of operating their business in Bangladesh and were well known to the public. Only one interview was conducted with each organisation and interviews were held in the corporate head office. Table 4.2 presents the profile of senior managers interviewed in this study.

**Table 4.2:** Profile of the senior managers

| Interviewee ID | Industry Type | No. of Employees | Interviewee Designation | MNC/local companies |
|---|---|---|---|---|
| A | P & C | 5000 | Head of Accounts & Finance | Local |
| B | P & C | 25000 | Head of Accounts & Finance | MNC |
| C | B & F | 5000 | Company Secretary | Local |
| D | B & F | 7500 | Head of HR & Communication | Local |
| E | B & F | 8000 | Deputy Managing Director | Local |
| F | B & F | 6020 | Head of Accounts and Finance | Local |
| G | P & C | 4000 | Senior Communication Manager | MNC |
| H | B & F | 2500 | Head of Accounts and Finance | Local |
| I | P & C | 1500 | Head of Accounts and Finance | Local |
| J | B & F | 3500 | Senior Vice President | Local |
| K | B & F | 3700 | Head of Accounts and Finance | Local |
| L | B & F | 3200 | Vice President | Local |
| M | B & F | 2000 | Head of Finance and Reporting | Local |
| N | B & F | 3200 | Vice President & Head of Reporting | Local |
| O | T & C | 20000 | General Manager, Reporting | Local |
| P | P & C | 1500 | Head of Communication | MNC |
| Q | B & F | 3800 | Head of Communication and CSR | Local |
| R | P & C | 17000 | Senior Executive, Reporting | Local |
| S | B & F | 2600 | Head of Accounts and Finance | Local |
| T | T & C | 14000 | Executive Director | Local |

Note: B & F = banking and finance; T & C = textiles and clothing, P & C = pharmaceuticals and chemicals.

**Stage Two:** After analysing the data from the first stage of interviews, key stakeholders were identified who had influence on the organisations' social and environmental responsibility reporting practices (see Section 5.4). The researcher also searched previous literature to gain support for identifying key stakeholders (see Sections 2.8.2 and 3.6). The first point of contact with stakeholder groups was through sending an email seeking time for an interview. Only four participants replied positively with a schedule for the interview. At this stage, written letters with details of ethics approval

were sent further requesting them to allow time for an interview. No replies were received from participants, either positive or negative.

**Table 4.3:** Participants from stakeholders

| Interviewee ID | Interviewee's Position | Organisation Type | Number of Interviews |
|---|---|---|---|
| RA1 | Director, Governance and Reporting | Regulatory authority, SEC | 1 |
| RA2 | Chief Executive Officer | Regulatory authority, DSE | 1 |
| RA3 | Deputy Governor | Regulatory authority, Bangladesh Bank | 1 |
| GA1 | Head of Climate Change and Evaluation (Joint Secretary) | Department of Environment under Ministry of Environment and Forests, Bangladesh | 1 |
| EM1 | Chief Environmental and Social Reporter | Electronic media | 1 |
| EM2 | Senior Social and Environmental Journalist | Electronic media | 1 |
| MP1 | Senior Journalist, Corporate Social and Environmental Issues | Print media | 1 |
| MP2 | Head of Reporting on Social Issues | Print media | 1 |
| NGO1 | Managing Director | Non-government organisation (health, sanitation and environment) | 1 |
| NGO2 | Executive Director | Non-government organisation (poverty alleviation, health and environment) | 1 |
| NGO3 | Head, Monitoring and Evaluation | Non-government organisation (social and environmental issues) | 1 |
| NGO4 | President | Non-government organisation (consumers' rights) | 1 |
| CS1 | Chief Secretary | Pressure group (environment) | 1 |
| CS2 | Chief Executive Officer | Pressure group (donor-funded policy maker, evaluations, seminars) | 1 |

Therefore, the researcher used his personal contacts via help from Dhaka University's accounting alumni and finally managed to locate 11 more stakeholders for interviews. One interviewee was from the Department of Environment under the Bangladesh Ministry of Environment and Forests, which deals with corporate environmental and social matters. Three interviewees were from regulatory authorities, namely, Dhaka Stock Exchange (DSE), Securities and Exchange Commission (SEC) and the central bank of Bangladesh (Bangladesh Bank). The chief executive officer (CEO) of Dhaka Stock Exchange was interviewed to seek his views and expectations in relation to CSER reporting. The director of SEC was interviewed as SEC is the supreme authority for implementing rules and regulations in listed companies. The joint director of Bangladesh

Bank was interviewed on behalf of the Deputy Governor of Bangladesh as Bangladesh Bank had recently circulated voluntary guidelines for CSER reporting to all scheduled banks. Table 4.3 summarises the profile of stakeholder participants. Four interviews were conducted with the chief social and environmental reporters in print and electronic media. The other six interviews were held with environmental NGOs and social movement groups who are working to improve corporate social and environmental conditions in Bangladesh. Their views were essential in understanding the insights into CSER in Bangladesh. It was also important to gather their attitudes and expectations in relation to the CSER phenomenon.

### 4.4.5 Main Interviews and Data Collection

The first phase of qualitative data collection in this study comprised face-to-face, one-to-one, in-depth interviews with senior managers. The interviews were semi-structured, asked open-ended questions and were relatively informal. Semi-structured interviews provide flexibility and allow the interviewer to examine how an "interviewee frames and understands issues and events" (Bryman and Bell 2003 P.343), that is, what the interviewee views as important in explaining and understanding events, patterns and forms of behaviour. The location and time schedule of the interviews were selected by the interviewees. In all, 20 senior managers were interviewed between the months of September to November 2010. A brief outline was explained to each interviewee before starting the interview. This outline helped participants to mitigate any confusion they may have had about the project objectives. If any questions were raised by the interviewees during the interview, these were immediately answered by the interviewer. In addition, interviewees were also ensured that they had full freedom to end the interview at any time without any prejudice, if they wished to do so. The confidentiality of the information and the data storage policy at the Graduate School of Business, Curtin University, Australia were also confirmed with the interviewees. Finally, confirmation in writing was agreed between the interviewer and interviewee in each case to avoid unexpected incidents.

An understanding of the local culture and the social and religious context is important in achieving the best success in interviews. Open communication between the interviewer and interviewees is arguably encouraged if they share views from the same cultural background (Belal and Owen 2007). The interviewer understands internal or hidden expressions in the interviewees' conversation due to their same cultural background. For this study, the average interview time ranged from approximately 45 minutes to one hour. In some cases, informal conversations continued after the formal tape-recorded interview. In each interview, reliability was achieved by using the same interview protocol. The interviewer was mindful of the politics and ethics of fieldwork. Therefore, this study was in agreement with Punch (1994 p.86-87) who stated that the sensitive nature of social and environmental issues depends on the researcher's competence, academic background, status and personal attributes, as well as the sympathy of the gatekeepers. The interview started by asking the interviewee questions and allowing them to talk from their life experience. If the interviewee changed the track of the discussion, the interviewer directed them back to the research topic by asking them further questions. In each interview, short notes were taken as a process to help remember particular comments. Short notes also helped the researcher to recall particular gestures, posture, body language and eye expressions of interviewees. It also helped the interviewer to note a prompt question to be asked at a later suitable time without interrupting the participants.

In each interview, the researcher sought written permission from the participants so the conversation could be recorded by using an electronic tape recorder. Interviews and field notes were documented within 24 hours in Dhaka, Bangladesh so as not to lose the vital nuances and cues observed. Later, the taped interviews were transcribed and carefully reviewed for errors by the researcher and the Bangladeshi-born British research assistant. The research assistant was fully informed about the nature and purpose of the research, including the importance of accurate transcriptions in order to ensure comparability and dependability as suggested by Poland (1995). Back-to-back translation from Bangla to English, and vice versa, was carried out so that the actual content remained unchanged when interviews were conducted in Bangla and not in

English. The emotional content of the interviews, especially on social and environmental issues, and non-verbal communication that were not captured in the audio-taped records were taken into consideration using field notes in accordance with Whiteley, McCabe and Savery (1998) and Poland (1995).

The second phase of the interviews was conducted with the key stakeholder groups identified during the managerial interviews as well as from evidence in the previous literature. The stakeholders' expectations and their views were important for gaining detailed insight into these perceptions by exploring them using in-depth analysis (O'Dwyer, Unerman, and Bradley 2005). Prior literature (O'Dwyer 2002, 2003; Belal and Roberts 2010) also argued that less economically powerful stakeholder views are important in contrast to managerial views. To fulfil the objectives of this study, representatives from 14 stakeholder groups were interviewed following the same procedures as used in the managerial interviews. Table 4.3 provides the profile of the stakeholder interviewees. The interviews were conducted with the top official of the key stakeholder groups. The interviews investigated perceptions on CSER practices and reporting and on its emergence as a phenomenon for its future development in Bangladesh. The researcher was interested in gaining perceptions on the nature and current status of their expectations towards CSER.

A list of NGOs was obtained from the Bangladesh Government's Department of NGOs with the leaders of four NGOs then interviewed. NGOs play important roles such as education on social and environmental issues, health and safety, human rights and other related issues. All the selected NGOs were actively involved in campaigning and rigorously organising movements to promote sustainable development in Bangladesh. The selected NGOs were also working to establish equality and to alleviate poverty in order to achieve the Millennium Development Goal (MDG) set by the Bangladesh Government in accordance with UN guidelines. In addition, four interviewees were selected from print and electronic media. These interviewees were senior reporters of the news and electronic media who covered social and environmental issues that were related to the corporate sector. Currently, the media are very strong in Bangladesh and have influence in changing the perception of people as well as of society. NGOs are

using the media to create changes in the operations of companies that source products from developing countries (Islam and Deegan 2008). NGOs are powerful in influencing change in organisational social and environmental responsible behaviours in a developing country like Bangladesh (Momin 2013). Following the interviews with NGOs and the media, three interviews were conducted with senior officials of regulatory authorities and one interview was held with the senior secretary of the Bangladesh Ministry of Environment and Forests. Finally, two interviews were conducted with the leaders of two social and environmental movement groups. The interview length, note taking, tape recording, transcription procedures and other processes were similar to the first phase of managerial interviews. In general, regulatory authorities like DSE and SEC do exert coercive influence on listed companies regarding governance and listing issues. However, Bangladesh Bank (the central bank of Bangladesh) as a regulator of banking and financial organisations is a powerful stakeholder of banking and financial companies regarding CSER issues and reporting.

As mentioned earlier, the number of interviews (both managerial and stakeholders) were determined by the saturation level. Scholars argue that saturation is a point of diminishing returns, where new evidence of text data only confirms the existing categories and themes (Mason 2010; O'Reilly and Parker 2013; Guest, Bunce, and Johnson 2006). Strauss (1987) asserts that saturation is a researcher's subjective judgement. In a separate note, O'Reilly and Parker (2013) argue that saturation depends on the nature of the topic and availability of resources. However, most scholars suggested that the number of interviews considered to be saturated is when no new issues emerge from interviews. In other words, ongoing interviews produce similar data. Therefore, saturation point is a big challenge for the qualitative researchers (Bowen 2008). As guided by O' Reilly and Parker (2013), in this study, the data has been collected until little that is new derived from further interviews.

### 4.4.6 Limitations of the Interviews

In conducting in-depth interviews with senior managers and key stakeholders, the researcher needs to be sensitive to the interview's inherent limitations. The first

limitation is the potential bias of the data. According to Cannell and Khan (1953), the individual is involved in the data on which he/she is reporting and, consequently, there is the likelihood of bias. In qualitative research, in-depth interviews require face-to-face interaction between the interviewer and interviewee which could create a relationship at the personal level which runs counter to the role of the interviewer as the observer. The second limitation of interviews is the "inability of the respondent to provide certain types of information". The human mind is complex and sometimes respondents can provide a false impression of the phenomenon under study (Goffman 1959). This is particularly important in countries where organisations are competing with each other in order to survive and establish their reputation. Whilst this limitation was a tremendous challenge for the researcher, it helped the researcher to be more cautious during the interviews. The third limitation is memory bias which could have an impact on the data collection. The data were collected by using a variety of sources including interviews, observation and annual reports' analysis. Annual reports and other published sources of data were used to ensure consistency in data along with sensitivity to nuances and ways of communicating.

### 4.4.7 Content Analysis of Annual Reports

Whilst the major source of data collection was from the semi-structured interviews of 20 managers and 14 key stakeholders, documentary textual materials (e.g. annual reports and newsletters) and publicly available data through websites were also relied upon for this study. The use of publicly available information provided valuable insights into Bangladeshi's socio-cultural history, as well as the state of social and environmental issues. The reason for using content analysis of annual reports and other documentary evidence together with the interview data was that the different sources would complement each other through triangulation. Content analysis is widely used in qualitative research due to its flexibility in analysing textual data (Hsieh and Shannon 2005). Social and environmental accounting (SEA) researchers use content analysis as a means of coding annual reports. Scholars have perceived that content analysis can reduce the need for the costly use of multiple coders by establishing the reliability of fuzzy tools/methods across a wide variety of data sets and coders (Milne and Adler

1999). According to Patton (1990, p. 381), "content analysis is the process of identifying, coding, and categorizing the primary patterns in the data". Quantitative researchers also use content analysis (Sarantakos 1993; Guthrie, Petty, and Yongvanich 2004) in order to focus on establishing a set of categories and then count the number of instances that words and utterances fall into each category.

By contrast, the use of content analysis in this qualitative research was concerned with the processes through which texts depicted "reality" rather than with whether such texts contained true or false statements (Silverman 2000). A content analysis instrument, guided by the GRI (G3) and Corporate Social Responsibility (CSR) Asia, was utilised in this study with some adaptations (Rowe et al. 2009). The six broad content classifications were: governance codes and policies; CSR strategy and communication; marketplace, supply chain and product/service responsibility; workplace/human resources; environment; and community investment and development. Within each of these six broad categories, sub-classifications of disclosure were identified. In addition, the sub-classification of the CSR Foundation was added to CSR strategy and communication. The issues of child labour and facilities for day care for working mothers were added to the workplace/human resources category. The issues of the UN millennium development policy and natural disaster or emergency crisis participation were added to the community investment and development category.

A list of the items included in each category of the organisations' social and environmental disclosures is provided in detail in Appendix B. Only publicly available information was examined in this study, such as company annual reports issued in 2010/2011, stand-alone corporate responsibility (if produced) or sustainability reports and various related disclosures on companies' websites. To determine the extent/comprehensiveness of disclosures, 66 indicators were used to score the companies. Table 4.4 illustrates the headings for each indicator section and the number of indicators under each major criterion. Scoring of the level of disclosures was based on a point system for each of the indicators such as 0 score for non-disclosure (or extremely difficult to find data), 1 for partial disclosure and 2 for comprehensive disclosures.

**Table 4.4:** Number of indicators under each major criterion with maximum scores

| Indicator Sections | Number of Indicators | Maximum Section Score |
|---|---|---|
| Governance Codes and Policies | 12 | 24 |
| CSR Strategy and Communication | 11 | 22 |
| Marketplace and Supply Chain | 8 | 10 |
| Workplace/Human Resources | 14 | 20 |
| Environment | 12 | 16 |
| Community Investment and Development | 9 | 10 |
| **Total Indicators** | **66** | **132** |

Company social and environmental disclosure scores were then adjusted to a percentage score (rather than using the 132-point total). A typical annual report of a company listed on the DSE includes a chairman's statement, corporate governance report, financial statements, auditor's reports and, in some cases, CSR initiatives. The listed companies in Bangladesh follow the guidelines of SEC and the *Companies Act 1994* for the preparation of annual reports. Details of findings are elaborated in Chapter 5.

## 4.5 DATA MANAGEMENT, ANALYSIS AND CODING

The interview transcripts and field notes from 34 interviews (20 interviews with senior managers and 14 interviews with key stakeholder groups) produced 250 pages of text data. These text data were managed using NVivo software which was developed especially to facilitate qualitative data analysis. NVivo software is a data management tool for managing a "messy" mountain of data collected in different formats from various sources such as interviews, observations, field notes and documents. It provides a more streamlined structure for discovering emergent themes and is capable of alleviating the problem of "drowning in data" by allowing data to be allocated into categories. The discovery and development of categories, concepts and ideas from the data were managed in such a way that they could be stored and not lost.

The first step taken in the coding process was to identify major headings (free nodes) that related to the interview questions and possible theme. Each "free node" was summarised and accounted for each concept in the data. Later, tree nodes were developed from the free nodes. To code the data from text, "content analyses" were used to create the core concepts of the research. Content analysis is a method of codifying the

text (or content) of a piece of writing into various groups (or categories) depending on selected criteria (Weber 1990). The ways in which content analysis methods help to manage text or documentary data were described in Section 4.4.7. The researcher decided in early 2011 to commence the coding process, as coding is analysis (Miles and Huberman 1994). To understand the specific meaning of the words and field notes, transcripts were carefully checked. If any confusion arose or the text was unclear, then the tape-recorded interviews were referred to in order to confirm the categorisation.

The categories developed throughout this process can be labelled "referential categories" as they were textual references relevant to a particular topic or issue (Richards and Richards 1994). Coding in accordance with Lincoln and Guba (1985) and Strauss and Corbin (1990) was conducted using three methods: open coding, axial coding and selective coding. The open coding produced 20 categories, termed "nodes", from the managerial interviews and 25 categories (nodes) from the key stakeholder interviews. These codes were then subjected to axial coding (Rowe 2006b). The codes that were closely interrelated or overlapping were aggregated to form major core codes in accordance with Strauss and Corbin (1990). Selective coding required the selection of the focal core code that emerged from the axial coding process (Rowe 2006b). The core codes were either directly or indirectly connected to the main phenomenon in terms of context, conditions and actions, interactional strategies or outcomes (Strauss and Corbin 1990).

Data analyses (from transcription and documentation to coding and method of analysis) at various stages are iteratively performed to achieve theoretical sensitivity and conceptualization of findings. *Theoretical sensitivity*, according to Glaser (1992 P.27) enables "the researcher's knowledge, understanding and skill, which foster his generation of categories and properties and increases his ability to relate them to … emergent theoretical codes." Throughout these data analysis and coding processes, 'rigour' or trustworthiness in qualitative research was observed. Chapters 5 and 6 comprehensively discuss the emergent themes of this research.

**4.6 RIGOUR AND TRUSTWORTHINESS OF QUALITATIVE RESEARCH**

The standards of rigour or trustworthiness in qualitative research have been established from within the qualitative genre itself (Morrow 2007). The qualitative research scholars (See for example, Sandelowski 1993; Morrow and Smith 2000; Lincoln and Guba 1985) have supported the usefulness of the concepts of rigour and trustworthiness in qualitative research. Padgett (1998) suggested that establishing a set of strategies for rigour and trustworthiness in qualitative research helps qualitative researchers to manage reactivity and bias, and to legitimise their qualitative findings (Lietz, Langer, and Furman 2006; Gambrill 1995). In addition, some researchers would suggest that social research in which human participation is required for collecting data has an ethical responsibility to conduct qualitative research that is rigorous (Gambrill 1995; Padgett 1998; Lietz, Langer, and Furman 2006). There are multiple ways used by qualitative researchers to conceptualise the idea of rigour and trustworthiness. Lincoln and Guba (1985) provided useful suggestions about how to ensure rigour and trustworthiness in qualitative research. Trustworthiness is not inherent in a study; it is the result of rigorous learning, and the findings of the research should reflect the meaning of the participants as closely as possible (Lincoln and Guba 1985). Morse et al. (2002) argued that validity and reliability are achieved when the researcher rigorously follows a number of verification strategies in the course of the research process. Morse et al. (2002) stated that:

> Together, all these verification strategies incrementally and interactively contribute to and build reliability and validity, thus ensuring rigour. Thus, the rigour of qualitative inquiry should be beyond question, beyond challenge, and provide pragmatic scientific evidence that must be integrated into our developing knowledge base. (p. 13)

In this study, the researcher was alerted to the need to conceptualise the cultural context such as informal cultural constraints of secrecy which impinge on the transparency of CSER in Bangladesh. It is common for qualitative researchers to make their world views, assumptions and biases explicit to assist the reader in understanding the researcher's stance vis-à-vis the research (Morrow 2007). Qualitative research explores in-depth views of phenomena and is able to illustrate the different dimensions of human phenomena. It is important to confirm the rigorous criteria that have been developed for

a qualitative inquiry. Rowe (2006b) asserted that the strength of qualitative research is the in-depth understanding of the phenomenon being studied. The purpose of this study's qualitative inquiry was to generate high-quality, meaningful and relevant data so that it was possible for valuable insights within the CSER context in Bangladesh to emerge.



**Credibility**
- the 'fit' between respondents' views and the researcher's representation of them, including cultural fit for Muslim values.
- member checks with selected respondents

**Transferability**
- Replicable procedures will allow appraisal for transfer to other research environments
- The Cultural Context will be an Issue

**Credibility**
- Peer/ supervisor debriefing
- Regular critical discussion with thesis committee members
- Triangulation of sources
- Prolonged engagement

REFLEXIBILITY

**Dependability**
- given the conditions for transferability,
- An audit trail will encompass research decisions, emerging theories and memos to support the interviews

**Confirmability**
- Audit trail
- Ascertained by accuracy and plausibility test by independent people

Drawing on Guba and Lincoln (2005) and Murphy, F. J. and J. Yielder (2010)
"Establishing rigour in qualitative radiography research." Radiography 16(1):62-67.

**Figure 4.2:** Ensuring rigour and trustworthiness

Several terminologies associated with validity in qualitative research were found in the previous literature. The validity criteria that were discussed most often include: truth–value, credibility (Lincoln and Guba 1985), trustworthiness (Eisner 1991), authenticity (Guba and Lincoln 1989) and goodness of fit (Marshall 1990). Threats to trustworthiness in qualitative research include biases and reactivity on both the part of researcher and participants (Creswell 1998). In order to manage the threats, Creswell (1998, 2007) suggested that the researcher must employ a variety of strategies to describe qualitative findings to ensure the authenticity of the research and the meanings of participants'

views. These strategies include prolonged engagement, triangulation, peer debriefing, member checking, negative case analysis, audit trial and reflexivity (Horsburgh 2003; Johnson and Waterfield 2004).

This study adopted the "trustworthiness framework" of Lincoln and Guba (1985) and Guba and Lincoln (2005), and validity criteria guided by Whittemore, Chase and Mandle (2001). Figure 4.2 provides the criteria and techniques as suggested by Guba and Lincoln (2005) and adapted by Murphy and Yielder (2010). The concept of validity in qualitative research is further categorised as primary and secondary criteria by Whittemore, Chase and Mandle (2001). Credibility, authenticity, criticality and integrity are considered primary criteria, whereas explicitness, vividness, creativity, congruence and sensitivity are considered secondary criteria. The brief description of each criterion adopted in this study is described in the following sections

### 4.6.1 Credibility

Credibility is considered to be an overriding goal of qualitative research (Lincoln and Guba 1985). Credibility ensures confidence in an accurate interpretation of the meaning of the data (Carboni 1995). The following question was raised by Lincoln and Guba (1985): do the results of the research reflect the experience of participants or the context in an authentic way? Based on Lincoln and Guba's (1985) work, Janesick (1994) asked: does the explanation fit the description? Later, Thorne (1997) identified the need for assurance that interpretations are trustworthy and reveal some truth external to the investigator's experience. To ensure the validity and trustworthiness of this research, the following techniques have been used by the researcher.

### 4.6.1 (a) Prolonged Engagement

The researcher was born and brought up in Dhaka, Bangladesh which has enriched his knowledge about Bangladeshi Muslim culture, values, social context and, more specifically, corporate culture. As a university lecturer at Bangladesh University of Engineering and Technology (BUET), Dhaka, Bangladesh (2003–2006), the researcher was involved in spending considerable time observing various social and cultural

aspects, particularly in the corporate sector, having discussions with a variety of people and developing relationships with members of society as part of his professional career. The fieldwork for this study involved three months of in-depth semi-structured interviews, uncounted hours of informal discussions over the period 2010–2013 and many hours of immersion in data analysis. The researcher also regularly visited Dhaka, Bangladesh as a part of his professional affiliation. The researcher was sensitive to the development of rapport and trust that facilitates understanding and co-construction of meaning between a researcher and participants.

### 4.6.1 (b) Persistent Observation

Persistent observation provides an in-depth understanding of the phenomenon: according to Lincoln and Guba (1985), prolonged engagement provides scope whereas persistent observation provides depth. The researcher interviewed 20 senior managers and 14 interviewees from key stakeholder groups. However, informally, the researcher was involved with participants for many more hours although his constant presence inside the organisation was restricted by the busy participants. In addition, human resources, location and financial resources were limited. The researcher covered relevant facts through constant observation to achieve credibility so that these limitations could not be acted upon.

### 4.6.1 (c) Triangulation

The term "triangulation" is used in qualitative research for confirming the validity and trustworthiness of the results. Campbell (1953) was the first scholar to use the term "triangulation" in research methodology. Later, Denzin (1970) extended Campbell's symbolic use of the term to embrace the integration of multiple sources of data (Bonnie et al. 2007). Researchers have often argued that triangulation can be an important strategy for establishing rigour in qualitative research (Creswell 1998; Creswell 2007; Lietz, Langer, and Furman 2006). The goal of triangulation in any study is to increase confidence in the trustworthiness of the researcher's data and its interpretation (Bonnie et al. 2007). The advantages of triangulation are not limited to its use in checking on the

credibility of data: as Patton (1990) argued, qualitative data analysis is to make sense of the massive amount of data. In this study, data were primarily collected via semi-structured interviews with senior managers of companies operating in the Dhaka Stock Exchange (DSE). In the second phase, data were collected from key stakeholder groups to explore their views and expectations. The researcher ensured triangulation in this research by combining the interview findings with documentary evidence such as observation, analysing company annual reports, websites, newsletters and other publicly available materials such as the DSE's monthly and yearly reports; SEC (Bangladesh)'s website and newsletters; Bangladesh Bank's quarterly updates, website and reports; Bangladesh Enterprise Institute (BEI) website and reports; and the Centre for Policy Dialogue (Bangladesh) reports. The preceding section has (section 4.4.7) dicussed the content analysis of annual reports.

### 4.6.1 (d) Peer Debriefing

Peer debriefing is a process of engaging in dialogue with colleagues external to a research project who have experience with the topic or population or the methods being utilised (Creswell 1998, 2007; Lincoln and Guba 1985; Padgett 1998; Lietz, Langer, and Furman 2006). According to Lincoln and Guba (1985), peer debriefing supports the credibility of the data in qualitative research and provides a means towards establishing the overall trustworthiness of the findings. It contributes to confirming that the findings and interpretations are worthy, honest and believable (Spall 1998). Peer debriefing was an important part of this research project as it allowed two members of the Graduate School of Business, Curtin University, Australia to check the accuracy and quality of the transcriptions. Most of the interviews in this research (interviews with senior managers and key stakeholders) were conducted in Bangla with the exception of 10 interviews that were conducted in English. These two independent peers were sensitive to the Bangladeshi culture, having lived and worked in Bangladesh and the sub-continent. In addition, the researcher also consulted with two Melbourne-based Australian university researchers about this research as they both have extensive qualitative research experience in this research topic.

### 4.6.1 (e) Referential Adequacy

The data were produced in raw form from the interview transcriptions. The findings of this research have been presented as text and narrative so that the reader can understand the CSER phenomenon in Bangladesh. This narrative can be retrieved electronically from the interview transcripts which, it turn, can be validated against the audio-tapes of the interviews. The latest version of NVivo was used as a data management tool, which organised and facilitated the use of the interview data in this research (see Section 4.5 'Data management, analysis and coding').

### 4.6.1 (f) Member Checks

For this research, member checks involved interactively probing the interview data to verify what participants had meant and understood. Every individual participant had a different level of thinking and understanding about the subject. Once the transcription was finished, each participant identified areas that may have been missed or misinterpreted by the researcher. Member checks ensured respondents' validation and allowed participants to review findings from the data analysis in order to confirm or challenge the accuracy of the work (Creswell 1998, 2007; Lincoln and Guba 1985). Therefore, the qualitative researcher uses member checks to manage the threat of bias and it is considered as an important strategy for establishing trustworthiness as it gives authority to the participants to review their discussion. The researcher transcribed each interview within 24 hours and then sent the transcript to each participant seeking their clarification. This was particularly constructive when translating some respondents' opinions from Bangla to English without losing the meaning attached to the transcripts (Rowe 2006b).

### 4.6.2 Transferability

To ensure the external validity of this research, transferability needed to be considered. According to Murphy and Yielder (2010 P.65), "generalisation is not the goal of qualitative research that is considering the unique 'lived experience'". Denzin and Lincoln (2005) suggested that the researcher or investigator will ensure external validity

by providing sufficient contextual information about the fieldwork, which will enable the reader to make a transferable judgement. The ultimate findings of a qualitative research study must be understood within the context of the particular characteristics of the organisations or geographical locations in which the fieldwork was carried out (Shenton 2004). In this study, transferability was operationalised through "thick description" as suggested by Tuckett (Tuckett 2005). In doing so, the researcher described the research process in detail: data analysis and the presentation of findings provided a clear baseline understanding.

### 4.6.3 Dependability and Confirmability

Dependability was achieved in this study by a clear audit trial throughout the data analysis process that clearly described the steps taken by the researcher. An audit trial describes the research procedures and that is why it is considered as a valuable strategy for ensuring rigour in qualitative research (Johnson and Waterfield 2004; Padgett 1998). It allows the researcher to consistently follow his research procedures. Guba and Lincoln (1989) noted that dependability ensures the "stability of data over time" and it requires "methodological changes and shifts in constructions [that] are ... both tracked and trackable" (Guba and Lincoln 1989, p. 242). In this study, the researcher has documented all forms of evidence such as field notes, transcriptions and summaries, and has produced the final report in which the emerging themes of the CSER phenomenon are apparent.

Confirmability is the final process of qualitative research trustworthiness. In this study, the researcher followed triangulation through raw data from semi-structured interviews, analysing notes (including personal notes) to ensure neutrality via a confirmability audit. Miles and Huberman (1994) argued that a key criterion for confirmability is the extent to which the researcher admits his or her own predispositions. This study used NVivo software which facilitated a recorded audit trial of coded concepts and categories back to the transcribed narratives from various sources such as the interviews, observations, field notes and annual reports. There is no guaranteed method for producing valid data or trustworthy conclusions (Phillips 1987). However, an assessment was undertaken of

the procedures used in this qualitative study for ruling in or ruling out rival interpretations of data (Anthony and Jack 2009) and this strategy helped to increase the trustworthiness of this research.

### 4.6.4 Reflexivity

The principal imperative of the above-mentioned research trustworthiness criteria relates to "reflexivity". It recounts the level of influence that the researcher exerts within the research field via "both a continuous process of self-reflection and critical discussion with others of the doctoral student's values" (Whiteley 2012 P.259) and interpretation of emerging themes. Dialogue with supervisors and informed others can assist the researcher's reflexivity. In qualitative research, the rigour of reflexivity is greatly relied upon in ethical conduct (Wilson 2011).

## 4.7 ETHICAL ISSUES

The research was conducted following the Curtin University guiding ethical principles and in compliance with the *Australian Code for the Responsible Conduct of Research*. After candidacy approval, Form C ethics approval was sought internally within the university. Anonymity and confidentiality of all information were ensured at all times. All research data will be stored in the university's locked cabinet archive in Curtin University's Graduate School of Business for at least five years from the date of thesis publication in accordance with guidelines under Section 2 "Management of Research Data and Primary Materials" of the *Australian Code for the Responsible Conduct of Research*. The respondents in this research project chose to remain unnamed. Although most participants were uncomfortable having their conversations recorded, the researcher managed to get their permission by having them sign the consent form, with the exception of one participant.

## 4.8 SUMMARY

This chapter has outlined the research paradigm, data collection and data analysis procedures which were used for answering the research questions of this study. To answer the research questions, a qualitative research method was employed by the researcher. Primary data collected through semi-structured in-depth interviews were iteratively analysed to produce core concepts and themes. The rigour or trustworthiness of the research was also presented. The next chapter discusses the findings from the managerial interviews and the content analysis of annual reports.

# CHAPTER 5

## FINDINGS FROM THE MANAGERIAL PERSPECTIVE[3]

### 5.1 INTRODUCTION

This chapter presents the study's findings, based around the themes that emerged from the analysis of the senior managers' interviews, observation and the content analysis of annual reports of listed companies in Bangladesh. The interviews with senior managers in Dhaka, Bangladesh provided evidence of the emerging CSER reporting practices. The content analysis of listed companies' annual reports presented the nature and pattern of CSER reporting. The field study and content analysis addressed in part the following research questions:

**RQ.1:** What are the drivers and barriers for greater accountability through corporate social and environmental responsibility (CSER) reporting in Bangladeshi-listed companies as perceived by senior managers?

**RQ.3:** What are the enablers that will possibly have the most impact on enhancing CSER in the fulfilment of stakeholder expectations in Bangladesh?

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[3] Part of this chapter was presented at the following conferences:

1. Hossain, M, Rowe, A and Quaddus, M (2012). "Social obligation as a driver of corporate social and environmental responsibility (CSER) reporting: Evidence from an emerging economy". Paper presented in the proceedings of 16th Annual Conference on Financial Reporting and Business Communication, 5-6 July 2012, Bristol, United Kingdom.

2. Hossain, M, Rowe, A and Quaddus, M (2012). "The current trends of corporate social and environmental reporting in Bangladesh". Paper presented in the proceedings of 11th Australasian Conference on Social and Environmental Accounting Research, 2-4 December, 2012, University of Wollongong, Sydney.

3. Hossain, M, Rowe, A and Quaddus, M (2013). "A managerial perspective of Corporate Social and Environmental Responsibility (CSER) reporting: evidence from a developing country". Paper published in the proceedings of 7th Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference, 26-28 July 2013, Kobe University, Japan.

## 5.2 DRIVERS OF CSER REPORTING IN BANGLADESH

From the analysis of interviews with senior managers, it was recognised that a wide range of drivers exist for CSER reporting practices in Bangladesh. As mentioned earlier (in section 4.5, Chapter 4), for the purpose of data analysis, coding and data management, the study used Nvivo 9 software which is widely used by qualitative researchers. Initially, the study used free nodes for major themes and subsequently developed tree nodes. Content analysis method was used for coding the text data (detail in section 4.5). Figure 5.1 presents the CSER reporting phenomenon from the managerial perspective.



**Key stakeholders**
-NGOs
-Media
-Government & regulatory authorities
-Civil society
-International buyers

**Drivers of CSER**
-Social obligations & poverty alleviation
-Board of directors' influences
-Corporate image and branding
-Regulatory influence
-External pressure from (customers)
international buyers

**CSER phenomenon**

**Barriers to CSER**
-Regulatory guidelines
-Lack of law enforcement
-Lack of government initiatives
-Lack of awareness and sustainable education
-Socio-economic problems

**Strategy for enhancing CSER**
-Collective efforts towards CSER
-Awareness and education
-The media and NGOs involvement
-Public–private partnerships
-Regulatory initiatives

**Figure 5.1:** The CSER reporting phenomenon in Bangladesh from the managerial perspective

### 5.2.1 Social Obligation and Poverty Alleviation

The analysis of the interview data as perceived by senior managers indicated that those companies that embraced CSER practices and reporting in Bangladesh undertook CSER due to their altruistic values of doing something for society. However, considerable differences were observed between their motivations towards CSER. Important questions asked in each interview were: what drives you to undertake CSER and its reporting? And how do you do that? Most of the interviewees agreed that they practise a significant amount of CSER but they do not bother to mention or disclose their practice. The senior managers perceived that social obligation was one of the primary drivers of CSER as they work within society. Interviewees B, I and M agreed that business is not all about making profit, but rather about helping the community to improve their lives; particularly in alleviating poverty in Bangladesh. Responsibility towards the society in which the organisations are operating should be given preference. Interviewees from multinational companies claimed that social and environmental responsibility and reporting were part of their global strategy. A number of interviewees reported that internal human resources policy could have a greater impact on CSER. Participants mentioned that employee turnover could be reduced by ensuring job satisfaction that would ultimately ensure the organisation's long-term sustainability. Interviewees R and J noted that organisations create value for society as well as value for themselves. Participants agreed that companies using the resources provided by society must ensure the benefits flow to the community and its surroundings. After all, companies do not operate in a vacuum, as Interviewees N and S explained:

*It has been the support of many people like the stakeholders, depositors, investors and many outsiders that has made us such a prominent company today. We are earning a lot of profit today, and behind this success lies the support of all these people. I believe that since we have grown so large because of the support, we have a responsibility towards all those people who were there beside us. So this is how a responsibility towards all these people has developed in us (Interviewee N).*

*Well, our driving force for CSR activity is that we always think that we have a commitment towards the community and towards the employees of the organisation. So, we feel that a certain portion of the profit*

*which we earn should be shared with the society and also used in the organisation's human resource development (Interviewee S).*

Some interviewees highlighted the mutually exclusive returns formula. For example, if a business does something for society, society will provide more return to the business. The larger organisations have undertaken CSER as part of corporate philanthropic activities to become a good corporate citizen. It is perceived that through being a good corporate citizen, companies' worldwide practise CSER that covers all aspects of social and environmental responsibility. For example, employee benefits, equal opportunity, health and safety and legal, economic and ethical responsibilities to external stakeholders are considered as a social obligation. The Bengali culture was perceived by the senior managers as a catalyst for social obligation. According to Interviewee P:

*Since we are using this country's resources, naturally we feel a certain obligation towards the country. We are well educated and aware that at least an indirect responsibility towards the society lies upon us. What drives our CSR activities is the common sense that when you are taking input from a place and providing your output there, it is your responsibility to take care of the place along with its surroundings and ensure that no harmful activities are being done there. The social obligation or liability drives us to perform socially responsibly acts (Interviewee P).*

Analysis of the interviews revealed that organisations were involved with various community activities. As the concept of CSER is in its infancy, their way of carrying out CSER practices and reporting is shaped by local contextual factors. For example, beautification or having a clean city is a government department initiative through being a city corporation responsibility, but corporate organisations in Bangladesh willingly participate in a city beautification program so that the city will look aesthetically pleasing. Prior to touching on poverty alleviation, the next sections will describe the Bangladeshi way of social obligation practised by organisations to ensure that social and environmental responsibility practices and reporting are undertaken (see Figure 5.2).

**Figure 5.2:** Patterns of social obligation
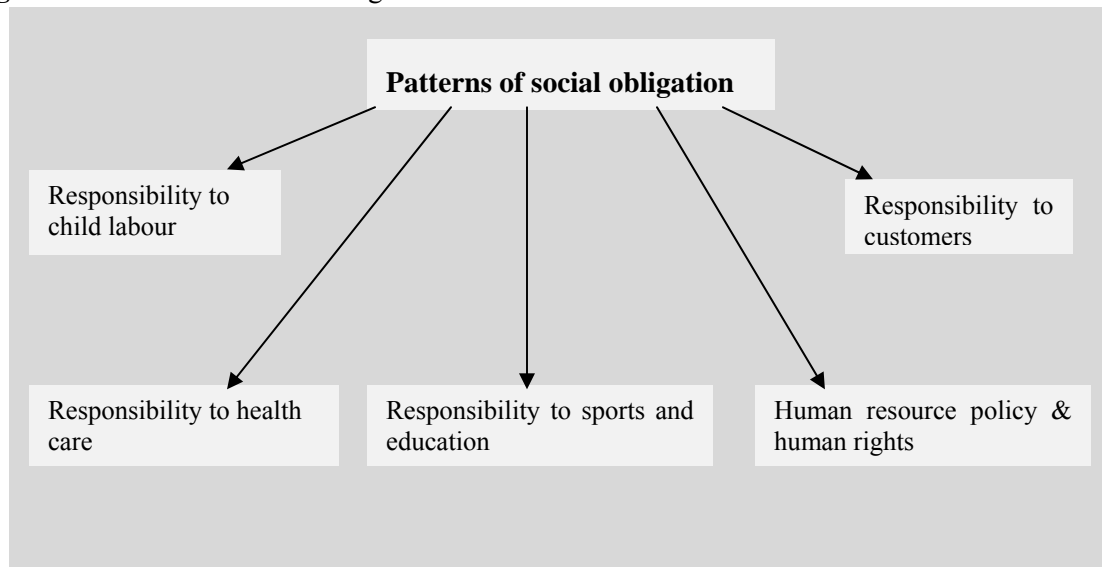


### 5.2.1.1 Responsibility for Child Labour

Child labour is one of the major crucial issues in Bangladesh particularly in organisations that have factory-oriented businesses. Child labour in Bangladesh has drawn international and local attention among stakeholders such as the ILO, the Bangladesh Government, local and international NGOs, and human rights' groups. A number of interviewees highlighted and claimed that they were working on this issue and ensuring that they work together with NGOs to reduce the amount of child labour. For example, many organisations still use child labour and do not pay the children adequate salaries. The working conditions are unsustainable and unhygienic which is life-threatening for children. Large multinational organisations, particularly textile and clothing companies, face pressures from external stakeholders including international buyers. Due to the socio-economic reality, it is not possible to remove child labour entirely from the workforce. Two interviewees highlighted that, as part of their social obligation, they were not doing business with organisations which use child labour. One interviewee from the banking industry stated that:

*We visit and ensure no child labour is used in any of the organisations we are financing. Then, people are of course there. Fifty per cent of our lending is in the SMEs – the small and medium entrepreneurs are*

*actually the driving force of the company but they are trying their best to reduce child labour (Interviewee C).*

One interviewee from one of the largest multinationals mentioned that they have a partnership with NGOs that are working to reduce child labour. He pointed out that:

*Our organisation globally works with many organisations. For example, it has done quite a lot of CSR work with Save the Children. Every year, a marathon is organised over a one- or two-week period with the purpose of raising some funds which Reckitt Benckiser distributes through Save the Children. Another policy we have is related to carbon footprint. We have an objective to reduce carbon emission by 20% within the next five years (Interviewee P).*

At least five senior managers mentioned that they were actively participating on a mission to reduce child labour as part of their social obligation. However, one interviewee was highly optimistic and expected that if all other organisations worked collectively and positively, then child labour could be significantly reduced. Moreover, some organisations regularly provided updates about their use of child labour and the working conditions' environment to vested interest groups which were mainly foreign buyers. Overall, the views of senior managers indicated that disclosure of child labour-related information was very low due to the fear that society would not accept it positively.

### 5.2.1.2 Responsibility to Customers

Managers also claimed to have provided discounted products and services to the less fortunate customers. For instance, one senior manager (Interviewee B) from a pharmaceuticals company referred to his concerns about providing HIV medicine at a cost price to HIV-affected patients. Producing such medicine is not profitable from his perspective due to the limited number of customers in Bangladesh. However, his company has a linkage with the NGOs that are working with AIDS-affected people, and they are not intent on making any profit. Providing quality products and services is also regarded as CSER by the respondents. However, some organisations are genuinely ensuring the quality of their products and they follow environmental standards as part of their social obligation.

*Mainly we are a pharmaceutical company. When you buy a product from a pharmaceutical company, you need to be assured about the quality; and I think nothing can provide quality assurance better than the ISO 14001 certification. If we can get quality assurance from an international company, our customers will perceive us as a good company or quality company. That's why we had the urge to get the ISO 14001 certification (Interviewee B).*

Another respondent pointed out that:

*We are putting great care and paying much attention to factors like on-time delivery, quality of products and commitment. And when our buyers get concerned about whether or not the internal work environment is being properly maintained, the child labour laws are being followed and social activities are being performed, then we too will turn our eyes in that direction. We pay a lot of importance to their views (Interviewee T).*

Two senior managers from local banks felt that providing better services in a competitive business environment was also a social obligation. The banking industry is one of the biggest sectors in Bangladesh. There are more than 52 banks including 36 private banks that compete with each other to capture more market share and customers. The majority of the banks have recently introduced technology-based internet and mobile banking to provide better service to customers. The voluntary disclosures of products and services are regularly updated on websites and in annual reports. Moreover, electronic media, print media and newspaper advertisements are used for the disclosure of this information.

### 5.2.1.3 Responsibility for Health Care

Bangladesh is one of the densely populated countries in the world. Like many other developing countries, it also has some social issues such as health care, sanitation, etc. which affect the standard of living of the general public. The government alone cannot ensure health care facilities for all of the people as it is costly to do so. Therefore, corporate companies contribute to improving health care facilities as a part of their CSER activities. As well as the shortage of physicians, increased costs of operations and the cost of medicine are not affordable to the general public. Half of the managerial interviewees (10 of 20) asserted that they were contributing to health care services through various activities, for example, by arranging free medical camps for poor

people, eye camps for patients, free surgery or free check-ups for women and children. The interviewees stated that:

*We often arrange medical camps in each administrative sub-district for deprived people who do not have medical facilities. Then, there we often come across people with serious illnesses who are in need of immediate hospitalisation but have no money. We are providing service to the health care sector voluntarily because of the belief that we have some obligation to society. Our activities' information is available in our reports and website (Interviewee A).*

*Our bank has contributed to the Liberation War Museum. Last year, we contributed Tk. 10 million there for some construction purposes. We have contributed to the Kidney Foundation and to the ICDDRB [International Centre for Diarrhoeal Disease Research, Bangladesh]. We have always gone to the people themselves who are doing something for the people (Interviewee C).*

In addition, some interviewees perceived that as a corporate organisation they needed to contribute to social works such as *masjid* (prayer places), health research and education. It was evident from the interviews that banks and pharmaceutical companies had made tremendous efforts to contribute to health care services: however, disclosures were also high although the aim of the disclosures was questionable.

### *5.2.1.4 Responsibility for Sports and Education*

The education sector is one of the largest sectors where Bangladeshi organisations contribute significantly through scholarships, stipends and other forms of assistance to meritorious students who are poor and needy. Banking and financial organisations are more advanced than other companies in contributing to the educational development of Bangladesh. As three senior managers noted:

*We started using traditional concepts. We have our own school funded by the bank. We do a lot for the children of our employees; we provide them with scholarships. Then we also step forward spontaneously in case of any disaster. We are also there when it comes to giving recognition to top performers (Interviewee J).*

*Yes, we participate in activities like providing scholarships. Then, we have a separate foundation where we contribute a certain portion of our profit each year. That fund is totally intended for CSR (Interviewee K).*

*We have eye camps and scholarship programs. We send out national circulars to find out deserving candidates for this scholarship. We find students deprived in different types of ways – financial and social. The students of this class are selected by a neutral high-level body formed by the bank (Interviewee M).*

In the education sector, organisations provide long-term renewable scholarships for underprivileged but meritorious students for the pursuit of their studies instead of providing one-off recognition awards to good performers. In addition, organisations provide money to sports development through sponsorships. As a nation, the people of Bangladesh are big fans of cricket. From children to old people, village to city, poor to rich, every person is emotional about cricket. As part of their social obligation, organisations sponsor the Bangladeshi cricket team and other sports. As one interviewee commented:

*We have contributed to the local sports and continuously sponsored different tournaments as part of our social obligation. We believe, other than business objectives, we should actively participate and help our community. We have special policies for social and environmental responsibility purposes (Interviewee D).*

### 5.2.1.5 Human Resource Policy and Human Rights

The responsibility and voluntary reporting on human resources are considered to be part of firms' socially and environmentally responsible practices. According to Gray, Owen and Maunders (1987), human resource policy and practices are part of social responsibility. However, during the interviews with senior managers, the researcher found that organisations in Bangladesh have just started to recruit handicapped or physically disabled people to show that they are socially responsible firms. Some interviewees articulated that internal benefits such as the work environment, salary packaging and break times are important. These features are not common in Bangladesh. For example, there is no time structured for working hours: in most cases, employees work in the office or factory for more than eight hours without overtime benefits. A senior manager of a leading corporate giant stated that:

*The commitment that the company shows towards its employees has resulted in such a high level of dedication among the employees. When it comes to employee benefits, our organisation among the local*

*giants and multinational companies ensures eight hours' working time in a day with 30 minutes' lunch break. This timing is fixed regardless of your position which could be a clerk or a director. Within the working hours, everyone tries to accomplish his job. Coming to the second point, we have provided lunch to all our factories, groups and concerns. We do this because of our heartiest feelings and moral obligation purpose but we never advertise our works (Interviewee R).*

The senior managers highlighted their organisations' working environment. The theme of safe and secure work conditions covered all references made to the internal work environment, supports to stakeholders, employee training such as occupational health and safety training, first aid training, etc. A senior manager of a textile company noted:

*There are two facets of the environment. One is maintaining the environment in our internal production. The spinning process in our factory involves a lot of dust and pieces of fibres may fly. We provide special masks to the workers so that they do not inhale these. They are also provided special dresses. The cleanliness factor is given much attention; the floors and machines are always kept clean (Interviewee S).*

A limited number of interviewees confirmed that social and environmental compliance was also ensured by contractors, subcontractors and suppliers. For example,

*Now, we are expanding our radius and trying to involve our contractors, subcontractors and third-party service providers who are our stakeholders as well. And how are we accomplishing that? Initially we provided training on health issues and forum discussions on the environment, to our staff only. Now we have also brought third parties into all these. Say for example, when a worker of our company has to work at height, we have to teach him about how to use the safety belt. Now, if a third-party organisation's worker has to do that work, we have to teach him the same safety measures as well (Interviewee P).*

Interestingly, organisations were not disclosing any information related to working hours in their annual reports or on their websites, but were instead disclosing benefits given to employees for branding their image. Both manufacturing companies and companies providing services indicated that they provided discounted products and services to employees as part of their social obligation. The per capita income and purchasing power of the Bangladeshi people were considered by organisations when they were pricing their products or services. Some respondents claimed that they provided transport facilities to their employees although it was unusual in Bangladeshi corporate culture to provide transport facilities to general employees. Entertainment like

playgrounds and refreshment facilities were provided to motivate employees to achieve high productivity but disclosures were limited about this aspect. One interviewee expressed the following:

*We provide these free of cost in the morning or evening as needed. These are all for free. We do not have any commitment with them to provide these; but we do so nevertheless in order to keep them healthy. Sometime we also arrange for rationing. When the market price of essentials soars and workers cannot afford to buy them, we provide them with subsidised food in the factory. We buy these from the market at a low price and then depending on his/her weekly attendance, we provide each worker with a certain amount of the subsidised food. We also need to disclose this sort of information to our buyers to make them happy (Interviewee O).*

Social obligation for undertaking CSER as perceived by senior managers, as mentioned earlier, also captured their altruistic mission to reduce poverty and achieve economic sustainability. Content analysis of annual reports and publicly available information revealed increasing trend in disclosing CSER activities in social obligation (see section 5.7.1).

### 5.2.1.6 Poverty Alleviation

The senior managers (particularly from banking and financial companies) indicated that most of their activities through microfinance directly or indirectly contribute to capacity building of poor rural people. It was perceived by participants that helping people who are below the poverty line to build up their capital could be the best way to reduce poverty, thereby empowering them to become more economically sustainable. The interviewees identified the following reasons for the nation's endeavours towards poverty alleviation and economic sustainability:

- Building up the capacity of poor rural people;

- Educating them for future challenges;

- Supporting healthy and hygienic lives;

- Educating the indigenous people.

Several interviewees referred to their annual reports and newsletters about poverty alleviation-related disclosures. For instance, the comment below was provided by one of the interviewees when asked about what drives them to engage in CSER:

*We are not into overseas business. We just do business inside the country. We realised that if we cannot build the capability of these rural people, we will get stuck. So that is also something from which we got motivated to do something for the society. So, we see if we can help him through some other means by providing him with capital to do something else. If he is a marginal farmer farming on someone else's land, we see if we can buy him a small place where he can work on his own and maybe produce cow dung compost fertiliser. Slowly he can then rise through capital build-up (Interviewee K).*

One interviewee from a major retail bank whose parent company is the world's largest NGO provided proactive concerns about social and environmental responsibility practices. The participant further emphasised that CSER practices were primarily driven by motives for poverty alleviation:

*It is the largest NGO in the world and also the largest finance provider for the rural poor. The sponsors of the organisation gradually realised that they are catering to the needs of the poorest of the poor who are absolutely at the bottom of the pyramid. Normal commercial banks are operating at the top of the pyramid. If you ask me, I would say it was not from any personal motivation. I would say it is motivation of the institution. Our bank was established to alleviate poverty. If you look at the vision statement ... let me just read that out for you ... "Building a profitable, socially-responsible, financial institution focused on markets and businesses with growth potential, thereby assisting our parent organisation and its stakeholders to build a just, enlightened, healthy, democratic and poverty-free Bangladesh". That is the vision of the bank (Interviewee B).*

Some interviewees also highlighted the UN Millennium Goals (MDGs) which are focused on eradicating poverty and hunger, achieving universal primary education, promoting gender equality, reducing mortality and improving health, and ensuring environmental sustainability. Poverty alleviation is an issue that is more social than economic:

*The society can grow if poverty is alleviated. We, like a typical South Asian country, don't move till we are forced to and till there is a binding framework. Before these instructions were issued, the balance sheets contained a line or a paragraph on CSR activities in the notes or in the chairman's address or in a leaflet.*

*But now there is a competition between companies to enrich that particular chapter in their respective balance sheets. We also emphasize our poverty alleviation in the annual report (Interviewee J).*

As evidenced by the following quotes, senior managers spoke constantly of financing SMEs which helps the poor and subsequently improves the equitable distribution of wealth. In addition, the senior managers indicated how SMEs could raise the standard of living. For instance:

*There exists a lot of disparity regarding equitable distribution of wealth in our country. Many do not have food to eat, while the rich are getting richer and the middle class is also taking some wealth away. To reduce this disparity, corporate social responsibility has to be practised. Otherwise the country as a whole will fall behind economically and socially. So, we have a built-in inspiration to move forward with all our CSR activities (Interviewee D).*

In an effort to alleviate poverty, the managers from pharmaceutical companies stressed that corporate involvement in community activities is crucial. This included trainings provided by companies, for example, training the disadvantaged about clean water, training in vegetable gardening and training on how to earn extra income through fish farming, weaving and modern farming methods. These activities were reported in their annual reports. Most of the senior managers' perceptions were consistent about the poverty alleviation and economic sustainability-related disclosures in the annual reports.

### 5.2.2 Board of Directors' Influence

A number of interviewees highlighted the extraordinary powers of the board of directors in making immediate CSER-related decisions. The boards of directors are major shareholders with substantial influence in embracing CSER if they wish. Examples of participants' perceptions on this driving force for CSER can be gleaned from the following quotes:

*The owner or the sponsor director or whatever you may call them make the decisions and are the motivating factors here to undertake CSER. Only if they desire it can things happen; otherwise not. The owners are of the opinion that they do not need the money of the bank right now. Initially, the sponsor directors in this company did not take any dividends for five years. So all the money was invested either in developing technology or just in humanitarian aspects, or what we call CSR. For automation or [the]*

*development of technology, our bank has reached a point so high that no other banks can imagine (Interviewee E).*

*The culture and philosophy of organisations like ours is mainly driven by the board of directors. The shape, the culture and the daily routines of the banks are dictated by the board of directors. The chairman's wish may become binding on the others. So, the onus of corporate social or environmental responsibility mainly depends on their will or wish (Interviewee F).*

One interviewee stated that directors' education and family background contribute as a potential driver of CSER as was stated in the following paragraph:

*Our motivation comes from the internal stakeholders like the board of directors in our organisation. They are very generous. They come from very distinguished family backgrounds as well as from very distinguished educational backgrounds. So, they have a long glorious history of being in the business and being social in the business. They have a positive mindset about all these things and so does the management. So, on the whole, the wavelength is in a positive direction. It's working as a team (Interviewee J).*

The above quotes emphasise how the boards of directors play a role in CSER and its reporting. A few senior managers agreed that organisations try to reduce their employee turnover by providing good salaries, good career progress and ensuring good working conditions. However, they did not mention specific aspects such as human rights and the trade union agenda. More surprisingly, organisations disclosed this information on their websites and in their annual reports to portray positive management attitudes about social and environmental responsibility.

### 5.2.3 Corporate Image and Branding

The findings indicated that gaining competitive advantage in the market by building a strong corporate image was one of the focal reasons for organisations' involvement in CSER reporting practices in Bangladesh. It would appear that the organisations which undertook CSER and disclosed that information tended to display better financial performance. For example, one organisation in Bangladesh provides scholarships totalling AU $3 million to students. Consequently, most people across Bangladesh know about them because of their social and environmental initiatives. Therefore,

organisations might take the opportunity to promote their reputation by engaging in CSER and reporting. At least five of the interviewees admitted that one of their main motivations for CSER practices and reporting was the preservation of their corporate image or brand value as indicated in the following quote extracts:

*The corporate bodies are emphasising more towards brand management. Therefore, essentially, CSR has now come as a focus for brand management rather than the underlying conceptual implication of the CSR (Interviewee L).*

*First driving force is the brand; there is a branding motive. I believe that the employees themselves are a marketing tool. It is because if the employees are satisfied and have smiling faces, automatically an image is created for the company (Interviewee Q).*

It is evident that CSER can improve the competitiveness of a company. This implies a positive relationship between the CSER involvement of a company and its financial success. The senior managers confirmed that they prefer to disclose their socially and environmentally-related responsibility information through newspapers and electronic media advertisements. They perceived that CSER will enhance their brand image. Both image and reputation can influence company competitiveness (Gray and Balmer 1998) and that is why organisations in Bangladesh practise CSER.

### 5.2.4 Regulatory Influence

The interviewees from banking companies asserted that they were motivated by a recent circular from Bangladesh Bank (the central bank of Bangladesh). There has been no mandatory regulation from the central bank regarding CSER reporting; however, the circular was issued in 2008 to motivate banking and financial companies to undertake CSER. Bangladesh Bank further emphasised the GRI guidelines and UN Global Compact as a benchmark for disclosures of social and environmental information. The participants confirmed the increase in the trend of CSER practices and reporting among organisations after the circular. For example, the investment for CSER has increased from 226 million BDT in 2007 to 553 million BDT in 2009. This indicates a tremendous improvement in the amount allocated to CSER activities by banking organisations. The banking sector of Bangladesh has a long history of involvement in benevolent activities

such as donations to different charitable organisations, to poor people and religious institutions, city beautification and patronising art and culture. As stated in the following quotes, it would appear that the initiative by Bangladesh Bank has been viewed positively by the scheduled banks in Bangladesh.

*These bodies inspire us, but never place any obstacles in our way. Recently, the central bank talked a lot about 'green energy.' They said they have installed solar panels on a certain portion of their roof, through which they generate green energy. The central bank advised us to do the same. They have also told us to keep our air conditioners switched off when we are not working. They encourage us to finance projects that are not harmful to the environment. They also inspire us to report on our social and environmental responsibility activities (Interviewee K).*

*Recently Bangladesh Bank has started doing some motivational work. They are exerting some influence on the banks to do something regarding CSR. This year, the central bank has given more importance that there has to be something done about CSR. Based on our CSR activities and reporting, the central bank awarded us through a certificate (Interviewee E).*

These interviewees were very much in favour of the central bank's initiatives. The banking and financial companies are more proactive in disaster relief and rehabilitation to help ease the sufferings of those affected. It is evident that whenever natural disasters or emergencies prevail, Bangladesh Bank takes the initiative to help the disadvantaged by appealing to all banks that have responded positively and by providing voluntary assistance. Institutional regulatory influences for such CSER activities were observed by the banking and financial organisations as disclose in their annual reports (See section 5.7). Five interviewees from pharmaceutical and chemical companies indicated how they have felt pressure from the Drug Administrative Authority (DAA) to ensure product quality and a sound working environment. These companies produce life-sustaining products which have different requirements from other industries. Therefore, they are subjected to high quality compliance requirements monitored by the DAA. One senior manager typically commented that:

*You cannot basically operate in the pharmaceutical industry unless your plant is certified by the drug administration. In case of raw material procurement, it imposes restrictions when it deems the materials to be hazardous to the environment (Interviewee B).*

The above findings suggest the facilitation and endorsement role of regulators. Regulatory bodies not only raise awareness of sound corporate citizenship, but also encourage CSER practices that benefit the community in which they operate. In the manufacturing environment, organisations experienced pressure from the Ministry of Environment and Forests to comply with environmental laws.

### 5.2.5 External Stakeholders' Pressure (International Buyers)

With regards to the ready-made garments and textile companies, interviewees were highly aware of some of the sensitive CSER issues in their industry, such as health, working conditions, child labour, workers' salaries and the freedom of trade unions. As supply chain management becomes the norm in business operations globally, it has significant social and environmental compliance requirements for the textile and clothing industry in Bangladesh. International buyers are required to maintain industry-code to source their materials and products from socially responsible suppliers. The extracts from quotes below are examples which attest to the pressures from international buyers to comply with social and environmental standards:

*We are putting exceptional care and paying much attention to factors like on-time delivery, quality of products and commitment. And when our buyers get concerned about whether or not the internal work environment is being properly maintained, the child labour laws are being followed and social activities are being performed, then we too will turn our eyes in that direction. We pay a lot of importance to their views. In our country, the buyer is like the second God. The international buyers are putting pressure on the garments factories in all aspects of social and environmental responsibility issues. We have to ensure environmentally sustainable backward and forward linkages to fulfil the buyers' expectations (Interviewee O).*

*We are highly concerned about international buyer expectation towards social and environmental issues. They give us continuous pressure to ensure that we are following appropriate labour standards and paying the standard salary for labour to those who are working overtime. They also asked to ensure a proper work environment like health and safety issues. If we do not meet this compliance, we are going to lose our buyers (Interviewee T).*

The above quotes drew attention to the point that international buyers are powerful stakeholders who outsource products from developing countries like Bangladesh but are

consistent about the maintenance of social and environmental standards. Most of the senior managers perceived that multinational buyers are continuing to pressure Bangladeshi manufacturers to follow universally accepted principles when outsourcing products. In addition, the expectations of different representatives from UNICEF, the World Bank, ILO, and the USA and European government officials are real challenges for companies working in export-oriented businesses. The companies that export chemicals and medicines abroad perceived the same level of pressure from buyers. The participants argued that the global community was putting pressure on international buyers and that the international community sometimes even threatened to avoid buying products from specific buyers if they failed to ensure social and environmental compliance when outsourcing.

## 5.3 BARRIERS TO THE CSER PHENOMENON

This section of the chapter provides details of the emergent barriers to CSER and reporting practices by Bangladeshi organisations (see Figure 5.3).

### 5.3.1 Lack of Regulatory Framework

A number of reasons may explain why companies in Bangladesh are undertaking little or no CSER. There is the lack of a regulatory framework or guidelines for CSER practices and reporting. The senior managers expressed their concerns about the role of SEC and DSE in the CSER phenomenon. As regulators of listed companies, the SEC and the DSE have an influence over these companies by providing guidelines and frameworks; however, to date, no such frameworks or guidelines for CSER and reporting have been issued by them. One experienced senior manager argued that regulatory bodies could impose laws that stipulate that a certain percentage of company profit must be spent on CSER activities. One interviewee remarked that:

*We do not have any framework or guideline from the regulator or government. Those countries which have regulatory frameworks and guidelines, companies there decide right at the beginning of the year where to spend money. They allot a portion of their profit for CSR activities while forming their budget. Our country is lacking such organised tools and knowledge. If the government or regulatory bodies bring*

*such knowledge from abroad and provide guidelines to the corporate bodies, then CSR activities will be smoother and better organised and we will also report on CSER activities (Interviewee L).*

Organisations in developed countries like the USA, Canada, Japan, Germany, UK and Australia are required to voluntarily report on CSER. The senior managers believed that a country like Bangladesh, where the general tendency among businesses is to find the gaps in the systems or laws, needs a strict CSER framework.
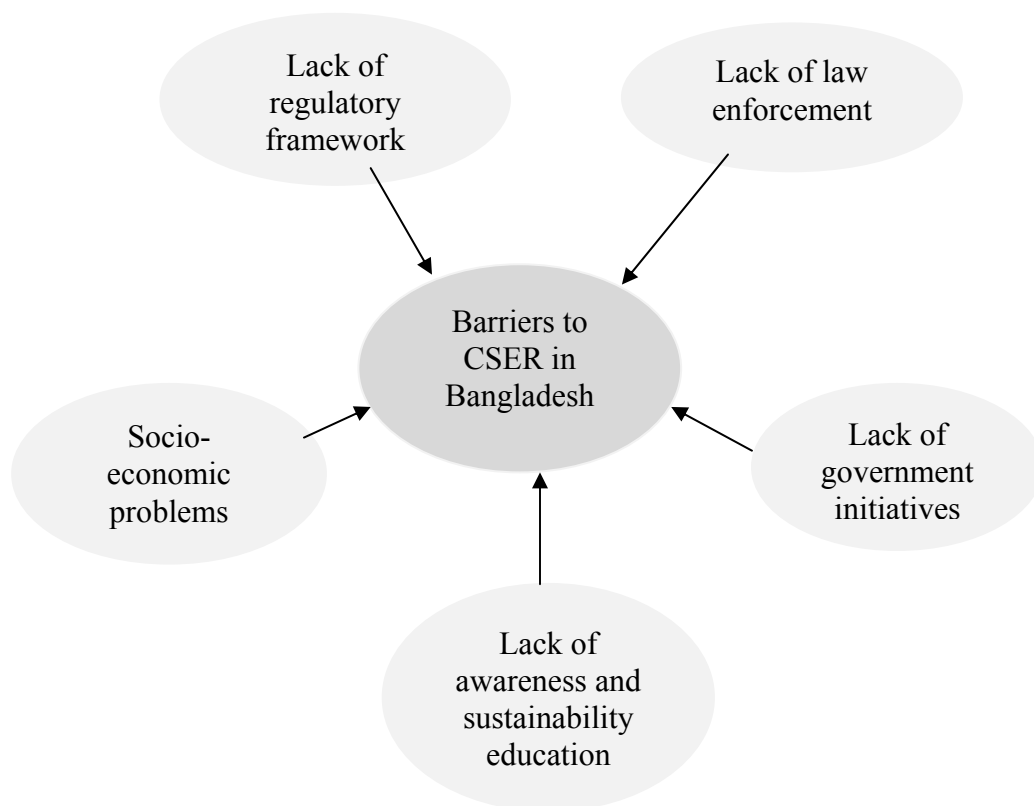
**Figure 5.3:** Barriers to CSER from the managerial perspective

*5.3.2 Lack of Law Enforcement*

While there seem to be a considerable number of social and environmental laws (not for CSER reporting) in existence in Bangladesh, the interviewees were doubtful about the

effectiveness of these laws, which are a result of the complex bureaucratic systems. Therefore, most of the interviewees asserted that if the laws were enforced strictly, then ships containing harmful, toxic materials would not even reach the Bangladeshi coast. The senior managers recommended the proper implementation of existing laws which contain rules and regulations addressing social and environmental issues.

*There are laws but we are more prone to violate those laws than follow them. For example, nowadays, many garment [factories] in our country are following child labour laws and laws related to in-house maintenance and body fitness because they are being pressurised to do so by the foreign buyers. Nevertheless, they do not have waste treatment or effluent treatment plants. They dispose of their wastes in the surrounding land and rivers. The crop fields are destroyed and the river water polluted. Not a single river has clean water. However, there was a lack of initiative from law-enforcing agencies (Interviewee O).*

The Ministry of Environment and Forests in Bangladesh is responsible for the implementation of environmental laws. One interviewee irritably expressed his views that the Ministry of Environment and Forests was aware of all of the newspaper reports about the hazardous impacts of ship breaking and the companies responsible for social and environmental disasters. The interviewees mentioned that if the ministry intended to, it could easily have controlled these impacts. In addition, Interviewees D, N and P stated that environmental law, child labour-related law and wildlife conservation law are available in Bangladesh. However, organisations hardly care about these laws owing to their poor implementations by the authorities.

### 5.3.3 Lack of Government Incentives

Most of the interviewees agreed that lack of motivation and incentives from the government had slowed down the progress of the CSER phenomenon in Bangladesh. The government is the largest institutional platform for laws and regulations. The participants demanded monetary incentives such as tax incentives and financial rebates on CSER expenditure. One senior manager claimed,

*I will get a tax advantage if I donate 10 million [Taka] to the government fund. But if I donate to local people, I will not get the tax advantage (Interviewee J).*

As one interviewee stated:

*There is a lack of incentives. Companies need incentives and motivations to become more socially responsible. They want to see whether their shareholders and the government are recognising their contributions to the society. They ask themselves, "Is there a reward for what I'm doing? Is there any punishment for not doing so?" If there is not, they do not feel the need to be so charitable and aware. Therefore, lack of incentives could motivate companies not to become more socially responsible and to take part in CSR (Interviewee B).*

At least three senior managers indicated the critical role of the National Board of Revenue (NBR) on the CSER phenomenon. The NBR deals with the tax matters of individuals and companies. Interviewee F commented that, "[i]f expenditure on CSER activities is tax exempted then we can come forward to contribute more for CSER". External organisations can come forward to motivate the corporate sector to enhance their CSER activities. For example, the interviewees mentioned external parties' initiatives in arranging awards such as a CSR award for organisations which could help to motivate companies to do more CSER. The interviewees argued that such award-giving initiatives would energise companies to provide more efforts on their CSR activities and they would report on social and environmental issues.

### 5.3.4 Lack of Awareness and Sustainability Education

A number of senior managers stated that there is no alternative to the need to create awareness to enhance CSER. Collective efforts from government, regulatory authorities and other stakeholders are essential to create awareness about the CSER phenomenon. One interviewee (Interviewee H) noted that

*The money invested for CSER is not giving any financial benefit to the company; rather they decided to make more profit.*

The above quote implies that the concept of CSER is not clear to the organisation. The conceptualisation of environment and sustainability and understanding their impacts on society at large are vital. Several interviewees blamed the government for not taking initiatives to educate stakeholders about the corporate social and environmental impacts on society. Organisations only respond to CSER on an ad hoc basis. For example, during

times of natural disasters such as flood, cyclone and accidents caused by fire, most of the organisations have provided aid and assistance, but have not necessarily adopted an ongoing policy for CSER. As Interviewee 'S' commented:

*I have seen that the regulatory bodies just influence and try to make us work for social and environmental issues during the natural calamities.*

As documented from the interviews, the main barriers to CSER in Bangladesh are lack of awareness, lack of a regulatory framework, lack of education on sustainable development, tendency to disobey the laws, lack of motivational incentives and lack of combined initiatives from NGOs, media and other pressure groups of society. CSER is new jargon in Bangladesh. Most of the senior managers perceived that CSER practices and reporting bring benefits for organisations. However, they argued that lack of education on sustainability was one of the major barriers to the CSER phenomenon in Bangladesh. Interviewees K, N and O pointed out that sustainability education among internal and external stakeholders would contribute to the development of CSER. At present, social and environmental education has not been incorporated into the formal education systems. According to one of the senior managers:

*Many people are uneducated in the sense that they have not studied in the conventional way. But, for awareness building, that is not really needed. It is also one kind of education when you just tell them about something that is hazardous to the environment and ask them not to do that. For such education, it is not necessary to learn A, B, C and D. You can also educate people in ways other than the conventional system (Interviewee K).*

Within organisations, the directors' awareness and education were crucial for CSER development. The interviewees had focused more attention on building awareness and education about sustainable development among management and directors. For example, directors or management staff's personal knowledge of sustainability would increase their patronage of the individual company's CSER practice. After all, decisions come from the board or management. The media, NGOs and civil society could play a vital role in developing sustainability education which would enhance the CSER practices of companies in Bangladesh. A number of interviewees stressed that the media

needed to work closely with government, NGOs and civil society to improve CSER practices in Bangladesh.

### 5.3.5 Socio-economic Problems

Several interviewees strongly focused on socio-economic and cultural factors as important barriers to CSER in Bangladesh. At the grassroots level, people do not have proper meals; many people still do not have a proper place in which to live. In certain socio-economic groups, a woman does not even own a minimum of four *sarees* (traditional Bengali attire) to wear during her lifetime. This section of the population is quite large. These findings resonate well with the background literature within the Bangladeshi context as discussed broadly in Section 3.4.3 "Poverty Alleviation". Initiatives from the corporate sector in terms of social and environmental responsibility could help those in the lower socio-economic groups to improve their lifestyle. Organisations have been working in a traditional way and focusing mainly on profit. One interviewee stated:

*There are still no proper sanitation and urbanisation like we see in the developed countries like America and in the European countries. A minimum standard of living has to be there for a full-fledged family. A decent house, a proper environment for education, schools, and hospitals are needed. These are very minimum requirements, what we term as 'physiological needs' in Maslow's hierarchy of needs framework. We, as a country, have not been able to satisfy the basic physiological needs yet, let alone the social needs, esteem needs and self-actualisation needs. So in such a scenario if the private sector does not step forward, then how will the country develop? (Interviewee D)*

Due to the socio-economic background, organisations in Bangladesh have a common tendency to adopt any contemporary practice far later than in other countries. For example, organisations in Bangladesh are not yet fully practising the accounting standards for financial reporting prescribed by the International Accounting Standards Board that have been widely used in other developing and developed countries for a long time. The senior managers pointed out that, due to the lower level of education towards CSER prevailing among the vested parties (internal and external to the organisation) that is shaped by the socio-economic issues of Bangladesh, it will take time for CSER reporting practices to reach a standard benchmark.

Managerial interviews of this study regarding enablers and barriers found unique aspect of poverty alleviation socio-economic issue which has also been demonstrated by the organisations disclosure (see section 5.7.1.6). Whilst the analysis of managerial interviews (in section 5.2 and 5.3) present emergent enablers and barriers of CSER, it would appear that there is little interest in reporting on CSER activities. Scanty disclosure of CSER activities undertaken by Bangladeshi organisations can be explained by the following comment from one of the senior managers who stated that:

*To be honest, we are not concern about promoting our CSER activities by reporting. Though we publish some information through our news letter and through director's report in the annual financial statement, all we do from the moral obligations and motivation from top management (Interviewee N)*

As managerial interviews show little evidence about reporting, the study therefore, conducted further content analysis of annual report to triangulate actual reporting on CSER activities which has been presented in section 5.7.

## 5.4 KEY STAKEHOLDERS OF CSER IN BANGLADESH

As the conceptual themes emerged, the subsequent question was raised: who seem to be the most influential stakeholders of Bangladeshi-listed companies and how are companies engaging with stakeholders? The process of prioritising stakeholders and implementing their values are not as well executed in Bangladesh in comparison to Western developed countries. However, in the last couple of years, organisations have begun to show their interest in valuing stakeholders' needs in terms of social and environmental issues.



Key stakeholders →

- NGO
- Media
- Government and regulatory authority
- Civil society
- Customers
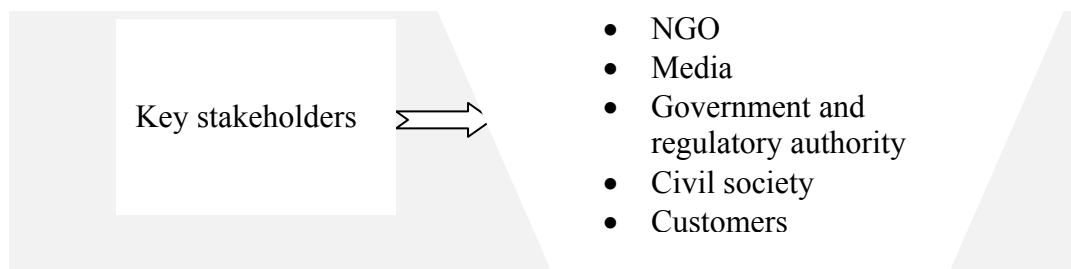
**Figure 5.4:** Key stakeholders of CSER in Bangladesh

The political and socio-economic contexts in Bangladesh have gained a new shape after the first democratic election in 1991. The journey towards a democratic system has accelerated the freedom of speech and social movements. The different pressure groups such as civil society, the media and NGOs are now able to work freely. In this study, when we asked senior managers who they thought were the key stakeholders of CSER, the answers were almost the same in terms of identifying the stakeholders (see Figure 5.4).

### 5.4.1 Social and Environmental NGOs

NGOs have become an influential force on business activities in both developed and developing countries owing to their role as a voice of society. A number of interviewees confirmed that NGOs are working well in the area of social and environmental issues in Bangladesh. Education, health, sanitation and women's empowerment are the common areas of interest for NGOs in Bangladesh; however, most of the NGOs initially started their work as microfinance providers to underprivileged people. The interviewees noted that NGOs, particularly social and environmental NGOs, are the most important stakeholders due to their power to create pressure on organisations' activities. The following were typical comments:

*The important stakeholder for us at first is NGOs – the non-government organisations – which are involved with environmental matters and those engaged with poverty eradication programs (Interviewee Q).*

*The role of environmental NGOs is strong. Their voice is a strong driving force for the company. The civil society has a role to play. There are NGOs which arrange for the rehabilitation of physically challenged individuals. We regularly contribute to those NGOs because we want to bear a part of the expense on this rehabilitation (Interviewee H).*

Some NGOs have partnerships with corporate companies and the Bangladesh Government to implement CSER with this being strongly supported by the senior managers. NGOs contribute significantly to raising social and environmental responsibility issues with society which raises awareness among different stakeholder groups including the organisations themselves.

*5.4.2 Media*

The media play a tremendous role in terms of embracing CSER in this era of globalization. In addition to NGOs, the interviewees perceived that the media can make a real change in society. Interviewees gave more importance to electronic media as most of the population in Bangladesh are uneducated. Television and FM radio are the most popular media for transmitting information to the Bangladeshi people over the air. Moreover, everyone has access to radios today as they have become widely available. One interviewee expressed his comments:

*The media is a very influential stakeholder for any organisation including us. It is the biggest mirror of the society. It can show which sectors are lagging behind. It can talk about the sectors which can be developed if the influential people of the society step forward. It can talk about all the things that can be done to benefit the country. Media can help out the distressed people. The media can portray to the society all those scenes of hardship endured by the poor, distressed homeless people during winter. In this way, the media can appeal to the conscience of the people. Media raises the environmental issue with the people. We sometime are scared about their activities (Interviewee L).*

The media were considered as a powerful stakeholder by the senior managers for two main reasons. Firstly, the media have immediate access to disseminating social, environmental and other information about sustainability to the people and, secondly, the media can quickly create awareness. As one interviewee stated:

*It helps you a lot if you have a positive image. Most of our general people have access to newspapers, television and the media. What is conveyed to them through those media builds a lot of their ideas and thoughts about the organisation. So, we really care about them and are trying as much as we can for society and environment other than our profit-making activities (Interviewee G).*

*5.4.3 Government and Regulatory Authorities*

Most of the interviewees, irrespective of their sector, perceived the institutional power of the Bangladesh Government as a stakeholder. The companies work under the government's legal and administrative authority. The interviewees from manufacturing companies identified government departments particularly the Ministry of Environment

and Forests and the Ministry of Health as key stakeholders for their activities. The interviewees' responses included:

*The different departments of government are also our stakeholder. For example, during an epidemic if the Ministry of Health asks everyone to come forward and help, we will definitely help. So, they can influence us, and the other stakeholders will also be eager to help because it is an initiative taken at the national level by the government. The areas affected by the Cyclone Sidr witnessed extensive financial downfall and the people were devastated too. So, the funds donated came totally from the inner obligations experienced by the people (Interviewee L).*

There were also views that the government has the power to reduce tax or even remove tax on CSER expenditure, which the interviewees thought would motivate organisations to implement CSER practices. The senior managers from banking and financial organisations strongly felt the pressures from regulatory authorities such as Bangladesh Bank (the central bank of Bangladesh) regarding their social and environmental responsibility practices and reporting. Bangladesh Bank (BB) provided a circular based on the GRI guidelines about the preparation of social and environmental reporting. The senior managers mentioned that as BB is the supreme authority in the banking and financial sector, they are required to follow BB guidelines for CSER disclosure. One interviewee noted:

*Yes, it is external pressure from a regulatory body such as Bangladesh Bank. They have made it binding on us that a certain percent should be spent on CSR activities by organisations or banks. A circular was given to us by the regulatory body after which the management and sponsors decided that some initiatives should be taken, even if they are very limited, such as scholarships, eye camps, hospitals and the various types of other social activities (Interviewee M).*

As has been mentioned many times in this thesis, CSER practices and disclosure are voluntary in Bangladesh; however, the DSE and SEC as regulators are viewed as important by organisations. The primary role of the DSE and SEC is to ensure and monitor the rules and regulations of listed companies. The SEC and DSE also address corporate governance-related matters and they often provide advice about other matters which are of interest to stakeholders. The senior managers agreed that regulatory

authorities like the DSE and SEC are influential stakeholders for all the listed companies although they (DSE and SEC) have not made CSER compulsory.

### 5.4.4 Civil Society and Pressure Groups

Several interviewees agreed that civil society and pressure groups are among the most influential stakeholders in any democratic country. The interviewees expressed optimism about the recent movement against corruption by civil society in Bangladesh. Some interviewees highlighted the programs organised by environmental pressure groups, for example, Bangladesh Poribesh Andolon (BAPA), Sushasoner Jonno Nagorik (SUJON) and other environmental pressure groups who are raising their voice against corporate environmental pollution with huge demonstrations. The typical response from one of the interviewees was:

*Recently, environmental pressure groups like BAPA created huge pressure on us. They demonstrated against any environmental degradation by the companies. Government also supports their activities. They are also our stakeholder (Interviewee I).*

The interviewees further noticed that civil society and pressure groups have the power to change the CSER behaviour of organisations. For example, if any organisation pollutes the environment, the pressure groups arrange demonstrations in front of the factory. The media also support civil society as members of civil society are influential and popular people from society.

### 5.4.5 Customers

While the majority of the interviewees considered customers as their key stakeholder, the reality is different in Bangladesh. How many companies truly think about customer benefits? Do they really care about fulfilling customer expectations? When the issue of the non-recognition of customers arose, interviewees seriously protested, commenting that:

*The customer is our main driving force. The market is competitive. Since the market is competitive, everyone, I mean the clients, expect a lot of contribution from the companies. They expect contribution in*

*the form of better financing, and they also expect some social and environmental contribution (Interviewee H).*

*Basically our depositors and clients are influential. They feel proud of the accomplishments of the bank. They feel good when they know that the bank they are investing in is not only into commercial business but is also doing socially responsible activities. We want this feeling to prevail in our clients (Interviewee K).*

Two of the interviewees mentioned that shareholders were important stakeholders although practical approaches to fulfilling shareholder needs were limited. One interviewee typically commented that:

*The most influential stakeholders are our shareholders as all our activities have an impact on them. Then there are also the customers. As a company dealing in FMCG [fast-moving consumer goods], customers are also a very important stakeholder (Interviewee I).*

Having identified the key stakeholders and recognised the drivers and barriers of CSER practices and reporting in Bangladesh, the senior managers then proceeded with recommending the strategies to enhance CSER.

## 5.5 STRATEGIES TO ENHANCE CSER IN BANGLADESH

All interviewees were also asked to express their views regarding the future prospects and strategies to enhance CSER practices and reporting in Bangladesh. The respondents collectively highlighted the following points which could boost CSER reporting practices in Bangladesh.

### 5.5.1 Collective Efforts towards CSER Awareness and Education

The development of the CSER ethos depends on the collective efforts of all stakeholder groups. All interviewees confirmed that awareness programs and education about sustainable development can change organisations' CSER practices. They agreed that the decision-making process was easier and simpler in the corporate sector compared with the government sector. A number of interviewees stated that internal organisational awareness as well as the awareness of external stakeholders such as government, regulatory authorities and other stakeholders was essential for CSER. Some interviewees

highlighted that the media, NGOs and civil society through their combined work would gradually increase CSER reporting practices in Bangladesh. The interviewees typically commented:

*Yes, we need awareness on social and environmental issues and the benefit of disclosure. And the corporate houses can help here because they can make decisions easily and quickly. For the government organisations, it is very tough to make easy and quick decisions. But in a corporate house, a decision taken in the morning can be conveyed to the root level by the evening! If the corporate houses can work in creating such awareness, then the media will also work alongside them. Once the media enters the scene, awareness will keep increasing. Ultimately, the total environment will be developed (Interviewee O).*

*If we tried to raise awareness individually, the effort would be on a small scale. However, since the media and NGOs have a large coverage in Bangladesh, we will be able to reach the entire population. We can achieve the objective of raising awareness easily and much faster through many media and NGO campaigns. (Interviewee P).*

It was documented from the interviews that CSER is burgeoning and is becoming nearly as popular in Bangladesh as it is in developed countries which already have good CSER practices.

### 5.5.2 Need for More Media Coverage on Social and Environmental Issues

Several interviewees expressed positive comments about the future prospects of CSER in Bangladesh. The interviewees agreed that media coverage is vital for CSER enhancement as the general public tends to react immediately to media coverage. The senior managers agreed that when the media focused on any particular company's CSER activities in their reports, other organisations became inspired to undertake similar positive action. This actually creates a "snowball" effect on CSER practices and disclosure. Surprisingly, at least three interviewees recommended that the media should only publish good news about companies. At present, electronic and print media have strong power to influence society. Typical comments of the interviewees were:

*We have to get rid of the negative frame of mind. We have to talk more about the positives. Newspapers should publish the positive news in the first page and then the negative news. We have a lot to gain. In fact, isn't it already a great achievement that we can feed around 150 to 160 million people in this small country? But we do not appreciate this; we always talk about the negatives. It is our habit to emphasise*

*the negatives. If media focus on the good initiatives taken by a company, then competitor organisations will get more motivation to do more social and environmental responsibility (Interviewee D).*

*I think the media can actually make or destroy with their reporting. What I feel is that the media is very important but the reporting has to be done in a very responsible way (Interviewee G).*

### 5.5.3 Motivational Forces and Incentives

Most respondents perceived that incentives in the form of monetary benefits could motivate companies to engage in CSER. Some interviewees focused on the organisations' self-motivation; others were vocal about stakeholders' initiatives. For example, there are some organisations whose management are self-motivated owing to their education and personal values whereas other organisations need pressure or motivation from third parties such as government, regulatory authorities, etc. The interviewees suggested formal recognition such as an award for good practices in CSER. The award could be organised by the Bangladesh Government or regulatory authorities. Participants also expressed the view that tax benefits on CSER expenditure would encourage companies to undertake CSER. For example, the interviewees mentioned that recent initiatives from the media and civil society about the CSR award had a positive impact on organisations' CSER practice.

*There are awards like the South Asian Federation of Accounts award which focus on corporate governance. But there should also be awards given out on the basis of which organisation has been more environment-friendly and which organisation has worked more on CSR. That would help. Points given to the organisations based on such criteria would be motivating. Then we would do more CSR activities for earning extra points. If you look at the garments sector, why do they do CSR? Because there is imposition by the buyer; it is not from their own motivation (Interviewee N).*

*Regulators should give us atax advantage or shield for all the social activities and not just for some specific activities. Right now, we cannot contribute everywhere even if we want to because we don't get a tax shield everywhere. I will get a tax advantage if I donate 10 million [BDT] in government funds. But if I donate to local people I will not get the tax advantage. So, the government and the regulatory bodies have a lot to do. The award-giving bodies can help (Interviewee A).*

The interviewees further commented that if no awards were provided for voluntary social and environmental responsibility disclosures, why should the company bother?

### 5.5.4 Need for Public–Private Partnerships (PPPs)

A number of senior managers emphasised public–private partnership (PPP) as a means to improve CSER in Bangladesh. A public–private partnership (PPP) creates mutual benefits for all relevant stakeholders. It also enhances corporate reputation and brand image, including increased sales, customer loyalty, satisfaction and high productivity. The participants believed that partnerships between the government, regulatory authorities, civil society and NGOs would increase the efficiency of businesses. The PPPs would contribute to the capacity building of CSER. The typical responses included:

*The government alone cannot do everything: 80% of the country's GDP comes from the private sector and only about 20% from the public sector. GDP is equal to the consumption plus investment plus government spending plus exports minus imports. So we are now talking more about private sector and public–private partnership or PPP and planning to make it more vibrant. Drops of water make an entire ocean (Interviewee D).*

*There has to be a collaborative effort via public and private partnership. NGOs and organisations that keep talking about poverty alleviation need to come forward. Government also needs to come forward. After all, poverty can be alleviated through CSR. CSR is coming from somewhere and contributions are going somewhere … but the middle is just a big vacuum. That middle path has to be created. I really don't know how that can be created but there is scope for digging out that sort of link (Interviewee J).*

### 5.5.5 Participation of Regulatory Body

While awareness, motivational incentives and PPPs were fairly common within interviewees' rhetoric, another "catchphrase" that was constantly used by the senior managers was the belief in "regulatory body participation". The senior managers perceived that regulatory bodies such as the DSE, SEC and the Ministry of Environment and Forests have extraordinary power over organisations working in Bangladesh. Circulars or notices issued by the regulators would be given highest priority as organisations sought to fulfil their requirements. One senior manager who had been involved in corporate community and welfare activities at his company stated that:

*I think that the regulator or government should participate in social and environmental issues because they are the prime authority. Recognition should be provided to responsible organisations. It is true that the government itself does a lot, but besides that, it should also encourage corporate bodies to do more CSR through some packages. Direct encouragement must be there. For example, they can promise to provide certain forms of back-up to the organisations which undertake socially responsible and environment-friendly projects and projects that can ensure ecological sustainability (Interviewee K).*

The senior managers suggested several ways that regulatory authorities could participate in improving CSER in Bangladesh. Some indicated that this could involve direct benefits for companies whereas others were interested in flexible laws. The managers' views directly supported flexibility in controversial advertisements so that companies could publicly advertise their CSER activities to gain the marketing advantage. One senior manager argued that "imposition of laws without creating awareness through regulators would not bring any changes" (Interviewee R). Views were consistently expressed about the regulators' ineffectiveness and their evasive attitudes on environmental matters, particularly environmental reporting. It should be noted that the senior managers used the terms "government" and "regulator" interchangeably as the regulators are government departments in Bangladesh.

*The Securities and Exchange Commission and Stock Exchange are not all that concerned about CSR. There's only the Bangladesh Bank. And it only happens because of the man who is heading the bank. The present governor of the central bank is environmentally-friendly. He is very much interested in CSR. He is trying to motivate the banks: no other governors had asked the banks to do these things regarding social and environmental issues (Interviewee E).*

## 5.6 STAKEHOLDER ENGAGEMENT AND CSER

Overwhelmingly, the senior managers were in broad agreement that stakeholder engagement was a valuable strategy that provided an appropriate basis upon which to develop social and environmental responsibility practices. However, very few organisations interviewed engaged stakeholders practically with regard to CSER in Bangladesh. For example, one senior manager stated that:

*Not really, we do not engage stakeholders. First of all, we don't have that formal social reporting practice. But we are keeping our mind on social and environmental responsibility issues (Interviewee I).*

Some senior managers illustrated that their employees volunteered for activities such as donating blood as a form of stakeholder engagement. Employees could be involved in the policy-making process on social and environmental issues. However, only a limited number of organisations involved employees in this way. The shareholders and other external parties were of low priority within organisations. For respondents from the listed multinational companies, the overall engagement process was remarkable due to their global CSER strategy. The multinational organisations celebrated different international and national events with people from the community where they operated. Community involvement of the organisation is a key tool in stakeholder engagement. Some of the managers mentioned that they have regular community involvement and they use it as a method of stakeholder engagement. Quotes from senior managers included:

*Every year we observe the Orange Day and International Environment Day. This is a day we observe all over the world for the employees of the organisation. On this day, each employee of the organisation has to go out and spend the day doing some voluntary job for the community he/she lives in. This is something which our organisation has introduced. We encourage our employees in that instead of spending the day sitting at home: we organise voluntary programs, we go to the community and we talk with them, listening to their social and environmental problems and expectations (Interviewee G).*

*We do engage stakeholders. Currently, we are searching for and nurturing talent through a program called "Premier Bank Gorbo". All the members of the management line-up, chairman, directors and board members are directly involved with this. They enjoy the program and it also helps people. We do connect with our stakeholders via this program (Interviewee L).*

Similarly, another interviewee from the banking sector spoke about their community involvement:

*As far as community involvement is concerned, we call on our borrowers and investors in forums. We have family nights where they are invited. Then we have grand functions with our employees once or twice a year. We can never do anything that goes against the well-being of our customers or depositors. So, their views are taken and we engage them. Then, the borrowers discuss their problems and prospects with us. We are very interactive when it comes to the community (Interviewee D).*

Further evidence of senior managers' views on community involvement and their attitudes on stakeholder engagement were found to be positive although practice was very limited. One manager (Interviewee S) argued that in Bangladeshi corporate culture "you cannot give more preference to stakeholders because of fear of misuse of the power". While only a very few companies engaged stakeholders in the form of community involvement, the majority understood the benefits for the organisation in the long term. Nevertheless, those senior managers interviewed were able to identify key stakeholders they perceived to be relevant in influencing CSER in Bangladesh (see Section 5.4).

## 5.7 RESULTS OF ANNUAL REPORTS' CONTENT ANALYSIS

In examining the nature and extent of social and environmental reporting by Bangladeshi-listed companies, the researcher collected annual reports and other publicly available resources (e.g. stand-alone sustainability reports and publications on websites) from the same organisations whose senior managers had been interviewed for this study. The content analysis instrument guided by GRI (G3) and CSR Asia (2008) was utilised in this study with some adaptations. The six broad content classifications were: governance codes and policies; CSR strategy and communication; marketplace, supply chain and product/service responsibility; workplace/human resources; environment; and community investment and development. Within each of these six broad categories, sub-classifications of disclosures were identified. In addition, the sub-classification of the CSR Foundation was added to the CSER strategy and communication category. The CSR Foundation is a separate department that deals with CSR-related investment and activities including CSR reporting. The issues of child labour and facilities for day care for working mothers were added to the workplace/human resources category. The issues of UN millennium development policy and natural disaster or emergency crisis participation were added to the community investment and development category. Only publicly available information from the top 20 companies (see Appendix D for company details) was examined in this study. This included company annual reports issued in 2010/2011, stand-alone corporate responsibility reports (if produced) or sustainability reports and various related disclosures on company websites. To create the ranking for

the depth of disclosures on sustainability issues, 66 indicators were used to score the company indicator sections.

For the purpose of the ranking, company scores were adjusted to a percentage score (rather than using the total of 132 points). The multinational pharmaceutical and financial sector companies among the top 20 companies took the lead in the ranking and scored well against all the indicator sections. Reckitt Benckiser Bangladesh Ltd was a pioneer, scoring a dazzling 88%, followed by IDLC Finance Ltd with 81.33%. The third place was taken by GlaxoSmithKline Bangladesh Ltd which scored 62.66%. It was evident that the multinational companies listed on the DSE have excellent CSER reporting due to their global strategy. The second highest scoring company, IDLC, is Bangladesh's leading non-banking financial institution and was the first company to introduce separate sustainability reporting following the GRI guidelines. While the quality of CSER reporting does not necessarily translate to being a good "corporate citizen", it is worth noting that the two top-scoring companies received CSR awards, jointly organised by the Institute of Chartered Accountants of Bangladesh (ICAB) and the South Asian Federation of Accountants (SAFA), in 2011. The organisations working in the textile and clothing sector were found to have poor social and environmental reporting practice in accordance with the GRI guidelines although they were required to comply with their international buyers' social and environmental requirements.

However, financial and banking organisations had an average standard of reporting as motivation was exerted by the central bank for reporting on social and environmental responsibility. The highest amount of disclosures was found in the areas of "community investment and development" and "governance codes and policies" which scored 69% and 67% respectively. However, fewer disclosures were observed in the other categories, namely, "environment", "CSER strategy and communication", "marketplace, supply chain and product/service responsibility" and "workplace environment/human resources". The least amount of disclosures was found in the "workplace/human resources" category which scored a frustratingly low average of 28%. Table 5.1 shows the average percentage of scores for the six indicator sections for social and environmental responsibility disclosure. This research also found that the UN Global

Compact signatory companies were reporting more on social and environmental responsibility.

**Table 5.1:** Average percentage scores for the six indicator sections

| Indicator Sections | Average Scores % |
|---|---|
| Governance Codes and Policies | 67 |
| Environment | 38 |
| CSR Strategy and Communication | 49 |
| Workplace/Human Resources | 28 |
| Marketplace and Supply Chain | 41 |
| Community Investment and Development | 69 |

## *5.7.1 Findings by Major Indicator Sections*

### *5.7.1.1 Governance Codes and Policies*

The reporting in the category of "corporate governance codes and policies" was found to be impressive among all selected companies. The sampled companies produced corporate governance compliance reports in accordance with the compliance guidelines from the SEC, notification No. SEC/CMRRCD/2006/158/Admin/02-08 dated 20 February 2006 issued under Section 2CC of the Securities and Exchange Ordinance, 1969. However, large companies provided more quality information compared to smaller companies. One important issue of corporate accountability is that corporate managers maximize the value for shareholders through performance and by ensuring good corporate governance. Corporate governance ensures transparency and accountability when conducting business, and provides proper and timely financial disclosures so that stakeholders' value can be maximized. Information about board members, the number of board meetings attended, an independent audit committee, directors' duties and responsibilities, a risk management policy, directors' remuneration, the segregation of responsibility between board and management and having different board committees were available in the corporate governance report of all sampled companies. However, only 70% of sampled companies disclosed information about their anti-corruption policy. The listed companies disclosed more governance-related information because SEC requirements and compliance were introduced in 2006. The

highest score for governance related-disclosure practices by banking and pharmaceutical companies was 90% on average. The sampled companies presented governance statements in their annual reports, for example:

*Corporate Governance is the system of internal controls and procedures used to define and protect the rights and responsibilities of various stakeholders. The Bank has adequately complied with all the Corporate Governance Guidelines of Bangladesh Bank and SEC. It is ensured by the Board that all activities and transactions of the Bank are conducted in compliance with international best practices to protect the highest interest of all the stakeholders (Dutch Bangla Bank annual report 2011, p. 1).*

*Corporate Governance involves decision making processes for any corporate body as a going concern for the benefit of all concerned, present and future. These decisions may be categorised as policy & strategic, operational and executing, performance & evaluation and sharing of the accretional assets between present & future cohorts. The involvement of the entrepreneur in all these areas invokes decision making governance on a continuous basis, the degree of involvement being variable with the extent of delegation of authority top down and reporting for accountability bottom up of the Management echelon. These aspects of governance are shared by the Board of Directors, Executive Management, operational participants and workers and others in fulfilment of the common goals that converge in increasing the benefits of all stakeholders. To this end entire corporate governance efforts are blended with "good governance practices" as ethically and morally acceptable standards under a given socio-politico environmental phenomenon of our society in which we work, live and exist (Square Pharmaceuticals annual report 2011, p. 6).*

In reviewing the individual companies' annual reports, this research found that more than 25% of the sampled companies scored approximately 80% for their corporate governance-related disclosures. Moreover, no individual organisation was found with a disclosure score of less than 50%. It is arguable that since the corporate governance guidelines were implemented in 2006 by the SEC, the organisations seem to have made positive improvements in their governance practice to ensure more transparency and accountability in order to meet stakeholders' needs and expectations. Scholars have argued that a positive relationship exists between company size and voluntary disclosure which is consistent with the findings of Hackston and Milne (1996). As was previously mentioned, all 20 sampled companies had separate corporate governance reports and disclosures in their annual report which was consistent with a recent study of Fortune

Global 250 companies which revealed "that more than half of them have a separate corporate governance section in the annual report" (Kolk and Pinkse 2010, p. 15).

### 5.7.1.2 CSER Strategy and Communication

For "CSER strategy and communication"-related disclosures, companies scored an average score of 49%. While most of these companies provided CSER disclosures in their annual reports, two companies had stand-alone sustainability reporting. One reputable company mentioned in its sustainability report that "our vision is building a profitable and socially responsible financial business, focused on market and business with growth potential thereby assisting BRAC and its stakeholders to build an enlightened, healthy, democratic and poverty-free Bangladesh" (BRAC Bank CSR report 2010, p 5). Generally, the level of disclosures did not provide adequate quality information, instead, presenting some eye-catching relief activities and donation programs. All financial and banking companies had a CSER section in their annual report. In some cases, companies mentioned their CSER objective, strategy and implementation in the directors'/chairman's message sections. Only three companies followed reporting guidelines (such as the GRI guidelines, UN Global Compact and ISO 14001) to produce their CSER report, whereas the remainder of the companies did not follow any guidelines. Most of the companies had a CSER board committee although they did not mention any contact details or a specific authorized person in their annual report or on their website.

The organisations working in the banking and financial sector had a CSR Foundation through which they operated CSER activities. For example, most of the banks and big organisations have created funding foundations (such as the BRAC Bank Foundation and Beximco Foundation) to maximize tax reduction benefit for CSER expenditure. Thus, it can be argued that organisations in Bangladesh have created funding foundations for their own benefit rather to meet stakeholders' expectations. Only five companies (two of them multinational companies) had specific social and environmental objectives and targets in their annual reports. The remainder of the companies undertook CSER on an ad hoc basis. For example, companies that were members of the UN Global

Compact or that were ISO 14001 certified tended to ensure good practice and disclosure to retain their certificate. A company which was a leader in the fast-moving consumer goods (FMCG) sector in Bangladesh and a member of the UN Global Compact stated in their annual report that they were trying to follow the 10 principles of the UN Global Compact. One of the multinational companies mentioned environmental targets in their sustainability report as follows:

*Our most significant sustainability impact, as with most businesses, is the greenhouse gas emissions that contribute to climate change. Our flagship Carbon20 programme will cut the greenhouse gas (GHG) emissions that each product generates through its lifecycle by 20% by 2020, compared to the 2007 level (Reckit Benckizer sustainability report, 2010).*

Most of the local Bangladeshi companies did not have any predetermined social and environmental targets. The local companies provided a general statement for their disclosure. The selected companies had very poor performance in stakeholder engagement and dialogue. In practice, only a limited number of organisations in Bangladesh considered the views of stakeholders. For example:

*We want to understand the concerns of those with interest in corporate responsibility issues and will engage with a range of stakeholders and communicate openly about how we are addressing issues, in ways that aim to meet the needs of different groups while allowing us to pursue legitimate business goals (GlaxoSmithKline sustainability report, 2010. p. 10).*

Another company claimed that they regularly communicated with stakeholders and that their disclosures had motivated other companies in Bangladesh. They stated that:

*We believe that commitment from all stakeholder groups is necessary for any organisation to establish itself as a responsible brand. That is why we prioritise stakeholder engagement issues while planning any sustainable initiatives. The stakeholder groups we engaged were mainly employees, clients, community groups and media (sustainability report of IDLC 2011, p. 43).*

However, about 80% of the sampled companies did not have stakeholder engagement and related disclosures. Only very limited CSER training was provided to the stakeholder groups. Only five of the 20 companies provided stakeholder training including training on the health and safety issues of employees. The companies which

conducted stakeholder training tended to be the market leaders in their respective sector. For example, Square Pharmaceuticals, Beximco Textiles and Dutch Bangla Bank had arranged a series of training programs to create awareness among stakeholders about sustainability. However, it was disappointing to find that Bangladeshi-listed companies lagged behind in the level of their CSER training in the "CSER strategy and communication" indicator section. This is perhaps because CSER strategy and policy are still in their infancy in Bangladesh. The CSER reporting culture is yet to emerge in Bangladesh as in many other developing countries.

### 5.7.1.3 Marketplace, Supply Chain and Product/Service Responsibility

In this study, the term "marketplace, supply chain and product/service responsibility" was commonly used to embrace both supplier-related CSER policy and customer-focused product/service initiatives in the marketplace. All the selected companies were taking note of the supply chain risk – 41% of them presented data in the "marketplace, supply chain and product/service responsibility" indicator section. Product quality and service information scored about 50%. Approximately 35% of companies had supplier-related CSER standards but the overall quality of disclosures and initiatives was not adequate. Only one company scored 100% in this section. Most of the companies did not have any supplier-related or supply chain-related sustainability policies. However, the reasons for the overall poor performance in disclosures and initiatives were the companies' greater concentration on cost minimization. Moreover, the general inclination of companies was to gain marketing advantage. For example:

*ACI follows International Standards on Quality Management System to ensure consistent quality of products and services to achieve customer satisfaction. ACI also meets all national regulatory requirements relating to its current businesses and ensures that current Good Manufacturing Practices (cGMP) as recommended by World Health Organization [WHO] is followed for its pharmaceutical operations. The management of ACI commits itself to quality as the prime consideration in all its business decisions. All employees of ACI must follow documented procedures to ensure compliance with quality standards (ACI annual report, 2010).*

Supply chain sustainability is an essential criterion for ready-made garments and textile companies in Bangladesh. Therefore, textile companies have implemented sustainable

supply chain practices to some extent to comply with international buyers' requirements although disclosure was limited.

### *5.7.1.4 Workplace/Human Resources*

In terms of "workplace/human resources", only 50% of the selected companies had an emphasis on health and safety management systems. The multinational companies and leading local Bangladeshi companies were more advanced in occupational health and safety practices in their organisations. Pharmaceutical and textile companies' occupational health and safety practices were much stronger than those of other companies. This is perhaps attributable to the fact that these companies operate within a factory-oriented manufacturing environment that attracts greater stakeholder pressure. While the top-listed companies in Bangladesh in terms of overall CSER reporting were dominated by the banking and finance sector, this sector was not well represented in terms of occupational health and safety reporting. The sampled companies were reluctant to report on risks and accidents and, importantly, there were no quantitative data in their annual reports or on their websites. This indicated that organisations did not want to disclose any accidents and risks in their voluntary reporting. Several companies scored 0% in policy disclosures for workplace environment and human resources (HR); however, the overall score for all selected companies in the "workplace/human resources" section was 28% which indicated very poor performance. Most companies, with the exception of six, failed to quantify staff training hours/budgets or to disclose diversity statistics. Two of the 20 companies disclosed full statistics on staff training and four companies provided partial information. For example, one finance sector company reported that:

*We provide continuous training to our employees regarding social and environmental issues, equal opportunity principles, racism, health and safety issues, employee volunteering, etc. (Prime Finance annual report 2010).*

The sampled companies were punctual in disclosing group-wide employee benefits including salaries. This was perhaps explained as the organisations' strategy for

attracting resourceful employees and as part of their wish to reduce employee turnover. For example:

*Our employee benefit policy is regularly reviewed to remain competitive in the market. Our compensation & benefit program includes Leave, LFA [leave fare assistance], Hospitalization and Maternity expense reimbursement, staff loans (LAMS, LAPF). Moreover, we provide long term benefits like car loans, House Building loans (fully insurance covered), Superannuation Fund, Long service award, etc. Our 'People' based culture sets us apart from other employers. And that is why we have been able to attract and retain the 'Best' resources in EBL. We recognise our 'People' as 'Human Capital' and we work hard to ensure that their good performance is rewarded (Eastern Bank annual report 2011, p. 174).*

All sampled companies provided at least one sentence in their annual report about their health policy. However, very few companies disclosed details of health initiatives in their reports. A number of companies conducted surveys for employees but the score was only 20%. As in many other developing countries, Bangladeshi companies were also not concerned with employee satisfaction. Only a limited number of organisations actually followed the working time/hours guidelines for their employees. In most cases, employees had to work more than 10 hours a day without any overtime payments. At least 50% of companies disclosed working environment/conditions-related information whereas only 30% of companies had a child labour policy. Child labour is a hot issue in Bangladesh. The clothing and textile companies complied with child labour standards as per international buyers' requirements but disclosures were limited. Banking companies claimed in their voluntary report that lending opportunities were restricted for organisations that used child workers. However, no statistics were provided about maternity/day care facilities for working mothers. Few organisations in Bangladesh provided day care facilities for working mothers, although leading textile companies disclosed limited information regarding this issue.

In terms of human rights' policies and initiatives, only 13% of companies provided information in their annual report. The analysis of these human rights' policies identified that UN Global Compact member companies had written a couple of sentences about human rights' policy. Only one company had a formal complaint/whistle-blower scheme which was due to its global strategy on sustainability reporting. The employee

bargaining option is a basic right and here the question arises about freedom of association. Textile and pharmaceutical companies had trade unions to a limited extent. In the current Bangladeshi socio-political environment, freedom of association could perhaps create greater organisational and social chaos. It has been observed that the bargaining mechanisms used by trade union leaders always end in social disorder, violence and damage to government and public property. However, to ensure sustainable business practices, it is essential to allow dialogue with trade unions, and organisations need to disclose trade union activities.

### 5.7.1.5 Environment

The overall disclosures by the selected companies in the "environment" section were only 38%, which showed poor performance. Only three companies scored more than 70% in environmental disclosures. The leading local Bangladeshi-listed companies' environmental disclosures have increased in recent times. The highest level of disclosure by an individual company was 88%. Most of the companies scored less than 40%. This is disappointing as Bangladesh is one of the most vulnerable countries due to the effect of global climate change. Most (about 70%) of the companies had an environmental policy in their annual report or on their website but the quality of information was not adequate as it only comprised a few general statements. For example:

*Although our activities have no direct impact on the environment, we are committed to taking positive action to reduce our contribution to climate change and our other impacts on the environment (Prime Finance and Investment Ltd annual report, 2010).*

*We strive as a responsible citizen, for a social order devoid of malpractices, anti-environmental behaviours, unethical and immoral activities and corruptive dealings (Square Textile annual report, 2010).*

Most companies only had brief statements about environmental policy on their websites or in their annual reports; however, eight companies had a full report on their environmental policy and initiatives including disclosure of carbon emission data. Approximately, 50% of companies disclosed water, energy and waste reduction information. However, only very few companies discussed their renewable energy-

related initiatives. The companies working in environment-sensitive industries provided more information in their annual reports. The general information under environmental responsibility included tree plantations, pollution control and environmental awareness. The banking and financial companies claimed 'green banking' as their vision and it has become a buzz word. For example:

*Climate change has become a global concern as it has direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. The key areas of environmental degradation are: air and water pollution, encroachment of rivers, improper disposal of industrial, medical and household waste, deforestation and loss of open space and biodiversity. People across the world now admit that Bangladesh is one of the major victims of climate change. Our organisation believes that every small 'GREEN' step taken today would go a long way in building a greener future and that each one of us can work towards a better global environment. Whether we finance businesses that invest in renewable energy or simply demand our employees switch their lights off after office hours, use daylight instead of electrical lights, turn off all air-conditioners after 6 pm, turn off half of ACs and lights after the transaction period, paperless office work, plant trees and encouraging green practices have been mainstays of our banking endeavours (Eastern Bank Ltd. annual report, 2010).*

Whilst the banking and financial organisations have reported their commitments to environmental sustainability, the actions taken by companies in other sectors have not gone beyond compliance with relevant government laws and regulations. Having an effluent treatment plant (ETP) for waste management is a key criterion for organisations working in a factory environment. Recently, the Bangladesh Government made ETPs mandatory for manufacturing plants and introduced monetary punishment for non-compliance. The banks have financed biogas plants and solar energy projects at a minimum interest rate owing to their environmental sustainability. Nevertheless, only a limited number of companies were found to have wildlife conservation policy-related disclosures. The extent of environmental disclosure was very poor and, in some cases, the disclosure statement was less than half a page. The companies working in the textile and clothing industry are more responsible for environmental damage but, surprisingly, their environmental initiatives and disclosures were less than those of companies in other sectors. Despite the lack of regulatory requirements, most companies had tree plantation activities as part of a government initiative which commenced in 1991. Some

organisations had introduced online communication to avoid paper wastage. Six companies stated in their annual reports about energy-saving light bulbs and reducing the use of air conditioning to minimize production of greenhouse gases. Overall, the environmental disclosures by the selected companies indicated growing trends towards environmental sustainability.

### 5.7.1.6 Community Investment and Development

While companies had poor performance in environment-related disclosures, increasing disclosure trends were found for the "community investment and development" section which scored 69%. The attitudes of companies seem to have shifted from the short-term philanthropic approach to value-added contributions for CSER and, to some extent, long-term projects (70%). Organisations in Bangladesh have now set community investment and development criteria. All sampled companies contribute monetary donations for social crises arising from natural disasters and emergencies. For example, each and every year, Bangladesh suffers from floods, cyclone, tornadoes, fires, etc. Government support alone cannot help all of the people affected in the community. Therefore, organisations come forward and donate money for community relief to the Prime Minister's Relief Fund. All companies reported their monetary donations for community relief in their annual reports and on their websites. The disclosures on monetary donations for natural disaster and community relief were extensive and extremely informative. A large number of organisations contributed to disaster relief and rehabilitation programs.

*We always stand beside the distressed people at the time when natural calamities occur. We provide support to the affected people in cash and kind for rehabilitation after the natural calamities like cyclone, flood, tornado, landslide, river erosion, devastating fire burns, etc. The donation in kind includes food, medicine, water purifying tablets, blankets, etc. (Dutch Bangla Bank annual report, 2010).*

In the present context, most of the companies provided greater concentration on education and health development of the community. In terms of education, companies offered long- and short-term scholarships for meritorious but poor students. Another promising strategy was that organisations were concentrating on renewable scholarships

for underprivileged but meritorious students to pursue their studies instead of providing them with a one-off monetary reward. Five of the organisations had their own schools and colleges which had been formed as social enterprises. For example:

*The bank established the National Bank Foundation in 1989 to remain involved with social welfare activities. The foundation is running the NBL Public School & College at Moghbazar where present enrolment is 1140. Besides awarding scholarships to the meritorious children of the employees, the bank has also extended financial support for their education (National Bank annual report, 2010).*

In addition, companies regularly supported sports, cultural programs and other national heritage building activities such as helping to construct and develop the Liberation War Museum. All of the selected companies were found to contribute to the health development of society. Bangladesh is an area severely affected by diseases. The health facilities are not adequate, and the cost of health treatment is beyond the capability of the general public. Unlike developed countries, no social security system is available from the government. The disclosures about medical camps for cleft lip patients, medication for disabled people and investment in medical research have received an increased level of attention in annual reports. The pharmaceutical companies have provided free medicine and, at times, have arranged medical camps for older people who have eye problems. The health support programs of companies are no longer on an ad hoc basis: they have become part of the regular practice of all of the selected companies. This is perhaps to gain customer favour and establish their brand image. The majority of banking companies were more advanced in terms of their health and education responsibilities; however, companies from other sectors had few disclosures on education and health. One pharmaceutical company noted:

*The company donates a large amount of medicines to the underserved and the victims of natural disaster. In 2010, Beximco Pharma made a generous donation of Tk. 10 million worth of drugs to the nationwide health camp for medical treatment of the underprivileged. Beximco Pharma regularly takes part in awareness campaigns in the form of rallies, poster presentations and seminars to observe Asthma Day, World Hypertension Day, Diabetes Day, AIDS Day etc., in addition to organising and sponsoring scientific seminars and conferences for various associations and societies in medical disciplines. Through the FRF [Fazlur Rahman Foundation], the company has also been engaged in philanthropic activities for*

*over a decade, providing medical consultation and diagnostic support at cost (Beximco Pharmaceuticals annual report, 2010).*

Several companies have introduced investment schemes to cater for the needs of self-employed people and poverty alleviation with banking organisations the leaders in contributing to such initiatives. For example, banks have provided finance to poor farmers, landless peasants, women entrepreneurs, rootless slum people, handicapped people and tribal people at minimum interest rates. The organisations have worked collectively with the NGOs that have an agricultural development and poverty alleviation agenda. Disclosures of such initiatives were available in the companies' annual reports. Bangladesh, along with another five countries, received a UN Millennium Development Goals (MDGs) award in 2010 for fulfilling its commitments to work together to build a safer, more prosperous and equitable world. The MDGs include goals and targets on poverty, hunger, maternal and child mortality, disease, inadequate shelter, gender inequality, environmental degradation and the Global Partnership for Development. Companies in Bangladesh played a significant role in achieving this prestigious award.

## 5.8 SUMMARY

This chapter has presented the findings from in-depth interviews with senior managers and results from the content analysis of publicly available materials such as annual reports, stand-alone CSER reports and website information. Qualitative data were generated from 20 interviews conducted with senior managers from 20 companies in Bangladesh. In addition, CSER disclosures from the 20 interviewees' companies were analysed to explore the nature and extent of social and environmental reporting. NVivo 9 software was used for the data analysis of the managerial interviews as NVivo is considered to be an effective data management tool by qualitative researchers. However, for the content analysis, the GRI guidelines were adopted. The findings from the managerial perspective in this chapter have addressed, in part, the overarching objective of exploring the CSER practices and reporting in Bangladesh. Based on the interviews with senior managers, the key stakeholders have been identified.

The managerial interviews show that social obligation, board of directors motivation, corporate image, regulatory influence, and pressure from external powerful stakeholders such as internal buyers have influenced CSER activities. The findings further illustrate the main barriers of CSER reporting due to: lack of regulatory framework, tendancy to disobey laws, lack of goveronment initiatives, lack of awareness and socio-economic contextual factors. The interviewees suggest that goveronment and regulatory initiatives can enhance the CSER activities. The overall managerial interviewees show little interest in disclosing CSER activities. The content analysis of annual report shows that there is an incresing pattern of disclosures among Bangladeshi organisations. The next chapter (Chapter 6) discusses the findings on the key stakeholders' views and expectations of the CSER phenomenon in Bangladesh.

# CHAPTER 6
## FINDINGS FROM STAKEHOLDERS' PERSPECTIVE[4]

### 6.1 INTRODUCTION

This chapter explores the views and expectations of key stakeholder groups on the CSER phenomenon in Bangladesh. The key stakeholders were social and environmental NGOs, electronic and print media, Bangladesh Bank (the central bank of Bangladesh), the Bangladesh Ministry of Environment and Forests (MOEF), the Bangladesh Securities and Exchange Commission (SEC), the Dhaka Stock Exchange (DSE), the Consumer Association of Bangladesh (CAB) and Bangladesh Poribesh Andolon (BAPA). These key stakeholders were identified by the senior managers in the interviews discussed in Chapter 5. The data have been collected through semi-structured in-depth interviews. The findings were the result of exploring the overall views of stakeholder groups regarding the CSER phenomenon which have facilitated a comparison with managerial views (RQ.2) and have provided insights regarding enablers that will possibly have the most impact on enhancing CSER in the fulfilment of stakeholder expectations in Bangladesh (RQ.3). The findings also provided future guidelines for CSER in Bangladesh (see Figure 6.1).

### 6.2. GENERAL VIEWS ON CSER

The interviews with stakeholder groups produced the following sub-themes/categories which will be discussed in the following subsections. Similar to managerial interviews,

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[4] Part of this chapter has been presented at the following conferences:

1. Hossain, M, Rowe, A and Quaddus, M (2013). "Stakeholders' perspective of corporate social and environmental responsibility (CSER) practices and reporting in an emerging economy" Paper presented in the proceedings of Accounting and Finance Association of Australia and New Zealand (AFAANZ) Conference, 7-9 July 2013, Perth, Australia.

2. Hossain, M (2013). "The voice of stakeholders towards corporate social and environmental responsibility (CSER) practices and reporting: Evidence from a developing country". Paper presented in the proceedings of 3<sup>rd</sup> CGSB Research Forum, Emerging Research Initiatives and Developments in Business, Curtin Graduate School of Business, Curtin University, 2-3 May 2013.

data analysis and coding followed the same procedures as discussed detail in section 4.4.5 in chapter 4.

### 6.2.1 Corporate Size and Multinational Effects on CSER

The majority of multinational companies (MNCs) operating in Bangladesh are compelled to adopt CSER strategy as guided by their parent companies. Although CSER is new in Bangladesh, most of the MNCs have CSER codes and policies such as labour law, human rights, anti-corruption policy, etc. The MNCs are involved with different suppliers and stakeholders around the world. One interviewee from the SEC expressed his sad concerns about poor CSER practices by Bangladeshi companies and he ranked it as "below average". He also commented that the MNC "is a pioneer of CSER practices" in Bangladesh (RA1). The leading local Bangladeshi companies have followed the footsteps of MNCs towards voluntary CSER reporting. One NGO leader argued that MNCs' compliance makes them more accountable to society and environment. However, leading local companies have just started "mushrooming" the concept as stated below:

*MNCs are working with their mother companies in the developed world, which are really sort of pressurising them to use certain compliance measures whereas most companies in Bangladesh, mushrooming over the last 20 years, do not have the financial resources or the knowledge platform where they can gain the expertise or the vision on sustainable business ventures. The bigger companies which exist in Bangladesh and have foreign exposure, they know much about Corporate Social Responsibility but some are still lacking (Interviewee CS2).*

Although local Bangladeshi-listed companies have sporadic CSER activities, the evidence has suggested that they generally do not bother reporting on their activities. The stakeholder groups in this study have agreed that CSER activities should be disclosed in companies' annual reports. One NGO leader stated:

*As a stakeholder we want to know about their social and environmental responsibility activities. They need to report their responsible activities in the annual report (Interviewee NGO2).*

**Stakeholders' expectations**
-Community and social focus
-Need CSER framework
-Implementation of laws
-Incorporating poverty alleviation goal
-Positive organisational leadership for CSER
-Conceptualise Bengali values and culture through obligation
-Awareness and education

**General views of stakeholders**
-Corporate size and multinational effects
-CSER enhances productivity
-'Green washing' marketing
-Lack of environmental focus
-CSER: a new and growing concept
-Mandatory CSER

**Stakeholders' perspectives of CSER in Bangladesh**

**CSER impediments**
-Corruption and politics
-Lack of coordination
-Lack of government initiatives
-Lack of law enforcement and resources
-Lack of knowledge and mindset

**Emerging role of stakeholders**
-Role of NGOs
-Role of media
-Role of civil society

**Figure 6.1:** CSER reporting phenomenon from stakeholders' perspective

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### 6.2.2 CSER Enhances Productivity

Employees are the heart of any organisation in achieving productivity. CSER focuses on workers' benefits by ensuring competitive wages and all other fringe benefits such as an excellent working environment, health and safety in the workplace and retirement benefits. An organisation cannot be sustained in the long run without employees' loyalty. The assurance of higher productivity and higher profit depends on employees' satisfaction. Whilst most of the interviewees agreed that CSER should concentrate more on employees' benefits for their own sake, one interviewee from a regulatory authority highlighted the indirect benefit of CSER:

*In order to make oneself acceptable, participation in social responsibility is a must. If the company builds and maintains a road for the people who walk around, the company will be seen as a good company. Ultimately, this will have an impact in the company's profitability. Although we call it corporate social responsibility, ultimately, it leads to increased productivity, profitability and acceptability for the company and therefore, organisations get motivation to undertake CSER and disclose this information (Interviewee RA2).*

The stakeholders asserted that the establishment of schools, colleges and hospitals alongside factory or office premises should be one of the main concerns for organisations. They further argued that the perceptions of the general public (including employees working in that organisation) would change positively due to that organisation's CSER activities. One interviewee from the regulatory authority (Interviewee RA1) expressed his view that CSER would have a high positive impact on company performance. He also felt that if employees absorbed the concept of CSER and understood the impact of social and environmental issues, this would be of greater benefit to society. Creating credibility and trust is one of the important aspects for organisations through CSER practices.

*The companies in Bangladesh intentionally are reluctant to spend money for employees' benefit purpose. They want more profit by spending less on employees, which is "absolutely rubbish" (Interviewee CS1).*

### 6.2.3 'Green Washing' Marketing

The stakeholders interviewed perceived that most of the companies that disclose on CSER tend to inflate their CSER practices. This indicated the hidden desire of companies to promote their reputation, products, services or brand. One leading electronic media journalist felt that organisations did not conceptualise the actual meaning of social and environmental obligations; instead giving more priority to establishing their brand image. The stakeholders expressed the view that they were extremely against such corporate behaviour. One interviewee commented:

*Right now what we can see, being people in the media, is that many corporate houses carry out some form of social responsibility through their advertisements. They bring out social campaign advertisements against AIDS and dowry. But behind these, they have an ulterior motive. They get to put their names at the end and, hence, publicise themselves. But these campaigns are limited to advertisements; for example, they don't actually get out into the field and take some action against the dowry system (Interviewee EM2).*

Interviewees MP1 and MP2 responded that businesses would not survive in the long run if they only focused on profit. The business organisations needed to work for society "to create a good image and at the same time they will also pursue their business interest" (Interviewee MP1). Interviewee MP2 blamed companies' greedy attitudes towards profit and spoke about companies' motivation towards CSER further arguing that companies were reluctant to establish effluent treatment plants (ETPs) for their factories which they called an "unnecessary cost increase". Most of the stakeholders perceived that the more established organisations were better at CSER practices than newly established organisations as the latter did not worry about CSER practices and reporting. It was evident from the interviews that most of the established organisations had been practising some significant amounts of CSER activities from the very beginning in the form of philanthropic and social community activities. One of the interviewees, the leader of a Bangladeshi consumer association, responded about the quality of products and services provided by companies:

*Consumers are still helpless in our country in all regards be it products or services. There are many products manufactured by giant companies, which we often test and find to be below the standard quality.*

*This is very sad. It would be a lengthy process if we were to check all products and services for quality. Still, whenever we test and find deviations, we try to talk about them within our limited resources (Interviewee NGO4).*

Top electronic media journalists asserted that some powerful organisations abused their power in antisocial activities, and activities that were not environmentally sound. Interviewees also found that when a corporate organisation began any project, they did not consider the environmental effects: they only considered the benefits to themselves:

*There is a rule that a certain percentage of the profit that remains after all the expenditures has to be spent for the welfare of the labourers. In practical terms, there is no social activity for the labourers. A few days ago, Bangladesh witnessed a huge natural disaster – the Cyclone Sidr – which killed thousands and left many homeless till today. Under this circumstance, BGMEA has occupied land and made a building for itself. Even the government does not have the courage to stand up against them because they are involved with so many big businesses (Interviewee EM1).*

The stakeholders criticised companies' advertisement strategies through electronic billboards which were constructed as a city beautification project. The disclosures of city beautification activities were strongly emphasised in annual reports. The interviewees believed that organisations spent money for work on social issues with a desire to advertise their work through their annual reports. One stakeholder stated that:

*They are not helping; instead they are causing all sorts of trouble themselves. These types of responsibility are supposed to be carried out selflessly. Well, of course a business organisation will try to fulfil its own objectives but personal objectives should not come to the forefront; their own objectives should take up 10% while duty towards society should take up 90% priority. Unfortunately, for our country it is the other way round (Interviewee EM2).*

### 6.2.4 Lack of Environmental Focus

The stakeholders were asked to provide their views on environmental responsibility practices and related disclosures. The findings showed a huge expectation gap between organisations' environmental responsibilities and stakeholders' expectations. Moreover, air and water pollution were receiving increased attention among stakeholders with it assumed that this was caused by corporate organisations. For example, the major cities of Bangladesh are situated on the banks of rivers where most of the factories are located.

The factories dispose of industrial waste directly into the river or air without any treatment systems. The interviewees also criticised the dual role of organisations. For example, some organisations planted trees while, at the same time, they were destroying the environment. Several stakeholders stated that the ship breaking industry had recently had a tremendous negative impact on the environment. They argued that toxins and other harmful chemicals were disposed of from the ship thus polluting the whole coastal area. The workers did not use any masks or health or safety measures while cutting up the ship. The companies who were involved in this industry were not concerned about the environment or even about people's lives.

*All trees in the coastal belts are being chopped down to create ship breaking plants and nothing can stop them. The government has tried, the high court has passed law and the police have gone there. But nothing has helped because some political people and ministers are involved here. Instead of imposing strict environmental compliance, the government is relaxing its regulations. The government says that this industry has to be established first; then steps can be taken to make it an environment-friendly sector. But organisations that are directly involved in environmental degradation by cutting down trees do not care. They do not provide any information about these activities in their report (Interviewee MP1).*

*All the organisations, particularly those involved in manufacturing, are disposing of their waste in a way that is polluting the environment. The main cause of the water pollution is the waste disposal, especially by the dyeing companies. They are jeopardising the whole environment. They merely provide any information which causes the damage of environment (Interviewee NGO3).*

The views of stakeholders confirmed that waste management was a significant problem and the Bangladesh Government should be taking the initiative to set standards for waste management systems. One NGO leader argued that the government particularly "the Environmental Ministry should take responsibility regarding this issue" (NGO-1). While the government had established limited rules and regulations about environmental responsibility, the interviewee from the Ministry of Environment and Forests expressed her inability to implement the laws.

*We have conducted so many meetings, seminars and workshops, but the companies are still not complying. The companies say that this is costly and they are too poor to afford an effluent treatment plant (ETP); they said they need subsidies. Now the government is even trying to provide subsidies. For example, there is the relocation of tanneries in progress. These tanneries pollute water bodies in the*

*Rayer Bazaar and Dhanmondi areas. So they are being shifted to a large area in Savar. A central ETP will be set up there with the help of the government (Interviewee GA1).*

The above opinion emphasised the desire and willingness from the government and the law enforcement agency to ensure environmental responsibility: however, the government was not concerned about disclosure on CSER activities. A limited number of interviewees indicated the view that organisations were not interested in environmental reporting owing to fear arising from pressure from stakeholders.

### 6.2.5 CSER: A New and Growing Concept

As in many other developing countries, CSER is at an initial stage in Bangladesh due to the socio-economic conditions. It is not possible for the Bangladeshi corporate sector to reach an international standard overnight. Only 15.4% of listed companies have CSER reporting in Bangladesh. Nevertheless, the interviewees believed that CSER and reporting would increase gradually. One typical comment from an interviewee was as follows:

*These are long-term processes – not short-term. Time has to be given and there's no alternative to that. We are thinking about all the avenues of CSR but we cannot work with all of them at a time. It will happen gradually. It would be quite immature if you raise the issue of human rights with a person who does not get to have a proper meal. So, we have to get in sync with the standards while keeping the economic condition of the country in mind (Interviewee RA3).*

Moreover, the concepts of CSER and its disclosure were not quite clear to the general stakeholders who were the beneficiaries of CSER. The stakeholders were highly optimistic about the progress of CSER in Bangladesh. They argued that considering the local contextual factors (see Section 2.7.2), organisations should have a CSER policy and strategy that had a local flavour. Whilst CSER is an emerging concept in Bangladesh, stakeholders argued that, compared to other subcontinent nations, Bangladesh is doing fine:

*But, I think if you compare us to say Nepal or Sri Lanka or Bhutan and such regions then I think we are at a better position than others. It will take a little bit of time. I think already the grain of CSR is there; it is a matter of creating and facilitating the change and building the bridge. So, I think in another 10 years we should see substantial change in Bangladesh (Interviewee CS2).*

*We have formulated all sorts of regulations related to the environment and other management areas. I do not think any other LDC is so much equipped like Bangladesh. It is already well appreciated. There are many programs from where we can address all issues. We are planning to establish a Ministry of Climate Change. In fact we already have a Climate Change Unit or CCU under the Department of Environment. However, we will establish a Ministry of Climate Change which will only conduct research on climate change. After five years, we will be very rich in the area of the environment (Interviewee GA1).*

All of the stakeholders shared the belief that companies working in textiles, banking and pharmaceutical sectors had a growing CSER agenda and reporting due to external pressure. For example, clothing companies ensured that they met certain social and environmental standards owing to pressure exerted by foreign buyers to meet a certain level of social and environmental compliance. Banking companies had standard CSER reporting practices due to the central bank's motivation towards green banking. The pharmaceutical and chemical companies only had a small amount of CSER practices and disclosures were also limited. However, all things considered, stakeholders were not happy with companies' CSER reporting practices.

*I think that to date there is no company in Bangladesh which thinks about consumer interests. But without consumers, companies cannot survive because consumers are the end-users of all their products and services. But they never think of the consumers as a class. However, new thoughts have begun to be attached to trade and business because of the young generation. The old timers never gave thought to the consumers and treated consumers as kings; rather it was like 'consumers are the slaves'. Today, young people are studying abroad and slowly they are incorporating consumers in their thoughts to a certain extent. But not enough has happened yet (Interviewee NGO4).*

The media journalists who reported on social and environmental matters noticed that CSER was gradually improving in Bangladesh. One media journalist highlighted that hundreds of companies at least had reached a certain level with positive developments in terms of social and environmental issues. A framework for CSER is necessary to accelerate the practices.

*In the last two years, the companies in Bangladesh have reached a certain level, which is something very positive for social development. Even 10 years ago, we could not imagine this. However, at the same time, there are some activities by companies which make us think and which agitate us, because we have a lot of expectations from them. As the number of companies or corporate houses is increasing, the horizon is expanding. We have developed in terms of computer technology and IT. Instantaneous communication has*

*gotten easier. However, we are lagging behind in terms of structural framework. As I was saying, none of the companies have done anything significant to eliminate traffic congestion in Dhaka (Interviewee EM1).*

### *6.2.6 Mandatory CSER Reporting*

All interviewees from the stakeholder groups were asked whether CSER reporting should be mandatory in Bangladesh. The majority had mixed views, exploring the pros and cons of mandatory adoption of CSER reporting practices. Currently, there are some laws which relate to the environment, child labour and other issues which have not been properly implemented. They also highlighted that the relevant regulatory authority should act in their respective industry so that organisations working within the industry could follow the regulators' guidelines. Typical responses from interviewees included the following two comments:

*Yes, of course they should be considered. There is no end to the woes of our society. The corporate houses should work with a target set to solve these problems. That way, much good can be achieved. I went to Haor area recently and saw that the communication system over there is very poor. It's like the light of civilisation has not reached that area yet because of the poor communication network. The corporate houses can help in developing the communication in that area (Interviewee EM2).*

*Nothing works properly in Bangladesh without regulatory measures. There should be regulatory measures. In our country, everything is run by the government. Regulation has to come from the government – be it democratic or autocratic. Whether it is effective or not is a different issue. Regulations are needed because out there no one wants to do anything for someone else. When regulations will come, then it will turn into a habit for organisations to comply with environmental laws and provide information to their stakeholders (Interviewee MP2).*

Interviewees from both the Bangladesh Enterprise Institute (BEI) and the Consumer Association of Bangladesh (CAB) also strongly supported mandatory regulations for CSER reporting in Bangladesh. The BEI is a donor-funded organisation that works as a catalyst for good governance in the corporate sector in Bangladesh. It is the initiator of corporate governance rules and released the *Code of Corporate Governance for Bangladesh* in 2003: later, the SEC adopted the corporate governance code released by the BEI through a circular in 2006. The representative from the CAB also supported mandatory CSER and believed that, to save the environment and society from the "nasty

hands" of corporate evil, the only alternative was mandatory CSER. One interviewee remarked that:

*For Bangladesh, regulatory measures are the only way to actually incorporate CSR because we have a tendency to shy away. As you know, in Bangladesh we had a lot of issues with corruption, a lot of issues in the banking sector regarding default loans. Even those who have the money, the exposure and the knowledge do not incorporate a lot of things if there are no laws. So, I think in a country such as ours initially we have to start with regulations. If regulation comes, they will have to adhere to it but it also conflicts with the whole concept of CSR (Interviewee CS2).*

Whilst most of the interviewees were strongly in support of mandatory CSER, one of the representatives from the regulatory authority (DSE) provided his cautious comments that voluntary activities regulated by laws could have negative impacts. He was anxious about organisations' unethical attitudes which would seek the gap in the laws so they could take advantage of it. The reason behind his suspicion is that Bangladesh and a Western developed country are not culturally and contextually the same when it comes to adopting anything. The following comment from one interviewee from the DSE provided a clear picture of this point:

*I do not think imposing laws will increase the level of social responsibility. You must have seen in a Western developed country that auditing is not mandatory for private companies. But a listed public company must carry out auditing. If there is a law, what will happen is that the companies will spend exactly that very amount which is specified in the law. Everything cannot be ensured through laws. If you want to encourage CSR and make the company acceptable, you should make CSR a voluntary activity rather than a mandatory one. This will be beneficial for both the environment and the company itself. There will be a positive impact on the company's profitability as well as in the society (Interviewee RA2).*

The interviewees agreed that the concerns were not about the regulations but rather the actual implementation of regulations with punishment for non-compliance. The interviewee from the major environmental regulator (Interviewee GA1) observed that the attitudes of companies did not change even after receiving a huge fine. The Ministry of Environment and Forests operates a mobile court on a regular basis for factories that do not ensure environmental compliance. However, political leaders especially Ministers and Members of Parliament as well as government officials are involved in these incidents of non-compliance. One interviewee from electronic media noted:

*The government should pressurise companies to take part in social activities. It should set specific regulations for the different sectors to take part in different social activities. However, instead of doing this, the government is busy providing facilities to these irresponsible businesses because often the different ministers and high-level government officials themselves are involved with these businesses. The members of the parliament, who are supposed to set the laws, often get so many facilities from the companies that they are biased towards them and are reluctant to take actions. But the general public wants the members of the parliament and the ministers to set regulations (Interviewee EM1).*

## 6.3 OPINION OF STAKEHOLDERS ON CSER IMPEDIMENTS

### 6.3.1 Corruption and Politics

All interviewees from the stakeholder groups were asked about impediments to the CSER phenomenon in Bangladesh. The majority stated that corruption was one of the major impediments to the CSER phenomenon. As in many other developing countries, corruption is a serious social malaise in Bangladesh where it has stopped the country's economic and social progress. According to a World Bank (2002) report, the level of corruption in Bangladesh had already reached an unaffordable and unacceptable mark. Most of the interviewees agreed that the involvement of political leaders and government officials in corruption had restricted the accountability of the corporate sector. As previously mentioned in Section 6.2, existing laws relating to social and environmental issues such as labour laws cannot be enforced due to corruption and the bribery activities of government officials. One interviewee noted that:

*When someone is caught red-handed, he calls up the police station, ministers and what not. If you find a factory without an ETP and you cut off their power supply, after two days you will see they have repaired their electricity lines and resumed working. You free land from encroachers, after two days you will see it has been occupied again. Corruption, political influence and the mentality of the businessmen are big factors (Interviewee MP1).*

The respondents from social and environmental NGOs claimed that corruption was the result of dishonesty, suggesting the need for moral and ethical development among internal and external stakeholders. For example, corruption is involved in obtaining an environmental clearance certificate from the Bangladesh Department of Environment. The negative exercise of administrative power and dishonesty were common among

government officials who were involved in the implementation of laws. The stakeholders emphasised political parties' accountability and transparency and, at the same time, made the point that the voices of civil society, NGOs and the media need to be raised. The political leaders receive bribes from businessmen to disobey laws which increase corruption. One NGO leader argued that:

*Politicians have a responsibility too but today's politics is ridden with corruption. Politics has become limited within monetary power and weapons. Since it has become limited, you cannot expect any qualitative change from them. Here the NGO groups can play a role and when I say "NGO", I also include the pressure groups. I am talking about the NGOs acting as watchdogs. Exposure of organisations can occur through the media, and because of the exposure, the government comes along as well (Interviewee NGO4).*

The respondents further warned about the inefficiency of NGOs and the media in raising issues and creating awareness. The representatives from NGOs also criticised themselves admitting that they were a long way from their primary objectives and that they were acting like business organisations.

### 6.3.2 Lack of Coordination

Overall, most of the interviewees recognised that coordination would be a very important strategy for successfully implementing CSER and disclosure in Bangladesh. They considered that Bangladesh's administrative and financial systems were still following the bureaucratic colonial British systems. The decision-making process of the public sector was caught up in the loop of red tape and in "evil hands". For example, if an organisation created any activities that were harmful for society, the relevant authority would always find a way to avoid responsibility and try to blame another authority. As one interviewee noted:

*There is no end to the afflictions in our society. The corporate houses can work in this regard and I don't think such work will cause them much loss. What I deem to be very important is that these corporate houses must have some sort of a link with the NGOs and they can find the emerging social and environmental issues. I have not seen too many government organisations work at the field level, although that falls under their responsibility. But I have seen many NGOs doing such work in the remote areas. So, the NGOs can involve the corporate houses here (Interviewee EM2).*

All interviewees indicated that coordination could help to create competition among businesses so that they would participate more in CSER which would benefit society as well as organisations. The interviewee from the prime regulator for listed companies in Bangladesh, the SEC, argued that NGOs, the media and pressure groups needed to step forward regarding these issues. For example, some organisations were helping meritorious students and spending large amounts of money on health care facilities. Some organisations were helping the national cricket team and other forms of sports. Due to the lack of coordination and the lack of a formal code of conduct, organisations' CSER practices were based on their preferences and their benefits. As one interviewee remarked:

*We all have to work very closely together. There is no time to work in isolation because our problem has become very multi-dimensional. So, we have to work with a very integrated approach because our problems pertain not only to the environment or society but also to food, clothing and medicine. So, our community is facing multiple problems. That is why, if we work in isolation, no big impact can be made. So, we have to work very closely together (Interviewee NGO1).*

While most of the interviewees highlighted the need for coordination, two interviewees explored the effects of non-coordination. For example, thousands of manufacturing firms dispose of their chemicals and waste directly into the rivers without using ETPs. The tannery industry is one of the major sectors responsible for this social and environmental disaster. Residents living nearby to these areas are at risk of health problems and skin diseases. The interviewees indicated that although over the last 20 years, the Bangladesh Government has taken the initiative to shift tanneries away from residential areas; this has failed due to the lack of coordination between the different departments of government. A typical comment was:

[*But even] today corporate social responsibility has not been conceptualised by the companies in its true sense. Environment laws are there but the teeth of these laws are not as sharp as they should be. So I think amendments in the environment laws are needed. Someday maybe the law regarding food should also be amended. Nothing can be seen in isolation. Coordinated efforts are needed to face today's problems. Otherwise, a qualitative change cannot be brought about. And there has to be continuous efforts (Interviewee NGO4).*

One of the senior social and environmental journalists (Interviewee EM1) warned that if organisations did not stop antisocial activities and activities that were destructive to the environment, the country's environment would collapse.

### 6.3.3 Lack of Government Initiatives

The interviewees believed that the government could play a significant role in establishing CSER policy and strategy. Bangladesh is a developing country where political influence takes place everywhere, and the tendency of businessmen is to find the gap in rules and regulations. The interviewees alleged that Bangladesh was facing many social and environmental problems such as poverty, corruption, human development, unemployment, and health and safety issues. The government could undertake initiatives engaging organisations in social and environmental development. As one interviewee commented:

*The government can ask the corporate houses to establish all those hospitals which it cannot afford to produce by itself. Then, Bangladesh also has a huge energy crisis. The corporate houses can help in energy generation. They have the capacity and, in the process, they would be helping themselves as well as the country. There are many corporate houses which consume a lot of energy. If they want, they can generate the energy they need by themselves since the country has such a great energy crisis. And when it comes to raising awareness among the general public, the corporate houses can easily do this not just through advertisements but by active fieldwork. Finally, they can definitely play a good role in poverty alleviation (Interviewee EM2).*

The interviewees further agreed that it was not possible for the government, on its own, to raise educational awareness and to entirely eliminate poverty and sanitation issues. If the government could successfully encourage the corporate sector to engage in these issues, the poverty level would be decreased reaching the target set by the government to meet the Millennium Development Goals (MDGs). Most of the interviewees provided their strong opinions on strict implementation of environmental laws. As expressed in the senior managers' views (see Chapter 5), the stakeholders also emphasised establishing public–private partnerships (PPPs) to develop a socially and environmentally-friendly business culture. Unfortunately, the government sometimes

inadvertently encouraged offenders to damage the environment. As one interviewee noted:

*The forest department of the government has a significant role in the cutting down of trees that is taking place in Sylhet. This is not only something deleterious for the environment but it also raises an issue about human rights because the habitat of tribal people is being affected. When we protest and take cases to the High Court, they send the tribal people to BAPA and try to fix up the issue with us (Interviewee CS1).*

However, interviewees from the regulatory bodies stated that motivation through providing tax shields for CSER expenditure would encourage organisations towards CSER practice and reporting.

*Those who are doing CSR, I laud their initiative, since they are doing this in spite of the absence of regulations. However, it is not like these companies are working at their optimum level. They can easily do more if they want to. If there are regulatory rules or if they receive encouragement from other sources, they would do more. There should be incentives. Maybe their ranking could be improved or they could be given some exemptions, such as tax exemption, from the government. Such requirements would make them do CSR at their optimal level. That level has not yet been reached (RA1).*

### 6.3.4 Lack of Law Enforcement and Resources

As was mentioned earlier, there are laws regarding corporate social and environmental issues but the main problem is the non-implementation of the laws. The socio-economic context which includes weak legislative systems, corruption, bribery activities and the inactive voice of civil society has led to ineffective enforcement of laws in Bangladesh. Two environmental NGO leaders blamed government, particularly the Ministry of Environment and Forests, for their sluggish law enforcement policy.

*There is a need for the government to enforce strong regulations. It is essential to have these laws made mandatory. So, I want to see the government implementing laws. Also I want the companies that are working on CSR now to work not voluntarily but with a sense of social obligation. It is a strategic issue and five years is a long time. I want to see 100% of the corporate sector working for CSR. The government should take strict measures against those who do not participate in CSR. I want to see the Department of Environment and the Environment Ministry voicing up in this regard and, as a result of that, I want to see the threatening activities coming to an end (Interviewee NGO3).*

The interviewees alleged that laws in Bangladesh were implemented mostly to be imposed upon weaker individuals or weak organisations. Realistically, powerful individuals or powerful organisations did not care about laws as the implementation of the laws and penalties was negligible for them and weak. The interviewees from the stakeholders observed that since Bangladesh's independence in 1971, those who disobeyed the law were the same people who made the law. For example, the majority of corporate owners are the Ministers, Members of Parliament and political party leaders. The concerns of the general public or the voice of civil society cannot go against them. This clear picture of authoritarian influence over CSER was highlighted by the following comment:

*The businessman buys the muscleman or most influential person of that region while starting any business. So, whenever civil society raises its voice against the pollution, that influential person steps up and stops the pressure group. There are people in our society who do not have the frame of mind or the social status to ignore the threats of the influential people and raise their voice. So, these pressure groups cannot progress much. Politics is involved here. I am not blaming just the current government; the scenario has always been the same. The influential people are politically linked and enjoy financial benefits from the owners of the industries; they suppress the social issues. The general people are unable to do anything against this (Interviewee NGO2).*

The participating stakeholders revealed the actual hidden inner reality of bureaucratic systems mixed with politics backed by power and weapons. The Ministry of Environment and Forests, the SEC and the DSE confirmed that they did not have enough resources to implement all laws. Nevertheless, they were very much focused on corporate social and environmental issues.

### 6.3.5 Lack of Knowledge and Mindset towards CSER

All of the interviewees confirmed that the general public only witnessed CSER activities at the time of natural disasters. The understanding of CSER among stakeholders was limited to some social involvement. The senior managers or boards of directors of organisations do not appear to grasp the concept of CSER. Moreover, the managers responsible for CSER reporting were helpless as decisions about voluntary social and environmental responsibilities were controlled by top management. Therefore, the

stakeholders were demanding an organisational mindset towards CSER reporting. The misguided idea of ad hoc activities in the form of mere donations cannot be construed as sustainable CSER. For example, the following interviewees indicated that:

*Spontaneous activities do not take place. One reason behind this could be that the executives recruited in a bank are expected to do just banking activities when they are recruited. So, if all of a sudden, we ask them to devise plans and programs for society that would be something new for them. A lack of expertise can be noticed here. The executives or employees in the banking sector are not very clear on issues such as accounting for social activities and impact analysis. They could be trained (Interviewee RA3).*

*The main factor is the mindset. The other countries of the world carry out social responsibility to ensure fulfilment of their business objectives. These countries must have seen that such fulfilment does indeed occur. The corporate houses in our country have not started thinking along those lines yet; they only think about short-term profit which prevents them from carrying out social responsibility. So a change in mindset needs to occur. They must realise that CSR activities will not just help society but will also help them in the long run (Interviewee EM2).*

The above quotations described awareness and mindset problems towards CSER practices and reporting. The common perception among all interviewees was that organisations and stakeholders needed a clear understanding of the concept of CSER.

## 6.4 STAKEHOLDERS' ROLE TOWARDS CSER

### 6.4.1 Role of NGOs

When asked about the role of stakeholders (self-responsibility) in regards to the CSER phenomenon, optimistic views and expectations were found among the interviewees as a group. In particular, interviewees from three major stakeholder groups, namely, the Consumer Association of Bangladesh (CAB), Ministry of Environment and Forests (MOEF) and Dhaka Stock Exchange (DSE) identified the significant role of NGOs in embracing CSER in Bangladesh. The interviewees affirmed that the role of NGOs was not limited to charitable orientation, but also encompassed microfinance and other social work to reduce poverty and increase economic sustainability. NGOs were now working on the front line to address social and environmental issues as well as climate change-related issues. The various stakeholders' views including NGOs' self-perception were

analysed to identify the role of NGOs in the diffusion of CSER among companies in Bangladesh. The stakeholders saw the NGOs as powerful and influential parties that could build up awareness which might bring about change in society. Sometimes NGOs worked better than the media as the media still could not reach the grassroots level of Bangladesh due to location and technological constraints. As noted by one interviewee from a regulatory authority:

*NGOs work at a grassroots level: they can go door-to-door and to slums to spread awareness. This is happening individually; I do not as yet see any coordination. The government can have a role to play here. The Ministry of Social Welfare or any other relevant ministry can exert an influence here. They can consider developing a legal framework (Interviewee RA1).*

The advocacy and often critiquing role of NGOs was seen as very effective by the interviewees. The interviewees stressed that NGOs and corporate bodies should work together, and that the focus should be on advocacy. The majority of the interviewees, including media journalists, believed that NGOs were the influential pressure group which would be able to meet the stakeholders' expectations through creating awareness inside companies' policies. Collaborative work by NGOs and the media could produce the best results.

As one interviewee articulated:

*The NGOs should regularly carry out awareness-raising programs and set examples. They should carry out research on the laws and present their findings. The NGOs can both influence and pressurise companies. The media could do regular reporting. The job of the regulatory bodies should be to implement the regulations properly, without any bias. Everyone is a pressure group; these groups should continue exerting pressure (Interviewee MP1).*

The issue of climate change is a hot topic across the world and Bangladesh is no exception. Bangladesh currently experiences extreme vulnerability as a result of global climate change which has severe impacts such as cyclones, floods, sea level rises, etc. Cyclones originate in the deep Indian Ocean and track through the Bay of Bengal where the shallow waters contribute to huge tidal surges when cyclones make landfall. Given this climate change-related vulnerability, a crucial question is whether the government alone is responsible for taking preventive measures or whether it should participate

together with the corporate sector to help Bangladesh recover from natural disasters as part of their social and environmental responsibilities. The respondents agreed that joint work by NGOs and organisations was necessary. One NGO leader suggested that the government needed to exert pressure on NGOs to engage more in environmental activities:

*If there are some mandatory regulations, I believe that capacity building would be better. Our organisation is a very small one. I used to work at a bigger organisation. When I founded this organisation, I had to face a lot of challenges and I still do. If the government or the corporate sector had worked towards our capacity development, then we would have been able to work better. No matter where you work, you cannot ignore the environment and your surroundings. So, wherever we work we must ensure that the environment is not being threatened (Interviewee NGO3).*

Several interviewees raised questions about the NGOs' accountability and their actual activities towards enhancing CSER among companies. For example, NGOs in Bangladesh received most funds in the areas of health and sanitation. However, except for some large NGOs such as Grameen Bank, BRAC and Proshika, other NGOs, and particularly the small and medium NGOs, were not fully transparent regarding the ways in which they used their funds. They were obtaining money and investing it in places where it was not all that necessary. In many cases, the funds are used in an anti-ecological manner. The interviewees further emphasised that the policy of NGOs should be necessity-driven rather than donor- or money-driven. Moreover, the corruption of NGOs in developing countries, especially in Bangladesh, had raised attention among local and international donors. Some interviewees were under the impression that NGOs' activities often crossed the borderline due to the unfair way in which they influenced trade unions in movements against organisations. The role of NGOs in CSER could include involvement in the stakeholder engagement process. One interviewee from a leading CSR research institute in Bangladesh argued that NGOs could create a common platform for discussing multiple stakeholder engagement because NGOs have good relationships with companies as well as with other stakeholders. The same interviewee commented that:

*NGOs have a very big role to play. They cannot be aggressive and sensitise the different stakeholders on what the issues are. They can do research work and find out exactly what is happening, what status we*

*are in and then do follow-up solutions through dialogue and discussion with different stakeholders (Interviewee CS2).*

Interviewees from NGOs indicated that they were aware that they had their own drawbacks in promoting CSER owing to their major dependence on foreign aid. One NGO leader confirmed that CSER offered tremendous potential for pursuing their objective of social and environmental change. The results of change would affect corporate governance, accountability, transparency, management and economic information. NGOs had increasingly approached local companies for funding. One NGO leader felt that if they could present the work plan properly, then local organisations would respond positively towards CSER. Unfortunately, in their fundraising efforts, NGOs are neglecting their predominant social and environmental objectives. For example:

*We are not doing typical development work. We are concerned about big donations from foreign countries and we are concerned about salaries. But we work for social development. So there is a big gap amongst us (Interviewee NGO1).*

Since NGOs were considered to be external stakeholders to the company, they were expected to focus on external issues. Some participants complained that NGOs did not have enough knowledge about social and environmental issues. Nonetheless, the interviewee from the DSE observed:

*The NGOs have connections even with the people in remote areas. So whatever role they play – positive or negative – will have an impact on the society. If the pressure groups create pressure, the entrepreneurs will be forced to spend in this field of social responsibility. When there is pressure from all sides, the companies will be left with no other option but to spend for CSR. The international buyers, the NGOs, the government and we – the regulatory bodies – want expenditures to take place in the field of CSR. (Interviewee RA2).*

The interviewee from the Ministry of Environment and Forests admitted that the government was not cooperative with NGOs. For example, some NGOs asked for government help regarding waste management in the Dhaka City Council area in 2005 but the government was doubtful about the NGOs' work capability. At the same time, the interviewees perceived that the Bangladesh Government was reluctant to delegate

any of its power and duties. Some interviewees perceived that NGOs were more advanced than other stakeholder groups in addressing social and environmental issues. The areas of work now covered by NGOs include energy, water, and health and safety issues. The traditional work of NGOs in microfinance in Bangladesh has now shifted towards eco-friendly activities. One social and environmental media journalist praised NGOs' work:

*They are at the top when it comes to social obligation. People who do not know much about NGOs often spread the wrong word about NGOs. This is not right; when you yourself are not doing anything, you cannot criticise or speak ill of the NGOs who are doing at least something. NGOs are doing quite a lot for developing social networks. People's conscience is being stirred up by the NGOs (Interviewee EM2).*

The interviewees called for further involvement of NGOs in the energy and health sector to improve CSER in Bangladesh. Moreover, some interviewees insisted that NGOs need to act to improve energy conditions. For example, 50% of the people in Bangladesh do not have access to electricity due to the lack of electricity production. The Bangladesh Government has encouraged the private sector and NGOs to help rural people set up solar panels to produce electricity for their daily consumption. Some of the bigger NGOs were already working on this issue and they have distributed solar panels to rural people. Stakeholders believe that sound partnership between NGOs and the Bangladesh Government on CSER issues would enhance corporate behaviour on social and environmental responsibility issues. However, there were limited views among the stakeholders about how NGOs could motivate voluntary corporate social and environmental disclosures.

### 6.4.2 Role of the Media

The role of the media in promoting CSER was continuously given importance by the interviewees. Reports by the media play a significant role in how organisations shape their CSER practice and their disclosure policies to present themselves as a good corporate citizen. According to a UNDP (2012) report, the main reason for today's CSER movement is globalization, followed by pressure from many stakeholders such as NGOs, the media and other groups in society. The interviewee from the SEC suggested

that the media could highlight the impacts of CSER on society. As mentioned earlier, the media are a mass communication channel in Bangladesh. There are 103 million people using mobile phones in Bangladesh and radio broadcast through mobile phones is an easy medium through which to communicate with the Bangladeshi people. One interviewee mentioned that:

*The television channels are publicising CSER and motivating both companies and other bodies but I do not think they have been able to do so strongly enough ... Newspapers are one step forward regarding this issue but then again, people do not normally want to read the environmental section in the newspaper (Interviewee NGO3).*

The strong support of the media towards CSER, and especially environmental issues, has been observed during the past 10 years. For example, one interviewee's response was that:

*In recent times many publications and programs addressing environmental issues are coming from the electronic media and print media. At the same time, the media is also trying to raise awareness among the government authorities and relevant environment sectors through its work. This is also a very positive contribution (Interviewee NGO2).*

The media can be used to seek volunteers from society when organisations are promoting their CSER initiatives. The stakeholders perceived that the media were often identified as a key driver of society due to their excellent attempts to explore the untouched stories and hidden phenomena of society. Their role as an advisor who identifies the problems and prospects of society in terms of social and environmental issues would help organisations to take the necessary actions towards CSER. The stakeholders were critical of the media as they felt the media could do more compared with their present role; although they had some limitations such as internal organisational bureaucracy. For example, the media in Bangladesh have not tasted the full freedom to publish any news item. Most of the media owners are big corporate business magnates in Bangladesh. Media journalists cannot write columns or features which are viewed as being against their employer. The consequences could be losing their job. Notwithstanding all the above problems, the media are still helping other

stakeholders such as pressure groups and NGOs to create awareness in society. One interviewee from a leading environmental pressure group expressed the view that:

*If you ask me who the first friend of BAPA is, I would say it is the media. It is because of the media that people know about us. They are playing a role. But we had a seminar on the 'Role of Media in Bangladesh for the Environment'. It was revealed through studies by senior journalists that Bangladeshi media play the smallest role in this region as compared to media in Sri Lanka, Vietnam and Korea. Initially, we were very happy about the help the media provide us with but then we saw that, no, our media do not help us all that much compared to the media of other countries. Nevertheless, we are quite happy with the media but they should do some more. Media give less space and time on environmental issues and less information as well (Interviewee CS1).*

The same person (Interviewee CS1) further complained that some journalists were involved with "yellow journalism" (journalism that presents little or no legitimate well-researched news and instead uses eye-catching headlines to sell more newspapers). The linkages between media journalists and encroachers of land and rivers have resulted in the slower movement of CSER practices in Bangladesh. Some interviewees were doubtful about the effectiveness of media coverage and the media's true attitudes towards CSER. Organisations are very strategic in building their relationship with the media. However, this will not be effective and will not produce the real benefits that are usually generated from CSER unless the media play their true role as per the expectations of society and stakeholders.

### 6.4.3 Role of Civil Society

The role of civil society is vital for the CSER agenda due to civil society's close relationship with business and the state. The growing pressure from civil society has contributed a lot to the social, economic and environmental development in Bangladesh since the country's independence in 1971. More recently, civil society in Bangladesh has demonstrated strong movements against social and environmental degradation caused by organisations. In addition to NGOs and the media, civil society such as environmental groups, consumer groups or other pressure groups have a crucial role to play. The interviewees affirmed that civil society has extreme power for changing corporate behaviours towards CSER. Civil society can influence regulatory authority

and government decisions. The responses from interviewees included the following two comments:

*Pressure groups like BAPA have done things like forming human chains. They can formulate many action plans and pressurise the regulatory authorities. Of course, they themselves can take political initiatives but at the same time they can exert pressure on the regulatory bodies (Interviewee RA1).*

*There are some national pressure groups as well such as the National Oil and Gas Conservation Committee. We often notice their activities, for example, in the coal mines of Boro Pukuria in Dinajpur. Then, in Fulbari region, open mining exploration is being protested by this group. They are conducting meetings with the government. We hope that a nice solution will emerge from all this for the country and its people. Formation of more of such pressure groups will probably make the polluters of the environment more conscious. We hope they will eventually be able to create a positive impact on the economy (Interviewee NGO2).*

One of the media journalists argued that the activities of civil society pressure groups were much more useful than those of NGOs. The same interviewee went further, indicating the benefits of civil society pressure group activities:

*NGOs cannot do much, but the pressure groups can. Now, the point is that in our country until the government takes some steps, no one is bothered. So, the pressure groups have to work in two ways. They have to pressurise the government regulatory bodies to carry out their responsibility. At the same time, they also have to pressurise the companies on which they want the regulatory bodies to exert influence. When the companies are approached from both sides – the government and the pressure groups – then some motivation will arise. You have to use logic in explaining and you have to explain the consequences. They have to understand that not abiding by the regulations will ultimately result in their own loss (Interviewee MP2).*

In summary, it was evident that civil society, the Bangladesh Government and other stakeholders such as NGOs and the media need to work together under a framework developed by the government or regulatory authorities for CSER reporting practices.

## 6.5 EXPECTATIONS OF STAKEHOLDERS TOWARDS CSER

### 6.5.1 Community and Social Focus

Findings from the stakeholder interviews indicated that a large majority of the interviewees were not in a favour of the "green washing" of CSER for marketing or profit-making purposes. The interviewees were in favour of CSER practices and reporting from the perspective of accountability to stakeholders. There were also views that pressure from external stakeholders could influence their activities. As one interviewee responded:

*Organisations in Bangladesh want to gain some reputation by CSR activities. But I do not want this type of CSR ... let me give you an example. We have a rainforest in Srimongol. It is very famous and has rare species of birds and animals. Chevron, in order to check for oil and gas underground, has dug up 70 feet and detonated 600 sticks of dynamite under the ground of that rainforest. As a result, an earthquake will occur and they will measure the tremors on a scale. Rare species are leaving their natural habitat for this reason. Monkeys are getting scared and fleeing to where humans live and the humans are killing them. We complained about this issue and then they said that they have environmental measures. They have bribed people and donated money to some girls' schools to get the local people's support. Hence, even in the face of severe protest by BAPA, Chevron continues with their activity. However, they shortened their project which was initially supposed to be a 6-month long project. After we complained to the World Bank, which is funding this project, the World Bank has suspended that money because of lack of environmental compliance (Interviewee CS1).*

Taking into account all aspects of CSER, the stakeholder interviewees were not happy with organisations' activities. The interviewees expected that the CSER activities undertaken by organisations would need to originate from their true vision and that their disclosures of these social and environmental activities should not focus on marketing benefits. For example:

*They are doing a lot of things but not from the community perspective. Whatever they do is mainly for their own profit making and marketing. But from my point of view, they can do both if they are more focused on the community perspective. The companies should also provide their clear disclosures on social and environmental initiatives (Interviewee NGO1).*

### 6.5.2 Clear Policy and Framework for CSER

Currently, there are no formal guidelines for CSER practices and reporting in Bangladesh. However, some organisations voluntarily report on their social and environmental responsibilities. The interviewees argued that a clear policy or framework needed to be developed by the Bangladesh Government or the regulatory authorities. The majority of the organisations in Bangladesh, with the exception of banks and financial institutions, did not have any guidelines for CSER. In the interviewees' view, such clear policy might initially create resistance among companies; however, in the absence of a formal policy and framework, CSER probably would advance slowly. Typical comments included:

*I think there should be a strategy where the companies come together as a critical mass where they decide and where they do not replicate each other or overlap in their efforts. They have a strategic agenda which each sector can follow. Say, the RMG [ready-made garments] sector could look at preserving a certain community or preserving a land area or something that will have some ripple effects in the community. The government needs to come forward towards CSER policy through it being mandatory (Interviewee CS2).*

The interviewees in this study also suggested that organisations certainly could establish a fund and undertake a long-term strategy for CSER in the absence of formal guidelines. They argued that at least a CSER fund through strategic implementation could give a better platform for running an organisation's community activities. One interviewee's response was as follows:

*A kind of transition is occurring. Previously, activities were prominent only during disasters, but now apart from that, they participate in other activities too. Many banks now have a separate foundation or institutional set-up for CSR. Secondly, now banks allocate a certain percentage of their profit, say 1%, for CSR activities. They make this budget at the beginning of the year and this shows that they are not planning to spend on CSR only once but rather on a continuous basis (Interviewee RA1).*

Most of the stakeholders felt that the requirements for CSER should be made mandatory. They were very much in favour of institutional involvement in the CSER framework by highlighting the restrictions of voluntary initiatives in developing or least developed countries (LDCs) where organised pressure groups had not formed to the

level of those in Western developed countries. Interviewees CS1, RA2, NGO4 and EM1 expressed their firm views that in order to fulfil stakeholders' or societal expectations, organisations needed to formally create a committee for the CSER agenda. The stakeholders found no institutional initiatives for CSER and its reporting but CSER was practised on an ad hoc basis. An interviewee from a regulator of banking and financial organisations (Interviewee RA3) argued that CSER decisions at an individual organisation level would not provide long-term benefits. Interviewee RA3 further suggested that an institutional framework be developed for financial institutions.

*Yes, we mentioned in the circular that there is need for an institutional framework. It could be a committee which pays attention to social activities besides its regular work. Or a dedicated team could be developed by the banks; this would focus only on CSR activities. As a result, they will be able to pay attention to those activities and can acquire expertise in this field. Only then can sustainable programs be devised (Interviewee RA3).*

In this regard, consortia should be created regarding pro-environment investment and CSER, for example, the consortia that have already formed to address climate change. The interviewees articulated that these consortia should not just be about climate change but also about protection of the environment and society. The president of the Consumer Association of Bangladesh (CAB) recognised that an individual organisation's effort would not help with the broader CSER objectives but instead, research should be done through an institutional framework. The interviewees suggested that if the Bangladesh Government sponsored the development of a CSER reporting framework, it could consider international instruments for CSER reporting such the UN Global Compact, GRI sustainability reporting guidelines, ISO 14001 and Social Accountability 8000.

### 6.5.3 Implementation of Environmental Laws

All interviewees agreed that organisations that have factory-oriented businesses should have effluent treatment plants (ETPs). The reasons for using an ETP are to reduce operating costs and environmental pollution. By using an ETP, organisations can establish effective management and control and can achieve more effective compliance with legislation which would improve their organisation's public image. Continuous pressure from key stakeholder groups such as NGOs, the media, civil society,

international buyers and trade unions sought to make ETPs mandatory for manufacturing companies. The Bangladesh Government made ETPs mandatory for newly established factories on 12 March 2012 although the law has not yet been finalised in parliament.

*The way a textile industry affects the environment, a bank doesn't. It is mainly about paperwork. In that sense, banks have less adverse effects on nature and hence their activity in the remedial part is also less. However, the organisations that the banks deal with can definitely have effects on the environment. So, banks should ensure that their clients' organisations are not harming the environment. There are two sides to this. Firstly, the regulatory bodies like us have a role to play. Clearance is required from the Department of Environment and other mandatory documents are also required regarding worker safety, ETPs or effluent treatment plants and other environmental issues. If an organisation does not qualify in these matters, a bank does not sanction a loan to its client organisation. This part relates to client business (Interviewee RA3).*

Several interviewees were very uncompromising towards organisations for not using an ETP. They blamed top businessmen for using their power and polluting the environment. As was discussed in the previous section (Section 6.4), the owner of that newspaper or the leader of the business organisation may also not be committed to protecting the environment. For example:

*Last week, a secret pipeline through which waste is discharged was found at the factory run by the president of the top businessmen's association and owner of the newspaper "Samakal." For 12 years, this factory has been operating without an environmental clearance. It doesn't have an ETP. Just imagine, if the president himself is in this state, what is the condition of the others? (Interviewee MP1)*

One interviewee from a leading environmental activist group alleged that a huge amount of corruption exists in the system and that there is a lack of understanding in Bangladesh about the concept of an ETP. Moreover, the question that was raised was: does the government have a sufficiently eco-friendly policy? In response to environmental groups and other interviewees, the interviewee who was a government official (Ministry of Environment and Forests) indicated that they were in favour of their strict initiative to make organisations follow ETP guidelines. The interviewee from the Ministry of Environment and Forestry stated that:

*Well, I don't think so. At this moment, there are about 4,000 companies which pollute natural waterways. The High Court has a law that they must have an effluent treatment plant or ETP. They are supposed to treat their waste in an ETP before discharging it into the waterways. But they are not doing so. We have conducted so many meetings, seminars and workshops, but the companies are still not complying. Till now, they are not listening to the ruling of the High Court – the supreme authority in Bangladesh legislation. The companies say that this is costly and they are too poor to afford an ETP; they said they need subsidies. Now the government is even trying to provide subsidies. For example, there is the relocation of tanneries in progress. These tanneries pollute water bodies in the Rayer Bazaar and Dhanmondi areas. So they are being shifted to a large area in Savar. A central ETP will be set up there with the help of the government (Interviewee GA1).*

The stakeholders also expressed their general expectations about having proper monitoring systems for environmental activities. In addition, the stakeholders further argued that the labour laws and factory laws needed to be enforced by the respective regulatory authorities regardless of whether those laws were or were not implemented properly. It was evident from the analysis that all of the relevant stakeholders were in favour of the proper implementation of ETPs and laws regarding environmental concerns owing to their perceptions that air, water and environmental pollution had exceeded their limits a long time ago.

### 6.5.4 Incorporating Poverty Alleviation Goal

While a few organisations were praised for their poverty alleviation efforts, most of the interviewees asserted that more focus should be given to sustainable economic development. In general, organisations in Bangladesh are not directly involved with poverty alleviation activities other than donating money to government emergency or relief funds. Interviewees also reported that they expected that organisations should be properly monitored to ensure that the donated funds had been utilised properly.

*Corporate houses are putting an effort towards poverty alleviation. They donate to the Prime Minister's Fund and they donate for river bank erosions. They donate but they do not monitor whether the fund is really being used for the purpose intended (Interviewee MP2).*

The interviewees acknowledged that poverty is one of the major challenges for a developing country like Bangladesh. Poverty was the root of child labour and other

social chaos. The stakeholders of this study stated that only a few organisations worked in the area of poverty alleviation and that this was owing to some influential individual board members' altruistic values. Some specific sector organisations (particularly those in the banking and financial sector) received praise for poverty alleviation activities from the stakeholders' interviews. The interview findings suggested that organisations should incorporate the poverty alleviation agenda into their CSER strategy. The stakeholders further expected that the disclosure of such activities could motivate other organisations and together they could make a big difference.

### 6.5.5 Positive Organisational Leadership for CSER

The CSER practices and disclosure within an organisation largely depend on the senior managers' positive and sustainable leadership qualities. In this research, the majority of the interviewees believed that senior managers were accountable for formulating CSER-related strategy. They further contended that the background of senior managers was crucial for coping with changing business practices. For example, interviewees particularly mentioned the names of five companies' CEOs who had sound educational backgrounds and knowledge about sustainable development. As a result, they radically changed the CSER strategy of their respective organisation.

*I think a lot has to do with leadership. The leadership is very strong and it is very visionary. The person who has external exposure and sees other companies in the Western world which are flourishing: they take that and bring it back to their own country and company. So, it has to be a visionary who understands that there is a lot of gain through CSR. And those who are not doing CSR actually do not go to those platforms and interchange ideas with others (Interviewee CS2).*

The narratives from the interviews suggested that organisations in Bangladesh need to focus on having a sustainability leader for their company as expected by stakeholders. It was further insisted by stakeholders that regulatory pressure and monitoring would not work efficiently unless a visionary leader was running the organisation.

### 6.5.6 Conceptualisation of Bengali Values through Obligation

Bangladesh is one of the highest natural disaster-affected countries in the world. In 1988 and 1998, Bangladesh suffered its worst floods in living memory. Cyclones and tornadoes are common phenomena in Bangladesh. However, as with many international organisations (e.g. the World Bank, IMF, World Health Organization [WHO], UNICEF, Save the Children and Oxfam), Bangladeshi local business organisations came forward for the post-flood recovery efforts. The people and economy of Bangladesh have adapted over generations to the seasonal flooding. Moreover, NGOs and civil society groups have played a key community-level role in relief, rehabilitation and microcredit activities. Each and every time, Bangladesh righted itself and came back to its normal economic path. That is the heritage of Bangladeshi local culture and its values of helping each other and its collective efforts towards building the nation which can smooth the economic wheels of the country.

The interviewees of this study asserted that as a nation, Bangladesh has the heritage of a helping society: Bangladeshi organisations should value their heritage and consider their moral and ethical obligations. The interviewees argued that CSER is intrinsically specific to each country's context with its national culture and values which has a part in influencing how society expects businesses to behave. In 1991, tree plantations and other environmental activities became the nationwide social movement in Bangladesh. The corporate sector actively participated in that movement and now it is a common business practice in Bangladesh. The majority of the interviewees agreed that Bangladeshi organisations needed to understand the social values and culture which are in the hearts of all Bangladeshis. As one interviewee stated:

*We as a Bangladeshi people are always culturally habituated to help each other. This is not for monetary help only but it's also a helping society. Businesses in Bangladesh need to conceptualise our heritage and their responsibility towards environment and society (Interviewee NGO3).*

The majority of the interviewees stated that organisations were not fully aware of their ethical responsibility towards society although organisations in Bangladesh generally emphasise that they have some moral obligation for society and its people. One

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interviewee argued that today's corporate social responsibility has not been conceptualised in its true sense of ethical and moral responsibility. For example, organisations in Bangladesh know very well that if they do not use an ETP and dump their contaminated waste directly into the river water, the consequences would be devastating for health and the environment. All of the interviewees suggested that, through developing moral and social obligations by conceptualising Bengali values, organisations can help to build a sustainable nation. The stakeholders strongly believed that as long as cultural values and moral and ethical responsibilities grow within organisations, CSER reporting will automatically take place.

### 6.5.7 Awareness and Education

All interviewees were asked how to improve CSER reporting in Bangladesh. Most of the interviewees agreed that increased awareness and education about sustainable development among management/leaders of organisations, as well as external stakeholders could bring positive change in Bangladesh. One media journalist maintained that NGOs and the media could create awareness through education about sustainable development and dialogue among stakeholders.

*Then most of the companies use adulterated ingredients and chemicals to produce products. I just want him to use the same ingredients in making his products that he says he is using. So, awareness and sustainable education are essential for the stakeholders. The international standards that he claims to abide by should actually be followed in reality (Interviewee MP1).*

Interviewees also confirmed that the absence of strong government initiatives in addressing environmental degradation resulted in the practice of companies dumping waste directly into rivers without environmental consideration. However, most interviewees suggested that ecological education could help these organisations to understand the impact of their activities. In addition, the general public also needed to be more conscious about unfriendly corporate activities and impacts particularly those which affected the inhabitants living in nearby coastal areas. Some interviewees argued that environmental education should be part of the syllabus in schools and colleges so

that students (who will be the future leaders) will receive a formal introduction to ecology. As stated by the interviewee from an environmental pressure group:

*There has been an education policy, and you will be surprised to know that there is no chapter on environment over there. Government does not do much about the environment but if this gets included in education, people will learn. No training policy of the government contains anything about the environment. We expect that government must incorporate environmental education and awareness programs so that the accountability about the environment and society will grow among individuals as well as in organisations about CSER and the organisations will also disclose their CSER activities through reporting (Interviewee CS1).*

The stakeholders believed that, in the absence of CSER awareness and reporting as well as lack of pressure from powerful stakeholders, most organisations did not pay enough attention to CSER reporting practices.

## 6.6 SUMMARY

The findings reported in this chapter have provided evidence to support the previously justified stakeholders' views and expectations on the CSER phenomenon. The findings have shown that stakeholders are dissatisfied with Bangladeshi organisations for not fulfilling their expectations. The interviewees (stakeholders) also provided some useful suggestions for ways in which their expectations could be met. The findings also noted that collaboration among NGOs, the media and civil society with the regulatory authorities would have significant impacts on improving CSER practices and reporting in Bangladesh. In some cases, the problems and prospects of the CSER phenomenon had been observed in similar ways by both the senior managers and stakeholders. However, this chapter has concentrated on the key stakeholders' views on and expectations of the CSER phenomenon in Bangladesh. The next chapter (Chapter 7) presents the discussions and implications of the research findings from the viewpoint of the theory and the literature.

# CHAPTER 7
## DISCUSSIONS AND RESEARCH IMPLICATIONS

## 7.1 INTRODUCTION

This chapter presents and discusses the research implications of the findings obtained from the interviews with senior managers and other key stakeholders, as well as from the content analysis of publicly available documents (such as annual reports, newsletters, companies' websites, etc.) and observations. As the current study has adopted a qualitative research approach, the findings of this study have required much discussion in terms of the theory and literature. Consequently, rather than repeat what is the outcome of the data analysis, this chapter seeks a dialectic pledge (see Table 4.1, Chapter 4) between the findings in Chapters 5 and 6 and the literature in Chapters 2 and 3. The objective of this study was to explore corporate social and environmental responsibility (CSER) reporting practices in a developing country, in this case, in Bangladesh. The emergent themes of the CSER reporting phenomenon provide an understanding of the managerial assumptions underpinning the CSER phenomenon in Bangladesh, in terms of the drivers and barriers (see RQ.1), and identification of key stakeholders and insights that will possibly impact on enhancing the practice of CSER (see RQ.3). These conceptualised managerial views of CSER can then be compared with those emanating from the identified stakeholders' views (see RQ. 2).

The next two sections provide a brief discussion about the emergent CSER phenomenon in Bangladesh from the managerial and identified stakeholders' perspectives. This is followed by a discussion on how the theories are plausible in providing an understanding of CSER. Finally, general prescriptions for enhancing CSER are enumerated thus summarising this study's contribution to the literature, academics and the community in which organisations operate.

**7.2 THE CSER PHENOMENON FROM THE MANAGERIAL PERSPECTIVE**

The core of the CSER phenomenon describes the conceptualisation of sustainability (i.e. social, environmental, governance and economic) practices and reporting within the context of Bangladeshi-listed companies as perceived by senior managers and executives. The distinctive attributes of the emergent themes of CSER in Bangladesh from the organisational context have also revealed the salient relationship of the organisation's internal and external factors.

*7.2.1 Drivers of CSER*

This study uses the Bangladeshi "lens" by applying phenomenology (Schutz 1967; Moran 2000) coupled with symbolic interactionism (Blumer 1969) and broader social system-based theories such as legitimacy theory, stakeholder theory and institutional theory (Gray, Kouhy, and Lavers 1995; Gray, Owen, and Adams 1996; Deegan, Rankin, and Tobin 2002) that has been outlined in Chapters 2 and 4. The senior managers of this study interpreted the CSER phenomenon by explaining their real-life experiences and "theorising" about the world of reality in which they lived based on their "epistemic culture" (Rowe and Guthrie 2010; Knorr-Certina 1999). The findings of this study represented managerial views that: social obligation and poverty alleviation; directors' and management influence; corporate image; regulators' influence; and pressure from foreign buyers were the main driving forces underpinning CSER reporting practices in Bangladesh. There is significant research evidence from previous literature (Chapter 5) to support these drivers of CSER within the context of Bangladesh, a country where organisations practise CSER on an ad hoc basis.

*7.2.1 (a) Social Obligation and Poverty Alleviation*

Social obligation is portrayed as one of the important drivers of CSER, as perceived by the senior managers. This is in line with Sethi's (1975) understanding of CSER under the banner of "corporate social responsiveness" and organisations' social obligation motives. Several previous studies have provided a link between CSER and social obligation (Carroll 1979; Davis 1983; Epstein 1989; Shen 2004; Meehan, Meehan, and

Richards 2006; Barnett 2007; Lynes and Andrachuk 2008; Van der Voort, Glac, and Meijs 2009). The nature of social obligation as interpreted by senior managers was mostly influenced by the socio-economic conditions of poverty alleviation in a developing nation.

First, organisations encounter child labour issues due to external pressure. Bangladesh is one of the largest users of child labour particularly in the clothing and ready-made garments' industry. It was evident from the findings that considerable emphasis has been placed in recent years on reducing child labour in Bangladesh. The international buyers who are outsourcing products especially clothing and pharmaceutical products from Bangladesh have created pressures to maintain ILO compliance. Moreover, banking and financial institutions have become stricter when providing loans to companies known to have used child labour. Poverty and child labour have been found to be related (Edmonds and Pavcnik 2005). The decline in child labour is linked with economic factors (Nardinelli 1991), mainly attributable to export funding resource dependence (Pfeffer and Salancik 1978).

Second, organisations have asserted that providing quality products and services at a discounted rate to consumers is part of their CSER activities. Activities such as discounted products and services have a significant influence on the creation of companies' image and value to consumers and other stakeholders (Gupta and Pirsch 2008). Third, in the current context, the findings show that the health care sector was the most popular area to which organisations contributed. According to Rahman, Jahan and McDonald (2010), organisations in Bangladesh have shown growing interest to health care improvement as part of the CSER agenda.

Fourth, the relatively recent flourishing of CSER activities in contributions to the education sector, particularly initiatives to help meritorious but poor students through scholarships and other grants, is an important phenomenon that was observed from the managerial perceptions. Although the objectives of their scholarship activities are debatable due to perceived manipulative motives of marketing intentions, sponsorships in education and sports are a part of the branding strategy of organisations (Shen 2004).

Furthermore, most Asian and European companies have their own branded funding foundations through which to operate their sponsorship activities on behalf of their companies. The interview narratives have suggested that community investment or activities exercised by organisations seem to be promising. In academic research, many attempts have been undertaken to legitimise corporate community activities by showing a business case and reporting on their input contributions to the community (Gray and Balmer 1998; Rowe et al. 2013). The findings have shown that senior managers have positive views on disclosing their community involvement.

Fifth, content analysis of publicly available information reveals that only a limited number of Bangladeshi organisations reported on human resource-related policies except for some eye-catching words in the reports which had the effect of improving their social image and reducing employee turnover. This is notwithstanding that many researchers found a link between human resources and CSR (see for example Gray et al. 1997; Islam and McPhail 2011; Vuontisjärvi 2006). The senior managers interviewed were of the opinion that they were providing handsome salaries, good working conditions, health and safety, training to staff and other benefits to their employees as part of their social responsibility. While socially and environmentally-friendly human resource policies have been established by organisations as a part of their social obligation, the majority of interviewees claimed that the community involvement of businesses was important for their own benefit (Belal and Owen 2007).

Poverty alleviation as a CSER activity is one of the major objectives of every nation, international organisation, NGO and local community. Organisations in Bangladesh (both profit-making and non-profit making) have been attempting to alleviate poverty since the country's independence. About 40% of its population live below the poverty line (World Bank 2011b). It is not possible for government alone to achieve sustainable economic growth and improve the standard of living without cooperation from the corporate sector. Companies use CSER as a bridge connecting between business and economic development. The concept of social and environmental responsibility has increasingly attracted attention among the business community in establishing a poverty alleviation and economic growth-driven CSR framework (Gray, Bebbington, and

Walters 1993; Mondol 2010). The findings of this study have also shown that corporate organisations provide monetary support and help to disadvantaged communities through their community involvement. Jenkins (2005) pointed out the ways in which businesses help to reduce poverty and how they contribute to reducing unemployment through job creation. International development agencies also adopt CSR as a means of poverty alleviation. Newell and Frynas (2007) noted that the world of CSR would make a difference if the priorities of poorer groups were put first. The findings that related to poverty alleviation initiatives by corporate organisations as revealed by interviewees were also disclosed in their annual reports. For example, all sampled companies in this study produced statements in their annual reports claiming that the focus of their CSER programs were aimed at achieving national poverty alleviation goal.

This study therefore, asserts that the concept of social obligation as part of CSER in Bangladesh differs from that in a developed country. The nature and pattern of the CSER phenomenon between Western developed economies and emerging economies such as Bangladesh vary due to the socio-economic differences (Belal and Owen 2007). For instance, child labour and poverty are not prevalent in Western developed countries. Drawing from these findings, it could be argued that CSER practices and reporting reflect the firms' indirect social obligations which resemble a "social contract" between an organisation and its vested interest groups (Mathews 1987; Lantos 2001; Davis 1983; Deegan 2002; Islam and Deegan 2008). Hence, continued success of a corporation depends on the support of stakeholders, and the operations of the company must be adjusted to meet their approval (Donaldson and Preston 1995; Roberts 1992; Ullmann 1985a).

The findings further indicated the responsibility driven CSER reporting practices which is consistent with normative branch of stakeholder theory. As cited by Deegan (2009), Gray, Owen and Adams (1996) noted that stakeholders have the right to information about how companies' activities affect them. The disclosures of obligations/poverty alleviation related CSER has been evidenced by content analysis of the annual report which is presented in chapter 5 (section 5.7.1). The findings deriving from the content analysis of annual reports show increased amount of human rights related disclosures

(e.g., child labour) and community investment particularly in education sector (see section 5.7.1.6).

### 7.2.1 (b) Board of Directors' or Management Influence

This study found that boards of directors and management have a strong influence on CSER reporting in Bangladesh. This view was supported by many accounting and management researchers (Adams 2002; Khan, Muttakin, and Siddiqui 2012). As in many other developing countries, most of the organisations in Bangladesh are either family owned or controlled by substantial shareholders such as a corporate group or the government. In the Bangladesh context, Al Farooque et al. (2007) found that, on average, the top five shareholders held more than 50% of the firm's outstanding stock. That provides the board of directors with their ability to make instant decisions concerning CSER based on their choices and priorities. Zahra and Stanton (1998) asserted that the board of directors can play an influential role in enhancing CSER. The literature further noted that board members' education, experience and knowledge were decisive reasons for CSER. It seemed reasonable to assume, for example, that the board of directors or management attitudes towards CSER depended on their background and cultures (Hemingway and Maclagan 2004). Woods (1992) pointed out that "ethical training, cultural background, preferences and life experiences motivate human behaviour" (Woods 1992, P. 700), which was in the same line of thinking as the findings from this research.

The findings also showed that CSER-related decisions were made by the few powerful directors who had control of the board through ownership structure and political connections without any board meeting being held (see section 5.2.2 in Chapter 2). It is not surprising that Khan et al. (2012) discovered that in Bangladesh, the board of directors and the members of the audit committee were likely to be hampered by the organisational tendency to select "independent" members on the basis of personal connections rather than skill and competence. The narratives of the findings have suggested that the company chairman's personal wishes and desire reflect their organisation's CSER activities and decisions. Campbell (2000) argued that changes in

board members or chairperson have impacts on CSER; however, organisations which had a structured CSER committee tended to disclose more social and environmental information. Cowen et al. (1987) found that there was a positive relationship between the presence of such a committee and CSER disclosures. The findings show that the board of directors use CSER reporting as a tool to legitimize their operations as many scholars argue that failure to fulfil these expectations of society and the community might result in survival or existence threat for any organisation (See for example, Bebbington, Larrinaga-González, and Moneva-Abadía 2008; Campbell 2000; Milne and Patten 2002).

### 7.2.1 (c) Corporate Reputation

This study has noted that corporate reputation and brand management are among the major drivers for CSER. The disclosures in the annual reports have also supported the managerial views regarding reputation and brand management. Organisations in Bangladesh have highlighted CSER activities and only positive news in their annual reports with the intention of gaining competitive advantage in the market. Many previous researchers have stressed the link between a company's image or reputation and CSER (Arendt and Brettel 2010; Dowling 1986; Guthrie and Abeysekera 2006). Similarly, Gray et al. (1995) identified the inclusion of stakeholders in corporate affairs and CSR reporting as "mechanisms" by which organisations satisfy their stakeholders. Thus, CSER reporting can be viewed in terms of corporate image management and strategy to gain market share by increasing sales over competitors. Fomburn and Shanley (1990) contended that well-reputed companies have a competitive advantage in their respective industries, whereas less reputed companies were disadvantaged. Similar findings have been observed by Freeman (1984) and Fombrun (1996) in which they affirmed that the most obvious link of CSR to overall corporate performance was through the firm's reputation as it reflected upon a firm's relative success in fulfilling the expectations of multiple stakeholders. It seems that a company's reputation is affected by, among other factors, the quality of its management, the company's financial soundness and its demonstration of social responsibilities (Fomburn 1996). Rowe (2006b) argued that the benefits for organisations in being perceived as reputable were

vital as a reflection of the companies' success in fulfilling multiple stakeholders' expectations.

### 7.2.1 (d) Regulatory Influences

This study has found that regulatory authorities have much influence on listed companies in terms of accelerating their CSER activities. However, as was mentioned earlier, there are no mandatory rules or compliance for CSER in Bangladesh from the Securities and Exchange Commission (SEC) and the Dhaka Stock Exchange (DSE); rather, there are some environmental laws which are related to certain companies in the highly sensitive chemical industry. The review of the findings from senior managers' interviews shows that banking and financial sector companies were influenced by the central bank, whereas pharmaceutical and chemical companies derive more or less motivation from the Drug Administration Authority (DAA). Similarly, the textile and clothing companies faced pressure from the Department of Environment in relation to the establishment and use of ETPs. The factories which produce industrial waste have had to use an ETP from 2012 according to new laws implemented by the Bangladesh Government. The findings also indicated that after a circular was issued by Bangladesh Bank (the central bank of Bangladesh) towards CSER reporting based on GRI guidelines, most of the scheduled banks began to disclose their CSR activities. The recent report by Choudhury et al. (2012) showed that the expenditure on social and environmental responsibility activities has increased rapidly with expenditure by the 47 scheduled banks reaching US$27.25 million in 2011. The green finance initiatives of banks and financial institutions have contributed to the transition toward resource-efficient and low carbon industries; that is, green industry and the green economy in general.

The prior literature has suggested that progress in CSER reporting depends on the regulators' desire to impose and enforce guidelines, as well as regulators' capacity to stimulate companies to do so by introducing several motivational incentives (Fukukawa, Shafer, and Lee 2007; Rowe and Guthrie 2010; Guthrie, Suresh, and Ward 2008). Some interviewees argued that motivation from regulators could have a positive and

tremendous impact on CSER in Bangladesh which resonated well with the findings from previous research (See for example, Frost and English 2002; Rowe and Guthrie 2010). Fox et al. (2002) argued that regulators can raise awareness and provide incentives through capacity building. Whilst several researchers found regulatory pressure for CSER, the findings of this study have argued that Bangladeshi regulators are not yet requiring mandatory social and environmental disclosure, and a framework for CSER from the regulators is yet to emerge. Viewed from an institutional theory perspective, it would appear that coercive regulatory authorities would have the effect of encouraging CSER.

### 7.2.1 (e) External Influential Stakeholders (International Buyers)

The results of this study also revealed that influential external stakeholders like international buyers who operate or outsource products from developing countries such as Bangladesh could have extreme influence on CSER. Social issues such as child labour, working conditions, employees' safety and security, employees' payment structure and environmental issues (e.g. clamping down on industrial dumping or building an eco-friendly production facility) have affected international buyers' decisions to outsource their products from Bangladesh. The pressure from international buyers was an extremely forceful factor influencing CSER disclosures by the export-oriented textile and clothing industry. The textile and clothing companies were very concerned about multinational companies' social and environmental compliance including labour practices such as child labour (Islam and Deegan 2008). Bangladeshi exporters need to ensure social and environmental compliance as required by international buyers if they wish to continue to exist and win the race to be number one ready-made garments' exporter in the world.

Through content analysis of annual reports, publicly available materials and interviews with senior managers, it was found that most of the companies disclosed their poverty alleviation initiatives through community engagement in annual reports. As stated before, the possible reason could be due to the government scheme to achieve the Millennium Development Goals (MDGs). The government, civil society and NGOs are

struggling against poverty in Bangladesh. These research findings were also supported by previous studies (Merino and Valor 2011) on reducing poverty by building local health facilities and medical support, and providing cleaner water for disadvantaged communities. The majority of the companies stated in their annual reports that they valued stakeholders' needs and expectations, which resonated with Freeman's (1984) stakeholder theory. The stakeholder theory concept explains the increasing trend in corporate social and environmental reporting in response to demand for transparency from stakeholders. This is due in part to the implied "social contract" that organisations have with stakeholders at large. In terms of legitimacy theory, there is a hypothetical social contract between organisations and society (Mathews 1995) and in order to fulfil such as contract, organisations legitimise their actions and activities within the society. Establishing legitimacy is a real challenge (Suchman 1995) for any organisation and maintaining legitimacy is even harder than gaining (Ashforth and Gibbs 1990) it in the first place.

However, the public disclosure of information is one strategy that a company could undertake to establish or maintain its state of legitimacy (Guthrie and Parker 1989b; Patten 1992b; Brown and Deegan 1998), otherwise known as a "public license to operate" (Deegan 2002). The findings of this study showed that organisations working in the banking sector experience pressure from the central bank (Bangladesh Bank) to report on social and environmental issues in their annual reports which echoes institutional theory. One distinguishing element provided by institutional theory is that we can expect a tendency for organisations within a particular field to assume similar structures and practices (Powell 1988a). Conformance to generally-accepted voluntary reporting standards, such as the GRI, may enhance moral standing with external stakeholders and can thus be linked also with normative stakeholder theory. It can be argued that rapid adoption of certain voluntary standards may result from heightened awareness initiated by organisations who are "isomorphic" (DiMaggio and Powell 1983; Powell 1988b).

While the comprehensive quality of a company's CSER does not necessarily assure that it follows good "corporate citizenship" practices, it may be worth noting that the top

performing companies in this study had also been recognised and were well known for their responsibility performance. The companies which were signatories to the UN Global Compact and had adopted some form of the GRI guidelines and ISO 14001 tended to disclose more social and environmental information. An interesting observation was that the UN Global Compact, UN Millennium Development Goals and GRI reporting guidelines were adopted by these organisations on a voluntary basis. Bangladesh is one of the countries which adopted Millennium Development Goals (MDGs) in 2002 and subsequently succeeded in pulling people out of poverty, ensuring that more children, girls and boys, attended school, and that they had access to clean water. Considerable progress has been made in the child survival rate. Bangladesh is among the 16 countries which received UN recognition for being on track to achieve MDGs. There have also been some improvements to address the country's massive environmental challenges over the past decade. Of the 52 MDG targets, Bangladesh is on track for 19 of them, with 14 needing attention (UNDP 2011).

The threat of climate change can also diminish the hard-earned beneficial impacts of years of growth and development not only for the people in impoverished settlements along coastal belts and river banks, but also for the entire nation. The corporate sector is the major player to help the Bangladesh Government to achieve these goals. The majority of the sampled companies mentioned in their annual reports that they were helping the community through poverty alleviation. Although industrial pollution has caused the most environmental problems in Bangladesh, the government has not made any guidelines mandatory for this issue. The overall pattern for disclosures on social and environmental information is improving in Bangladesh, although CSER reporting was found to be very limited which supported previous scholars' findings (Imam 2000; Belal and Momin 2009; Sobhani, Amran, and Zainuddin 2009).

### 7.2.2 Barriers to CSER

The findings of this research in relation to barriers to CSER (Chapter 5) predominantly illustrated the lack of a regulatory framework, lack of law enforcement, lack of education and awareness about sustainability development, lack of government

incentives, and socio-economic differences. The senior managers of organisations argued that the current role of the SEC, the DSE and the Bangladesh Government for ensuring corporate voluntary reporting in Bangladesh was not adequate for ensuring corporate accountability. The findings of this study were supported by prior literature (Gray et al. 1993) which presented the compelling reasons for barriers to CSER reporting. As noted previously (Chapter 3), the SEC implemented corporate governance codes and principles in 2006 for all companies listed on the stock exchange. However, no environmental or social issues were included within the codes. Moreover, the existing literature has suggested that corporate governance has a significant influence on the social and environmental disclosures of companies (Rashid and Lodh 2008; Khan, Muttakin, and Siddiqui 2012).

The Bangladeshi organisations produced corporate governance reports in their annual reports as required by the SEC codes but were reluctant to include social and environmental information. However, the government authority (the Department of Environment [DOE] under the Ministry of Environment and Forests) introduced an environmental protection law in 1995. The senior managers argued that the implementation of laws cannot work effectively as they are not enforced because of corruption and political bureaucracy. Industrial pollution has become an enormous threat for public health and society. Moreover, the DOE does not monitor organisations' actual activities after they have been issued with an environmental certificate to operate business activities. These findings have indicated that even though some laws, rules and regulations relating to environmental and social issues (but not reporting) exist in Bangladesh, the inefficiency and ineffectiveness of the practical implementation of such laws have had a tremendous impact on restricting the enhancement of CSER in Bangladesh (Belal 2001; Belal and Owen 2007). Lodhia (2003) suggested that strict environmental rules and legislation, greater awareness among senior manager, and established accounting standards could help to improve environmental accounting disclosures. The results of this study have found that education and awareness about sustainable development among various stakeholders could play a vital role in ensuring organisations' social and environmental disclosures.

It could be argued that managers and directors need much more awareness and education about the concept of CSER practices and reporting. Recent initiatives from the central bank towards green banking and other popular mobilisations by the media, NGOs and civil society movements for socially and environmentally-friendly corporate behaviour have provided some partial traction in which to conceptualise the benefits of sustainability. A very limited number of organisations have a strategic CSER policy; instead, most are undertaking CSER on an ad hoc basis. This finding was in line with the findings of other scholarly researchers (See for example, Dobers and Halme 2009; Jamali 2008) who presented the importance of awareness and education on sustainable development in terms of CSER reporting. Hillary (2004) commented that lack of understanding about environmental impacts and lack of awareness and perceptions towards social and environmental responsibility were the barriers for sustainable business practices. Attitudes of managers varied between companies, with some managers arguing for internal management awareness and education, whilst others focused on external stakeholders' awareness which could create pressure on companies. Adams (2002) argued that pressure groups could raise the awareness of companies which were unwilling to practise CSER.

Organisations in Bangladesh face diverse issues such as education, health care, rural development, poor sanitation, women's empowerment, etc. While these findings were not unique, prior studies confirmed similar findings among those who had explored managerial perceptions towards CSER. Some interviewees commented about resource limitations and lack of incentives such as a tax benefit from government authorities on CSER expenditures. Moon (2004) argued that the climate levy and tax credit which the UK introduced in 2002 attracted more socially and environmentally-related investment as well as disclosures. He further emphasised that CSR needed to be understood as part and parcel of a wider system of national societal governance. Barnea and Rubin (2010) commented that managers of organisations wanted to invest more in social and environmental activities for their own sake as it improved their tax benefits and reputation of being a good global citizen. On the contrary, Christensen and Murphy (2004) argued that CSER with a view to tax avoidance and tax credits was social and

environmental irresponsibility. Thompson and Zakaria (2004) pointed out that the lack of government and societal pressure contributes to the non-reporting of CSER.

This research has argued that the Securities and Exchange Commission (SEC) in Bangladesh and other regulatory authorities should be more active in motivating companies. If the SEC considered social and environmental performance as an indicator for listed companies, that might raise competitiveness among companies to enhance CSER (Saleh, Zulkifli, and Muhamad 2010). However, it was observed that the practices for CSER were largely a 'green washing' device to achieve the companies' marketing objectives. Organisations showed their interest in social and environmental activities on an ad hoc basis rather having any long-term policy for CSER. Companies which commercialised CSER to achieve their marketing goals brought into question their intentions towards CSER as well as their continuation of CSER activities. Some of the interviewees strongly criticised the actual meaning of CSER when it was transformed by organisations to fulfil their profit-making objectives thus failing to establish a true CSER culture in the Bangladeshi corporate sector.

From the socio-economic perspective, Neu (1992) argued that the manager's philosophy when dealing with society and its surrounding actors influenced as well as constrained the organisation's choice to engage in CSER. The findings of this research also suggested that standard setting agencies such as the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB) needed to issue social and environmental guidelines or some voluntary performance criteria. Like many other less developed and emerging countries, Bangladesh also follows the Western codes and standards for general financial reporting with a desire to access international market. But the adoption of such standards without considering the socio-economic context raises debate (Uddin and Choudhury 2008). Belal and Owen (2007) argue that despite of such standard practice of financial reporting, several social accounting standards such as GRI, AA1000, SA8000 are growing as per "the internationality of application" (p. 475). Furthermore, the evidence suggests that adoption of international accounting standard tends  to encourage corporate governance reporting  with some positive impact on CSER reporting practices

(Khan, Muttakin, and Siddiqui 2012; Muttakin and Khan 2014). Kuasirikun (2005) emphasised the role of standard setters and how they contribute to increasing the social and environmental reporting of companies. There is a need to develop structures and policy that contribute to social justice and environmental protection as well as sustainable economic growth in Bangladesh.

The above two sections (Sections 7.2.1 and 7.2.2) addressed in part, RQ.1. The implications of these findings (drivers and barriers) are significant to the organisations' management and policy makers. The management of organisations should educate themselves regarding social obligation and poverty alleviation to achieve broader sustainable goals. The regulatory authorities should develop a CSER framework for organisations and adopt effective monitoring systems that will remove barriers. The management of organisations also needs to realise external influential stakeholders' demands for greater accountability regarding the disclosure of social and environmental responsibilities. It is also important for management to arrange sustainable education and training for employees and stakeholders.

### 7.2.3 Stakeholder Engagement and CSER in Bangladesh

Findings from this study indicated some positive attitudes of senior managers towards stakeholder engagement; however, the practice of stakeholder engagement through dialogue was found to be very insignificant. The practical problem which pertains to Bangladeshi organisations is that they have ignored the importance and expectations of stakeholders from whom the organisations derive their success. The evidence from the interviews has suggested that there is no formal communication with stakeholders to identify their needs. Only few organisations (particularly multinational and well-reputed companies) are involved in community activities through the celebration of different international days such as International Environment Day, Global Hand washing Day, etc. This stakeholder engagement and prioritisation in the form of community activities have raised the debate about organisations' marketing objectives. One possible explanation for minimum stakeholder engagement was that organisations were afraid to

discuss their issues with stakeholders. The dialogue and communication mechanisms with stakeholders were limited to open meetings, surveys and mailed surveys.

Some of the senior managers suspected that if stakeholders were provided with greater influence to be involved with company matters, they could mistreat their power. From the perspective of Bangladesh, these anxieties were not unrealistic. For example, belonging to a trade union is a basic right for employees all around the world according to international law. However, the trade union leaders in Bangladesh, irrespective of the sector, have been known to violate laws and to create chaos and have been involved in destructive activities which damage public and private property while they are campaigning for their demands. Deegan and Unerman (2006) mentioned four stages of CSER namely, "why, who-for, what, how". The first stage understands managerial motives for stakeholder engagement and dialogue. The second stage identifies relevant stakeholders; the third stage moves from stakeholder identification to stakeholder engagement and the final stage compiles and communicates disclosures addressing stakeholders' information needs. The identification of stakeholders and engaging them through dialogue are crucial for the organisation's long-term survival. It was evident from this study and also from the literature (Neu, Warsame, and Pedwell 1998; O'Dwyer, Unerman, and Bradley 2005) that a broader range of stakeholders need to be engaged by the organisations whose activities might impact on them. The identification of stakeholders occurs after determining the philosophical motives for engaging with CSER, because the range of stakeholders to be taken into consideration by any organisation directly depends upon its motivation for stakeholder engagement (Unerman and Bebbington 2007).

The views of senior managers in this study regarding the misuse of stakeholders' power were supported by Unerman and O'Dwyer (2006) from a different aspect. They argued that it is sometimes unfeasible to enter into direct engagement with some stakeholders because certain groups of contemporary stakeholders might position themselves as leaders of specific interest groups. It was found in this study that stakeholder engagement was not commendable when compared to developed countries. The previous research has determined that consideration of a broader range of stakeholders

for engagement in CSER minimizes the negative social, environmental and economic impacts of the organisation's operations (Unerman and Bennett 2004; Thomson and Bebbington 2005b). The debate about stakeholder engagement and CSER should not be controlled by the organisation itself (Thompson and Bebbington 2005) due to the possible result that stakeholder concerns could be marginalised (Gray et al. 1997).

The various relevant stakeholders identified by senior managers in this study were: social and environmental NGOs; the media; regulatory authorities and government; civil society; customers; and other pressure groups such as international buyers. These stakeholders were similar to those identified by prior CSER studies (Freeman 1984; Clarkson 1995). Clarkson (1995) categorised stakeholders as primary and secondary following the definition of Freeman (1984). In the context of the current research, stakeholders were not categorised; instead, "relevant stakeholders" were recognised by the senior managers as those who were considered important to the companies.

The current research identified that NGOs are one of the most influential stakeholders in Bangladesh owing to their movement against poverty alleviation, environment degradation, human rights' violations and antisocial activities. The recent NGOs' movement, particularly by social and environmental NGOs, in Bangladesh has been found to have changed corporate social and environmental behaviour; however, this is limited (Deegan and Islam 2009). The media also possess strong power to potentially change corporate behaviour. The reasons for Bangladeshi organisations considering the media as one of the influential stakeholders were due to the media's immediate access to all sorts of information and the quick spread of that information to the general public which could have a negative impact on an organisation's operations (Islam and Mathews 2009). Through news reports, the media have been able to deal significant blows to companies' non-disclosures of social and environmental issues. For instance, following media reporting of several events, such as accidents (e.g. Chernobyl, Bhopal, and oil spills by Exxon Valdez and by BP in the Gulf of Mexico) and problems in the "natural" environment (e.g. global warming, drought and flooding), the level of disclosures have increased (Rowe 2012; Patten 1992a; Patten 1991).

This research found that regulatory authorities such as Bangladesh Bank, Dhaka Stock Exchange (DSE) and the Securities and Exchange Commission (SEC) were important stakeholders for Bangladeshi organisations. However, the current study also confirmed that no active initiatives have been undertaken by the SEC or the DSE for listed companies in terms of voluntary disclosures. In this regard, Bangladesh Bank (the central bank of Bangladesh) was found to be very active and encouraging in ensuring CSER disclosures by the banking and financial sectors. Mitchell et al. (1997) argued that three attributes helped corporate managers to distinguish their more important stakeholders, namely, stakeholder power to influence, the legitimacy of their relationship and the urgency of their claim. The government that established these regulatory authorities was also found to be an important stakeholder for organisations working in Bangladesh. The Department of Environment (DOE) under the Ministry of Environment and Forests regulates and enforces the environmental laws, although it appeared from the senior managers' views that the laws were almost ineffective due to corruption and complex bureaucratic systems. The overall initiatives of government were nonetheless considered influential; and prior literature has supported the government's vital role in ensuring environmental disclosures (Moon 2004; Rowe and Guthrie 2010).

This study found that civil society plays an important role in building awareness among other stakeholders in terms of CSER. The senior managers argued that the civil society's movements have had some influence on government, industry and business operations. The activities of civil society are influential on the public which was demonstrated by the recent civil society movement in Bangladesh as was argued by the senior managers. Gray and Perks (1982) argued that civil society has been a cause for companies' social and environmental disclosure practices over the years. The ignorant attitudes of the government and regulatory authorities with regard to the CSER agenda have accelerated the emergence of civil society to bring about changes in these attitudes. Prior research has also argued that civil society emerges when the market mechanism ignores an issue, and the government fails to deliver social needs such as social support (Thielemann 2000; Teegen, Doh, and Vachani 2004). Scholars have argued that consumers' buying power plays a large part in changing companies' product designs and processing

(Worldwatch Institute 2012). Consumers are considered as a pressure group by the social and environmental accounting (SEA) researchers (Tilt 1994).

Although senior managers from this study claimed the importance of consumers, in reality, consumers receive less attention when it comes to voluntary reporting in Bangladesh. Deegan and Gordon (1996) asserted that consumers are the least influential stakeholder in terms of providing social and environmental information in annual reports. The growing demand for social and environmental disclosure from among consumers has been demonstrated by Dawkins and Lewis (Dawkins and Lewis 2003) where they reported that 26% of customers expected to see a company's social and environmental information.

In this current research, the managers of Bangladeshi companies stated that international buyers are committed to seeing the companies' social and environmental performance in terms of working conditions, child labour, occupational health and safety, and workers' payments. The recent Bangladesh garment factory collapse left a trail of shattered lives causing international outcry and a ban on buying garments from Bangladesh. Unfortunately, local Bangladeshi consumers are not as educated in understanding social and environmental impacts caused by organisations. The finding implies that there are limited attempts in terms of stakeholder engagement. A plausible explanation for this finding is that the organisations do not have any long-term policy; instead CSER practices have been seen as a means of philanthropic behaviour rather than sustainable partnership with the community. This study suggests that organisations should consider stakeholders' views and expectations for greater accountability through CSER reporting practices.

## 7.3 UNDERSTANDING CSER FROM THE STAKEHOLDERS' PERSPECTIVE

This section illustrates the findings from key stakeholders' views and perceptions on the CSER phenomenon in Bangladesh. This section has further contributed to the understanding of the voices of key stakeholders in the attempt to answer RQ.2 and RQ.3. Once the stakeholders were identified, it was necessary to explore the social, environmental and economic expectations of these stakeholders to conceptualise the

bigger picture of the CSER phenomenon from the stakeholder perspective (Deegan and Unerman 2006). The key stakeholders (see Section 7.2.3) identified by senior managers were NGOs, the media, regulatory authorities and government, civil society and customers. Figure 6.1 in Chapter 6 presents the core themes of the CSER reporting phenomenon in Bangladesh as perceived by stakeholders.

### 7.3.1 Global Strategy, Profitability and Environment

The findings from the stakeholders' interviews in Chapter 6 revealed that multinational companies (MNCs) have more CSER activities and disclosures due to their global CSER strategy. The findings also showed that stakeholder groups in Bangladesh have positive attitudes towards MNCs' CSER practices and argued that MNCs have brought the CSER concept to Bangladesh. Leading local Bangladeshi companies expressed similar views. This finding was consistent with the prior literature (Jamali 2008) that explored the relationships among CSER, MNCs and larger companies. The MNCs were more likely to practise CSER because they have written policies and strategies for society and the environment (Jamali 2008). The views of stakeholder groups were also consistent with the prior literature with regard to corporate size (Adams 2002; Khan et al. 2012). The views of stakeholders in this study have indicated that CSER has a positive impact on profitability and productivity. One possible explanation is that if organisations provide a better working environment, better employee benefits and ensure sustainable business practices, this may increase their productivity and profitability (Goyal, Rahman, and Kazmi 2013). Lin et al. (2009) claimed that CSER activities do not increase profit or productivity immediately but instead ensure and recognise stakeholders' expectations in addressing product/service responsibility, environmental impacts on their operations, and health, safety and well-being for employees which indirectly affects productivity and profitability. The findings of Patten (1992) have shown the negative relationship between CSER and profit.

In contrast, some stakeholders have asserted that organisations in Bangladesh use CSER as a "green washing" and marketing tool for corporate reputation purposes. Several scholars (Preston and O'Bannon 1997; Waddock and Graves 1997) found that

companies are willing to engage in CSER for profit-making and marketing purposes. The findings of this study also suggest the hidden objectives of organisations which are to promote their company name, products, services or brand. With regard to stakeholders' views on environmental responsibility and its disclosure, some organisations are found to be less serious which was termed by stakeholders as "environmental irresponsibility". Gray (2002) indicated that to make companies socially and environmentally-responsible, continuous enforcement is important which would help the companies to rethink and to become environmentally friendly. The stakeholders indicated that the government and organisations' unsustainable behaviour was responsible for environmental degradation. Scholars have argued that CSER plays a critical role as a strategic tool to satisfy stakeholders in order to legitimise corporate operations to ensure their existence which, in turn, would ensure corporate accountability (Roberts 1992; O'Donovan 2002; Kuasirikun 2005). However, the stakeholders' real experiences in Bangladesh are different from the above realisation with the exception of a few community activities and a few disclosures by some leading organisations.

### 7.3.2 The Debate of Voluntary vs. Mandatory CSER Reporting

CSER reporting practices are predominantly a voluntary initiative to legitimise business operations within society. Although CSER is mandatory and regulated by laws in some developed countries (Crawford and Williams 2010), in the developing countries, such as Bangladesh, it is still voluntary. The findings of this research have argued that it should be mandatory in Bangladesh. The NGOs, the media, civil society and consumers are supportive of making mandatory environmental laws due to the country's vulnerable environmental position caused by corporate organisations. The responses of stakeholders have indicated that, without laws and regulations, organisations were reluctant to ensure environmental sustainability.

The prior literature has also suggested mandatory and standardised CSER reporting by organisations owing to increased pressure exerted by various stakeholders (Lee and Hutchison 2005; Mobus 2005; Crawford and Williams 2010). It appears from the

literature that countries such as the USA, France and Australia have mandatory environmental disclosure because stakeholders are very much concerned about environmental issues (Frost and English 2002). Mobus (2005) stated that mandatory reporting of social and environmental information depends on the mandatory regulatory compliance. Mobus (2005) further argued that the managers of organisations often employed tactics to minimize the delegitimising effects of organisational impropriety revealed by mandatory accounting disclosures; this is a common tendency of the Bangladeshi corporate sector even if they are fined. The mandatory CSER reporting presents several benefits such as standardised and comparable actions that allow benchmarking and best practices (Hess and Dunfee 2007). Similar views in favour of mandatory CSER and expectations were observed in several studies (Belal and Roberts 2010; Tilt 1994).

However, the views of the regulators confirmed that laws and regulations do not ensure the voluntary obligation unless organisations become aware and responsible for society from their own values. The interviewee from the Bangladesh Ministry of Environment and Forests emphasised that existing laws should be effectively enforced rather than simply passing a new law. The above views of the regulators and the Ministry of Environment and Forests were supported by Owen et al. (2001) with the argument that voluntary reporting could be used as an effective tool to manage the risks and the social and environmental issues as they related to stakeholders.

### 7.3.3 Socio-economic Context of CSER in Bangladesh

The findings of this study from the stakeholders' perspectives presented some emergent observable aspects that create barriers to development of the CSER phenomenon in Bangladesh. The main socio-economic and contextual barriers identified by key stakeholders are corruption and politics, lack of coordination, lack of government initiatives, lack of law enforcement and resources, lack of knowledge, and mindset. The views of the stakeholders in this study are almost aligned with the impediments as viewed by senior managers. Stakeholders' views on barriers to CSER are discussed in the following subsections.

*7.3.3.1 Corruption, Political Power and Non-compliance with Laws*

In Bangladesh, corruption is a common phenomenon as in many other developing countries in the world. Corruption is correlated with political stability and non-compliance with laws. As noted in Chapter 3 (Section 3.4), Bangladesh is one of the most corrupt countries in the world. Evidence from a recent report by Transparency International Bangladesh (TIB) indicated that 97% of Members of Parliament (MPs) are involved in questionable acts, such as abusing authority to control businesses or universities, misusing government money allocated for development plans, being directly involved with crime or supporting criminals, redirecting the government tender process for self-interest and getting benefits by providing false information to government (Transparency International 2012). The country's supreme business organisation, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), is divided into two political groups and they directly support the political parties so that they can take illegal advantage while their party is in power. Therefore, transparency is called for to discourage conflict of interest through CSER disclosure. The stakeholders have alleged that non-compliance with environmental laws by organisations is backed by political leaders in exchange for bribes. Political donations should be transparent rather that being used to allow business organisations to practise non-compliance with the laws. The findings from the stakeholder interviews, field observation and the researcher's local working knowledge resounded well with the prior literature. Politics and corruption are interrelated for most organisations, as political power through bribery and corruption helps organisations towards non-compliance with local laws and regulations related to the environment (Rodríguez et al. 2006).

Although regulatory authorities, the government and other pressure groups have helped to shape the social and environmental responsibility disclosure practices, corruption has played a major role in manipulating the rules of CSER (Baughn, Bodie, and McIntosh 2007). Nwabuzor (2005) argued that the misuse of power for self-interest might cause more costs to be incurred by organisations through payments "under the table". The "under the table" payments are usually used to avoid regulatory constraints and laws (Rodríguez et al. 2006). Corruption and illegal activities may lead to the desired result

for a short time but they are destructive to sustainable development (Veiga 2004). These findings are not exclusive to the current study, as non-compliance with laws and regulations towards CSER from the stakeholders' perspective was found in the previous literature (Bebbington et al. 1994; Welford and Frost 2006). The views of stakeholders in this study have indicated that organisations do not have any respect for obeying the laws relating to working conditions, the environment, etc. The tragic irony for Bangladesh is that those who disobeyed the laws are somehow related, directly or indirectly, to making the laws. Unfortunately, in an unstable socio-economic environment where CSER is not an institutional norm, corruption, misuse of political power and weak law enforcement prevail.

### 7.3.3.2 Coordination, Initiatives and Mindset towards CSER

A big problem and key challenge for CSER in developing countries, particularly in Bangladesh, is the lack of coordination among regulatory authorities, NGOs, the media, civil society and other stakeholders. The decision-making process and implementation are not coordinated. The Ministry of Environment and Forests have responsibility for implementing compliance with the environmental laws in Bangladesh; however, they do not get enough support from other legislative authorities such as the SEC, the DSE or even from the government while they are undertaking field investigations. Theoretically, regulators are responsible for their assigned jurisdictions; however, there is a lack of accountability as they tend to blame each other when it comes to questions of implementation. Although the environmental and labour laws require companies to update their information with the regulators in relation to environmental safety, working conditions and child labour, failure to coordinate and communicate among the different stakeholder groups stops the movement towards socially and environmentally-responsible business practices.

This finding was supported by Acutt and Medina-Ross (2004) when they noted that lack of coordination among different government and regulatory authorities leads to inefficient implementation of laws which has an impact on CSER. Belal and Roberts (2010) argued that the level of coordination among stakeholders and related parties was

yet to be organised which has a limiting impact on the CSER reporting phenomenon. The demand for initiatives from regulators and the government was found to be a commonly-held view of both managers and key stakeholders in this study. From the managerial point of view, government initiatives should be business-friendly and should include monetary benefits for organisations that are practising CSER. However, the key stakeholders are more focused on strong corporate governance, strict implementation of laws and formation of strong laws which will ensure CSER practices and reporting.

Moon (2004) has suggested that a climate change levy, labour practices and governance issues could be enforced by the institutional involvement of the government. Stakeholder groups found the role of government agencies to be frustrating. In practice, there is limited evidence to date that the Bangladesh Government has taken any effective initiative through the SEC or the DSE to ensure minimum social and environmental compliance of organisations. Interviews from NGOs and the media have argued that social audit could be one of the policies to encourage CSER which is supported by DeTienne and Lewis (2005). The government initiatives through laws and a framework have been found to be constructive steps in Western developed countries to encourage companies to practise and report on social and environmental issues (González and Martinez 2004; Porter and Kramer 2006). The lack of a government framework, guidelines from the government or independent verification causes disclosure practices to be unbalanced (González and Martinez 2004).

Moreover, with a lack of understanding and lack of mindset towards CSER, organisations in Bangladesh have little or no disclosure policy or information about voluntary social and environmental practices. The stakeholders rarely expressed curiosity about voluntary information. The views of stakeholders indicated that only very few organisations had an understanding about disclosures. Some of the organisations described philanthropic activities in their reports which they considered as CSER disclosures rather than providing comprehensive social and environmental information. For example, most of the organisations provided information about their donations to the Prime Minister's Relief Fund which is a very common and usual practice. However, the mindset towards long-term voluntary social and environmental

information was not demonstrated. Moreover, the benefits of CSER and understanding about its concepts are also absent among the various stakeholders as the general stakeholders are not educated and less environmentally conscious. This situation is very frequent in developing countries, particularly where stakeholders are not economically powerful. Some of the interviewees stridently criticised themselves indicating that they needed to be more aware about their companies' social and environmental reporting practices. There needs to be combined awareness raising as well as urgent initiatives among various stakeholders in order for organisations to implement CSER reporting practices (Naeem and Welford 2009).

The findings from the stakeholder views offer noteworthy implications which are vital for organisations' policy makers and regulators. The overall understanding of the CSER concepts among stakeholders is still vague and unclear. The organisations in Bangladesh need to understand that CSER reporting practices are not only for MNCs or for the purpose of profitability but also for responsibility towards the environment. Moreover, regulators should implement environmental laws and should be strict against non-compliance or violation of these laws. This finding clearly relates to the need for a mandatory CSER reporting framework developed by regulatory authorities which echoes the finding of Belal and Cooper (2011)

## 7.4 ROLE OF NGOs, MEDIA AND CIVIL SOCIETY

The self-perceptions of NGOs, the media and civil society also emphasised their roles and voices in order for CSER to be embraced in Bangladesh. From the legitimacy perspective, although the role and voice of NGOs in CSER practices and reporting are controversial, they are still considered as a key player for social and environmental change in society (Arenas, Lozano, and Albareda 2009). The findings of this research have argued that NGOs are deeply rooted in society and that companies have partnerships with NGOs. Therefore, NGOs could play their role to create awareness among organisations as well as with other stakeholders in society. Unerman and O'Dwyer (2006) have explored the social and environmental accountability of NGOs and have argued that NGOs' encouragement is successful in influencing and motivating

companies' social and environmental behaviour. The participants of the current study also argued that NGOs have a clear ethical responsibility for society and the environment. The self-criticisms of NGOs in this study indicated the narrow range of their work responsibility towards the environment. The agenda of NGOs working in Bangladesh mostly concentrates on microfinance although some NGOs' work has been extended to address energy, water, health, safety and biodiversity issues. The social and environmental accountability of NGOs has become common practice and a process of negotiation among stakeholders in developing countries (Ahmed, Hopper, and Wickramasinghe 2012). The findings of this research did not emphasise the functional accountability of NGOs; rather, they have focused on NGOs' social and environmental accountability role to the wider stakeholder groups. This social and environmental accountability outlines the impact of an NGO's activities on other organisations, individuals and the environment (Unerman and O'Dwyer 2006).

The findings of this research were that both electronic and print media could change unsustainable corporate behaviour and that they could ensure stakeholders' rights to know about corporate social and environmental information. In Bangladesh, corporate organisations usually lobby all political parties such as those in government offices and regulatory authorities by offering bribes. The media have yet to be exposed to a bribery scandal, although a remarkable connection exists between media owners and corporate bodies. The potential of the media to motivate and influence community expectations and subsequently to act as a channel to communicate with corporate bodies has been demonstrated in the literature (Carroll and McCombs 2003). McCombs and Shaw (1972) have argued that the media builds public awareness on particular issues. From the Australian perspective, Brown and Deegan (1998) have explored media coverage as a channel for community concerns through which to explain social and environmental disclosures. They further argued that the extent of media attention has a positive relationship with CSER due to the strong pressures exerted by stakeholders.

The findings from the stakeholders' interviews also noted that media initiatives were crucial for CSER in Bangladesh even considering the risk to journalists' lives when they published bad news about organisations. The pressure of the media might have the

capability to improve working conditions, employees' health and safety, eliminate child labour and ensure sustainable business practices in developing countries such as Bangladesh. The views of stakeholders about the role of the media in this research were very much supported by Islam and Deegan (2010) when they explored how media pressures improved the practice of corporate social and environmental disclosure.

The stakeholder interviewees also emphasised the vital role of civil society in encouraging CSER practices and reporting. The traditional role of civil society mainly concentrated on the development of a democratic environment and public policy. However, the recent global warming agenda has brought the civil society to the forefront as a voice for the will of the community. The finding emphasises that NGOs and the media have a clear structure in which to work, whereas civil society as a pressure group can raise awareness of any issues to the front line of the media and the general public. Therefore, the implication is that, in seeking to legitimise business operations, management needs to be aware of influential stakeholders' pressure emanating from the combined work of NGOs, the media and civil society who possess the ability to compel CSER reporting practices in Bangladeshi organisations.

## 7.5 STAKEHOLDERS' EXPECTATIONS OF CSER

The findings in this study were consistent with the prior research in developing countries which indicated that organisations' general motives for CSER originated from the wish to build up their reputation instead of focusing on the social and environmental expectations of society (Fomburn 1996; Carmeli and Cohen 2001). Companies sharpened their reputation (Fombrun and Shanley 1990) through social and environmental disclosures; however, the expectation of these stakeholders is that companies should not use CSER as a reputation-building tool.

The participants of this study demanded strategic CSER policy and planned CSR-related expenditure allocation each year. The stakeholders elaborated in depth about their desire for environmental law and ETP implementation for polluted factories. Addressing legislative inefficiency and attitudes towards secrecy are deemed crucial to any development of social and environmental disclosure practice in Bangladesh. Companies

were reluctant to provide any information related to accidents or environmental occurrences in their reports.

The stakeholders expected institutional involvement in the process of CSER. The regulatory authorities of Bangladesh do not have any effective laws regarding social and environmental reporting except Bangladesh Bank's CSER reporting initiatives in the banking and financial industry. The sectors that are the largest contributors to pollution of the environment and of society are still unregulated. Therefore, it is necessary for a standard setting authority such as the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB) to be proactive in developing a CSER framework comprising social and environmental codes and principles for organisations in corroboration with the government and regulatory authorities. The results of the interviews with stakeholders in Chapter 6 clearly indicated key stakeholders' positive attitude for CSER reporting practice. The interviewees also argued positively in favour of the stakeholder engagement process. Scholars have suggested significant reform of existing corporate laws, corporate governance structure and institutional reforms as well as empowerment of stakeholders (Bebbington, Gray, and Owen 1999; Owen, Swift, and Hunt 2001; O'Dwyer, Unerman, and Bradley 2005).

Whilst Bangladesh as a nation possesses a "Bengali culture" of providing community assistance especially in times of natural disasters, its culture is also embedded with higher family values and powerful elite groups but is scourged with corruption (Belal 2001). Up to 66% of the population revealed the normal practice of paying bribes to access basic services (Transparency International 2012). Nonetheless, stakeholders were confident that as long as cultural values in ethical, social and environmental responsibilities develop within organisations, CSER reporting will progressively prevail.

While the majority of stakeholders were in favour of laws, rules, regulations and institutional involvement, some demanded the incorporation of the poverty alleviation agenda as part of the CSER strategy. As already discussed, the socio-economic context of Bangladesh is different from the Western developed countries. In Bangladesh, where

the extreme vagueness of political instability affects companies' daily operations, high power distances are usual phenomena and there exists higher tendencies for greater secrecy in disclosures (Hofstede 1980; Gray, Owen, and Maunders 1987). CSER is now interlinked with international development and the national goals of poverty alleviation and sustainability (Blowfield and Frynas 2005; UN 2010). Lantos (2001) used the term "economic CSR" to refer to profit-oriented CSR activities which absolved corporations from social and environmental contributions.

The findings regarding the expectations of stakeholders have implications for managers and regulators as well as for academics. The most commonly cited expectations for CSER are regulatory measures and a CSER framework. It is also important that professional bodies (standard setters) should come forward and provide some guidelines to organisations for CSER though they are voluntary. The regulatory bodies like Ministry of Environment and other government departments should enforce monitoring programs that ensure socially and environmentally-related compliance for organisations.

The analysis of both managerial and stakeholder interviews found that lack of awareness, non-compliance with laws and regulations, and lack of regulatory and government initiatives were impeding the progress of CSER in Bangladesh. The senior managers and stakeholders were concerned about the political leaders' influence, corruption and lack of coordination between various government departments which have impact on the CSER phenomenon. Therefore, the government needs to ensure transparent governance systems within organisations. Moreover, the findings from stakeholders' interviews suggest that organisations need to incorporate the poverty alleviation goal in their CSER agenda. The next section provides the theoretical elucidation of the findings of this research.

## 7.6 THEORETICAL INTERPRETATIONS OF THE FINDINGS

In this section, the widely used broader social system-based theories have been offered to explain the CSER phenomenon in Bangladesh. As Chapter 2 (Part B) has provided in-depth discussions of legitimacy theory, stakeholder theory and institutional theory, this section only emphasises the applicability of these theories to explain the social and

environmental reporting phenomenon of Bangladeshi-listed companies. No unique or single theoretical perspective was adopted in this study but allowance was made to see whether the findings lent support to any of the widely accepted SEA or reporting theories. Table 7.1 presents some interviewees' quotes and highlights the key theoretical insights that are suggested.

### 7.6.1 Legitimacy Theory

Legitimacy theory (Section 2.9.2.1.), in its constructive managerial wisdom, seems to provide an explanation for the CSER phenomenon in Bangladesh to a certain degree in this study. It is one of the most extensively used theories in both the developed and developing countries' context for exploring managerial motivation for social and environmental disclosure practices (Qian, Burritt, and Monroe 2011; Islam and Deegan 2008; Deegan, Rankin, and Tobin 2002; O'Donovan 2002). As discussed in Chapter 2 (Part B), legitimacy theory asserts that managers legitimise their actions for their survival in society due to the belief that organisations have a social contract with society and the community. The findings of this research (see Chapter 5) highlighted that perceptions among corporate managers were optimistic towards CSER practices due to corporate governance reforms in Bangladesh in 2006 and concerns about global climate change. Again, in response to the Millennium Development Goals (MDGs), organisations appear to be keen to accommodate poverty alleviation, to reduce child labour in factory-oriented industries and to secure their own existence.

In the case of the textile and clothing industry, managers admitted that international buyers constantly exerted pressure on companies to ensure social and environmental compliance. The findings of this study covered a wide range of factors relating to social and community influences. These factors mirrored diverse social, institutional and stakeholder influences on CSER in Bangladesh. Failure to comply with societal expectations (which constitute the terms of the implied social contract) will result in sanctions being imposed by society (Deegan and Unerman 2006). The embargo by some international buyers on buying garments from Bangladesh due to deadly working conditions in garment factories is just an example of the consequence of an unacceptable

implied social contract. A more recent example of legitimacy threat was found after buyers from America and Australia (including the world's largest retailer, Wal-Mart) cancelled all of their orders from Bangladeshi suppliers due to the death of workers in ready-made garment factories near Dhaka, Bangladesh in November 2012 and April 2013 (Burke 2013). The world's leading media, such as BBC, CNN, *The New York Times*, *The Guardian* and The *Sydney Morning Herald* highlighted the news which raised the voices of powerful external stakeholders such as local and international NGOs, particularly Clean Clothing (a USA-based NGO).

Whilst several studies asserted that the legitimacy theory provided a better explanation for management motivation in undertaking CSER reporting (See for example, Wilmshurst and Frost 2000; Ogden and Clarke 2005; Deegan 2002; O'Donovan 2002), other studies have empirically tested the linkage between legitimacy theory and CSER (Guthrie and Parker 1989; Patten 1992; Roberts 1992). Campbell et al. (2003) argued that voluntary disclosure of social and environmental information to meet community and societal expectations represented an attempt to address the perceived legitimacy gap in order to gain, maintain or restore legitimacy between the organisation and its stakeholders. The views of managers were highly supportive about their sustainable business operations and disclosure due to society's needs. Many researchers mentioned that the ingredients of society include consumers, employees and the community who are concerned about social and environmental issues (Donaldson 1982; Gray, Owen, and Maunders 1987; Mathews and Perera 1995). The participating companies in Bangladesh disclosed their growing transparency about employees and human resource-related issues, health, education and safety in their annual reports.

### 7.6.2 Stakeholder Theory

The findings of this research also resonate well with stakeholder theory in an attempt to understand CSER in Bangladesh. Whilst the interviews with both the managers and stakeholders expressed the ethical aspect of stakeholder theory as to the rights of all relevant stakeholders (Donaldson and Preston 1995; Freeman 1984) in CSER, the prevailing major CSER reporting seemed to be directed towards powerful stakeholders

(managerial branch of the theory) such as international buyers and regulatory authorities. However, regulatory authorities such as Bangladesh Bank (the central bank of Bangladesh) mainly regulate the banking and financial sector organisations.

As mentioned earlier, the influential international buyers have kept exerting pressure on organisations to maintain social and environmental compliance while these buyers outsource products from Bangladeshi companies. The growing success of these companies in Bangladesh depends on the support of stakeholders, and the operations of the businesses must be adjusted to meet their authorization (Ullmann 1985; Roberts 1992). The review of stakeholder theory (detailed in Section 2.9.3) suggests that organisations should provide disclosure of their social and environmental information to the community and society which includes all stakeholders. The findings of this research also argued that NGOs, the media and civil society have strong voices with which to encourage CSER in Bangladesh. Although Gray et al. (1995) contend that CSER could be seen as part of the dialogue between the organisation and its stakeholders, there was no strong evidence found about stakeholders' engagement in this study. The overall findings in this study could be explained by the managerial branch of stakeholder theory when it is considered that Bangladeshi organisations undertaking CSER did not provide for the informal needs of all stakeholders but instead focused only on the most important stakeholders.

**Table 7.1:** Key theoretical approaches to the interpretation of findings

| Indicators | Interviewees' specific quotes | Designated theory |
|---|---|---|
| Licence to operate business in society (Deegan 2002) | As we work in a society here in Bangladesh, we have an attitude towards social responsibility. Our company philosophy is to contribute to our environment and stakeholders. It is not about profit. So we are accountable to the society for our own existence. Moreover, we disclose our social and environmental responsibility activities as per the social expectations' concern (Interview B).<br><br>The culture and philosophy of our organization is to operate social and environmental-responsible business and meet the societal expectations. To be honest, we feel that since our peers (competitors) are doing CSER activities, we have to do something. Another point I need to mention is the strong focus of the Bangladesh Bank Governor on CSR. Banks try to be good in the eyes of the Governor or regulators. So they try to increase their spending on CSR (Interviewee F). | Legitimacy theory |
| Maintain the support of particular stakeholder group ((Deegan and Blomquist 2006) | The customers, particularly international buyers are kings in our business. As a supplier we have to maintain all of their required compliances. We feel extreme pressures from international buyers to ensure workers' health, safety and work environment. We also need to disclose to them all social and environmental-related activities (Interviewee O).<br>We consider our board of directors are powerful stakeholders in terms of our social and environmental responsibility. Furthermore, the regulatory authority like Bangladesh Bank is a highly influential stakeholder. We also consider our customers, NGOs and media as important stakeholders. I am frankly telling you that we value and are willing to contribute to the society, especially during natural calamities (Interviewee T). | Stakeholder theory |
| Influence of institutional factors (DiMaggio and Powell 1983 | We have to meet with many regulatory bodies for our business purpose. For one, we have to work with the environment ministry regarding regulatory issues. We need an environmental clearance for our overall factory as well as for separate operations. There are many laws regarding environmental issues but everyone does not follow them and neither is it feasible for everyone to follow these all the time. As far as our company is concerned, we have an ETP or effluent treatment plant through which we render our wastes harmless before releasing them in public lines (Interviewee P).<br><br>The institutional regulatory authority like Environment Ministry, Institute of Chartered Accountants of Bangladesh (ICAB), Institute of Cost and Management Accountants of Bangladesh (ICMAB), The Securities and Exchange Commission (SEC) need to provide guidelines for social and environmental responsibility disclosures. Surprisingly, the SEC does not care about reporting or CSR (Interviewee M). | Institutional theory |

However, as mentioned earlier (in Chapter 2), there is considerable overlap between the two theories. Not surprisingly as the literature (Belal and Roberts 2010; Sobhani et al., 2009) has revealed that, in Bangladesh as an emerging nation, stakeholders' expectations are not restricted to developing economies, but that they have different priorities to those in developed countries. The contextual aspects of Bangladesh are related to economic growth and poverty that are linked to CSER practices to some extent. The findings suggest that whilst the participants did not seriously consider the opinions of stakeholders in general, especially in the process of social and environmental disclosures, there was evidence of adhering to the expectation of influential stakeholders.

### 7.6.3 Institutional Theory

Another theoretical perspective for understanding the CSER phenomenon in Bangladesh is institutional theory. From an institutional theory perspective, this study found that, as a symbol of legitimacy (Meyer and Rowan 1977; DiMaggio and Powell 1983; Suchman 1995), organisations embrace institutionally accepted practices such as the GRI guidelines, UN Global Compact and ISO 14001 certification, when disclosing voluntary CSER. According to Suchman (1995), institutions necessarily have the characteristics of legitimacy, since without legitimacy an institutional pattern of relationships could not be sustained. As discussed in Chapter 2 (Section 2.9.4), institutional theory tends to be used to explain specific organisational structures or behaviours for coping with the changing complex contextual environment of an organisation (Meyer and Rowan 1977) to achieve efficient and effective socially responsible business practices (Qian, Burritt, and Monroe 2011). The results of this study can be understood by approaching them from the institutional pressure that creates tendencies towards isomorphism within the listed companies (DiMaggio and Powell 1983). Isomorphism emerges through three different mechanisms: coercive, mimetic and normative. Whilst these three types of isomorphism are not always absolutely clear-cut in the empirical setting, they "tend to derive from different conditions and may lead to different outcomes" (DiMaggio and Powell 1983, p. 150).

Evidence of institutional coercive pressure arises from claims by interviewees that powerful stakeholders possess the ability to influence their compliance with public expectations for sound CSER activities. For instance, this study found that the government and regulatory authorities have much influence on listed companies through regulatory compliance, especially in the banking and finance sector. In particular, the views provided by the senior managers in this study provided insights into the ability of Bangladesh Bank (the central bank of Bangladesh) and the Ministry of Environment and Forests to encourage CSER. Institutional pressure from Bangladesh Bank also affected other sectors due to their vision for green financing. Organisations (irrespective of their industry) will not receive any loans or financial help from banking companies if they do not comply with environmental responsibility. According to the report from Bangladesh Bank (2012), attention to this priority has given adequate credit flows to agriculture, SMEs, renewable energy generation and other environmentally-friendly projects. In addition, in line with previous findings (e.g. Islam and Deegan 2008), this study also acknowledged how textile and clothing companies faced institutional coercive pressure from BGMEA backed by powerful stakeholders, international donor agencies, the ILO and UNICEF. The media, NGOs and civil society have also been cited by interviewees as possessing various degrees of coercive pressure that have been known to compel Bangladeshi companies to legitimise their business operations by practising CSER.

By the same token, in an attempt to conform to institutional coercive pressure as a result of uncertainty, mimetic isomorphism was observed by responding to industry benchmarks. This is evidence of the limited but gradual increase in CSER disclosure in Bangladesh, especially among certain sectors such as banking and finance, pharmaceuticals and chemicals and, in particular, among the MNCs and their subsidiaries. Due to institutional coercive pressure from international garment buyers, the "Bangladesh Safety Accord" was established (Webb 2013) to mimic the Sustainable Apparel Coalition's new standard. Here lies the overlap between institutional coercive isomorphism from pressure groups mentioned above and the mimetic isomorphism of companies within similar sectors in Bangladesh to emulate each other for competitive advantage. The diluted bases for reporting are an adaptation of the GRI and UN Global Compact guidelines.

As observed in this study, while it may be prudent for these companies in Bangladesh to be seen as being socially and environmentally-friendly, the reality is that lax formal reporting regulations coupled with a lack of CSER framework and low level of law enforcement have resulted in superficial compliance. As mentioned in Chapter 3 (Section 3.3), the accounting standards and corporate governance codes and policies have only recently been implemented in Bangladesh and voluntary disclosures are practised by organisations on an ad hoc basis. Although the main regulatory authorities for listed companies in Bangladesh are the SEC and the DSE, neither of them have been known to actively encourage CSER; instead, they have been focusing on establishing rules in an attempt to recover the sinking share market which has been corrupted by businessmen through insider trading and share manipulation. The two standard setting bodies, the ICAB and the ICMAB, have also ignored their responsibilities for establishing any framework for CSER. With the exception of the codes and principles set up by the Bangladesh Bank in 2008 for all banking and financial companies moving towards CSER, the current lack of a CSER framework from the main regulatory bodies (e.g. ICAB, ICMAB, SEC and DSE) has resulted in less pressure or no pressure for overall CSER reporting by Bangladeshi companies.

Invariably, the participants of this study were predominantly dictated to by a mental feedback mechanism to reduce the conflict (see Chapters 5 and 6) between the weak coercive institutional social and environmental regulations and the business norm of an inadequate operating assumption – the result of which is to apply insubstantial CSER policies. It can be argued in accordance with Scott (Scott 1995) that while regulatory pressure may increase the disclosures of CSER activities, it is likely to be relatively shallow compliance that ensures social and environmental accountability. Such "institutional rules function as a myth" (Meyer and Rowan 1977, p. 340) can be observed by the "ceremonial" tree planting and non-committal philanthropic acts of most companies in order to provide minimal disclosures in CSER. The contextual factors such as personal values, corporate and national culture, family ownership, power difference and social norms also appeared plausible in explaining CSER in Bangladesh.

**7.7 GENERAL PRESCRIPTION**

Drawing on the findings from this exploratory in-depth empirical study in Bangladesh, the senior managers as well as key stakeholders highlighted the following preferred social and environmental strategies which would encourage companies to be more transparent in providing CSER reporting:

- Create awareness among organisations and stakeholders through sustainable education for greater corporate accountability;

- Develop a clear CSER reporting framework and guidelines;

- Active leadership participation from the government and regulatory authorities to ensure that social and environmental compliance is maintained by organisations;

- Integrate social and environmental aspects into the business operation for long-term economic and environmental sustainability;

- Improve moral and ethical obligations to environmentally-friendly business practice (e.g. using an ETP in an industrial production unit);

- Conceptualise 'Bengali values' by incorporating the poverty alleviation agenda within the CSER framework;

- Create positive leadership within organisations which will identify sustainable business practices;

- Involve the NGOs, the media and powerful stakeholders in the process of socially and environmentally-friendly business practices;

- Undertake activities through public–private partnerships and regulatory initiatives by providing incentives to organisations for complying with social and environmental responsibility disclosures.

As can be observed from these findings, the enormity of Bangladesh's social and environmental challenges will make the world's second most densely populated and emerging nation a vast market for business opportunities such as ready-made garments, manpower, jute, etc. The cheap labour cost provides greater opportunities for business in Bangladesh. However, global climate change has forced the country to face real challenges for environmental and economic sustainability.

## 7.8 SUMMARY

This chapter has provided a discussion of the findings based on the interviews with senior managers, key stakeholders, observations and content analysis of annual reports and other publicly available information. This study has attempted to explain the underpinning drivers of and barriers to CSER in Bangladesh (RQ.1). Having identified the key stakeholders, senior managers and stakeholders provided insights that will possibly have the most impact on enhancing CSER in Bangladesh (RQ.3). The conceptualised views of CSER were then compared between those expressed by the senior managers and those emanating from the identified stakeholders (RQ.2). This study has to some extent reported on the legitimate behaviour of organisations and their concerns for the management of influential stakeholders (which resonates with both legitimacy and stakeholder theories). Institutional pressure also contributes to understanding CSER in Bangladesh. This exploratory field study provides the emergent basis for future developments of social and environmental disclosures. Finally, this chapter has provided some fundamental relationships between the findings and the social system-based theories which have been crucial for explaining social and environmental reporting in Bangladesh.

# CHAPTER 8
## CONCLUSIONS AND FURTHER RESEARCH DIRECTIONS

### 8.1 INTRODUCTION

This study has explored the CSER reporting practices in Bangladesh. The world is witnessing spectacular challenges of global climate change, social inequality, resource constraints, urbanisation and rapid industrialisation which are creating severe pressures on humans living on the planet. These challenges inevitably have effects on organisations as well as on the community: Bangladesh is no exception. Notwithstanding several noteworthy studies that have investigated CSER and related SEA from developed nations (Guthrie and Parker 1989; Mathews 1995; Gray et al. 1997; Unerman and Bebbington 2007), relatively few empirical research studies have been conducted in developing countries (see e.g. Belal and Owen 2007; Islam and Deegan 2008; Rowe and Guthrie 2010). As can be seen from this exploratory engagement-based study, CSER is still in its infancy in Bangladesh. This study has been supported by the literature regarding the initial stage of CSER in Bangladesh (see Belal 2001; Azim, Islam and Ahmed, 2010) and has contributed to bridging the literature "gap" in empirical studies in this field in developing nations (Lodhia 2003; Chan and Welford 2005; De Villiers and Van Staden 2006; Kuasirikun 2005) such as in Bangladesh. In conducting this research to explore the CSER phenomenon in Bangladesh, Chapter 3 has provided the contextual factors which were assumed to be relevant. To identify the research gap and opportunity for the current research, Chapters 2 and 3 have provided an extensive literature review which considered both developed and developing countries' CSER reporting. The literature review also provided the theoretical perspectives (Section 2.9) that are widely used in social and environmental accounting (SEA) and reporting research and the justification for using these theories in this study.

The research methodology has been presented in Chapter 4 which includes details of qualitative research methods. As mentioned earlier in this thesis, this study consists of

two different phases of interviews with two different sets of participants. Initially, data were collected via interviews with 20 senior managers and, later, interviews were conducted with 14 key stakeholder groups. The content analysis of annual reports and publicly available data from newsletters and websites was used to triangulate the data with the interview findings. Many of these studies in CSER in developing countries, particularly in Bangladesh, were based on secondary data or case studies; however, this study is one of the few engagement-based studies in a developing country context using in-depth semi-structured interviews as well as secondary data and combined views from both managers and stakeholders to explore the CSER phenomenon.

The findings of qualitative interviews with senior managers and content analysis of annual reports and publicly available information were presented in Chapter 5; and the views and expectations of stakeholders as expressed in their interviews were presented in Chapter 6. Understanding the social construction of reality and the meaning of CSER as perceived by interviewees in Bangladesh required "emic" (Knorr-Certina 1999; Brislin 1976) analysis through fieldwork that could inform these emerging issues by contributing concepts from the bottom up. The findings derived from the interviews, content analysis and observations in this study provide forward-thinking insights about the CSER phenomenon in the national "emic" context in Bangladesh. Chapter 7 provided the discussion of the findings and constantly compared and contrasted the findings with the SEA and reporting literature.

This final chapter provides the summary and conclusions of this research. Based on the research questions and objectives, the next section presents a summary of the research. In addition, this chapter addresses how the research findings contribute to the existing body of knowledge in terms of its methodological, theoretical and practical contributions. Furthermore, the limitations of the research are presented followed by the directions for further research which are outlined in order to suggest potential areas that could be valuable in the context of the area of this research.

## 8.2 THE CSER PHENOMENON IN BANGLADESH

For the last two decades, CSER reporting has gained significant attention throughout the accounting and management literature as well as in corporate practice (KPMG 2013; Schaltegger 2012). Organisations might have several motivations for incorporating social and environmental reporting; however, stakeholder expectations are growing as part of sustainable business practices that impact on the community. In addressing these research questions, the findings provided a perspective about the underpinning drivers of and barriers to CSER (RQ.1), and compared the conceptualised CSER views of senior managers and stakeholders (RQ.2) in gaining insights that will possibly have the most impact on enhancing CSER in Bangladesh (RQ.3).

As discussed in the methodological section (described in Chapter 4), this research employed the philosophical notions of ontology and epistemology to conceptualise the participants' views. Moreover, phenomenology and symbolic interactionism have been employed to interpret the views of participants, which were then triangulated with publicly disclosed information such as annual reports. This study used NVivo 9 software to manage the volumes of data in conducting content analysis at various stages of data analysis. Through theoretical sensitivity (Section 4.5) derived from iteratively analysed data, core concepts and themes emerged that could then be considered through the widely accepted theoretical frameworks in the literature. The widely used theories in SEA and reporting (mainly from the developed countries' context) such as legitimacy theory, stakeholder theory and institutional theory have been used to explore the CSER phenomenon in Bangladesh.

It would appear from the interviews with senior managers that their main motivations for CSER derived from social obligation and poverty alleviation, directors' and management influence, corporate image, regulators' influence and external pressure such as from foreign buyers. The absence of a regulatory framework, lack of law enforcement, lack of education and awareness about sustainability development, lack of government incentives, and socio-economic problems were perceived as the main barriers from the managerial point of view. These CSER impediments have been

corroborated by the stakeholders interviewed. The socio-economic issue is a double-edged sword. Whilst social obligation and poverty alleviation are key drivers for CSER practices, the more urgent need for mitigating socio-economic problems within the Bangladeshi context translates to constraints in the perceived cost and effort for CSER reporting. The findings from the interviews also indicated that stakeholder engagement in the process of CSER was lacking; however, community investment and development activities undertaken by companies were growing and were being given highest priority. The voluntary disclosure of companies' social and environmental information gave less priority to the environment or the work-related environment. The factory-oriented environment was found to have the worst working conditions for employees and companies were reluctant to disclose such information. Although corporate governance has recently been growing in practice, companies provided rudimentary disclosures on corporate governance issues.

The major findings in this study from the stakeholders' perspective gained through the in-depth interviews provided evidence of positive attitudes in support of CSER in Bangladesh. Stakeholders were of the impression that CSER enhances productivity, and were supportive of mandatory environmental laws and policies through institutional and regulatory authority initiatives. However, aspects of corruption, political power, non-compliance with laws, lack of coordination, and mindset were found to be the key problems. The voices of NGOs, the media and civil society and participation by other relevant stakeholders were necessary for embracing CSER in Bangladesh. The weak enforcement of laws also appeared to be an institutional barrier. Some powerful external stakeholders were found to be very influential on organisations (e.g. international buyers exerting pressure on companies to comply with social and environmental responsibilities in the case of the clothing and textile industry). The institutional pressure from Bangladesh Bank (the central bank of Bangladesh) has encouraged increasing disclosure practices in the banking and financial industry.

By applying a qualitative research approach, particularly interpretive research paradigms such as "symbolic interactionism" (Blumer 1969; Woods 1992) and phenomenology (Husserl 1970; Chamberlin 1974), this study presented how senior managers and key

stakeholder groups attempted to make sense of the CSER phenomenon in Bangladesh. More specifically, in a situation where there was a perceived conflict between the formal social and environmental laws and the informal business practice of non-compliance with such laws, the managers tended to comply rudimentally with social and environmental requirements. The weak enforcement of laws has resulted in weak CSER practices and reporting.

## 8.3 CONTRIBUTIONS OF THE STUDY

This study's contributions to the body of knowledge, theory and practice are presented in the following subsections.

### 8.3.1 Research Contributions

One of the major contributions of this research relates to the method that has been adopted. In order to gain an understanding of CSER in Bangladesh, this research has incorporated engagement-based qualitative research methods. As opposed to most of the studies in the social and environmental reporting area, and particularly those in developing countries, which commonly use secondary data and mainly concentrate only on managerial views, this research has analysed both primary and secondary data and considered the views of both managers and key stakeholders. The data have been collected through in-depth semi-structured interviews, content analysis of annual reports, and other publicly available sources such as newsletters and websites.

The combined data from the interviews with managers and stakeholders provided some understanding of the perceptual comparison between managers and stakeholders towards CSER in Bangladesh. Recent studies on CSER have been investigating key stakeholders' views and expectations; however, this study also provides important indications about the current disclosure practices of Bangladeshi-listed companies. Bangladesh is at an initial and growing stage for CSER in general owing to its socio-economic contextual factors. This study used the philosophical notions of ontology and epistemology where the direct involvement of the researcher was crucial. In this study, the researcher was familiar with Bangladeshi culture, having a local working

knowledge. Moreover, the researcher has studied, worked and taught in a Western setting which produces a self-imposed discipline of both Western and Bangladeshi cultures. In exploring the CSER phenomenon in Bangladesh, this research suggests that qualitative research methods via interviews with both managers and stakeholders should be applied for research where sufficient work has not yet been done or when exploring the cutting-edge phenomenon of CSER in a particular national context.

Several major theoretical contributions have been recognised in this area of research. These theoretical explanations have provided useful insights into the CSER phenomenon in an emerging country such as Bangladesh. The findings of this study indicated the need for the mutual consideration of legitimacy theory, stakeholder theory and institutional theory. The first and foremost theoretical contribution is that, in exploring CSER from the managerial perspective, it was found that organisations in Bangladesh disclose social and environmental information due to their attempt to legitimise their existence in society. The results of the managerial interviews and content analysis of annual reports and other documents also indicated that due to the emerging voice of particular stakeholders' groups such as NGOs, the media, civil society and other powerful stakeholders like international buyers, organisations' social and environmental responsibility disclosure practices have been influenced. In accordance with the managerial aspect of stakeholder theory, the views and concerns of influential stakeholders were taken into consideration by companies in order to manage their powerful stakeholders. However, the actual disclosures and observation found in this study raised questionable resonance regarding legitimacy theory as only those powerful stakeholders (e.g. international buyers and regulatory authorities) appear to exert pressure on companies to comply with certain social and environmental requirements.

Another theoretical contribution of this research is that it reverberates well with institutional theory. This study found that institutional influence from the central bank may have impacted on voluntary social and environmental disclosures. In addition, the Bangladesh Ministry of Environment and Forests, through its ETP implementation, is forcing companies (who have factory-oriented production units) to increasingly comply

with environmental laws. The theories of institutionalism, and particularly Selznick's (1996) work, support the idea that organisations design formal structures and processes that become legitimate through institutional measures.

Hence, the findings of this study have provided theoretical contributions to the above-mentioned theoretical approaches that are collectively known as system-oriented theory (Gray, Owen, and Adams 1996) in attempting to expand on understanding CSER disclosures in developing economies. Findings from this exploratory in-depth study also demonstrated the contextual factors which move Bangladeshi organisations towards socially and environmentally-related disclosure practices. For example, poverty alleviation, child labour and environmental disasters have motivated companies to concentrate more on responsibility disclosure practices related to social and environmental issues.

### 8.3.2 Practical Contributions

This study also discovered the current trend in CSER reporting and the future prospects of CSER disclosure by Bangladeshi companies. Not only listed companies but also companies from any industry from any developing country may consider the findings of this study in planning their policies and strategies for social and environmental reporting. They may compare the perceptions of senior managers and stakeholders of their country with the findings of this study. This study found that managers revealed a positive attitude towards CSER and their motivations were mainly driven by social obligation and poverty alleviation, directors' and management influence, corporate image, regulators' influence and external pressure such as from foreign buyers. However, the managers as well as stakeholders in this study admitted that the major problems in embracing CSER included weak regulatory initiatives, and the lack of awareness and education about sustainable development in Bangladesh. The regulators, policy makers and other stakeholders will find useful insights from the findings of this study about their roles in building sustainable business practices in Bangladesh. This study found that the views and roles of key stakeholders such as NGOs, the media, civil society and regulators would help in planning strategies for policy makers. The study's

findings about the lack of stakeholders' engagement in the CSER process will help managers to rethink their policy about stakeholders. The regulators could benefit from ideas about the CSER framework which have been demanded by the relevant stakeholders in this study.

Furthermore, the findings of this research may assist academics and organisations operating in developing countries, particularly in Bangladesh, in understanding the phenomenon of CSER from the managerial and stakeholders' perspectives. Lack of effective governance in Bangladesh has resulted significantly in a lack of business ethics and poor CSER culture.

## 8.4 RESEARCH LIMITATIONS

However, there were some limitations involved in this study. The results of the current study should be interpreted cautiously due to possible limitations attributable to the chosen methodology and the context of the chosen topic. In regard to methodological issues, the sampling method might be of concern. As explained in the research methodology section, the companies taking part in the field study were selected based on access convenience, although the industry sectors of companies were purposefully selected. Chapter 4 discussed in greater detail how this study ensured the trustworthiness and validity of the qualitative research undertaken.

Data collected from senior managers were limited to that from senior managers from 20 companies operating in Dhaka Stock Exchange (DSE) and key stakeholders' interviews were limited to 14 as this point indicated saturation. However, the prime expectations of this qualitative research were for it to be reliable but not in the sense of replicability over time and across contexts.

The respondents' perceptions and views were triangulated with the actual disclosures from the annual reports and websites' information. It is essential to note that, due to the perceived sensitivity of both senior managers' and stakeholders' opinions about CSER in Bangladesh, "politically correct" responses may have prevailed either intentionally or unintentionally (Rowe 2006). As a result, there is no unique way to examine an

objective reality: rather, it was what the "actors" perceived as the driving forces for their actions. This research collected data from top-listed companies which might be a problem for generalisation of the research findings as the literature suggests that company size has an impact on voluntary social and environmental disclosures (Adams 2002). This exploratory in-depth qualitative study is a "snapshot" at a particular period of time mainly 2010/2011 from which period the majority of data has been collected, and the findings of this research have developed within the vibrancy of Bangladesh's economic development.

Corporate governance characteristics/mechanisms have been found in prior literature to be important to the quality of CSER. However, this study did not explored governance aspect as drivers or barriers to CSER through interviews. Whilst the sample of senior managers may not be absolutely representative of the DSE 100 populations, they were selected based on their market capitalisation and prominence within the Bangladeshi context. This study used legitimacy theory, stakeholder theory and institutional theory which have been mainly used in the Western developed countries' context to explain the CSER phenomenon. However, the researcher of this study undertook the risk of using these theories in a developing country context to discover better explanations. The findings and interpretations are country-specific, particularly for Bangladeshi-listed companies. The results of this study might not explain the same problems in a different national context, even for the same listed companies in a different country.

**8.5 FUTURE RESEARCH DIRECTIONS**

This section proposes some future research directions for CSER reporting in the developing countries' context (not limited to Bangladesh). The emergent literature, directed by this study's findings to the future research agenda that emanates from this exploratory engagement-based study, calls for more comprehensive investigation of CSER reporting applying the aforementioned theories (Section 2.9.2). Acknowledging the findings of this research is more country-specific; however, the views of participants would help in generalising the problem structure of CSER in other countries. Future research might consider a larger sample encompassing several business sectors in

Bangladesh as well as other developing countries and going beyond the economic, social and environmental aspects. As this research has argued that the views of participants are shaped by the personal beliefs of interviewees, the cultural context has not been widely adopted but if it were, it could provide a more comprehensive picture and better understanding of CSER reporting practices in the Bangladesh context. The interview data suggests the differences between local and multinational companies as well as between industries for CSER reporting practices. This provides further avenue for in-depth exploration.

The global climate change-related vulnerability has put Bangladesh on the forefront, and the Bangladesh Government is trying to overcome the challenges. Future research could address and examine the climate change-related disclosures and the corporate sector's preparation for coping with these challenges. In addition, future research could apply a mixed method approach related to the fact that CSER reporting and its research are still in their infancy in Bangladesh. Combined qualitative data and quantitative data from the survey could produce a different picture and fully-fledged explanatory arguments in order to confirm or revise the existing theories used in this research.

Finally, I feel that it remains for me to thank any reader who has reached this point. In concluding this thesis, it would appear most appropriate to quote the following legendary proverb from Kearns (1990, p. 4) "There is no finish line for the race of quality".

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# APPENDICES

**Appendix A: Sample Information Sheet and Interview Protocol**



**Information Sheet and Consent Form**

Corporate social and environmental responsibility (CSER) reporting in a developing country: Evidence from Bangladesh

My name is Md. Moazzem Hossain, a PhD student at the Curtin Graduate School of Business at Curtin University of Technology, Western Australia. I am seeking your help on my research project that aims to explore the phenomenon of corporate social and environmental responsibility (CSER) reporting in a developing country context, particularly in Bangladesh. In particular, this study will explore: first, the drivers and barriers of CSER; second, explore the possible perceptual difference in conceptualising CSER between senior managers and stakeholders; and third, to discover insights that will possibly have the most impact on enhancing CSER. The interview will be recorded with your permission and it will take between forty-five minutes to an hour.

This proposed research will assist academics and organizations operating in developing countries particularly in Bangladesh in understanding the phenomena of CSER reporting practices. Findings from this research will form the basis of stakeholder engagement process and will assist companies to involve more stakeholders in their CSER process.

Participants' confidentiality and anonymity will be maintained: only the named researchers will have access to the gathered information. The data collected will be used solely for the purpose of completing a PhD research thesis and, data will be de-identified and all material will be kept in locked offices at the Curtin Graduate School of Business (CGSB). Your contribution to this project as senior manager/stakeholder is of significance in understanding how stakeholder engagement by corporations benefits the organizations in Bangladesh.

This research has been reviewed and given approval by Curtin University Human Research Ethics Committee (Approval number GSB 10-10). Please do not hesitate to contact me or my supervisors (Dr. Anna Lee Rowe and professor Mohammad Quddus) if you require any further information or have any queries pertaining to this research.

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I, _____ have read the information above and all questions I have asked have been answered to my satisfaction. I willingly agree to participate in this research of my own accord and free will, knowing that I, as an individual, can withdraw at any time without personal consequence. I have been given a copy of this form for my records.

- YES

- NO

**Curtin University**

**Interview Protocol**

The following semi-structured (open-ended) questions have used to guide the core, in-depth discussion with senior managers:

## A. Opening interview guide for senior managers in an exploratory research

In exploring the phenomenon of CSER reporting, the following semi-structured (open-ended) questions will be used to guide the core, in-depth discussion:

I.   In your professional experience, what do you think is the driving force for CSER in your organization?

II.  Does your organization have any CSER reporting agenda? What have your organization achieved through CSER? If not, please share your own experience regarding barriers.

III. From your own experience, who do you think are the most influential stakeholders for your organization when disclosing social and environmental information to the public?

IV.  Are you concerned about stakeholder expectations? What are the practical practices you follow in fulfilling stakeholder expectation towards CSER?

V.   Do you consider the views of regulatory authority (such as SEC, DSE) in relation to social and environmental reporting? Please provide details of your opinion on regulatory authority activities.

VI.  Based on your experience, what are the insights that will possibly have the most impact on enhancing CSER in fulfillment of stakeholder expectations?

VII. Are there any important issues you would like to consider in relation to CSER in Bangladesh?

**B.** **Opening interview guide for recipients (stakeholders) in an exploratory research**

In exploring the perceptions of stakeholder on CSER in Bangladesh, the following semi-structured (open-ended) questions will be used to guide the core, in-depth discussion:

I. Many companies abroad are engaging with various stakeholders in sustainable development of their business practice through corporate social and environmental reporting (CSER). Do you see companies in Bangladesh participating actively as well?

II. What do you think is the level of CSER in Bangladesh? Do you think they are doing enough? What do you think is impeding the social and environmental reporting effort in Bangladesh?

III. When CSER is not required by regulations/ standard setters, why do you think they are reporting? Do you think regulatory measures (either by, standard setters or regulators) should be considered to encourage social and environmental reporting? Please give your opinion on this issue.

IV. What do you think is the role of stakeholders e.g. NGOs, Media, Regulatory authority, pressure groups etc.) in encouraging corporate social and environmental reporting practices by Bangladeshi organizations? What more do you want in CSER?

V. What else would you suggest that will improve social and environmental reporting by organizations in Bangladesh?


THANK YOU

For Taking the Time to Participate

**Appendix B: Categories/Criteria of Social and Environmental Reporting in Bangladesh**

- Governance, Codes & Policies
- Board diversity/composition
- Independent Directors/chairman-one tenth
- Remuneration/Compensation for board
- Corporate Governance report
- Corporate Governance Policy
- Risk Management code/policy
- Environment code/policy
- HR/people code/policy
- Health and Safety code/policy
- Product/service responsibility code/policy
- Suppliers/business partners code/policy
- Anti-corruption code/policy

- CSER Strategy & Communication
- Board committee for CSER issue
- CSER strategy/statement e.g. Chairman's statement/notes
- Direct named contacts for CSER
- CSER/sustainability report/AR/Web content
- Separate CSER department/foundation
- Reporting guidelines, e.g. GRI, AA1000
- Setting objectives and targets for environment indicators
- Setting objectives and targets for social indicators
- Report Assurance-internal/external
- Stakeholder engagement, dialogue and response
- Training for CSER

- Marketplace & Supply Chain-product/service indicator
- Required CSER standards for suppliers
- Supplier support initiatives/programs/audits
- H&S management systems
- Highlight main H&S risks/objectives/accidents
- Customer focussed initiatives e.g. labelling, health, etc.
- Products/services safety  impacts
- Products/services quality information
- Noncompliance of laws/regulations

- Workplace/people
- Health/HIV-AIDS policy
- H&S training/prevention program
- Staff training hours/budget
- Group-wide employee benefits statement/policy
- Employee satisfaction surveys-annual, completeness
- Diversity statistics-race, sex, age, other
- Diversity initiatives
- Human rights statement/policy
- Formal complaints/Whistle-blower scheme
- Freedom of association
- Working hour related information
- Child labour policy

| |
|---|
| • Facility for day care/maternity and parental leave<br>• Physically/sexually assault policy |
| • Environment<br>• Environmental management systems<br>• Emission data<br>• Energy/water consumption data<br>• Waste production data<br>• Energy/water initiatives<br>• Renewable energy technology initiatives<br>• Effluent Treatment plant policy and implementation<br>• Global climate Change related policy<br>• Waste reduction/recycling initiatives<br>• Wildlife conservation policy<br>• Training to employees for environmental issues<br>• Customer focussed environmental initiatives |
| • Community and Development<br>• Set Community Investment (CI)  criteria –e.g. 2% profit per annum, focus area<br>• CI- type of resources, e.g. money, in-kind, volunteering<br>• CI monitoring systems/impacts<br>• Long term social projects development<br>• UNGC/NDGs alignment<br>• Participate emergency crisis /natural disaster<br>• Social development through scholarship, medical support etc.<br>• National and international  event celebration with community<br>• Empowering local community |

**Sources:** GRI G3 (2006) and CSR Asia (2008) guideline of sustainability reporting and Deegan (2007) with some changes in italic (only individual items)

**Appendix C: An Example of Transcription of Interview with Senior Managers**

(Translated and transcribed)
(Key answers with additional comments identified)

**Interviewer:** From your professional experience, what do you think is the driving force behind corporate social and environmental responsibility reporting practices in your organization?

**Interviewee:** Well, the motivation is that the bank is a financial organization; we take money from the public, invest that money and make some profit out of this. In general this is how banking operates. But, as we are doing business with the public's money we feel that we have some liability, or we have to do something for the betterment of the public interest. This is the motivation for carrying out corporate social responsibility – to involve the bank in different activities which promote social safety net and equity and justice of the society as well as help the down-trodden people or the people who are neglected in some way or who need some help. This is one motivation. Another motivation is our vision to build Bangladesh in such a way that we can generate future leaders. So, in that connection, we are taking an initiative to help the meritorious but poor students who have just passed their Secondary School Certificate or SSC exam and want to continue to the next level of education. So, we are continuously giving them support – we provide a 'per-month' support and also 'at a time' support. At a time we give them Tk. 4,000 and then we provide them with Tk. 1,500 per month. Another aspect is that we are respectful of our culture. So we are always with the people who formed our culture – we are there in times of their happiness and sorrow. We want to make some contribution to the development of art and culture. Another motivation is that, in this subcontinent the health sector is one of the most talked about sectors, in the sense that the people of this subcontinent, especially Bangladesh, get afflicted with different types of diseases. For some diseases people do not have quality healthcare. In that connection, many patients have to go abroad. So, if there are some initiatives from local people or local group of people it would be beneficial. In that connection, we always try to be with these people in financial terms. And, another motivation is that we are very much respectful of the emancipation of the rights of the women and women

empowerment. In that connection, we participated and contributed in different levels. And you know that gender is a cross-cutting issue and in our CSR activities we always keep an eye on the gender issue so that there is empowerment of the women, which is an integral part of the MDG – Millennium Development Goal; it is the third goal in the MDG. Our CSR activities should be gender sensitive. These are the motivations.

**Interviewer**: Thank you Mr. Donald. So, does your organization engage stakeholders in relation to social and environmental responsibility?

**Interviewee**: Yes, yes. In social and environmental issues we are engaged in some ways. For instance, recently we came in touch with a foundation named Doridro Foundation. They are doing a unique work; they are working with the downtrodden or underprivileged people like sweepers; the people in the lower levels who are in some way neglected. We contributed some amount to the Doridro Foundation so that they can continue working in that way. This is one perspective. Another perspective is that we believe in 'green financing.' Green financing has two intentions – to reduce carbon emission and to preserve the environment so that activities that are destructive to the environment could be reduced. Another perspective is being environmentally friendly by using renewable energy like solar energy. We finance these projects so that we can preserve the green for our next generation. In that point, our finance has a focus on the stakeholders. *(\*interrupted my Mr. Hossain\*)* So…I'm not finished yet, some other points remain under this question. In that connection we choose some projects that have a direct contribution to…*(\*interrupted by Mr. Rossette's phone\*)* Wherever we go, our intention is to preserve the environment through our financing. We have a large portfolio, of sectors where we provide finance. Considering our portfolio, recently our management has given eye to providing finance in some projects that preserve the green. Recently, in our organizational set up we are trying to promote 'paper-less communication.' We have also chalked out some activities and programs for the women and for the entrepreneurs who want to build projects on natural resources- like bio gas plant, and projects on agriculture. We are giving some loan facilities to that sector. We are also giving loan facilities to those sectors where the people are interested in erecting industry in the solar energy sector – developing the solar panels or such kind of industries. This is one aspect of our environment consciousness. In our office

environment, we give an eye on the consumption of our energy. After a certain period of time, all lights are turned off. We give a keen eye on saving energy. This is the bottom line actually. In the social sector, recently, we are attached with some NGOs who are working for the women and for eradication of poverty and hunger which is the number 1 target in the Millennium Development Goal. In that connection, we have associated as a bank, delivering some services collaborating with the NGOs. What is the means? Means is the disbursement of remittance. We engage the NGO sector so that they distribute the money from us to the targeted people. This is one goal. Number two, we usually respond to the different social activities. That means, we respond to cultural functions that uphold the inner spirit of the Bangladeshi culture. We are very positive to the liberation movement's freedom fighters. Another thing is from the social point of view we get in touch with some eminent personalities and let them come and share their ideas with us. Another aspect is, in the different natural calamities like the floods – every year we experience floods – in that time we deliver relief to the flood affected people. Then there are some national disasters like the BDR mutiny. We delivered more than Tk. 10 million to the affected families who lost a husband or any other family member in that mutiny. So in that way our bank supports those families. So, I think these are some of the examples of the many activities regarding social and environmental issues in Bangladesh.

**Interviewer**: So, what exactly are you trying to achieve by doing these activities?

**Interviewee:** My organization believes that we are taking money and making money from the public. We have an obligation to give back something to the society. Our brand motto or our corporate motto is: "A bank with vision." That means we envision the future and value the sustainability of our business. We value the people on whom our existence lies. If the people around us are in a good status we will run nicely. As I said earlier, we are taking money from the public; we are taking the deposit from them and that money we invest in some projects and make money. That means, our capital is the contribution of the general public. We are just the custodians. We are making money and we are giving tax to the government; but we have to give something back to those people who are down-trodden and underprivileged. And, we also have to develop some social safety nets so that our social structure and economic structure could get benefited.

And by the symbiosis we want to continue our business in this country and also beyond the territory of Bangladesh. We are going to establish exchange houses in Europe and America. These are our future plans and most probably by 1 or 2 years we will go to Europe to establish a separate exchange house so that remittance inflow in Bangladesh could be smoother. This is linked with poverty alleviation. If we can make the remittance flow more flawless, easier and smoother we could reach the families of the people who live abroad in Europe and Middle East. This is not the end because for remittance beneficiary families we have a plan to launch some products – banking facility services – so that they can engage themselves in some businesses as well. We have some future plans to deliver some financial advisory service to people who want to engage themselves in entrepreneurship. That means if an entrepreneur – male or female- needs some consultancy, we will provide that service to them.

**Interviewer:** From your experience, who do you think are the most influential stakeholders in relation to the social and environmental responsibility reporting practices?

**Interviewee:** Actually the thing is that our bank, as I told you earlier, has a different focus. When there is a need and it is justified on the basis of the national priorities in some connection we give assistance on achievement of world priorities that is the MDG, poverty eradication, gender perspective, environment cause. So whenever it falls in any of those arenas. We take those things in our active account. This is the threshold, benchmark or criteria. The external stakeholders are NGOs - the non-government organizations involved with environmental matter and those engaged with poverty eradication programs. So, there could be a good partnership between us and them. We also welcome the people or the group of people who want to erect some innovative things. From the environmental point of view, we are giving emphasis on the green financing through our projects. In order to follow the ISO standard factories need to install ETP – effluent treatment plant. For establishing the ETP we provide finance. And for the new projects, we take into consideration some environmental clauses which have to be complied with as per the government's regulations. These are environmental matters we take into account. The government is also an important stakeholder. Then there are also the NGOs working in different areas as per the priorities of the MDG as

well as per the national priorities. The stakeholders could be the disadvantaged people or group of underprivileged people. It could be a CBO or community based organization too. Other important stakeholders are the students…the future leaders. Every year we give a scholarship program; it is a notable CSR activity of our bank. We give scholarships to the SSC passed students. In that connection, the students or the budding scholars are important stakeholders. Students, governments, NGOs, individual or groups of people who are underprivileged and the community-based organizations are some of our most important stakeholders.

**Interviewer:** Are you concerned about stakeholder expectations while reporting?

**Interviewee**: Yes, yes.

**Interviewer**: Then, what are the practical practices that you follow to fulfil these expectations?

**Interviewee:** As far as I understand you want to know the procedure – how we do the CSR activities. There are two types of procedures here. One is that somebody applies for some new project, sponsorship or financial assistance for a disadvantaged group of people. Say for instance, somebody asks for money to get his or her eyes treated; or somebody asks for financial help for kidney ailments or cancer. We attend to those requests. How? We get a formal approach or application letter from them. We verify that through our officers; we check whether he or she is well-off or whether he/she really needs that financial help. After that our management and honorable board of directors takes the decision as per the real picture shows. Another thing is for institutional engagement. If any NGOs or interested organizations approach us, we go through their total idea of the project. We discuss it with our management; whether we should go with or not. If it is accepted from the management – obviously, the acceptance or rejection depends on our principle. I told you earlier, we are respectful to the MDG and the national priorities and we are respectful to the humanity and the national immediate needs. On the purview of such benchmarks, management decides which one they'll accept and which ones they'll reject.

**Interviewer:** Do you consider the views of the regulatory bodies in relation to social and environmental reporting? Please provide your opinion about Securities and Exchange Commission (SEC), DSE and Bangladesh Bank.

**Interviewee:** The views of the regulatory bodies in Bangladesh regarding social and environmental issues are very noticeable in recent days. Bangladesh Bank - the regulatory body of the Bangladesh banking sector – is giving much focus to sustainable development, green financing and to the financing of women entrepreneurs. It is giving a different type *(\*interrupted by Mr. Hossain's phone ringing\*)* of circular to the banks. And, we - all the banks - have to comply with the Bangladesh Bank in this connection. Bangladesh Bank said you have to disburse a certain portion of your SME credit to women. You are asked to encourage the financing of renewable energy. You are asked to verify the environmental clause in financing the large projects. We are taking these things into our concern and this is due to the regulators who initiate all those things. So, regulators like the Bangladesh Bank are very active in this connection. The management of the Bangladesh Bank saved the Bangladeshi economy from the last recession. We, especially the banking sector, did not get that much affected by the global meltdown. And for that credit goes to the Bangladesh Bank. Securities and Exchange Commission or SEC is the regulator of the Dhaka Stock Exchange and the Chittagong Stock Exchange. I could say that SEC is the safeguard of the stock market operations and enlisted companies. So far as I'm observing, they bring justice to the stock market; they promulgate or enact some rules and regulations to protect the interest of the small investors. They are encouraging the different small companies, through their policy instruments, to come into the stock market and to acquire their capital. They have recently relaxed their eligibility regarding capital requirements. They have reduced the capital requirements of the companies that want to come to the stock market. That means, as they reduced their asking amount of the minimum capital, there might be, in near future, different companies coming into the stock market. When the different companies come to the stock market, through the stock market they could get opportunity to raise capital through public participation. People will purchase the shares and ownership of the people in those industries will be established. This is one way the SEC is contributing. And as SEC regulates the other businesses and commercial

companies, they have a monitoring device on the listed companies as per the government commitment, priorities and different standards.

**Interviewer:** So based on your experience, what are the insights that can possibly have the most impact on enhancing or encouraging the CSER in Bangladesh?

**Interviewee:** Umm…CSER is a very new jargon or initiative in our country. Earlier, the CSR meant it is just about giving away money to some people or organizations. But, nowadays the companies are considering their vision. They think about what they want to accomplish and what good things they can do for the society. In that connection, they want to discover their existence. They devise their CSR activities in that light. In a nutshell that means, earlier CSR meant a mere give away without considering any threshold. But nowadays the decisions of involving in CSR are based on objective judgment. Earlier it was more of a subjective judgment. What is the objectivity? Objectivity is that every company has a vision and a strategic plan; so, a company wants to fulfil its strategic plan in its business operations and in that connection they have some important stakeholders and they gradually realize that if the stakeholders are in good position, their existence will be meaningful. On the other hand, the companies consider many ethical matters. They – especially the banks - consider social justice. This is because our capital is public capital; so we are getting those things from the public. In other companies capital is raised by the individual. We raise capital from the general public; it is their deposits that we are investing. So, the banks think that they have something additional to do for those stakeholders. In project management language, stakeholders are all those who directly or indirectly are affected by or engaged in the activities. Here the important stakeholders are the general public. Banks are gradually giving eye to the public so that a good brand image is developed amidst the public. This is one intention of or motivation for engaging in the CSR. In general, the companies have a strategic plan. They have a clear vision of where they want to go. For achieving that, they engage with different types of social and environment conservation activities. There is one company, selling cigarettes, who are promoting forestation. They are promoting some green activities and good things for the women so that a negative image does not get created. Their business purpose is also served.

**Interviewer:** Is there any other important issue you consider in relation to social and environmental reporting in Bangladesh?

**Interviewee:** You know that, for environmental reporting there are a lot many scopes of development in Bangladesh. We have just started under the leadership of recent leaders. It has gained momentum in recent days – the non-traditional environment sensitive or environment centric work. Our financial moves in the days to come will consider a lot of environmental concern in disbursing or investing their funds in different projects. Bangladesh Bank as the regulatory bank has devised some main reporting devices in connection with that, so that those activities actually take place. The activities shouldn't just be in the voice or in the lectures and books.

**Interviewer:** So do you think that if the regulatory bodies participate more actively in this matter, the social and environmental activities will be more enhanced?

**Interviewee**: Actually, in banking sector we always obey the rules and regulations enacted by the Bangladesh Bank. In addition to that, each bank has a different kind of philosophy and priorities. As I mentioned earlier, we are respectable to the MDGs and national priorities. In accordance to that we devise our activities. So, it is regardless of the Bangladesh Bank's directives. We will definitely obey all the things that Bangladesh Bank directs us to do but in addition to that we have some separate focus apart from our business in connection to the CSR, as I stated at the beginning of the interview. These go hand in hand; the regulators can come forward to bring the less active institutions forward. But the banks that are large in exposure have already realized it and are doing work in different fields. So, inshaAllah in the days to come we will see many different types of environmental and social activities. Bank is a service organization; so there is no way to ignore the people's interest. It is by default that the banking industry has to see the interest of the people. In the brand communication department, we are going to launch a literature distribution program regarding mother's and child's health. When we disburse this monthly or bi-monthly publication to our customers or potential customers, they will be aware of all those things. This is one type of activity that you may or may not classify as CSR. But, the inner thing is that we are not encouraging any business out

of it. Along with the government and NGOs, we want to echo our existence in different national development activities so that the people get benefited through our activities.

**Interviewer:** Thank you very much, Mr. Donald for your valuable time and for participating in this research project.

**Interviewee:** You are welcome.

**Appendix D: List of Sample Organizations for Annual Report Content Analysis**

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| • ACI Limited |
| • Baximco Pharmaceuticals Limited |
| • Brac Bank Limited |
| • Dhaka Bank Limited |
| • Dutch Bangla Bank Limited |
| • Estern Bank Limited |
| • GlaxoSmithKline BD Limited |
| • IDLC Finance Limited |
| • Marico Bangladesh Limited |
| • National Bank Limited |
| • Premier Bank Bangladesh Limited |
| • Prime Bank Limited |
| • Prime finance and investment limited |
| • Rackitbenkizer Bangladesh Limited |
| • Southeast Bank Limited |
| • Square Pharmaceuticals limited |
| • Square Textile limited |
| • The City Bank Limited |
| • NCC Bank Limited |
| • Prime Textile Limited |