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## CORPORATE SOCIAL RESPONSIBILITY: A COMPARATIVE STUDY OF CSR PRACTICES IN TOBACCO AND SUGAR MILLS SECTOR INDUSTRIES OF KHYBER PAKHTUNKHWA

Dr. Pervez Akhtar<sup>1</sup>, Dr. Iqbal Shah<sup>2</sup><sup>1</sup>Pakistan Institute of Community Ophthalmology, Hayatabad Medical Complex, Peshawar, Pakistan

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\*Corresponding Author: Dr. Pervez Akhtar

Corresponding Author Email: [pervez@pico.org.pk](mailto:pervez@pico.org.pk)

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### ABSTRACT

Aim of the study was to find out and compare the level of understanding and practices of CSR in the two different sectors of economy in Khyber Pakhtunkhwa. Purpose of the study was to find out and compare the understanding of corporate social responsibility in these two different types of large scale industries of Khyber Pakhtunkhwa. That is, how well the management of the Tobacco sector and Sugar mills industry understands the CSR phenomena and how effective are their CSR practices. The study was restricted to the highest managers by using open and pre-structured questionnaire. The qualitative approach to research was used for the study. The Miles and Huberman (1994) three-stage process approach was used for data analysis. The study concluded that the understanding and the quality of CSR practices were more properly planned, coordinated, integrated and effectively performed in the Tobacco sector as compared to the Sugar Mills sector industries due to more organized and planned CSR efforts in that sector, which resulted in greater efficacy of the CSR efforts performed by the Tobacco Sector for the society..

**Key Words:** Corporate Social Responsibility (CSR), Management, Leadership, Tobacco sector, Sugar mills

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## INTRODUCTION

Corporate Social Responsibility is the willingness of the businesses to spare some money out of the profits of the companies for the welfare of the society. CSR studies the effect of the business practices on the health of the society (Baker, 2004). Donaldson and Davis (1991) stated that managers are morally bound to 'do the right thing'. Carroll (1991) described respecting the state laws as an important responsibility of the management under CSR. In another place (Carroll, 1979) gave an economic, moral, legal and volunteer model of social responsibility for the managers.

The modern developed world holds superiority on the South East Asia as for as practicing of CSR is concerned. There is now an increased demand for the least developing economies to practice CSR. Jamali (2007) rightly pointed out less amount of work on CSR in the developing countries. Blowfield and Frynas (2005) also expressed similar feelings. Though there is a lot of work need to be done for CSR in the developing nations, however, the pace on CSR is growing day by day.

This research intended to see the similarity and differences of understating and CSR practices in two different industries, which helped to understand the specific characteristics of the two sectors which resulted into practicing of corporate social responsibility more effectively in one sector as compared to other sector industries.

Objectives;

- i) To know the level of CSR practical efforts and understanding of CSR and
- ii) To find out the difference of CSR activities in the Tobacco and Sugar mills sector industries of Khyber Pakhtunkhwa

## LITERATURE REVIEW

Marrewijk (2003) defined CSR as taking care of the social and environmental concerns of the society. Pelozo and Shang (2011) referred CSR to establishment of a positive and effective relationship between the business stakeholders. CSR improves corporate credibility in the market (Lin *et al.*, 2010).

Burke & Jeanne (1996) were of the opinion that CSR programs gives a competitive edge to the organizations in the market. Lindgreen and Swaen (2010) stated that CSR has now become more practical and has made the businesses to include the society's welfare in their business plans. Now, the society demands the businesses to include their demands in the strategies as they are important business stakeholders. Now, the business firms are forced to consider the stakeholders' concerns while developing their business plans.

The advertisement of the CSR agenda is equally important for the business firms to produce a good image of the firms in the society. The customers will thus have a positive image of the firms which will result into effective, beneficial and long term relationship between them. Barnett (2007) found a positive relationship between the impact of the CSR on business and the capability of the firms to influence the stakeholders. Servaes and Tamayo (2012) found a positive relationship between projections of the image of customers on the CSR-value creation

relation. Schuler and Cording (2006) and Du *et al.* (2006) also found a direct relationship between a firm's reputation and its business. Berman, Wicks, Kotha, and Jones (1999) too favored increasing awareness among the public of a firm's contributions towards the society. Schuler and Cording (2006) focused on the need of the information sharing among stakeholders for positive results.

Lund-Thomsan *et al.*, (2006) argued that the firm's practicing CSR in Pakistan are mostly restricted to charity only. Afridi, Riaz, and Ali (2008) found an increased application of CSR in Pakistani Telecom sector. Awan, Kamal and Rafique (2012) studied the CSR in Pakistan and termed it as moderate. The general perception about CSR is that in Pakistan the CSR is more informal, irregular and mostly connected to smaller society betterment measures.

Policies and strategies can help organizational leadership drive CSR principles into organizational operations if they care for the needs of stakeholders. Hawkins (2006) stressed on the need of inclusion of the CSR principles into the business strategies. Abugre (2014) laid high emphasis on the managerial role in successful planning and implementation agenda of CSR. The managers can play a major role in planning, organizing and implementation of the CSR efforts.. the public opinion and demand has forced the organizations to take care of society in a better manner (Freeman, 1984)). Du *et al.*, (2010) has also stated on the stakeholder-driven perspective of the companies. Lindgreen and Swaen (2010) have thus found that effective engagement with stakeholders will give a competitive advantage to the firms in the market.

This study is intended to find out the factors that will give competitive edge to the firms in one industry as compared to other while successfully following their CSR programs.

### **RESEARCH METHODOLOGY**

The qualitative research approach was used. The existent status of CSR and its practices in both the Tobacco and Sugar mills sector was studied through descriptive study method which is in line with the Bickman and Rog (1998) suggested methodology who said that descriptive studies help to find answers to the questions "what is" or "what was".

The 20 functional units in both the industries formed the population of the study. Out of which data was collected from 10 units, 5 firms each from the two sectors through Interview schedule method. Both open and close ended interview schedule questionnaire was used for collection of data. Sample size was selected through applying the Stratified Random Sampling technique (Lottery method).

### **DATA ANALYSIS**

#### **I. Analysis of individual cases of the Tobacco and Sugar Mills Sector industries**

Here the individual firms were first studied in detail in order to get a sound understanding of the firms with respect to their knowledge of CSR. Then the data was reduced to give platform for subsequent cross-sectional analysis in order to see the similarities and differences with respect to the approaches adopted by the two different type of industries for practicing of CSR. This began with introduction of the firms.

#### **Management Profile**

Initially, the management of the two different types of industries was judged on the basis of their qualification, relevant business education, capacity building in CSR and the experience of the management especially in dealing the society issues. The following figure shows the results:-

**Table 1: Strength of Managers**

Type of industry	Business units	Relevant qualification	Capacity building in CSR	Membership in society associations
Sugar Mills	05	60%	40%	20%
Tobacco	05	80%	80%	80%

It can be seen that the management profile in the Tobacco sector is much stronger than the management profile of Sugar mills.

**Review of Individual Sector Industries with respect to research questions.**

**1. Tobacco Industry**

The intent of the five selected firms in the Tobacco sector was seen for the measures taken for practical implementation of CSR. A serious intent in this regard was found in this sector, as there were managers wholly solely responsible for CSR in the firms. Moreover, they had relevant business qualifications, high level of experience in the management and had hands on experience in CSR. The understanding of the firms’ management was thus very high in these firms.

**a) Analysis on practical steps for CSR**

Mostly there were highly qualified managers who were looking after CSR in the firms. 40 percent of the selected firms had separate CSR departments for the society related activities. Proper budgets were allocated for the CSR activities and there were proper training arrangements for the management in CSR. The important contributions towards society were support in health and medical facilities for the general public in the area, donations for the NGOs working for the welfare of the society, taking care of health and educational facilities of the firms’ employees and provision of interest free loans to workers in times of need.

**b) The Management’s orientation with the concept of CSR**

The management of the Tobacco industry was highly oriented with the CSR concept. It considered CSR as pre-requisite for the success of the business and the welfare of the society. They were clear about the responsibilities of the firms under CSR i.e. taking care of the firms’ employees, and addressing the concerns of the society regarding their problems and welfare. In priority the management identified employees’ welfare on top followed by the welfare of the general public in addition to taking care of the owners’ interests. The management was clear that the firms must have sufficient profits to be able to perform CSR effectively.

**2. Sugar Mills**

Total 05 sugar mills were analyzed on their efforts for adaptation of CSR and understanding of the term CSR by the management. This industry was also a big industry in terms of business capital, labor force employed and physical and financial assets. The industry’s high level

Management was interviewed for data collection. The Management was well versed with the concept of CSR. Some of the managers had obtained training in CSR and few were society's members.

**a) Actual practiced behavior of CSR**

The Management of the firms were interviewed for the practical measures undertaken for the implementation of CSR. It was found that there were no separate CSR unit in these firms and the CSR function was performed as an additional duty by the Administration managers. However, some of the firms had regular CSR activities due to proper allocations for welfare of the society. The major CSR practices involved financial assistance in loans to the employees, educational assistance for free education, and charities to the poor.

**b) Understanding/Knowledge of CSR**

The managers in the Sugar mill industry was moderate. Some of the managers had good orientation of the concept of CSR. However, the major CSR obligation concentrated on the welfare of the employees and safeguarding of the environment. They also financially helped the raw material providers/growers for the purchase of seeds. The investment on the employees was appreciated and they agreed that the businesses need to earn sufficient profits prior to performing the CSR.

**II. Cross-Sectional Analysis**

**RQ 1: The organizations' actions/efforts towards practical implementation of CSR.**

This Research Question was further elaborated by 05 interview questions in order to know the practical steps undertaken by the companies for practicing of CSR.

**(a) Response to Interview Question 1, 2 and 3:**

The interview questions were regarding the availability of a separate CSR unit, dedicated budget allocation for CSR and training of Management in CSR. The below table reflects the position of the management of Tobacco and Sugar Mills industry on the above three questions.

**Table 2: The position of firms w.r.t CSR independent Unit, Budget and HRD Efforts**

Type of industry	Business units with dedicated CSR section	Business units with dedicated CSR budget	Business units with CSR Training programs for Management
Sugar industry	0	80%	20%
Tobacco industry	60%	100%	60%

*Finding 1: CSR is an independent function in the Tobacco Sector*

*Finding 2:80% of firms in the Sugar mills have independent budget allocations for CSR as compared to 100% dedicated budget allocations for CSR in the Tobacco sector industries*

*Finding 3:The Management of the Tobacco sector gives more priority to trainings in CSR as compared to Sugar mills industries.*

*Finding 4: The Tobacco sector is taking more practical measures as for as having independent CSR unit, budget and training program is concerned as compared to the practical measures taken by the Sugar mills*

**(b) Feedback on Interview Question 4:**

Here the firms were asked about the frequency of the CSR activities, that is, whether they perform CSR activities on regular basis or as and when required/need basis:- The Management response of the two different sector firms is given in below table

**Table 3**

Type of Industry	Sustainability of CSR practices	Irregular CSR efforts
Sugar Industry	20%	80%
Tobacco industry	80%	20%

*Finding 5. Tobacco sector industries were performing CSR activities more regularly as compared to the sugar mills where CSR activities were performed periodically*

**(c) The Management reply to Question 5:**

The following figure reflects the different types of CSR activities performed by the firms in the two sectors:

**Table 4**

CSR activities	Sugar Indutsry	Tobacco
Taking care of employees	○	○
Financial support to farmers for seed purchase	○	○
Educational support to community	○	○
Support for vulnerable groups in the community		○
Financing supports events		○
Providing assistance for medical health of the community		○
Charity	○	
Total	<b>4</b>	<b>6</b>

*Finding 6: The base of CSR activities was wider in the Tobacco sector industries as compared to Sugar mills*

*Finding 7: The focus of CSR activities in the Sugar industry was on primary stakeholders like employees and the raw material suppliers while CSR activities in the Tobacco sector industries were had a broad base and hence more impact on the society's welfare.*

*Finding 8: The intent of the Management in Tobacco sector firms for implementation of CSR was more strong as compared to the Sugar industry firms*

**RQ 2: A comparison of understanding of CSR in the two sectors**

The Interview questions under this research question were regarding to know the ability of the Managers to have the level of orientation about CSR in the two different sector firms. In addition, what are their views about their responsibilities to their employees and how do they define practicing of CSR in different financial positions?

**a) Findings with respect to Management’s stance on 1&2 questions:**

*Finding 1: The Management in both the Tobacco and Sugar mills firms knew the CSR*

Regarding a question about the responsibilities of the Management towards society the following responses were received:

**Table 5: Firms’ responsibilities to society**

	<b>Sugar Industry</b>	<b>Tobacco</b>
Employees’ Care	√	√
Clients’ Care	√	
Quality Product provision	√	√
Helping society/social welfare		√

*Finding 2: The main obligations towards society focused on employees, customers, product and social welfare*

*Finding 3: Understanding of CSR was good among the management of the two different sector industries and the management was also clear about their main obligations towards the society*

**b) Findings with respect to Management’s stance on 3,4&5 questions:**

These questions were regarding the spending on employees, the nature of employment contracts and provision of benefits to the employees after retirement. The opinion of the managers in the two sector firms is summarized below:-

**Table 6**

	<b>Supporting the expense on employees</b>	<b>Non-supporting the expense on employees</b>	<b>Regular employment</b>	<b>Contract employment</b>	<b>Benefits after retirement</b>
Sugar Industry	60%	40%	40%	60%	20%
Tobacco	100	0%	70%	30%	40%

*Finding 4: Management of 100% firms in the Tobacco sector regarded spending on employees as revenue/benefit for the organization as compared to 60% firms in the sugar mills*

*Finding 5: The Tobacco sector industries were providing more permanent employment as compared to the Sugar mills industries*

*Finding 6: Most of the firms in both the sectors were not providing post-pensionary benefits to the employees.*

**c) Findings with respect to Management’s stance on interview question no 6:**

This question was regarding to know the response of the management regarding the financial position of the firms which will enable them to practice CSR effectively. The response is outlined below:

**Table 7: Firms’ view about financial sustainability**

Industry	Response
Sugar Industry	<ul style="list-style-type: none"> <li>90% firms affirmed to practice CSR after obtaining financial strength</li> </ul>
Tobacco Industry	<ul style="list-style-type: none"> <li>100% firms’ management shared the same view to be beneficial first before practicing of CSR</li> </ul>

*Finding 7: All the firms in both sector firms regarded financial stability a pre-requisite to practice CSR*

**III. Discussion of Research findings, recommendations and conclusion (w.r.t Tobacco and Sugar Mills Sector)**

**Table 8: Discussions**

S-No	Research Question	Summary of Findings w.r.t Tobacco & Sugar Mills
<b>RQ1</b>	Recognizable measures for practical implementation of CSR?	<p><i>i) CSR is not independent function of Management in the Sugar industry, whereas, CSR is an independent function in the Tobacco Sector.</i></p> <p><i>ii) 80% of firms in the Sugar mills have independent budget allocations for CSR as compared to 100% dedicated budget allocations for CSR in the Tobacco sector industries</i></p> <p><i>iii) The Management of the Tobacco sector gives more priority to trainings in CSR as compared to Sugar mills industries where no importance is given to the concept</i></p> <p><i>iv) The Tobacco sector is taking more practical measures as for as having independent CSR unit, budget and training program is concerned as compared to the practical measures taken by the Sugar mills</i></p> <p><i>v) Tobacco sector industries were performing CSR activities more regularly as compared to the sugar mills where CSR activities were performed periodically</i></p>



		<p>vi) <i>The base of CSR activities was wider in the Tobacco sector industries as compared to Sugar mills</i></p> <p>vii) <i>The CSR activities in the Sugar industry focused mainly on employees and suppliers while CSR activities in the Tobacco sector industries were more focused on the society's welfare thus having more effective for the society</i></p> <p>viii) <i>The CSR in the Tobacco sector was more formal effective as compared to the Sugar Mills' sector industries.</i></p>
<b>RQ2</b>	The orientation of management of Sugar and Tobacco industry on CSR?	<p>i) <i>The Tobacco and Sugar mills' top management was familiar with the concept of CSR.</i></p> <p>ii) <i>The main obligations of firms towards society concentrated on employees, product and social welfare.</i></p> <p>iii) <i>Understanding of CSR was good among the management of the two different sectors industries and the management was also clear about their main obligations towards the society.</i></p> <p>iv) <i>Management of 100% firms in the Tobacco sector regarded spending on employees as revenue/benefit for the organization as compared to 60% firms in the sugar mills</i></p> <p>v) <i>The Tobacco sector industries were providing more permanent employment as compared to the Sugar mills industries</i></p> <p>vi) <i>Most of the firms in both the sectors were not providing any type of support or incentives to retired employees.</i></p> <p>vii) <i>All the firms in both of the sectors adhered to the obtaining of financial strength to be able to function CSR efforts</i></p>

## Discussion of Findings

### a) Points of Similarity

Management of both of the organizations was familiar with the CSR concept. Moreover, the management knew their obligations towards the society. They had similar stance as far as their points of view and actions regarding the spending on employees and non-provision of post-pensionary benefits to the employees were concerned. Similarly, both types of organizations had allocated separate budget for the CSR activities.

## **b) Points of Difference**

The Management of Tobacco sector was more qualified and trained in CSR as compared to the Sugar Mills' Management. Moreover, CSR had more permanent set up in the Tobacco sector industries than the Sugar mills. Due to the regular nature and broad base of CSR activities in the Tobacco sector, the CSR activities in the Tobacco sector were more concentrated on the society's welfare and hence had more impact on the society as compared to the CSR activities undertaken by the Sugar mills. Finally, Tobacco Sector industries were providing more permanent type of employment to employees.

## **Recommendations and Conclusion**

- 1) The Sugar Mills industry need to take more measures for practical implementation of the CSR in order to perform it effectively and on regular basis.
- 2) The Management of the Sugar Mills industry needs to be more oriented and trained on CSR.
- 3) The CSR efforts in the Sugar Mills industry need to be more planned, budgeted, coordinated and focused on the welfare of the society.
- 4) The Tobacco Sector industry needs to coordinate its CSR efforts with other sector industries so as to avoid duplication of efforts, resources and maximize the welfare of the society.
- 5) The Tobacco sector industry should publish reports on their CSR activities so that a positive image of the industry in the general public is developed and more people are able to benefit from its CSR activities.
- 6) Both the Tobacco and Sugar Mills industries need to focus on provision of Post-pensionary benefits to their employees so that their standard of living is maintained after completion of their services.

## **Contribution of Research to Next Level**

This research aimed at understanding the concept of CSR in two different sector industries. It was seen in this research and also confirmed from the previous research on the subject that CSR practices are more informal and on ad-hoc basis in this part of the world. Further research is required to identify the reasons behind informal practicing of CSR in industries of Asia generally and in Pakistan in particular.

## **CONCLUSION**

This study was undertaken to compare understanding and practical measures taken by the firms of the management of Tobacco and Sugar mills and concluded that Management of Tobacco Sector Industries was highly educated, well trained and therefore had better understanding of the concept of CSR. In addition, more practical measures were taken by the Tobacco sector industries for implementation of CSR as compared to the Sugar mills. This resulted in more regular and more effective CSR practices being performed by the Tobacco Sector industry as compared to Sugar mills. To summarize, the impact of CSR practices on the welfare of the society was greater in the Tobacco sector than the Sugar Mills sector industries.

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