



Swedish University of Agricultural Sciences  
Faculty of Natural Resources and Agricultural Sciences  
Department of Economics

# **Corporate Social Responsibility (CSR) Theory and Practice in Pakistan**

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## **Corporate Social Responsibility (CSR) Theory and Practice in Pakistan**

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## Abstract/ Summary

This master thesis is dealing with the Corporate Social Responsibility (CSR) and its awareness in Pakistani companies. The objective is to see how different companies in Pakistan (multinationals and domestic) view the CSR concept in their strategy.

The study is based on empirical findings where all the facts and information is gathered through qualitative approach. The six different companies in which three multinational MNC's and three domestic companies have CSR in their strategy have been selected. The descriptions of all their CSR strategies are then compared with the theoretical framework. The analysis of empirical findings under theoretical assumptions reveals that the most of the CSR is carried in similar way which is based on community development through charity or philanthropy.

The conclusion is that to increase the general awareness about CSR the companies have to consider environmental, social, and ethical awareness in their business strategy and try to go beyond philanthropy or charity and adopt a longterm sustainable strategy in the business to become ethical corporate citizen. This can make Pakistan a place for an attractive business environment for investors.

# Abbreviations

CEO	Chief Executive Officer
CNG	Compress Natural Gas
CSO	Civil Society Organization
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CDGK	City District Government Karachi
FPCCI	Federation of Pakistan Chamber of Commerce and Industry
FESF	Family Educational Services Foundation
GDP	Gross Domestic Product
HIV	Human Immune Virus
HEC	Higher education commission
HOPE	Health Oriented Preventive Education
IBA	Institute of Business Administration
ILO	International Labor Organization
IMF	International Monetary Fund
IMS	International Market Standard
IUCN	International Union for Conservation of Nature
LUMS	Lahore University of Management Sciences
LPG	Liquefied Petroleum gas
LRBT	Layton Rahmatullah Benevolent Trust
LRC	Learning Resource Centre
LUMS	Lahore University of Management Sciences
MD	Managing Director
MDU	Mobile Doctors Unit
MDG	Millennium development goals
MNC	Multinational Company
NWFP	North West Frontier Province (New Name khyber Pakhtunkhwa)
NGO	Non Governmental Organization
ORCR	Operational Risk and Control Rigor
PARCO	Pak Arab Refinery Company
PTC	Pakistan Tobacco Company
PPP	Public-private Partnership
PKR	Pakistani rupees
SIUT	Sindh Institute of Urology and Transplantation
TB	Tuberculosis
TBL	Triple Bottom line
TEVTA	Technical Education and Vocational Training
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund

WAC	Woman Awareness Campaign
WBCSD	World Business Council for Sustainable Development
WRI	World Resource Institute
WWF	World Wide Fund

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# 1. Introduction

## 1.1 Background

In developing countries Globalization, Millennium development goals (MDG) and Public-private Partnership (PPP) are warmly debated to overcome the food crisis and poverty. There is a warm discussion of all these slangs for initiating sustainable development in developing countries (Ehrler, 2009), various business enterprises and civil society organizations (CSO) are working jointly with the governmental organizations to obtain this goal. Sustainability defines differently, some environment researcher define sustainability as documenting and protecting the environment and ecosystem, where as others think sustainability is effectively meeting the human's need (John, et al. 2010. p. 539). There is continuous debate over sustainability and its definitions (e.g Ott, 2003, Adams, 2006). The sustainability is beyond economics, ecology and social sciences; there is misunderstanding of basic dimension of sustainability: the ethical dimension. Although, different fields such as economics, ecology and social sciences proves scientific description of sustainability in the society by producing and achieving economically and environmentally safe product and considering the social value relate to sustainability. But these illustrations do not measure the normative concept on which sustainability built upon. In literature these illustrations are apprehension of ethics (John, et al. 2010. p. 540). The sustainability is useless without considering ethical dimension and can't be achieved.

In this context Corporate Social Responsibility (CSR) provides strategic framework for achieving sustainability by considering the ethical concern in the society. Before explaining CSR, it is necessary to define CSR to specify the objective of this research. There is no as such correct definition of CSR but according to a recent online study (Dahlsrud, 2008), the most commonly used definitions of CSR come from the Commission of the European Communities in 2001 "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Dahlsrud, 2008. p. 7).

This integration of social and environmental concern is important for sustainable development to restore and protect the environment and conserve it for future generation. In 1999 the World Business Council for Sustainable Development (WBCSD) defined CSR, "The

commitment of business to contribute to sustainable economic development<sup>1</sup>, working with employees, their families, the local community and society at large to improve their quality of life” (Dahlsrud, 2008: p. 7). Both the definitions by EU commission and WBCSD have ethical concern for integrating social and environmental aspects and contributing sustainable economic development in the business. To improve the quality of life means all the people are meeting their essential needs, for example in developing countries different people have not access to meet the basic needs of life like pure drinking water, electricity, food etc.

CSR has become a key part in the strategies of companies around the globe to promote sustainable development (Welford & Frost, 2006 cited by Naem & Welford, 2009). It is estimated that, “In [the] year 2005 multinational include [one job] out seven or eight jobs around the world directly or indirectly” (Hopkins, 2007. p. 153).

Pakistan is home for 168 million (Internet, population census, 2010) people with a huge labor force and with a variety of legal standards. As like other developing countries, Pakistan has also different multinational and domestic companies working in different areas. There is huge potential for greater demand of food and services sector. Some of the business organizations getting huge profit without considering the social and environmental concern in their business and creating sloppy business environment. This sloppy environment attracted not only domestic but also international business companies that are not allowed to operate in developed countries (Bryant and Bailey, 2004 cited by Naeem, & Welford, 2009. p109). According to Thomsen (2004. p. 106) cited by Bryant and bailey (1997); different industries have shifted their business into South Asian countries because of cheap labour. In addition, these industries discharge their waste directly into the environment. In this way they are deteriorating the natural habitat and posing different health problems that worsen the livelihoods of the people which lead to poverty, human rights violation and other forms of exploitation.

Most of the CSR research is based on the developed countries' context and the developing nations have little research about the CSR. Clearly, in the business firm it becomes necessary to adopt ethical and responsible behavior when considering the long term strategy. As with the time, expectation of employees and other stakeholders are increasing so the successful

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<sup>1</sup> Sustainable Economic Development; it is meeting the demand of present generation without compromising the future generation to meet their own needs.( World Commission on Environment and Development, 1987. *Our common future*, New York: Oxford University Press, p 43)

business companies plan to run business in order to have positive impact on society and ecology. There are some organizations and multinational companies that adopt CSR in their long term strategy (Levis, 2006). It is reflected by their strategy and commitment beyond profit maximization i.e., satisfying their stakeholders and preserving the environment. Due to that companies' have different perceptions about CSR and there arises many definitions of CSR as described in Chapter No.3. Different multinational organizations have made partnership with different nongovernmental organizations (NGO's) for sustainable strategic planning and these alliances are termed "Green Alliances" (Gunningham, 2001). However, unfortunately the firms operating in Pakistan have little knowledge concerning ethical and responsive behavior and weak cooperation between environmental groups to form Green Alliances. CSR is at a very early stage of development in Pakistan for most domestic companies and multinational companies (MNCs').

Hence, CSR is at an evolutionary stage in Pakistan where many companies are starting to focus on and become aware of this notion. More than 60% of companies have contributions to charity, community development, and donation in the form of cash for humanitarian or religious reason (Yawar, 2009. p. 16). However, for many companies working in Pakistan, CSR is not prioritized and they percept differently when compared their CSR framework e.g

"The majority of domestic companies possess a different perception about CSR, 40% of companies have the perception that CSR is paying taxes, along with 30% having the perception that CSR is social welfare development, 15% have impression that CSR is employee welfare development, 10% assume CSR is related to working in areas where companies have deep interests, only 5% recognize that CSR is implementing social development activities". (Internet 1, CSR, Pakistan, 15/2-2010).

As consequence of above perception, the CSR is perceived differently by many companies in Pakistan and also CSR have different definitions explained later in Chapter No, 3. In Pakistan there are many ways to work with CSR and have great potential for developing new business opportunities; its biggest asset is its population having great demand for goods and services. This great potential for new business horizons allows many companies to satisfy their consumer demand with a variety of products and also attract stakeholder's interest towards the company's strategy. So, CSR strategies in these organizations are an essential initiative creating awareness, and knowledge about ethical responsive behavior among business organizations. Although, there is no 100% clear definitions of CSR in the world. In Pakistan

the awareness about CSR is very low which create bad condition in Pakistani market and bad reputation of Pakistani product in international market. There is great need to create understanding about CSR and ethical fashion to conduct the business in sustainable way.

## 1.2 Problem

The population of Pakistan comprises about 168 million (Internet, population census, 2010) where 66 % of this population lives in rural areas (Economic Survey, 2006-07). The main source of earning is from agriculture, directly or indirectly. The majority of the population in rural areas has less opportunity for basic education, health, and nutritional food due to poor infrastructure and low development in the villages as compared to the cities where they have proper schools, hospitals, pure drinking water and electricity etc (Internet, UN, 2001). Due to these facilities in big cities there arises a gap between urban life standard and rural life standard respectively. So, in order to get proper health and education facilities people in rural areas have migrated towards big cities. The migration creates a robust increase in the population of big cities and has disturbed the infrastructure of the cities and it becomes difficult to control and provide proper health and education facilities that lead towards unequal distribution of recourses and imply a great threat of various crimes. E.g the recent condition in the Karachi, the target killing events that involves killing of innocent people are examples of these (Internet 1, dawn, 2010).

In this situation, many big companies and organizations are grabbing huge profits from the local market without identifying the sustainable practices and ignoring the international standards for product manufacturing. That has a negative effect on the consumer preference for Pakistani products on the international market, i.e the country's carpet industry is suffering billion dollar loss after Iqbal Masih<sup>2</sup> case, the leather industry and textile industry are suffering because of child labour issue by International Labor Organization (ILO). Similarly, the demand for products from the sporting goods industry and edible products market continue to decrease because of an unawareness of CSR practices in the strategies of

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<sup>2</sup> Iqbal Masih was a young Pakistani boy who was forced into bonded labour in a carpet factory at the age of five, became an international figurehead for the Bonded Labour Liberation Front at the age of 10 and was brutally murdered in 1995 at the age of 12. In 1994, Iqbal was awarded the Reebok Human Rights Award. In 2000, he was posthumously awarded The World's Children's Prize for the Rights of the child. ([http://en.wikipedia.org/wiki/Iqbal\\_Masih](http://en.wikipedia.org/wiki/Iqbal_Masih))

Pakistani companies (Internet, Evaluation of state of CSR in Pakistan, 2010). The problem must be solved as fast as possible, if this does not become the case, the problem will most likely become bigger (Andersson, et al. 2010. p. 4). The companies have to consider their ethical performance while going into the market. This work will examine how CSR is treated in the strategy of MNCs and domestic companies, respectively, in Pakistan.

Large multinational companies in Pakistan like Tetra Pak, the Shell Group, and Barclays Bank are pioneers in using the CSR concept in Pakistan. But the domestic companies like Fauji Group, Engro and Pakistan Tobacco and several others are also gaining momentum in the pace of implementing CSR. They have made some attempts to have written documents on CSR and sustainability. However, it has been observed that some large organizations in developing countries are ignoring the CSR concept and they are adversely affecting the livelihood and increasing the frustration among the people around the area they are working. (Internet 2, Dawn, 26-02-2010)

### 1.3 Aim

The main aim of the thesis is to compare how CSR is treated in the strategy of MNCs and domestic companies, respectively, in Pakistan. The researcher tries to focus on the following issues:

- How do domestic companies and MNC's respectively, view the CSR concept?
- How great the understanding of CSR as an integral part of successful business?
- What benefits do the companies see if they adopt CSR in Pakistan?

### 1.4 Approach

The study will be based on empirical findings where all the facts and information is gathered through annual reports, and published material about CSR of three multinational and three domestic companies operating in Pakistan. All of these companies have CSR as part of their strategic document. This qualitative approach provides a base to measure unexplored results; for example benefits of CSR for local companies and stakeholders in Pakistan. In this research area, there are very few studies carried out. The reason behind this is lack of awareness about CSR and sustainable strategies. I shall try to analyze how different companies (MNC's and domestic) in Pakistan view the CSR concept in their business and then analyze it with different theories that are presented in Chapter 3. The case studies of

MNCs' and domestic companies can increase the novelty and make research more interesting to explore the ethical background of business in country like Pakistan.

## 1.5 Demarcations

Since the empirical portion of the report is based on literature review of few companies in Pakistan it is not possible to generalize the results. It may, however give an insight for further research and theoretical generalization in this area, since there is not much work done here. It might create challenges for the researcher to obtain data and information.

The theories presented in this report are presented in a simplified manner. So, those parts of the theory that better focus the objective of this study, according to available data, have been considered. The theoretical framework emphasizes the CSR pyramid; contains four responsibilities to analyze CSR in MNCs' and domestic companies differently. The data of domestic companies which is at hand is same like data of multinational companies showing various CSR strategies in the firm. But the CSR components of domestic companies are not closely match with the CSR components in MNC's. That's "strange" in its sense because the perception of CSR in Pakistan is differ among various companies. The researcher knows about the no, of companies here are few, and findings could not represent the general overview of the CSR in Pakistan.

The result of this research is based on individual perception, which may subject to different interpretations. We know that "one seems to be real may not appear to be real for another person".

## 2. Method

The purpose of this chapter is to present different procedures adopted during case studies, interviews, literature studies, and method for analysis.

There are two methods i.e. (quantitative and qualitative) to use when conducting the research (Myers and Avison, 2002). The quantitative research method is widely adopted in social sciences, where the qualitative method concerned with case study, literature study, interview etc. and therefore is frequently used for executing a research. The method adopted in this study is qualitative, mostly concerned with case studies and the objective is to obtain a systematic sequence of information to be able to answer the research problems.

### 2.1 Qualitative research method

The research process is a multistage process, including (1) Formulating the topic, (2) Collecting data, (3) Analyzing the data and writing up. (Saunders, et al. 1997. p. 10). If the study intends to go deep and if the study has an intention to search for the odd and even, sometimes for the divergent, then qualitative research measures every result (Holme & Solfang, 1997 cited by Andersson, et al. 2010. p. 5). The qualitative research is based on examples, case studies, and interviews etc. and does not end in conclusion based on generalization. There are two types of interviews, quantitative and qualitative. If the purpose of interview is to go in more depth into specific cases then it is adjusted to this aim and a qualitative interview is developed. The qualitative interview is structured to get in-depth opinion which is exerted from the experience of expert person and this opinion is used for longer period of time (kvale, 1997). The research method adopted in this study is the qualitative interview and falls under the umbrella of qualitative studies.

The qualitative study can be shaped in several different directions e.g. descriptions, case studies, inquiry of hypotheses, theory formation, model formation and comparison (Ejvegård, 1993 cited by Andersson, et al. 2010. p. 5). The method used in this study is the case study, studying literature and telephone interviews. The Ejvegård also stated, “A case study investigates a smaller occasion in a bigger course which leads that the result must be used with caution” (ibid, 2010, p. 5). Here in this study different case of various companies are investigated to get the desired aim.

A case study could be conducted in three different ways; intrinsic, instrumental and collective (Pickard, 2007 cited by Andersson, et al. 2010 p. 5). An intrinsic case study is use to increase the understanding of particular case in better way. The researcher use this approach to increase the general knows how (Stake, 1995). The instrumental case study helps to refine the theory and plays a supportive role to explore something it is also use to investigate something other than a particular situation (ibid, 1995). The collective case studies are use for description of multiple case studies (Yin, 2003).

Since, this study's primary research point is to explore how different companies view CSR concept. So the approach used in this study is collective case study, by exploring the CSR strategies of different companies and studying their cases to judge the benefits of adopting CSR in Pakistan. To get this research design, the researcher has adopted the following research strategy to be clearer about the companies.

## 2.2 The Research Strategy

Yin (1994. p. 6) identified five types of research strategies within the social sciences which are "experiments, surveys, archival analysis, histories and case studies". The case study is the most prominent method normally adopted to make in-depth analysis of contemporary events: "A how or why question is being asked about a contemporary set of events over which the investigator has little or no control." (Yin, 1994, p. 9. cited by Jennifer, 2002. p. 17). To define case studies there are some crucial points which have to be considered (Yin, 1994, p. 52): there should be defined boundaries of case studies, which describe the unit of analysis and the design of the case study. In the defined boundaries of case study the researcher can extract the desired outcome. Yin (1994) also describes single case and multiple case designs. The authentication of case study can be enhanced by use of many data sources which gives a unique comparison of other qualitative approach. In relation to other studies like experiments, surveys, archival analysis the case studies are much appealing. Each data source from case study is like one piece of "puzzle" allow researcher to recognize the sight.

The empirical portion is a qualitative process based on the literature study, case study, and telephone interviews of the business firms operating in Pakistan working in the area of CSR.

## 2.3 Literature Study

The basis for this study consists of articles, which I searched through different databases, as well as the CSR Pakistan year book 2009 by Yawar Mian. Which I got from Pakistan via air mail and different CSR reports published at the websites of the selected companies in Pakistan. Additional material, I got through emails and telephone interviews with some persons in these companies. All this data and information provides me a base to understand the CSR perception in Pakistani companies. Based on empirical background, case studies, and interviews, the given research field was constructed. The empirical data is processed with different CSR theories i.e pyramid of CSR and Carroll's corporate social performance (CSP) model explained in the next chapter. After processing of empirical data with different theories the researcher become able to draw a big picture. The conclusion is drawn after analysis and discussion which is the reduced expression of empirical data. The theories use to process the desired data has been explained in the following chapter.

## 3. Theoretical Framework

### 3.1 Introduction

This chapter provides a description of the chosen theoretical framework of CSR in multinational and domestic companies. The theories presented in this chapter serve as a tool for carrying out a comparison of CSR in multinational and domestic companies. The first part of this chapter describes the environment of the company, exploring how companies view the CSR concept. Here in this section the researcher tries to explore different definitions of CSR (see table 1. in section 3.2).

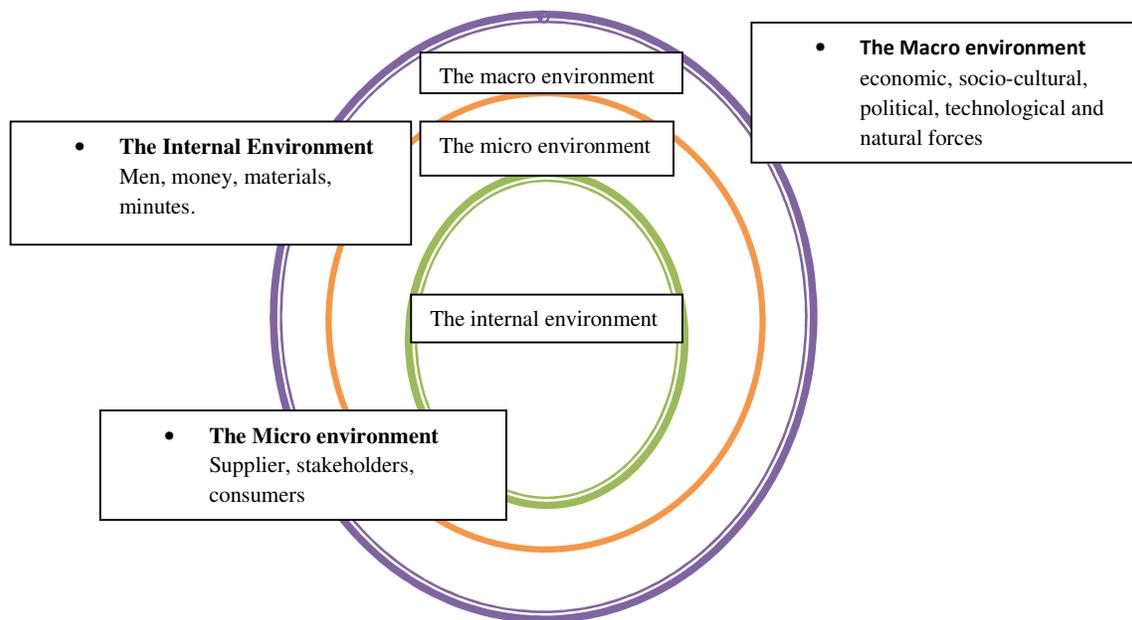
However, the 1<sup>st</sup> section also constitute theories that covers the 1<sup>st</sup> research question, the 2<sup>nd</sup> section of this chapter intends to illuminate the CSR concept the so called CSR pyramid (see Figure 2, in section 3.3), followed by 3<sup>rd</sup> section 3.4 where a model to measure corporate social performance (CSP) of the company is presented. This section contains theories discussing the 2<sup>nd</sup> and 3<sup>rd</sup> research question (see Figure 3, in section 3.4).

The 4<sup>th</sup> and last section of this chapter intends to describe the empirical background. The purpose of this section is to provide the reader with concrete awareness of CSR. Here in this section the researcher describes the CSR concept from general setting to more specific i.e CSR in developed countries to CSR concept in developing countries.

### 3.2 Company Environment

A company is not the only actor in the environment; there are different actors that revolve around it. According to Kotler et al. (1999) the company is surrounded by a micro-environment and a macro-environment. The micro-environment consists of actors such as: suppliers, stakeholders, consumers, and the macro-environment comprises economic, socio-cultural, political, technological and natural issues to take into consideration (see Figure 1). The actors in the micro and macro environment of the company are referred to as the stakeholders of the company; the owners of the company are termed as shareholders of it. The micro-environment and macro-environment shape the internal environment of the company. The shareholders and stakeholders are the member of general society in an ecological world

and affect the company's strategic as well as routine decision. The company is surrounded by different factors that not only shape the company environment but also impact on strategic decision makers to change the strategy according to environment.



**Figure 1: The environment of the company: Macro, micro and internal. (Kotler, 1999. p. 147-153; Kotler, 2000. p. 40-47).**

CSR is a rather new concept for many companies and it is becoming a strategic approach to run businesses on a sustainable basis. The EU commission describes CSR as “A concept whereby companies integrate social and environmental concern in their business operations and in their interaction with their stakeholders on voluntary basis” (Dahlsrud, 2008, p. 7). It depends upon the business organizations how they integrate this concept and adapt to it, if deciding whether to go beyond the minimum legal requirement. The companies’ integration socially and environmentally is essential for demonstrating companies’ interest among stakeholders. The general idea behind CSR reflects an urge to increase the solidarity among stakeholders and regulate to protect the values by providing quality product and services in the business. This makes it necessary to integrate social and environmental concern into the business activities. Later definitions provide different meaning of CSR in different dimensions.

**Table 1. CSR definitions from various sources (Dahlsrud, 2006, p. 7-11).**

Source	CSR Definition	Dimension of CSR
Jones, 1980; (as cited by Dahlsrud, 2006, p. 8)	“The notion that corporation have an obligation to constituents groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership.”	Stakeholders
Khoury et al. 1999 (as cited in Dahlsrud, 2006, p. 7)	“Overall relationship of the corporation with its stakeholders. This includes customers, employees, communities, owners/investors, government, suppliers, and competitors. Elements of social responsibility include investment in community area, employee relations, creation and maintenance of employment, environmental stewardship, and financial performance”.	Stakeholders. Economic. Environmental.
Kilcullen and Kooistra, 1999 (as cited in Dahlsrud, 2006, p. 10)	“The degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.”	Voluntariness
Foran, 2001 (as cited in Dahlsrud 2006, p. 10)	“Set of practices and behaviours that firms adopt towards their labour force, towards the environment, in which their operations are embedded, towards authority and civil society.”	Social. Stakeholders. Environment.

Dahlsrud illustrate different dimensions of CSR on the basis of stakeholders, voluntariness, environment, social, and economic (Dahlsrud, 2006, p. 6). These dimensions provide ethical business frameworks when conducting CSR analysis for multinational and domestic companies working in the pace of CSR. The stakeholder dimension makes business relation with consumer, suppliers, and owners etc. It is usually stakeholder’s interest in the business (Clarkson 1995: cited by Oliveira, 2010. p. 2) states there are two types of stake holders “primary and secondary”. The primary stakeholders have direct command on high level of affiliation with the firm and can influence i.e. workers, retailers, consumers, shareholders etc. The organization can’t run without them. The secondary ones are not directly related e.g media or press etc. The voluntariness refers to beyond legal boundaries of the business based on ethical proportion of the business e.g charity, philanthropy etc. The environment dimension refers to environmental consideration in all business operations (Dahlsrud, 2006. p. 4). Social dimension refers to relationship of business and the society. The social dimension of CSR related with business and its affect on communities (ibid, 2006. p. 4) and the economic dimension of CSR refers with the financial aspect of the business it also deals with profitability in the business.

The most difficult for business organization is to exactly define CSR: and integrate CSR concept as ethical business concern in their strategy (Dahlsrud, 2006. p. 6). To understand CSR as integral part of successful business the CSR pyramid in below section is intended to illuminate different CSR components.

### 3.3 The Pyramid of Corporate Social Responsibility

The total social responsibility of the business is composed of different components that are combined to form one whole concept. The pyramid of CSR describes the four different components that are unified with each other and provide framework how a business organization might engage in business decisions, actions, practices, and policies simultaneously (Carroll, & Buchholtz, 2008. p. 46). The total responsibility is the sum of all economic, legal, ethical and philanthropic responsibilities.



**Figure 2: The Pyramid of Corporate Social Responsibility. (Carroll, & Buchholtz, 2008. p. 45).**

The figure 2 shows the combination of four different components to form a pyramid. It is referred that for successful business: these four different social responsibilities components have to be reside in the organization's strategy (Carroll, 1991. p. 4). The four components can also be summarized in the following equation.

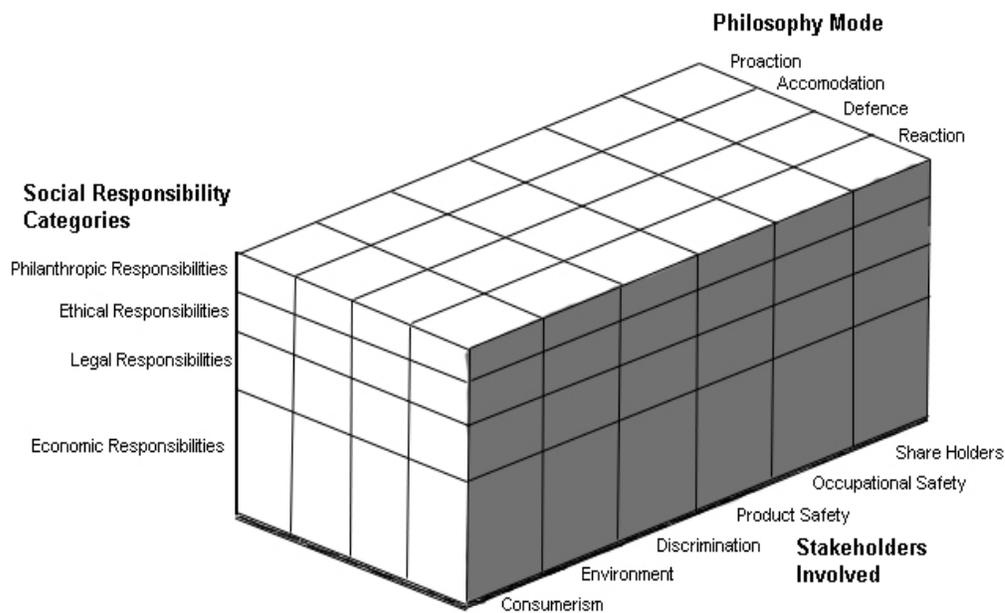
Corporate Social Responsibility = economic responsibilities + legal responsibilities + ethical responsibilities + philanthropic responsibilities.

These four components of CSR focus on different stakeholders of the business. The economic and legal responsibility usually revolves around the shareholders of the business. The economic responsibility has focus on the maximum profit earning and attaining a competitive advantage in the market. As all the business have notion of getting profit and all business activities are much depending on economic responsibility. The profit motive in business firms is not bad thing but along with profit motive remaining in the boundary by obeying state rules and regulations to run a business is termed as legal responsibility (Carroll, 1991. p. 5). The legal responsibilities of the business reflect the business operations according to the laws and regulations. The Economic and legal responsibility shaped into ethical responsibility (Carroll, 1991. p. 5). The ethical responsibility contains those standards or norms that concern with consumers, stakeholders, & shareholders keeping respect, regard and care moral values. The ethical values ahead help to create new laws and attached with legal responsibility as with technological advancement, and varying social situation like human right, environmental standards the perception of ethical values are changing this result in broadening the legal responsibility category (ibid, 1991). The philanthropic responsibility involves voluntary activity of business organization. It is contribution of business in charity, or community welfare program. If an organization doesn't provide charity or financial help in the society it doesn't mean they are doing unethically (Carroll, 1991. p. 7). To behave as a good corporate citizen the organization provide philanthropy, this also make them to become more loyal with their customers and involves benefit of the whole community. The studies show that philanthropic activity of the company may increase the morale of the company and its employees (Carroll, 2008. p. 47). It is believed that the ethical and philanthropic activity are taken together, people percept these as social responsibility of the business. In a practical or managerial sense a social responsible firm attempts to make a high profit, behave ethically in the environment, follow the law and order and pretend to be as a good corporate citizen.

The Blowfield and Frynas (2005, p. 503) defined CSR as an umbrella term and distinguish different aspects of CSR that companies have to consider, such as social and environmental aspects in their business strategy and ensuring responsible behaviour when dealing with other business companies. To behave as ethical corporate citizen Carroll, (2008) uses Corporate Social Performance (CSP) model to measure social performance of business organizations.

### 3.4 Corporate Social Performance Model (CSP)

The degree of responsiveness of the company towards CSR is intended to be measured by the CSP model (Carroll & Buchholtz, 2008). Different organizations have various interests i.e a financial institution typically does not consider environmental concern in their business as much as manufacturing organization. The CSP model deals with various parameters of the CSR as described in section 3.3. All the parameters are described in three different modes which explain clearly about the CSR concept in the business.



**Figure 3: Carrol’s Corporate Social Performance Model, (Carroll, & Buchholtz, 2008, p. 58).**

1. Social Responsibility —————> economic, legal, ethical, and philanthropic
2. Philosophy mode —————> reaction, defence, accommodation, and proaction
3. Stakeholders involvement —————> consumer, environment, employees

The CSP model shows three different modes (social responsibility, philosophy, & stakeholder involvement). The social responsibility mode integrates economic, legal, philanthropic and ethical concern. The most important thing in the model is that the model is depicted in specific manner that the degree of each responsibility shows its own weight, e.g

the economic responsibility has its own weight than ethical responsibility. So each social responsibility has its integral part in total CSR of the business. This model also suggests the position of responsiveness (reaction, defence, accommodation, & pro-action) to increase the managerial or social performance in the organization. When corporations have concern with social responsibility or stakeholders they adopt these philosophy modes. The companies adopt these modes in a sequence according to the social responsibility category.

This model provides a planning tool for managers to solve problem and make their strategy. The CSP model is an attempt to clarify the CSR concept it also clarifies the different steps to assess the social performance of an organization. Each social responsibility category there is four possible philosophy modes (Action, reaction, accommodation, proaction). This model can also be used in research and for managers to understand the social responsibility framework and assess different social issues. The model states that social responsibility integrates economic, philanthropic, and legal responsibility all together. The model also explains different stakeholders' involvement. The managers can make decision and configure different issues and create framework to increase the social performance of the organizations. To see the CSR in different countries the researcher tries to explore CSR in developing countries and developed countries. The section below provides good overview of it.

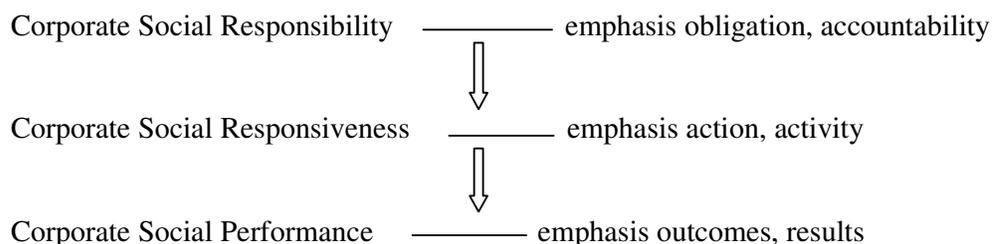
### 3.5 Empirical Background

This section provides the background of empirical studies. To see how CSR concept is perceived in Pakistan it is necessary to see generally how CSR is perceived in developed countries and developing countries. Although there is no as such exact definition of CSR, but this concept is carried out in different ways in various countries. The challenges of CSR in developed countries and developing countries are not as such different but due to low per capita income and other humans and social problems in some countries make them in transition (Visser et al., 2008. p. 474). The purpose of this chapter is to clear the rationale of CSR in developed countries and developing countries.

### 3.5.1 CSR in Developed Countries

The CSR concept is at an early stage of development in the worldwide. We can see there is an increasing trend in the integration of social and environmental concern in the strategy of different leading companies inside developed nations. This integration of social and environmental concerns is the same as European commission and WBCSD have described. The companies in developed countries are more insistence to adopt CSR framework in their strategy perhaps one of the main reason behind is mandatory reporting on CSR by legislation in some developed countries (Philippe, & Jacylyn. 2009. p. 7). The other reason may also be increase in competitive ability by introducing social reporting by various companies. Thus in developed countries the companies are more committed in CSR and have deeply concern about environment and sustainability in the society.

The CSR concept is explained by the triple bottom line (TBL) (Adams, 2006. p. 2). This describes three different functions (Environment, Economy, & Society) all together combine to form three pillar of sustainable development as described by WBCSD. The CSR concept in developed countries tends to focus on (TBL) posing great emphasis on environmental management practices that leads to create awareness of environmental stewardship, involving stakeholder's interest to adopt sustainable practices which creates well-articulated consumer concerns about the environment (Adam, 2006). In the corporate sector, there is a strong concern about community outreach that changes the corporate investment and practices beyond charity or philanthropy. In some countries the companies are adopting sustainable supply chain management practices and there is an increasing trend of private partnership from which they get mutual benefit (Philippe, & Jacylyn, 2009. p. 4). In developed countries the companies are working to identify and remove gaps between CSR practices and make common standard for sustainable production and supply chains. The commitment to social responsibility has lead to improvements of the social performance which create the concept of corporate citizenship as shown below (Buchholtz & Carroll, 2008. p. 36).



The framework of business on the basis of these ideas may bring sustainability and comfort in the business and environment. The above mention concept explains how corporate social performance can be achieved to become ethical corporate citizen. The above concept explains the impact of the business in the society. When companies start to consider their impact e.g impact of business on basic business values and practices like human right, codes of conduct, employee's relation, value chain and also considering the voluntary activities the companies evaluate their social performance. More commitment to the social responsibility more will be the social performance will indicate the corporate citizenship (Carroll, and Buchholtz, 2008. p. 36).

For CSR and corporate citizenship concept there are two different views, if organization behaves as ethically or socially responsible it becomes good citizen in corporate world and termed as corporate citizen while the other people states the corporate citizenship is not new concept it is similar in meaning to CSR (Carroll, and Buchholtz, 2008. p. 60). In the first glance the corporate citizenship concept focuses more on wellness with the stakeholders and with the environment, and evaluating the performance. Not all the companies are eager to behave as corporate citizen its perception varies from company to company. Generally, both views represent to contribute something well in the society. In short the CSR idea in developed countries contains embedded approaches towards TBL. The business approaches towards environment, economic, and social aspects in developing countries are different. In the following section the researcher tries to explore CSR in developing countries.

### 3.5.2 CSR in Developing Countries

The CSR in developing countries is framed by Millennium Development Goal (MDG) (UN, 2006) and United Nations global compact the ten principles. The importance of CSR in a developing country is as important as in other countries. The developing countries are increasing economies and contribute a huge market for world business (IMF, 2006).

In developing countries there are more disturbances in social and environmental aspect of life (WRI, 2005; UNDP, 2006). But if we focus on just basic needs for human life (food, water and health facility), there are 1.1 billion people earning less than \$1 per day. The same amount of people have deprived from good food and pure water facility (Internet, IUCN,

2006). In these countries CSR is confined with certain activities which are summarized below: (Visser et al., 2008. p. 492).

- CSR is practiced by very few companies having notion to expand their business and attain global status.
- CSR is some time practiced by following codes and regulations for specific business related to agriculture, health etc. Like fair trade, HIV etc.
- In developing countries CSR is associated with charity, community development program and philanthropy.
- There arises dilemma in some cases which makes difficult to follow CSR idea as in developed countries (development Vs environment, job creation Vs improved labor law, marketing Vs brand associated philanthropy etc.)

Different companies focus their attention to adopt CSR in their strategy. The CSR concept in developing countries include short term contribution in corporate philanthropy and charity program by different multinational companies that emulate the other companies to adopt a CSR strategy. Hence, the CSR concept in the developing countries revolves around corporate philanthropy/charity as well as social and community development. This creates a different situation of CSR in developed world, as compared to developing countries. In developed countries the companies' focus on TBL and bringing commitment of business on long term sustainable basis as defined by WBCSD.

In recent year major business in oil rich countries like United Arab Emirates, Saudi Arabia, and Qatar etc, has also brought CSR in their business strategy adopting more sustainable practices in the business (Yawar, 2009. p. 14). However, progress to adopt CSR in developing countries is very slow (Visser et al., 2008. p. 493). As there is practice of corporate philanthropy or charity oriented programs by different leading companies. These community development programs and welfare initiatives create CSR as an important part of the business strategy in the developing countries. Similarly, the present research shows different community development, social welfare and charity oriented programs in the various companies in Pakistan. The CSR in Pakistan is not as much different as practised in other

developing countries. The following chapter gives the empirical findings of CSR in Pakistan by various companies.

## 4. Empirical Findings

This chapter provides a description of some multinational and domestic companies working in Pakistan. Three multinational and three domestic companies that have CSR components in their strategy have been selected. The theories presented in Chapter 3 used as a tool here, for analyzing corporate social performance of an organization.

### 4.1 Multinational Companies

There are numerous multinational companies working in many disciplines all around the globe. These companies are not only providing goods and services but also controlling the economic situation of many countries. In Pakistan there are different multinational companies, but here the researcher focuses only three multinational companies working in different sectors and have CSR in their strategy as describes in Chapter No 2. The chosen multinational companies are working in many countries all around the globe in different sectors. The researcher selected these companies from the financial sector, the energy sector and the services sector i.e Barclays' Bank, Shell Group, and Tetra Pak. These companies have comprehensive CSR as strategic document and huge annual capital turn over contributing in economic situation of the country. Below is the description of different MNC's and their CSR activities.

#### 4.1.1 Barclays Bank

Barclays Bank started commercially in 2008 in Pakistan and initiated CSR projects and made partnership with UNICEF for uplifting the poor life standard in Pakistan. Barclays Bank has adopted a comprehensive sustainability strategy in Pakistan.

According to Mohsin Nathani MD and country head of Barclays Pakistan,

“Investing in the community is an important part of Barclay's sustainability strategy. We believe our business will benefit from contributing to the development and sustainability of the communities we operate in” (Internet 1, Barclays.pk, 2010).

#### 4.1.1.1 CSR component

##### Economic Responsibility

According to their website the Barclays has started to increase financial involvement and encouraging young businessman and employees by increasing level of education and broadening the scope of financial institutions.

“Barclays has [a] Flagship program in the financial sector for improving financial independence and security. To reduce child labor and exploitation Barclays have invested 30 million PKR with UNICEF to provide vocational training and technical education. They have also initiated to help financial aid to different primary schools in Lahore and Karachi and constructed 20 libraries in different cities across the country spending 4.65 million PKR in 2008-09 benefit a total 5,145 school going children. On the higher education site Barclays Pakistan has arranged educational stipend for deprived students who are willing to take higher education at Lahore University of management sciences (LUMS) and Institute of Business administration (IBA) covering two million PKR for undergraduate and postgraduate programs” (Internet 2, Barclays.pk, 2010).

##### Legal Responsibility

In their website Barclays has demonstrated its legal responsibility by strictly following the rules and regulation that make them a global citizen. To become a good corporate citizen Barclays is not only behaving ethically but also trying to cope with different social issues by working collectively with various NGO’s in Pakistan. Barclays has started to work with different NGO’s for promoting education, good health, and other human right issues. To solve child labour issues and other humanitarian action Barclays is working with UNICEF and HOPE (Health Oriented Preventive Education) an NGO for children education and good health promotion.

“Barclays HOPE home schools” are spreading in various parts across the country. These schools are not only spreading good education among children but also providing employment to various teachers in the school.

## Ethical Responsibility

To behave ethically with their stakeholders and employees Barclays has started looking after local community programs in the whole world where they are active to take care for local community. Perhaps it is the best way to engage in the local community. The strategy to look after local community they have adopted is explained below.

“Barclays Pakistan has an agreement with Sindh Institute of Urology and Transplantation (SIUT), by bearing complete monthly cost for one day dialysis of each month. This project was started from November 2008 to January 2010. In 2009 SIUT spent over PKR. 1.2 billion providing treatment to 650,000 patients around Pakistan. This is a great attempt by Barclays Pakistan for covering medical expense for the patient who is unable to bear dialysis cost.” (Internet 3, barclays.pk, 2010)

## Philanthropic responsibility

“Charity Begins at work” is Barclays program aim to encourage their employees to take part in support the causes and persuading their employees to actively participate in volunteering activities. “Charity begins at work” is also an important component of the Barclays investment program. Barclays provide different charity supports e.g Match fundraising in local area to encourage sports and healthy activities, grants for volunteering, providing food in Ramadan days etc. For the fund raising activity Barclays team “Operational Risk and Control Rigor” (ORCR) organizes an event “The Colors of Pakistan”

“The objective was to raise funds for the benefit of deaf students at Family Educational Services Foundation (FESF). Since the fundraising activity coincided with Pakistan’s Independence Day, the event spontaneously became larger than life. In order to capitalize on this a painting competition was also held for the children of Barclay’s colleagues. The four best paintings were featured on greeting cards which were then sold to families, friends and customers across the country as a fund raising activity” (Internet 4, barclays.pk, 2010).

### 4.1.2 The Shell Group

Shell started its business from 1898 in the Indo-pak subcontinent. Now in Pakistan, it is one of the leading companies in the energy sector and it has different shares in Pakistan Oil Refinery, Liquefied petroleum gas (LPG) distribution and with Pak Arab Refinery Company (PARCO). The Company is striving to do the business on bringing improvement in the

strategy through integration of TBL (Yawar, 2009. p. 88). Bringing idea of sustainable business strategy and behaving as responsible business citizen is one of the top priorities in Shell the idea explained by their Managing Director and Chairman Shell Companies in Pakistan Zaiviji Ismail bin Abdullah.

“We commit to contributing to sustainable development by balancing our short and long term interests, and by integrating social considerations into our decision making” (Yawar, 2009. p. 88).

#### 4.1.2.1 CSR component

##### Economic Responsibility

The Shell recognizes its economic responsibility according to the four components of the CSR pyramid. The idea has been explained at their website,

“The Shell group is committed to sustainable development and economic growth providing 2% of the world’s oil and 3% of world’s natural gas for 10 million customers a day” (Internet 1, shell.com.pk, 2010).

The Shell group contributes huge money in Government by paying taxes and managed money in different community development programs in Pakistan. The Shell drives its business on the basis of global principles considering economic, social and environmental aspects of the business.

##### Legal Responsibility

The legal responsibility of the Shell group is concerned with obeying laws and regulations in order to “please” their shareholders as describe in CSR pyramid in Chapter 3. According to their website Shell is striving to increase the working standard and professional skills of their employees by providing on-job training in compliance with Shell haulier HSSE<sup>3</sup> Standards. The Shell Pakistan is trying to manage the environmental impacts. In this regard they are encouraging the Government to adopt and create greener framework for greenhouse gases. Shell is also committed to improve their vehicle standard of petroleum carrying cargoes by introducing new international standard vehicles for cargos in Pakistan (Internet 2,

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<sup>3</sup> Health, Safety, Security and Environment (HSSE) management.

shell.com.pk, 2010). All these activities make them they are working in the legal boundaries and along with profit motive they have care for environment.

### Ethical Responsibility

In their website it is mentioned that Shell has been playing a vital role for social investment programs. From their website they have mentioned a program Shell Neighborhood Beautification. The program aims to be good neighbor with the community where they operate. “The project involves extensive renewal of the road infrastructure, lightings, landscaping, road safety signs, and plantation” (ibid, 3, 2010).

### Philanthropic Responsibility

On their website, Shell Pakistan mentions different philanthropic activities. The Shell Pakistan developed a fuel efficiency challenge program to meet energy shortage for students to understand practical experience and gain knowledge in the technology and new innovation. This program aims to create and have research on energy efficient machines. Shell sponsored four students to participate Shell Eco-marathon 2009 in Germany, where global competition aiming at designing a vehicle that uses low fuel efficiency for longer distance. (Internet 4, shell.com.pk, 2010). The Shell Pakistan has initiated scholarship programs with Higher education of Pakistan (HEC) for talented students who have no finance for higher studies. (ibid, 5, 2010)

#### 4.1.3 Tetra Pak

Tetra Pak, leading company for packaging systems for milk and fruit juices setup 1951 by Dr. Ruben Rausing. In 1982 Tetra Pak started its operation in the package industry of Pakistan and with the passage of time now Tetra Pak gain rapid growth share in the dairy and beverage industry of Pakistan. In 2008 Tetra Pak’s annual global sale was €8.82 billion (Internet 4, CSR Pakistan, 2009). Pakistan has a huge potential for business that attract Tetra Pak to invest in the world’s biggest processing plant for dairy and beverages in Lahore investing €90 Million. The Vice-president Supply chain Tetra Pak “Alejandro Anavi” expresses his view about these investments in this way.

“These investments demonstrate our continuing commitment to support our customers around the world with best-in-class packaging and processing systems, thus ensuring faster delivery, better quality, greater convenience and increased flexibility” (Internet 1, Tetrapak.com, 2008).

The CSR strategies of Tetra Pak are explained below.

#### 4.1.3.1 CSR component

##### Economic Responsibility

The economic responsibility refers with financial aspect of the business and concern with profitability as mentioned in Chapter No.3. Tetra Pak recognizes its economic responsibility according to CSR pyramid and increasing its business by investing €90 Million in new packaging plant at Sundar Industrial estate in Lahore. The 42 acre long plant will produce 8billion packages per annum. This new plant will surely create new jobs and take part in the economic development of the country (Yawar 2009, p. 98).

##### Legal Responsibility

The legal responsibility of Tetra Pak is initiated by different activities. The Tetra Pak is more concerned with environmental issues and conducting business operations on sustainable basis. Their concern with environmental issues and sustainability leads to certify their factories with ISO 14001 (Tetra pak, 2009). To meet this standard and increase environmental management practices all the employees are committed to achieve the organization’s goal. Even more Tetra Pak is also trying to create awareness of environmental management and sustainable practices among the community in Pakistan.

“Tetra Pak initiated Proud Pakistanis Recycle and Turn Your Cartons into Gold campaigns in 2004 to raise awareness about the importance and benefits of recycling. It supported the unique ‘Indus Walk’ in 2007 to educate young adults about Pakistan’s depleting water resources. Tetra Pak has signed a three-year global agreement with WWF and has worked with WWF in Pakistan on the Nature Carnival and Jungle Melas to raise environmental consciousness. The company has been holding the annual Green Media Awards for the last three years to recognize the crucial role played by the media in disseminating information and creating awareness about an issue that is not so well understood and seldom makes a lead story. Tetra Pak is also expanding its recycling infrastructure across Pakistan and in 2008 had recycling arrangements in 44 cities run by more than 1,100 people” (Yawar, 2009. p. 99).

## Ethical Responsibility

The ethical responsibility concept in Tetra Pak is explained in the CSR year book 2009 by initiating the woman welfare program (Yawar, 2009. p. 100).

“Women are an important stakeholder responsible for their households and families for nourishment, nutritional choices and dietary intake. Tetra Pak initiated Women Awareness Campaign (WAC) to raise awareness about milk consumption amongst Pakistani women and about the benefits of packaged milk. The campaign started in 2007, targeting 5,000 women, and their numbers increased phenomenally in the following months and years.” (ibid, 2009, p. 100)

The WAC campaign started in 2007 in Karachi city a qualified nutritionist was appointed for this role to improve the woman health and then campaign gain momentum and expanded in other cities.

## Philanthropic Responsibility

Tetra Pak recognizes its philanthropic responsibility by initiating a community welfare program and giving charity for education and technical training. As described by Yawar (2009) the Tetra Pak has initiated a community development program by providing Technical Education and Vocational Training (TEVTA) in Punjab province to improve the highly skilled labor force and also creating new job opportunities for economic development of the country. To improve the education infrastructure in Pakistan the Tetra Pak donated PKR<sup>4</sup> 88 million for the Rausing Centre in 1990 and invested € 5 million in 2007 at Lahore University of Management Sciences (LUMS) (Yawar, 2009. p. 100).

There is increasing trend in the strategy of CSR in various companies these companies associate CSR with Philanthropy, charity and community development. Following section describe various CSR initiatives in domestic companies in Pakistan.

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<sup>4</sup> 1 USD=85 PKR

## 4.2 Domestic Companies

This section provides CSR strategies of three domestic companies in Pakistan. The CSR components<sup>5</sup> in domestic companies are not much relate to CSR component in MNC's as described in CSR pyramid. However, they have certain charity, or community oriented programs that make them to pretend as ethical corporate citizen. The analysis of all the companies has been performed in later chapter.

### 4.2.1 Fauji Foundation

The Fauji group is one of the biggest groups of companies in Pakistan. The group consists of 13 leading business companies working in different sectors. The Fauji Foundation is charitable organization by Fauji Group come into existence in 1954 for helping the poor people in Pakistan. The Fauji Foundation spends PKR 23.8 Billion in various community development activities, 80% of their profit from various business activities goes for 7% community in Pakistan (Internet 1, Fauji Foundation, 2010).

According to the Managing Director Fauji Group Lieutenant General (Retired) Hamid Rab Nawaz.

“The Fauji Foundation have no defaults payments, tax or even Government levies, they are doing a responsible business fulfilling all core practices of CSR into their business” (Yawar, 2009. p. 52).

The Fauji foundation recognizes their social responsibility by “empowering” the community they work in. The social responsibility paradigm of Fauji Foundation is explained below.

#### 4.2.1.1 CSR Component

##### Fauji Foundation & Social Welfare

The Fauji Foundation is committed to various social welfare programs, the foundation describe its social welfare activity in the following sense.

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<sup>5</sup> Economic, Legal, Ethical, and Philanthropic Responsibility according to CSR pyramid.

“Making a tangible difference in the lives of people at the grassroot level in Pakistan. To, date the foundation has spent more than PKR 25 billion through 294 welfare projects in healthcare, education, educational stipends and technical and vocational training.” (Yawar, 2009. p. 52)

### Driving community healthcare

To promote and provide healthcare and a disease free environment the Fauji Foundation established health care unit for the betterment of the community.

“Fauji Foundation Healthcare System began operations with the establishment of a 50-bed tuberculosis (TB) hospital at Rawalpindi in 1959. More than 2.1 million patients are receiving treatment from the healthcare system each year. Over the years, Fauji Foundation healthcare has grown into the largest non-government healthcare system in Pakistan. Healthcare is provided free of cost.” (Yawar, 2009. p. 53)

### Enriching lives with quality education

The Fauji Foundation has initiated a comprehensive education system program to provide education and technical training to strengthen the young community in Pakistan. In CSR year book 2009 (Yawar, 2009. p. 53) the Fauji foundation describes their activity in the following way.

“The Fauji Foundation Education System has over 101 institutions located throughout Pakistan with faculty strength of over 1,700 well-trained teachers and an annual budget of nearly PKR 1 billion for over 41,000 students. Over the years it has matured into a progressive, all encompassing and a well rounded system of schools and colleges, offering quality education both in urban and rural areas. At present, the Fauji Foundation Education System comprises six higher secondary schools, 77 secondary schools and 15 middle and primary schools. All schools have libraries, as well as science and computer laboratories” (Yawar, 2009. p. 53).

### Stipends

To provide financial help to talented student the Fauji Foundation have initiated the educational stipend program which they describe in these words.

“The stipend scheme, one of the oldest welfare initiatives of Fauji Foundation, benefits talented students from low income backgrounds in schools, colleges, universities as well as those enrolled in professional and technical education institutions. The scheme supports more than 71,000 individuals through stipends of over PKR 154 million each year.” (Yawar, 2009. p. 54).

#### 4.2.2 Hinopak Motors Limited

Hino Pakistan is the leading name in the automobile industry of Pakistan, 1<sup>st</sup> company register with UN’s Global compact. The company is ranked at the top position in medium and heavy duties vehicles since 17 years.

According to the Chairman and Managing Director of Hinopak Motors Hideya Iijima,

“We contribute our share as a responsible corporate citizen first through providing products and services that fulfill customer’s requirements, while also keeping in view the general public and the environment. We fulfill our responsibility and commitment through numerous initiatives in the form of human resource development, sports activities, donations, as well as environmental care and protection” (Yawar, 2009. p. 56).

The Hinopak motor has a CSR strategy compliance with the UN global compact based on ten principle frameworks. Being the 1<sup>st</sup> vehicle industry registered with UN global compact, the Hinopak Motors delivering cost effective and quality vehicles, producing vehicles that operate with Compress Natural Gas (CNG) (ibid, 2009. p. 56). Hinopak describe its CSR activities and fix 1% of its profit for various social responsibility activities. More about CSR in Hinopak is explained below.

##### 4.2.2.1 CSR Component

###### Partnership for Education

Along with complying UN global compact principles, Hinopak signed a memorandum with City District Government of Karachi (CDGK) and the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) to promote education.

“Hinopak has pledged school building(s), as well as construction and renovation of a community health centre, classrooms, toilets, principal’s office, laboratory, library, technical training unit, drinking water facilities and tuck shop. The company will also support extra-curricular activities to help develop and enhance the education of the school’s estimated 650 students. Hinopak believes that its partnership with CDGK and FPCCI will pave the way for other companies to emulate its development model. The company says it will also look into all possibilities of helping the school establish a vocational and technical training program in automotive trades” (Yawar, 2009. p. 57).

#### 4.2.3 Pakistan Tobacco Company

Pakistan Tobacco Company (PTC) is one of the oldest companies working in the sub-continent since 1905. It is a subsidiary of British American Tobacco. The PTC start working in Pakistan since 1947 and now making its presence 180 countries around the globe. PTC is contributing to CSR in the farming community by supplying pure drinking water, education and good health facilities. (Internet, ptc.com.pk, 2010)

According to Nick Hales Chief Executive Officer (CEO) of PTC,

“PTC is committed to helping the communities that have given us so much over the years. We believe that without the help of the people who work for us and with us, we could not have come this far. Our unique philosophy and initiatives towards improving the lives of people we interact with are a testament to this belief and, with the continuing support of our communities, will carry us forward to greater success,” (Yawar, 2009. p. 84)

##### 4.2.3.1 CSR Component

##### Youth smoking prevention program

The PTC has initiated program to prohibit smoking among underage people. PTC is working with Ministry of Education and Ministry of Health to educate the young community and create awareness about smoking and its affects.

“Following British American Tobacco’s 1999 global pilot program on retailer education to tackle underage smoking, PTC took the initiative to discourage youth smoking by voluntary withdrawing advertisement campaigns from the electronic media, prohibiting the use of celebrities in marketing material, and embedding the International Marketing Standards (IMS)” (Yawar, 2009. p. 84).

### Learning Resource Centres (LRC's)

In cooperation with the Government “PTC” has created LRC's the purpose is to provide education to woman the idea has been explained in this way.

“The LRC programme was started in 2003 and at present there are seven LRCs operating at PTC's factory and leaf areas in Mansehra, Yar Husain and Buner in NWFP [khyber Pakhtunkhwa Province of Pakistan] and Gujrat in Punjab. A LRC in the vicinity of PTC factory at Adam Zai in Akora Khattak is providing learning opportunities to local women. In 2008, female enrolment at LRC's increased by 11 per cent and more than 500 students are graduating each year” (Yawar, 2009. p. 85).

### Basic Health care Unit

To take care the community where they grow the tobacco, PTC has initiated health care services: The idea has been explained in this way.

“For the last seven years, PTC has been providing healthcare services to communities in distant locations of its leaf regions through its Mobile Doctors Units (MDUs). In 2008, a total of 109,675 people directly benefited from nine MDUs operating in remote areas of North West Frontier Province of Pakistan (NWFP) and Punjab. In partnership with Merck Pakistan, PTC has initiated a program for screening diabetics on a monthly basis. To date, the company has successfully screened 5,000 patients across Pakistan. PTC has also organized 19 eye camps in partnership with NGO Layton Rahmatullah Benevolent Trust (LRBT)” (Yawar, 2009. p. 86).

### Biodiversity & Reforestation

To consider the role in environment protection and forestation PTC has initiated biodiversity and reforestation project which is explained below. The project aims to increase forestation and biodiversity of the area where PTC is operating.

“The PTC biodiversity project has been in place since 1981 and has so far ensured the plantation of more than 50 million trees in areas of PTC operations. This is the largest private sector contribution to reforestation in Pakistan” (ibid, 2009. p. 86).

Generally all six companies in this research have social responsibility dealing with different social issues i.e. contributing welfare development, charity, providing schools and hospitals,

creating awareness about the environment etc. The deeper analysis of their social responsibility is explained in the next chapter.

## 5. Analysis and Discussion

### 5.1 Summary of Findings

This chapter provides an analysis and a discussion of the empirical findings from Chapter 4. The analysis of the data from multinational and domestic companies is summarized in tables 2, and 3.

**Table 2. Summary of the Findings on CSR in Pakistan**

Company	CSR Concept	Motivation for CSR
Barclays Bank	“Development and sustainability of the community we operate in” (Yawar, 2009. p. 43)	Supporting the community
Shell Group	“Contributing to social development by social and long term interests integrating social consideration into our decision making” (ibid, 2009. p. 88)	Social welfare
Tetra Pak	“Committed to operate in an ethically responsible way abide by laws to protect and improve local environment for future generations” (Tetrapak CSR report, 2009)	Giving back to society
Fauji Foundation	“Doing responsible business believe in fulfilling moral commitment to the communities interact with”. (Yawar, 2009. p. 52)	Supporting the community
Hinopak Motors	“We are committed through numerous initiatives in the form of human resource development, sports activities, donations as well as environmental care and protection”. (Yawar, 2009. p. 56)	Giving back to society
Pakistan Tobacco Company	“Our Unique philosophy and initiatives towards improving the lives of people we interact with are a testament to this belief and continuing support of our communities”. (Yawar, 2009. p. 84)	Supporting the community

According to Table 2, all the companies have CSR concept and there is an increase in the consideration of social responsibility. Each company have concept that describes sustainability in the community, and integration of social and environmental consideration.

The six companies show the same profile on motivating CSR for social welfare and community development.

All the companies have considered their stakeholders and prioritise their social responsibility. The company with more CSR awareness have more commitment with the long term sustainability of the business. According to Swanson (1995) as cited by Danang, (2009. p. 7) three motivation factors are necessary to drive CSR. (a) To improve their financial stability the companies adopt CSR which is also called as “utilitarian perspective” (b) another perspective is “negative duty perspective” which states that to fulfil the stakeholder’s expectation the companies follow CSR practices (c) “Positive duty perspective” is usually adopted to take care the society and environment.

Here in this case the companies have adopted the positive duty perspective concerning mostly with social welfare and community development. This notion makes them to broaden their CSR activity and consider the importance of behaving ethically with their stakeholders and to the society (Pinkston and Carroll, 1996 as cited by Silberhorn & Warren, 2007. p. 368). The motivation for supporting the community and social welfare also confirm the behaviour of companies to improve the quality of life of their stakeholders. The companies adopt this behaviour may be because of maintaining long term profitability and increasing stakeholder’s interest. Different types of CSR has been seen in these companies the Table 3, explain summary of findings of CSR in Pakistan, which are taken in various dimensions.

**Table 3. Summary of the findings of CSR in Pakistan dimensions of CSP model**

Company	Type of CSR	Dimension of CSR
Barclays Bank	Philanthropic, ethical, legal	Stakeholders
Shell Group	Philanthropic, ethical, legal	Stakeholders, economic, environment
Tetra Pak	Philanthropic, ethical, legal	Stakeholders, economic, environment,
Fauji Foundation	Philanthropic, ethical	Voluntariness, stakeholders
Hinopak Motors	Philanthropic	Stakeholders
Pakistan Tobacco Company	Philanthropic, ethical, legal	Stakeholders, environment, economic

The findings show that Philanthropic type of social responsibility comes in long way for all six companies. Though, the example does not allow the generalization for all six companies. The findings suggest that MNC's and domestic companies have CSR based on Philanthropic, ethical and legal types the dimension of all these companies are on stakeholder, economic, and environment. The table 3 shows that the business is interdependent on the society and this creates intercommunication of business and society. The companies show integration of CSR in the business on the basis of stakeholder dimension, economic dimension, environment and voluntariness. The stakeholder dimension focuses more on their employees and customers' relation. While the economic dimension focuses more on the profitability. The environmental dimension and voluntariness concern with the global environment and ethical aspect of the business respectively.

The above companies have almost similar CSR dimension except Fauji Foundation with the dimension of voluntariness and stakeholder. As described in Chapter 4. The Fauji Foundation utilizes 80 % of its profit for community development activities (Internet 1, Fauji Foundation, 2010). The company is doing above from its regulatory requirements. As described by Dahlsrud (2008. p. 6) "the voluntariness dimension implies the business should go beyond its legal boundaries". The success of each CSR strategy depends upon the situation of CSR and its strategy (Van Marrewijk, 2003 cited by dahlsrud, 2008. p. 6). The more detail analysis of viewing the CSR strategy is discussed below.

## 5.2 Theory and Practice of CSR

The empirical finding reveals the no, of arguments that lead to create strong discussion of CSR in Pakistan. The companies in the (Table 3) perceive CSR strategy but the common thing is they compromise on philanthropic type of CSR. This shows the critical importance of philanthropic type of CSR in Pakistan. This type of CSR in the companies to behave more philanthropic can be interpreted in the Carroll's CSR pyramid in Figure 2 at the top level of hierarchy. The notion to be more philanthropic when compare with other type of CSR in the companies. Then the companies give low priority to other types of CSR. The motivation to become more philanthropic comes to give something to society; supporting the community etc. the findings reveal that all the companies have also motivation for community and social

welfare. The notion seems much interesting in sense of MNC's and domestic both have consideration for welfare in the society.

In case of MNC's they have consideration of economic, legal, ethical and philanthropic responsibilities. This shows they recognise the social responsibility according to CSR pyramid. These companies have four component of CSR according to CSR pyramid, but their strategy to pursue these programs is via social development and giving back to the society. Barclays' Flagship program and partnership with different NGO's and financial institutions are the example of social development programs. The Shell created on job training to improve professional skills of its employees, and neighbourhood beautification programs, scholarship program with HEC of Pakistan are the social welfare initiatives. Similarly, the Tetra Pak have social welfare program based on woman awareness campaign, partnership with educational giving technical and vocational training etc.

While the empirical findings for domestic companies reveal that all the domestic companies engage in various CSR programs like providing health care unit, quality education, and educational stipend by Fauji Foundation. Similarly, other domestic companies like Hinopak motors and PTC have CSR programs like partnership for education, learning resource centres, health care unit etc. All these programs are social welfare and community development which can't be ignored. The finding reveals that they don't have fix term specific program to pursue CSR on regular basis. As, Dahlsrud (2006. p. 6) describes "defining of CSR is not a big thing, the big thing is to integrate CSR concept as portion of ethical business in the strategy".

The closer observation of these social programs carried out by different companies' reveal tat the companies are engaged in making philanthropy, donations, partnership for education, and other community development activities. All these are important program and are appreciate-able. But, the large no, of these programs by various companies are not endorsed in the long term strategy of these companies. The main focus of all the companies seems to be on Philanthropic type of responsibility. But, "the companies have to consider that philanthropy is not the actual CSR" (Makower, 1994. cited by Dima, & Ramez, 2007. p. 259). There are some companies who carried CSR beyond their minimum legal requirement and are highly responsible. These are few; the social responsibility should be reflected by the core values (vision and mission) of the business. The Table 2 can explain the CSR concept of the companies and describe their core values and motivation for their social responsibility. The

companies precede CSR practices with their core values and also keep in view of the culture and norms of the country. The more close observation of empirical finding reveals that there are some similarities and differentiation in the CSR process of certain companies (Table 4).

Community development and philanthropy are mentioned frequently in this study. One of the reasons of companies to become more philanthropic in nature is that Pakistan is a middle income country and it needs more help to improve the infrastructure of the country and to alleviate poverty and different socio-economic problems. The Government can't do sufficiently in this respect. So to share this responsibility the big companies on their behalf share different community development programs to uplift the poor life standard (Aisha et al. 2002. p. 883).

**Table 4. Different CSR activities in the companies**

Common CSR activities mentioned in six companies	Specific CSR activities mentioned only in two companies
<ul style="list-style-type: none"> <li>➤ Community development</li> <li>➤ Social Improvements</li> <li>➤ Charity</li> <li>➤ Paying taxes</li> <li>➤ Environmental management</li> <li>➤ Partnership for education</li> </ul>	<ul style="list-style-type: none"> <li>➤ Annual reports (Tetra Pak)</li> <li>➤ Registered with UN global compact (Hino Pak motors)</li> </ul>

Almost all the companies are engaged in certain types of community development and social improvement programs. Partnership with UNICEF, IBA, and LUMS by Barclays, neighborhood beautification program by Shell, benefits of recycling and awareness about packaged milk by Tetra Pak, similarly community health care program by Fauji Faoundation establishing TB hospital in Rawalpindi, signing a memorandum with Sindh Government to promote education by Hino Pak motors, and creating Learning resource centre (LRC) and

mobile doctors unit (MDU's) by Pakistan tobacco company. All these are the best initiatives to promote community development in the country.

Barclay's Pakistan has also affiliation with UN and different NGO's and adopted comprehensive sustainability strategy. Same Shell Pakistan has also demonstrated its social responsibility by initiating some project to improve infrastructure by constructing roads, putting lights on the roads, shell Pakistan have major contribution in paying taxes and increasing forestation in the country. Tetrapak initiated some campaigns with different NGO's to create awareness about environment and health standards. According to Danang, (2009. p. 35) cited by Hedberg and Malborg (2003, p.159) that "When a company have CSR beyond their legal requirement than it may affected by their need to be legitimized by their stakeholders". When companies have CSR process in a good way it is also good to publish report which can create a licence to operate in certain business. Among all the companies in this research only one company Hinopak motor is registered with UN global compact. Hinopak motors define its operating environment to international standard and trying to act as a good corporate citizen.

Based on this study most of the CSR process is carried in similar way because of most of the business organizations are concern with almost the same issue.

### 5.3 CSR as Strategic strength

There comes different changes in the market every time, which create different trends in the market; nobody knows the market trends in the future. CSR can be use as a tool for companies to implement in their strategy and can improve public relation and economic performance. In the Pakistani context, the companies can create a consumer market by adopting sustainable practices in their strategy. The company with sustainable practices can sustain its presence in the market for longer period of time. CSR allows the companies to adopt the triple bottom line approach by considering the environment, the social, and the economic aspect of the business. This makes companies to behave ethically and act as responsible citizen in the society. Adopting sustainable practices can make strategic strength. CSR can also bind the workers in the company and maintain positive relationship with the stakeholders and create security for the business owners and shareholders.

CSR for some companies can also have a distinguishing element from their competitors.

The philanthropy, charity, or community development program has a positive impact on the thinking of the people which create positive picture of the company and serve as publicity for the company.

## 6. Conclusion

The last part of this study intends to address the research questions of Chapter 1. The main aim of the thesis is “How do domestic companies and MNC’s respectively, view the CSR concept”.

CSR shows new millennium challenges for the corporate world. In Pakistan the corporate sector (MNC’s and domestic companies) have great power to contribute in the sustainable development through CSR framework. Pakistan is an Islamic country with the formal name “Islamic Republic of Pakistan”. If we look at the role of culture and religion on the business and society, then we can see in Islam Zakat<sup>6</sup> (paying alms to poor and needy) is among the one of the five pillars of Islam. It is obligatory to pay zakat once a year on the specific amount of money.

The business notion in Pakistan on CSR is much related to Islamic view of society. This is pure philanthropic, social welfare, and community development. Linked with Carroll’s CSP model this research serves the preliminary assessment of social responsibility practices in the MNC’s and domestic companies in Pakistan.

Different companies, MNC’s and domestic have CSR framework which is at an emerging state. The MNC’s adopt CSR framework that they follow in other countries where they are operating. While some of the domestic companies have CSR as strategic document which is merely like brand associated corporate philanthropy. They just give a portion of their marketing expense as philanthropy, rather than focus on ethical CSR. Some of the domestic companies focus on short term profit without identifying the sustainable needs and CSR concept.

“How great the understanding of CSR as an integral part of successful business”.

To understand the CSR as integral part of successful business the companies have to go beyond their minimum legal standards and increase their voluntary activities. An assessment

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<sup>6</sup> "Zakat", “one of the Five Pillars of Islam, is the giving of a small percentage of one's possessions (surplus wealth) to charity, generally to the poor and needy”. (<http://en.wikipedia.org/wiki/Zakat>)

of all companies reveals that none of them have developed a clear target goal to run their social responsibility in their long term strategy. CSR should be acknowledged and equipped with existing contextual realities that favor sustainable practices and ethical concern in the business.

The Current situation of Pakistan, contribution in the war on terror, earth quake losses, flood devastations characterize as the important place for CSR strategies to get momentum. The recent political and economic situation created energy crisis and divert the attention of business community to adopt weak CSR framework. For real development and improvement in the social sector of the country the contribution from private sector is necessary. Adequate CSR awareness and sustainable practices can enhance the useful contribution in the community development of Pakistan.

The Pakistan is the 7<sup>th</sup> most populated country in the world, having a big labor pool. Various renowned companies around the world are moving into Asian countries because of cheap manpower and raw material. If the companies already in the country behave as ethical corporate citizen, than it becomes attractive business environment for investors to start business in Pakistan.

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