

**Corporate social responsibility and reporting by
multinational corporations in Bangladesh - An
exploration**

Volume 1

**A thesis submitted to the Department of Accounting & Finance,
University of Glasgow for the Degree of Doctor of Philosophy**

February 2006

MAHMOOD AHMED MOMIN

ABSTRACT

Despite much literature on social reporting in developed countries, and some studies of CSR in developing countries, research into social reporting of MNCs appears to be relatively sparse (Teoh and Thong, 1984; Andrew et al., 1989; Newson and Deegan, 2002). Moreover, studies of the CSR practices of MNCs tend to ignore CSR practices of their subsidiaries (but see, UN, 1991; UN, 1995). This study examines the extent of and motivations behind corporate social reporting (CSR) by large corporations in general and subsidiaries of multinational corporations in particular in Bangladesh. It particularly addresses the research question: Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports? By examining this research question it attempts to understand further the present popular theoretical explanations behind the motivations of CSR documented in the literature (i.e. stakeholder theory, legitimacy theory and political economy theory), rather than taking the relevance of these theories in a developing country for granted.

The motivation for asking such a simple question comes from concern about the growing power of MNCs, their social responsibility and broader accountability in an LDC (Korten, 1995; Bailey et al., 1994, Mason, 2005; Scherer and Smid, 2000; UN, 1974, 1999). Of even more pressing concern is how social and environmental accountability is discharged, or neglected, by large multinational corporations and their subsidiaries in an LDC (Donaldson and Preston, 1995; Donaldson and Dunfee, 1994).

This thesis will seek to tease out some preliminary aspects of this broader set of concerns via a focused examination of two interrelated themes: namely, social responsibility and CSR at two different levels: namely, general and subsidiaries of MNCs in Bangladesh at two steps. At the first step, the study explores the general trend of CSR in the UK and Bangladesh, and then examines in more detail: (a) CSR of subsidiaries of MNCs in Bangladesh in general; and (b) CSR of UK MNCs and their subsidiaries in particular. Content analysis has been used to capture the nature and quantity of CSR issues provided in the annual reports by the companies. At the second step, the study explores reasons for accepting social responsibility and practising CSR by subsidiaries through in depth interviews.

The study argues that CSR in Bangladesh mainly means employee disclosure. More importantly, subsidiaries disclose social and environmental issues more in line with Bangladeshi national companies than they do with their MNC parents. Managerial perspectives on social responsibility are found to be limited to local traditions of philanthropy similar to the South Asian trend. The main reason of practicing CSR by corporations in Bangladesh is found to be to manage certain stakeholders' perceptions for corporations' own interests. It appears that a single theory (i.e. stakeholder, legitimacy or political economy) cannot explain the whole social and environmental reporting phenomenon observed in Bangladesh. Rather, each theory provides a slightly different and useful insight into CSR practices. The absence of CSR is not only socio-cultural; rather it is found to be political which hints that corporations are in control of choosing the channel of producing CSR and the choice not to make information available to the public. Initiatives by the Bangladeshi government and third parties are of utmost importance in the development of CSR in an LDC. In Bangladesh, social and environmental pressure groups may take such initiatives. At the heart of this, Global Reporting Initiatives need to consider categorisation and standardization of subsidiaries' CSR practices similar to that of their parent MNC's practices.

TABLE OF CONTENTS

CHAPTER:	PAGE:
CHAPTER 1	
INTRODUCTION	1-35
1.0 Introduction	1
1.1 The grounding assumptions behind the study	5
1.2 Motivational issues surrounding the research questions	7
1.2.1 Social accounting and accountability in Bangladesh	7
1.2.2 Accountability and multinational corporations	11
1.2.3 Accounting, accountability and CSR	16
1.3 Research questions	20
1.4 Research design	22
1.4.1 Method of research	22
1.4.2 Scope and methodology of the study	27
1.4.3 Justification for the study	28
1.5 Organisation of the study	31
1.6 Summary and conclusions	35
CHAPTER 2	
INTRODUCTION TO THE SOCIAL RESPONSIBILITY, ACCOUNTABILITY AND CORPORATE SOCIAL REPORTING LITERATURE	36-67
2.0 Introduction	36
2.1 Corporate social responsibility	38
2.1.1 Definition of corporate social responsibility	38
2.1.2 Nature of corporate social responsibility	41
2.1.3 Corporate responsiveness and responsibility	43
2.1.4 Social performance and corporate responsiveness	44
2.1.5 Stakeholder theory and corporate social responsibility	45
2.2 Nature of corporate accountability	46
2.2.1 Business in society	49
2.2.2 Accountability as a reflexive process	51
2.2.3 Accountability and power of corporation	51
2.2.3.1 Government failure	53
2.2.3.2 Controlling modern corporations	54
2.2.4 Corporate social reporting and accountability	55
2.2.5 Power, corporate accountability and social reporting	58
2.2.6 Use of accountability framework in this study	59
2.3 Summary and conclusion	63

CHAPTER 3

CORPORATE SOCIAL REPORTING: PRACTICES AND THEORIES	68-97
3.0 Introduction	68
3.1 CSR practices: A synthesis	69
3.1.1 CSR practices in developed countries	69
3.1.2 CSR practices in Bangladesh and other developing countries	72
3.2 Common theories adopted to interpret CSR practices	80
3.2.1 A general view of CSR theories	80
3.2.2 Stakeholder theory	83
3.2.3 Legitimacy theory	87
3.2.4 Political economy theory	91
3.3 Use of social and political economy theory in this study	94
3.4 Summary and conclusion	97

CHAPTER 4

GLOBALISATION AND MULTINATIONAL CORPORATIONS	98-131
4.0 Introduction	98
4.1 Definition and nature of multinational corporations	100
4.1.1 Definition of multinational corporations	100
4.1.2 Nature of multinational corporations	101
4.1.3 The development of multinational corporations	103
4.2 Power and development of multinational corporations	107
4.2.1 The growth and nature of corporate power	107
4.2.2 Contested nature of corporate power	110
4.2.2.1 Simple bargaining approach	110
4.2.2.2 Multi-party bargaining approach	111
4.3 Corporate social accountability of multinational corporations	115
4.3.1 Nature of accountability of multinational corporations	115
4.3.2 Obligations for actions	117
4.3.3 International initiatives and code of conduct	120
4.3.4 Obligations for providing information from responsibility to accountability	122
4.3.5 CSR practices of multinational corporations	124
4.4 Summary and conclusions	129

CHAPTER 5

THE SOCIO-POLITICAL, ECONOMIC BACKGROUND OF BANGLADESH: THE RESEARCH CONTEXT	132-158
5.0 Introduction	132
5.1 Geography and history of Bangladesh	133
5.1.1 An overview of Bangladesh	133
5.1.2 Geographical location	134
5.1.3 Cultural history	135
5.1.4 Political history and development	139

5.1.5 History of industrialisation	142
5.1.6 Foreign direct investment	145
5.2 Social and environmental concerns	150
5.2.1 Concern regarding environmental degradation	150
5.2.2 Employee concerns and issues	152
5.3 The legal framework for disclosure	154
5.4 Summary and conclusion	156

CHAPTER 6

METHODS AND METHODOLOGY	159-178
-------------------------	---------

6.0 Introduction	159
6.1 Philosophical assumptions	159
6.1.1 Philosophical assumptions relating to social science	160
6.1.1.1 Philosophical assumptions behind ideographic methodology	161
6.1.1.2 Philosophical assumptions behind nomothetic methodology	162
6.1.2 Philosophical assumptions relating to the nature of society	162
6.1.3 Philosophical assumptions taken in Chua's framework for accounting research	165
6.1.4 Philosophical assumptions taken in Laughlin's framework	166
6.2 Implications of philosophical assumptions in this research	167
6.3 Quantitative and qualitative methods	170
6.3.1 Content analysis	172
6.3.2 In-depth interview	175
6.4 Summary and conclusion	178

CHAPTER 7

INTRODUCTION TO CONTENT ANALYSIS AND DESCRIPTIVE DATA	179-201
--	---------

7.0 Introduction	179
7.1 Conducting a content analysis	180
7.1.1 Selection of media of disclosures	180
7.1.2 Classification of themes: the pilot study	182
7.1.3 Measuring themes	187
7.1.4 Reliability and validity	195
7.2 Difficulties experienced in recording social and environmental issues	196
7.3 Selecting the sample annual report	198
7.4 Conclusion and summary	200

CHAPTER 8

SOCIAL REPORTING PRACTICES IN UK AND BANGLADESH: A GENERAL DESCRIPTION 202-238

8.0 Introduction	202
8.1 General trend of CSR in Bangladeshi and UK companies	203
8.1.1 General trend in disclosing social issues	203
8.1.2 General trend in the volume of disclosure by proportion of page	207
8.1.3 General trend in volume of disclosure according to industrial groups in Bangladesh	209
8.2 Details of social and environmental issues reported in the UK and Bangladesh	210
8.2.1 Employee disclosure	210
8.2.1.1 Value-added information	210
8.2.1.2 Employee number and wage information	214
8.2.1.3 Employment policy information	217
8.2.1.4 Employee appreciation disclosure	218
8.2.2 Environmental disclosure	221
8.2.3 Community information	223
8.2.4 Other typical issues of social reporting in Bangladesh	225
8.3 Interpretation of CSR in Bangladesh	227
8.3.1 Overall CSR trend in Bangladesh	227
8.3.2 CSR trends in Bangladesh according to industry	231
8.3.3 CSR in Bangladesh compared to CSR in the UK	231
8.4 Summary and conclusions	236

CHAPTER 9

SOCIAL REPORTING PRACTICES OF MULTINATIONAL CORPORATIONS IN BANGLADESH: THE FINDINGS FROM CONTENT ANALYSIS 239-270

9.0 Introduction	239
9.1 Background information of sample corporations	241
9.1.1 Pharmaceutical and chemical corporations	241
9.1.1.1 Glaxo SmithKline Bangladesh Limited	241
9.1.1.2 BOC (Bangladesh) Ltd	244
9.1.1.3 Reckitt Benckiser (Bangladesh) Limited	246
9.1.2 Food, allied and tobacco corporations	249
9.1.2.1 British American Tobacco	249
9.1.2.2 Fu-Wang foods Limited	251
9.1.3 Service corporations	251
9.1.3.1 Singer Bangladesh	251
9.1.4 The leather and shoe industry	253
9.1.4.1 BATA Shoes	253
9.2 CSR of subsidiaries of MNCs	254
9.2.1 General trend of CSR in subsidiaries and selected domestic corporations	254
9.2.2 CSR issues and volume of disclosure by page proportion	256

9.3 CSR of UK subsidiaries and parent corporations	262
9.4 Summary and conclusions	268
CHAPTER 10	
INTRODUCTION TO INTERVIEW ANALYSIS AND DESCRIPTIVE DATA	271-291
10.0 Introduction	271
10.1 Interview process	272
10.1.1 Designing an interview guide	272
10.1.2 Selecting sample interviewees	273
10.1.2.1 Sample of interviewees from corporations	275
10.1.2.2 Sample of interviewees from societal stakeholders	277
10.1.3 The process of contacting the interviewees	279
10.1.4 The interviews	281
10.1.5 Difficulties faced during interviews	284
10.2 Analysing interview data	285
10.2.1 Data recording	286
10.2.2 Data coding and establishing link	289
10.3 Summary and conclusion	291
CHAPTER 11	
INTRODUCTION TO CORPORATE RESPONSIBILITY: THE FINDINGS FROM DESCRIPTIVE INTERVIEW DATA	292-338
11.0 Introduction	292
11.1 The recognition of responsibility	294
11.1.1 Responsibility to employees	295
11.1.2 Responsibility to the community	299
11.1.3 Responsibility to the natural environment	302
11.1.4 Responsibility to the government	307
11.1.5 Responsibility to customers	308
11.1.6 Responsibility to suppliers	309
11.2 Rationales offered behind recognising accountability to stakeholders	309
11.2.1 An overview of rationales	309
11.2.2 Pro-active recognition of responsibility	311
11.2.3 Reactive recognition of responsibility	316
11.2.4 Obligation to society	319
11.2.5 Executives' personal motivations	321
11.3 Influence of the parent company	324
11.3.1 Good management practice of the parent company	325
11.3.2 Direct policy influence of parent company	327
11.3.3 Compliance with legal requirements	329
11.4 Other views regarding responsibility to stakeholders	330
11.5 Interpretations and conclusions	331
11.5.1 Responsibility recognised to broader groups of stakeholders	331

11.5.2 Core motivations behind recognising broader responsibility towards stakeholders	333
--	-----

CHAPTER 12

INTRODUCTION TO CORPORATE SOCIAL REPORTING: THE FINDINGS FROM DESCRIPTIVE INTERVIEW DATA	339-372
--	---------

12.0 Introduction	339
12.1 CSR issues and rationales recognised behind reporting such issues	340
12.1.1 Issues of reporting	340
12.1.2 Rationales recognised behind reporting social and environmental issues	345
12.1.2.1 A brief introduction to rationales	345
12.1.2.2 Enhancement of corporate image	348
12.1.2.3 Response to increasing industry and social awareness	351
12.1.2.4 An obligation to society	352
12.1.2.5 Management culture of parent company	354
12.1.2.6 A strategy to win over competitors	355
12.1.2.7 Annual report as the appropriate vehicle for CSR	356
12.2 Reasons for an absence of CSR	357
12.2.1 Brief review of reasons for an absence of CSR	357
12.2.2 Socio-cultural traits and counter-productive nature of CSR	359
12.2.3 Increases demand for reporting social and environmental issues	361
12.2.4 Increased expectation of the general public	362
12.2.5 Very low demand for social and environmental information	363
12.2.6 Annual report is not an appropriate media to communicate CSR information in Bangladesh	363
12.3 Interpretations of key findings	365
12.4 Conclusions	371

CHAPTER 13

DISCHARGING CORPORATE ACCOUNTABILITY: THE VIEW OF NGOS	373-395
--	---------

13.0 Introduction	373
13.1 Corporate Social Reporting: the view of NGOs	376
13.1.1 Framing company's own view on certain issues	377
13.1.2 CSR serves interest of business	379
13.1.3 The annual report is not the appropriate medium	381
13.2 Absence of CSR in Bangladesh: further views from NGOs	382
13.2.1 CSR is counter-productive to economic development	383
13.2.2 Socio-cultural context does not favour CSR in Bangladesh	386
13.2.3 Political context does not encourage CSR reporting	388
13.3 Summary and conclusion	392

CHAPTER 14

DISCUSSION AND CONCLUSIONS	396-441
14.0 Introduction	396
14.1 Discussion on motivations and research questions	396
14.2 Discussions on findings	406
14.2.1 Managerial perspectives on social responsibility	407
14.2.1.1 Key findings	407
14.2.1.2 Discussion on Key findings	408
14.2.2 Managerial perspectives on CSR	412
14.2.2.1 Key findings	412
14.2.2.2 Discussion on key findings	413
14.2.3 Social and environmental NGOs' perception on CSR	415
14.2.3.1 Key findings	416
14.2.3.2 Discussion on key findings	416
14.2.4 CSR practices and non-practices in Bangladesh	417
14.2.5 Explanations of CSR practices and non-practices through managerial and social stakeholders' perspectives	423
14.2.6 Explanation of CSR practice by present theories	427
14.2.6.1 Stakeholder theory explanations	427
14.2.6.2 Legitimacy theory explanations	428
14.2.6.3 Political economy explanation	430
14.3 Suggestions and recommendations, limitations of this study, research contributions, future research	432
14.3.1 Suggestions and recommendations	432
14.3.2 Limitations of the study	435
14.3.3 Research contribution	437
14.3.4 Future research	438
14.4 Summary and conclusions	439
BIBLIOGRAPHY	443-471
APPENDICES	472-796

LIST OF TABLES, FIGURES AND GRAPHS

Table/Figure Number	Title of Table/Figure	Page
Table 1.1	Research questions	22
Table 5.1	Contribution of agriculture and industry in GDP	144
Table 5.2	Foreign Direct Investment inflow (US \$million)	146
Table 5.3	Share of South Asia in FDI inflows (in percentage)	147
Table 5.4	Country shares of FDI as a percentage of total inflows to South Asian countries	147
Table 5.5	Foreign direct investment by industrial sector (in million Taka)	149
Figure 6.1	Burrell and Morgan's (1979) classification matrix for the analysis of social theory	164
Figure 6.2	Key interview topics	176
Figure 7.1	Social reporting categories used to capture UK CSR (according to issues)	184
Figure 7.2	Social reporting categories used to capture Bangladeshi CSR (according to issues)	186
Figure 7.3	Example of a grid used to measure quantity of social and environmental information	189
Figure 7.4	Exemplary data recording sheet used to record data	190
Figure 7.5	Formula used to calculate level of social and environmental information from annual reports	192
Figure 7.6	Mandatory and voluntary disclosure issues in the UK and Bangladesh	193
Figure 7.7	Formula used to calculate level of social and environmental information from annual reports of Bangladeshi companies.	194
Figure 7.8	Industrial classification of sample corporations	200
Figure 7.9	Classification of sample according to size	200

Table 8.1	Disclosure of social and environmental issues in UK and Bangladeshi company annual reports for the years 1999 and 2000	204
Table 8.2	Mandatory disclosure of social and environmental issues in UK and Bangladeshi company annual reports for the years 1999 and 2000	205
Table 8.3	Voluntary disclosure of information in UK and Bangladeshi company annual reports for the years 1999 and 2000	206
Table 8.4	Amount of page proportion devoted to each issue in UK and Bangladeshi company annual reports for the years 1999 and 2000	207
Table 8.5	Industry average of CSR for the year 1999 and 2000 in Bangladesh (by proportion of pages in company annual reports)	209
Table 8.6	Companies publishing value-added statements in Bangladesh and the UK for the years 1999 and 2000	211
Table 8.7	Items disclosed in value-added statement by Bangladeshi and UK companies in the years 1999 and 2000	213
Table 8.8	Companies disclosing employee number and cost in Bangladesh and UK companies in the years 1999 and 2000	214
Table 8.9	Companies disclosing employee cost data by Bangladeshi and UK companies in the years 1999 and 2000	216
Table 8.10	Companies disclosing employee policy issues in annual reports in Bangladesh and the UK in the years 1999 and 2000 (Percentage of companies)	217
Table 8.11	Companies which disclose employee appreciation in the UK and Bangladesh for the years 1999 and 2000	218

Table 8.12	Proportion of pages devoted to employee disclosure in both the UK and Bangladesh for the years 1999 and 2000 (by page proportion)	219
Table 8.13	Companies providing environmental information in Bangladesh and the UK (percentage of companies)	221
Table 8.14	Volume of environmental disclosure in Bangladesh and the UK for the years 1999 and 2000 (by page proportions)	222
Table 8.15	Companies providing community information in Bangladesh and the UK for the years 1999 and 2000 (percentage of companies)	223
Table 8.16	Volume of community disclosure in Bangladesh and the UK for the years 1999 and 2000 (page proportion)	224
Table 8.17	Number of companies which disclosed general other information in Bangladesh for the years 1999 and 2000 (percentage of companies)	226
Table 8.18	Volume of general other issue disclosure in Bangladesh for the years 1999 and 2000 (page proportion)	227
Graph 8.1	Percentage of companies reporting CSR in Bangladesh	228
Graph 8.2	Relative portion of disclosure issues in total volume of CSR	228
Graph 8.3	Relative portion of disclosure issues in total volume of employee disclosure	229
Graph 8.4	CSR according to industrial groups in Bangladesh	231
Graph 8.5	Companies reporting CSR issues in the UK and Bangladesh	233
Graph 8.6	Page proportion devoted to CSR issues in Bangladesh and the UK	234
Graph 8.7	Relative portion of disclosure issues in total volume of CSR in the UK	234

Figure 9.1	List of subsidiaries and domestic corporations according to industrial groups	240
Figure 9.2	An example of CSR in GSKB's annual report	243
Figure 9.3	An example of CSR in BOCB's annual report	246
Figure 9.4	An example of CSR in RBB's annual report	247
Figure 9.5	An example of CSR in RBB's newsletter	248
Figure 9.6	An example of CSR in BATB's annual report	250
Figure 9.7	An example of CSR in the SB annual report	252
Figure 9.8	An example of CSR in BATAB's annual report	254
Table 9.1	Companies disclosing social and environmental in the annual report for the years 1999 and 2000 (percentage of companies)	254
Graph 9.1	Trend of CSR in subsidiaries and domestic corporations in Bangladesh	255
Table 9.2	Amount of page proportion devoted to CSR by subsidiaries for the years 1999 and 2000	256
Table 9.3	Average page proportion devoted to CSR by subsidiaries and domestic companies for the years 1999 and 2000	257
Table 9.4	Amount of page proportion devoted to each issue by subsidiaries and domestic companies for the years 1999 and 2000	257
Graph 9.2	Volume devoted to CSR issues by subsidiaries and domestic corporations in the year 1999	259
Graph 9.3	Volume devoted to CSR issues by subsidiaries and domestic corporations in the year 2000	259
Table 9.5	Proportion of value-added information in employee disclosure by subsidiaries for the years 1999 and 2000	260
Table 9.6	Proportion of value-added information in employee disclosures by selected domestic corporations for the years 1999 and 2000	261

Table 9.7	Issues disclosed and volume devoted to employee, director and corporate governance issues by subsidiaries and their parent corporations for the years 1999 and 2000	263
Table 9.8	Issues disclosed and volume devoted to environmental, consumer and community issues by subsidiaries and their parent corporations for the years 1999 and 2000	265
Graph 9.4	Volume devoted to CSR issues by parent and subsidiaries corporations in the year 1999	267
Graph 9.5	Volume devoted to CSR issues by parent and subsidiaries corporations in the year 2000	267
Table 10.1	Sample of interviewees	276
Figure 10.2	Sample of interviewees according to industrial groups in subsidiaries	276
Figure 10.3	Sample of interviewees according to industrial groups in domestic corporations	277
Figure 10.4	Sample of interviewees in different social and environmental NGOs	278
Figure 10.5	Format of data recording sheet	288
Figure 10.6	Example of mental map	290
Table 11.1	Primary social responsibility recognised by the interviewees to different groups	296
Table 11.2	Obligations to employees	298
Table 11.3	Community responsibilities	299
Table 11.4	Environmental responsibilities	304
Table 11.5	Responsibility to government	307
Table 11.6	Various rationales behind accepting responsibility and examples of views	311
Table 11.7	Number of interviewees within interview groups who provided different rationales behind accepting broader responsibility	313
		314

Table 11.8	Number of interviewees within interview groups who identified corporate self-interest behind proactive involvement	
Table 11.9	Number of interviewees within interview groups who identified following factors within reactive recognition of responsibility	318
Table 11.10	Number of interviewees within interview groups who identified obligations to the society	320
Table 11.11	Number of interviewees within interview groups who identified parent company influence	326
Graph 11.1	Views regarding social responsibility to different stakeholders	332
Graph 11.2	Reasons behind accepting social responsibility	334
Table 12.1	Number of interviewees within interview groups who identified following issues reported in CSR	342
Graph12.1	Issues of CSR	343
Table 12.2	Percentage of interviewees disclosing at least any single or multiple social and environmental issues in the annual report	344
Table 12.3	List of different accounts provided by the interviewees to explain their motivation for CSR	346
Graph 12.2	Reasons for CSR	348
Table 12.4	Number of interviewees within interview groups who identified following reasons for Corporate Social Reporting	349
Table 12.5	List of reasons behind absence of CSR provided by the interviewees	358
Table 12.6	Number of interviewees within interview groups who identified following reasons behind absence of CSR	360
Table 12.7	Comparison between actual CSR issues and managers' perception about issues to disclose in annual report	367

Table 13.1	List of different views provided by interviewees	377
Table 13.2	List of different views provided by the interviewees	383
Table 13.3	List of views provided by the interviewees regarding CSR embracing economic development	384
Table 13.4	List of views provided by the interviewees regarding absence of CSR within socio-political context	386
Table 13.5	List of views provided by the interviewees regarding absence of CSR	388
Table 14.1	Key findings related to managerial perspective on social responsibility	408
Table 14.2	Key findings related to managerial perspective on CSR	412
Table 14.3	Key findings related to social and environmental NGOs' perceptions on CSR	416
Table 14.4	Key findings related to CSR practices	418

ACKNOWLEDGEMENTS

It is my great pleasure to acknowledge my heartfelt thanks and profound respect to my supervisor, Professor Robert Hugh Gray for his continuous guidance, encouragement and co-operation. Without his assistance it would have been impossible for me to complete this thesis. His timely advice, intellectual insights, constructive criticisms coupled with asking such simple questions, but which were the hardest for me to answer, (such as what? why? and so what?), pushed me to learn something more than writing a dissertation. Indeed, his way of explaining things from very different perspectives provided me an opportunity to see the world not strictly as it is but as it would be. I owe a special intellectual debt to him.

Although it is not possible to acknowledge individually all the people who helped me during the course of my research, I must mention the name of Professor Robert Watson of Durham Business School, UK. He took the pain of reading part of my initial draft of the thesis while he was in Accounting and Finance, Glasgow University, and Professor Robert H Gray was unwell for some time. I owe him. I must also mention the names, Sue Gray, Research Administrator, CSEAR, Dr. Niklas Kreander, Professor Jo Danbolt, Professor John Holland, Professor Clive Emmanuel and Professor Ken McPhail of Accounting and Finance, Glasgow University, for their suggestions, continuous encouragement and help at various stages of the study. Grateful thanks also go to all social accounting researchers, whom I met and discussed my research with in various CSEAR summer school conferences, and in particular thanks to Professor Jan Bebbington of the School of Management, St Andrews, and Professor Brendan G O'Dwyer of the Business School at the University of Amsterdam. Special thanks to Professor O'Dwyer for a session on how to make interview data from 'nuisance' to 'sense' in a CSEAR summer conference which helped me to get over analysing a huge number of interviews for this dissertation. I am also grateful to all of my friends, PhD colleagues and all staff in the Department of Accounting and Finance at Glasgow University, whose support I felt very much helped to continue such a monotonous academic journey.


I must acknowledge my indebtedness to those who helped me in collecting the necessary data and information. My thanks are particularly due to Professor David Owen of the School of Business, Nottingham University, and Dr. Ataur Rahman Belal

of the School of Business, Aston University, for their help in collecting annual reports of corporations. Special thanks go to those CEOs of large corporations who wished to be interviewed and thus helped the study. Without their participation it would not have been possible to complete such an exploration.

I am very much thankful to the authority of Glasgow University for providing me a 'Millennium Scholarship' to complete my PhD. I am also thankful to the Islamic University, Kushtia, for granting me study leave to pursue my PhD degree. And it will not be enough to thank all the staff of the School of Accountancy, Massey University, New Zealand, for their whole hearted support in the completion of the thesis. Particularly, Professor Fawzi Laswad, Head of School, Mary Rossiter, Research Support, and Heather Toy, Senior Secretary, deserve more than thanks.

Last but not least, I am grateful to all my family members, especially to my parents who inspired me all my life and in my career. I miss them very much. I must extend my deepest appreciation to my (love) my wife, Yeesmin Sultana, who has been the constant source of my inspiration. The mental support she provided to me is incomparable and led me to complete my mission. Finally, I feel a little bit guilty to my lovely son, Saquib Mahmood Ayon, and my daughter, Tasfia Mahmood Ahona, who were deprived of my full attention and affection during the period of my study.


Date: 2/06/2006


Mahmood Ahmed Momin

DECLARATION

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or institute of learning.

Date: 2/06/2006


Mahmood Ahmed Momin

DEDICATION

Dedicated with respect, to him whom I am accountable at the Day of Judgment, to those people whose unbearable sufferings I have experienced, to my parents to whom I owe my every success, and to my wife Mrs. Yeesmin Sultana, who dare to take pain in this journey.

Chapter 1

Introduction

1.0 Introduction

This study is an exploratory thesis. It investigates the notion of corporate social responsibility, and the discharge of accountability, by examining the practice of corporate social reporting¹ (CSR hereafter) by corporations, particularly by subsidiaries of multinational corporations² (MNCs hereafter), in their annual reports in Bangladesh. The core aim of this examination is to gain some understanding of the motivations behind CSR practices (and non-practices) in a lesser-developed country³ (LDC hereafter). CSR, as understood, is especially concerned with reporting the social and environmental impact of organisations and thus is a means of discharging social and environmental accountability of business that appears to be common in most Western European societies (Gray et al, 1996, 1992, 1987). However, it is still far from clear why CSR is produced by

¹ Corporate social reporting practices are extensively defined and discussed in chapter 2. A standard definition of CSR however, is – “*the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large*” (Gray et al., 1996, p.3).

² Put simply, a multinational corporation is a corporation which has at least one service or production unit in a country other than its home country. The country in which the corporation operates, outside the home country, is called the host country. The production or service unit that operates in the host country is usually called a subsidiary. Although registered under the law of the host country, the parent company holds the major shares and retains control of this subsidiary. This study is concerned with all subsidiaries (seven in number) enlisted with Dhaka Stock Exchange (DSE hereafter) and registered in Bangladesh. Although the industrial sector in Bangladesh is dominated by foreign investment, such subsidiaries are few in number – indeed, very few are found in the manufacturing sector. According to the Board of Investment (BOI hereafter) (2002) there are only 14 subsidiaries of MNCs presently operating in the manufacturing sector in Bangladesh.

³ Lesser developed countries (LDCs here) is to mean those countries categorised by the United Nations as having poor economic performance and poor quality of life for their citizens.

corporations in a LDC and whether it is at all appropriate as a means of discharging social and environmental accountability in an LDC - namely, Bangladesh. Most importantly, there has been very little work done on the notions of corporate social responsibility and the disclosure of social and environmental data through annual report in Bangladesh (but see, Belal, 1999).

By examining motivations behind CSR practices in Bangladesh, this study looks at issues related to discharging social and environmental accountability in Bangladesh⁴. A core element of this exploration involves an investigation into the nature of corporate social responsibility, accountability and discharge of accountability through CSR (gathered from managers of organisations and social stakeholders from Bangladesh). It is assumed that accountability includes responsibility⁵ and CSR is often perceived as the manifestation of social and environmental responsibility (Gray et al, 1996). At a time when providing CSR information is becoming an important issue in the West⁶, and accountability of large and multinational corporations is also becoming a pressing concern,

⁴ Accountability has both normative and positive explanations (Gray et al, 1996, 1987). Providing a full description of normative and positive explanations of accountability is the purpose of chapter 2.

⁵ Helkama (cited in Takala and Pallab, 2000) explores the concept of responsibility of an individual by citing three cases. "Case A- '*Responsible*' as an attribute of persons and actions. In saying, 'X' is a responsible person, 'Y was a responsible action' we say something favourable about the person and about the action. Here responsibility is described as a personality disposition, where a person can be counted on to fulfil obligations and willingly accept the consequences of his behaviour. Case B- '*Responsible*' as a synonym for '*accountability*' connected with blame (praise) and punishment. 'X' is responsible for Y (e.g. damage)' is usually interpreted as meaning that it is right or justified to blame or punish X for Y (or, if Y is something good, to praise X for it). Here there is responsibility attribution. Case C- '*Responsible*' as meaning having a duty, an '*obligation*'. 'As a father, X's duty to care for his children' means that it is X's duty to care for his children. One difference between this use of the term and the preceding one is that responsibility (B) refers to past acts (or arises out of a performed action) while responsibility (C) designates something still to be done (as part of an established role-system)" (Takala and Pallab, 2000, p. 111).

⁶ Line et al (2002) provide a survey result conducted by CSR Network Ltd. on the state of present social and environmental reporting. They find that 50% of top global corporations selected from Fortune magazine's Global 500 are now producing social and environmental reporting; an increase from only 44% the preceding year.

particularly in terms of their operation in LDCs⁷, it is of paramount importance, to me, to investigate issues surrounding CSR of MNCs in my home country - Bangladesh. The very simple proposition on which this study is based is that global corporations, through their subsidiaries operation, affect their host country's natural environment and society and that the parent MNCs and their subsidiaries have a responsibility to their host country's society to disclose those impacts. Most specifically, the main concern of this study is to examine the notion that accountability of MNCs requires not only disclosing social and environmental impacts on the home country's society, but also requires disclosing social and environmental information by their subsidiaries to the host country's society. This means, subsidiaries of foreign corporations operating in Bangladesh are accountable to Bangladeshi society and assumed to discharge their accountability to the local people. The research continues this theme and mainly focuses CSR of subsidiaries of MNCs in general, and subsidiaries of UK MNCs in particular.

The study therefore, firstly, explores actual CSR practices in Bangladesh and the UK. Secondly, the study examines social and environmental disclosure of subsidiaries of MNCs in general in Bangladesh, and social and environmental disclosure of UK MNCs and their subsidiaries in particular. Thirdly, the study explores motivations behind CSR practices, particularly by reference to social responsibility recognition by managers of organisations within the socio-political and cultural environment of Bangladesh.

⁷ The issue of accountability of MNCs, which motivated this study is extensively discussed in chapters 2 and 4.

The study therefore has two main aims:

- To identify social and environmental issues that companies are currently disclosing in their annual reports in Bangladesh. Most specifically, to determine the extent of social and environmental disclosure made by subsidiaries of MNCs in Bangladesh⁸.
- To explore why (or why not) social and environmental disclosures are made in Bangladesh. In particular, what motivates managers of subsidiaries to disclose social and environmental issues.

Most importantly, does it matter in explaining the accountability of MNCs in the Bangladesh context?

A standard definition of accountability is: “.. *the duty to provide an account of the actions for which one is held responsible*” (Gray et al., 1997, p.334). Such an explanation of accountability is predominantly normative and implies two types of responsibilities or duties: responsibility for the action and responsibility to provide accounts of that action (Roberts and Scapens, 1985). It seems that responsibility precedes accountability, which in turn precedes development of social accounting theories (Gray et al., 1996). Social and environmental responsibility, one assumes, may affect a person’s decision to provide social and environmental accounts (O’Dwyer, 1999). If CSR does not have, at least, the potential to re-address social and environmental accountability of an organisation, why do corporations practice CSR, or most importantly, why should we follow

⁸ There is a growing practice of companies producing social and environmental data in LDCs in their annual reports (discussed in detail in chapter 3). The study will examine the annual reports of corporations as well. This is because it is recognized that the only common medium of CSR between these two countries is the annual reports of corporations. Moreover, in Bangladesh the popular medium of disclosure is the annual report (Belal, 1999). Most importantly, it is virtually impossible to cover every medium every corporation uses to disclose social and environmental data in a single study (see, Gray et al, 1995b).

practicing CSR in an LDC? However, exploring in detail the notions of responsibility, accountability and CSR literature is the concern of chapter 2.

This chapter is an exploration of the research questions: how they were derived; why they have been derived, and how this thesis will seek to cast light upon them. Most importantly, this chapter will demonstrate how the research questions are related to the key concerns that I have regarding accountability in an LDC, and my intention to cast light upon these through social accounting. Before I begin my argument, it is important to make clear some of the assumptions I have made in this study. The chapter is therefore structured as follows. Section 1.1 provides those assumptions. Section 1.2 looks at the broad motivational issues surrounding the research questions. Section 1.3 explains the research questions and other broader issues surrounding them. Section 1.4 looks at the research design and justification of the research. Section 1.5 describes the structure of the thesis.

1.1 The grounding assumptions behind the study

I make several assumptions in this study. First, my argument has nothing to do with the positive or negative contributions of MNCs and their subsidiaries in LDCs' economies: namely, the Bangladesh economy. For the most part, I will discuss concerns regarding the operation of MNCs and their negative impact in LDCs' societies and environments. I will not ignore the positive benefits of MNCs operating in my country, but will argue that MNCs and their economic expansion need to be accompanied with greater responsibility and accountability (ie social and environmental) to LDCs' societies. This is also the core motivation of this study.

Second, although I will be critical of the MNCs and modern corporations' goals of profit maximisation or wealth maximisation, I assume that profit is essential to corporate survival but should not be an ideal target for maximisation. Maximising corporate profit may increase wealth and may make a bigger pie, but only for limited groups in a society (Mitchell, 2001).

Third, I begin with the assumption that most corporations' directors and managers are for the most part, decent people, at least as decent as the rest of society (Mitchell, 2001). They hold responsibility and accountability just like other people. Generally, they want to do the right thing as they perceive it to be through their own moral and ethical constructs. To my way of thinking, it is an assumption that they do not always seek to maximise their self-interest, although self-interest of corporations is something they pursue a lot of the time.

The fourth assumption is related to the third assumption and is very important to me. I assume that people, or in particular corporate managers in this study's case, have good motives and/or behave responsibly. It is decidedly not an assumption that they act or will direct their organisation in a socially responsible or accountable way all the time or most of the time (Mitchell, 2001). It is only an assumption that most of the people want to act well as they perceive it, and this is all I need to support my arguments in this study.

The final assumption is about society and globalisation. Following Gray et al. (1996), I believe that society is a social system that incorporates economic and interacts with, natural, ethical and metaphysical systems. Society is thus a whole complex of social relationships. Globalisation makes this interaction more complex (Lehman, 1999). Each country has its own sovereign authority, its own national government and political and economic structure. Globalisation has

provided the power of capital to grow more and to overtake the power of the state (Beck, 1999) and that power, I assume, should be regulated through increased social and environmental accountability.

1.2 Motivational issues surrounding the research questions

1.2.1 Social accounting and accountability in Bangladesh

The basis of this thesis is formed by research that arose from an initial set of (largely underdeveloped) concerns related to increasing worldwide expressions of concern over the growing power and influence of large corporate organisations (Korten, 1995; Bailey et al, 1994, 1999; 2000). In the climate that followed (e.g. riots in Seattle, Davos, Prague, and Genoa), previously articulated anxiety about the less than benign impacts of large corporations, and the alleged gap between the power and the responsibilities of these multinational corporations became more mainstream (please see also, Christian Aid, 2004; Jankins, 2005; Kolk et al, 1999; Marsden, 2000; Mason, 2005; Seidman, 2003; Scherer and Smid, 2000; Shearer, 2002; Sethi, 1996; UN, 1974, 1994, 1995, 1999, 2000a, 2001). This anxiety was especially acute as it related to the (so-called) LDCs, and to the apparent conflict between the power of corporations versus the power of host countries. It highlighted the resultant conflict between the economic growth that LDCs needed (or were assumed to need) and the social and environmental dislocation and desecration that was alleged to result (this is extensively discussed in chapter 4). Such concerns and conflicts are very relevant to Bangladesh⁹. Thus

⁹ Bangladesh was a colony of Britain until 1964, and was a part of Pakistan until 1971. In 1971, Bangladesh became an independent country. Bangladesh is located in South Asia. It is well known for having every characteristic of a lesser-developed country. Its economy is still dominated by agriculture rather than industry although the contribution of industry in its Gross Domestic Product (GDP) is growing. There is inherent conflict between the economic growth it needs (or it is

it is my intention to undertake research which, in some way or other, addressed this situation.

For me, social accounting is the route into the issues. This is partly due to the limitations of traditional accounting and financial reporting in addressing social and environmental accountability formally, and partly due to my motivation to see the broader or greater role that social accounting could play in my country¹⁰. It seems that there is a need for a different form of accounting to address greater social and environmental concerns in Bangladesh and social accounting could be an appropriate approach. Social accounting¹¹ is directly concerned with articulating the social and environmental impacts of organisations sometimes using the triple bottom line¹² (Elkington, 1999), and seeks to address the trade-off between economic pursuit and social and environmental issues. In this way social accounting can be more concerned with the pursuit of sustainability (see for

assumed it needs) through rapid industrialisation, and the increasing social and environmental pollution. Indeed, on one hand, the economy needs, or is assumed to need, foreign direct investment (at least as suggested by government policy) to maintain economic growth in the industrial sector, particularly in the garment and textile sectors. On the other hand, it needs to control the social and environmental impact of large corporations to stop further aggravation of social and environmental problems, like the exploitation of children and women's labour. Bangladesh's dependency on foreign institutions like the World Bank, IMF and MNCs for maintaining its economic development certainly reduces the host government's power to control the operation of large corporations for the good of Bangladeshi society. Apart from these conflicts, Bangladesh provides interesting grounds to study social accounting, with very different sets of political and cultural assumptions which are derived, or assumed to be derived, from its long history of political changes - from a UK colony to an independent country. Bangladesh combines many Western practices such as accounting and reporting practices with its own unique socio-cultural characteristics. Bangladesh contextual factors are discussed in detail in chapter 5.

¹⁰ Please see, Gray et al (1996) for an exciting discussion on the limitations of traditional accounting and a discussion on social accounting.

¹¹ Social accounting will be extensively discussed in chapter 2. However, for present purposes corporate social accounting, compared to mainstream accounting literature, rests on a broader conception of the accountability practices of an organisation and incorporates all forms of possible accounting, not just the economic (Gray, 2002). Gray (2002) suggests that social accounting can appear under different headings: social responsibility accounting; social audit; corporate social reporting; employee reporting; and environmental accounting and reporting.

¹² The triple bottom line is a term advocated by John Elkington (1999). His view of the triple line is that it represents the idea that business does not have just a single objective - namely, adding economic value - but has an extended goal adding environmental and social value too. So, business has, in fact, three goals; economic; environmental; and social.

example, Crane and Matten, 2004)¹³. So, to me, social accounting provides the apparatus by which I can address the social, environmental and economic value of corporations in Bangladesh.

One of the principal elements of social accounting is the reporting of social and environmental issues and the demands of – and discharge of – accountability. Accountability, as understood from a simplistic normative perspective, derives from responsibility and is set in social contexts such that the exigencies of accountability in one context may very well be different from those in another context¹⁴. More precisely - is accountability as understood in Western countries such as the UK, the same as it is and perhaps should be, understood in Bangladesh? In a way, it seems that the notion of accountability, a duty to provide accounts, is universal and translates perfectly well from a Western context to a context like Bangladesh. However, it seems equally likely that the necessary practice or mode of accountability could be very different indeed (Ahrens, 1996)¹⁵. The developed Western economy, with its high levels of technology, advanced communications, and advanced industrialisation in a post-Christian environment, is likely to operate on different systems of charge and discharge in societal relationships than that in a vast, diverse, rural, and often peasant economy

¹³ Sustainability has become an increasingly elusive and widely contested concept, although it is largely synonymous with environmental sustainability and has its root in environmental management (Crane and Matten, 2004). More recently, the concept has broadened to include economic and social considerations. A common definition of sustainability is therefore “*Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations*” (Crane and Matten, 2004, p.24).

¹⁴ This notion is derived from Garfinkel’s (1984) concept of accountability that “*a defining feature of organisational processes of accountability is the alignment of organisational rhetoric and practice with wider public discourses*” (cited in Ahrens, 1996, p.168).

¹⁵ Drawing on instances of operational management in British and German firms, Ahrens (1996) suggests that style of accountability differs, if not nationally, but according to organisational practices. He observed two distinct style of accountability in Britain and Germany. He comments that style of accountability is a heuristic device that conceptualises the alignment of local organisational practice and rhetoric with wider societal discourses. As the latter emerges at the national level, notionally shared styles of accountability can be expected. So in Britain and Germany, different style of accountability will emerge.

which is emerging after many years of colonial suppression, war and famine and where levels of education and basic living standards are relatively primitive. More particularly, the history of the country has privileged the village, word of mouth and the authority of family and elders, rather than the assumed liberal democratic remoteness through which Western economies operate¹⁶. Therefore, it seems to me that the formal discharge of social and environmental accountability by corporations through the production of social and environmental disclosure in published documents and through the web, is likely to be entirely inappropriate in Bangladesh. Within such a context, it then becomes a puzzle, to me, in the first place why corporations in this country produce or should produce Western type social and environmental data in their annual report? Most importantly, it raises the question as to whether different modes of discharging social and environmental accountability exist, or should exist, in Bangladesh. Moreover, without empirical evidence, it is very hard to suggest that subsidiaries of international corporations discharge their accountability in a similar way to that of domestic or local corporations (in whatever form) in Bangladesh, or alternatively follow their parent corporations' CSR practices. In addition, it is also hard to gauge the extent to which contextual factors (socio-political and cultural factors) shape CSR practice of subsidiaries or conversely, the extent to which CSR of subsidiaries is shaped by their parent corporations' policy, until we know the CSR practices of corporations, particularly of subsidiaries, in detail in Bangladesh. These factors provided the motivation to conduct the study at two levels. At the first level, the study explores issues related to CSR in general in Bangladesh.

¹⁶ This - the overall socio-political and economic condition of Bangladesh - is discussed in detail in chapter 5.

Then, at the second level, the study explores issues related to subsidiaries and MNCs in detail.

However, the investigation - at least directly - of different conceptions of accountability in two countries, the UK and Bangladesh, and the propriety of the means of its discharge lies beyond the competence of this researcher. In the first place, the question is partly a theoretical, even a philosophical, question to which I as an accountant, do not come well equipped. Research might well be done which would lend itself to an ethnographic study of social notions and the means of the discharge of social responsibility. However, this would require a facility with sociology and access to a wider range of fieldwork possibilities, both of which also lie beyond my capacity. The problem is to link my interest in social accounting with my background in accounting to the issue of concern. Placing the accountability of the MNCs at the heart of my thesis seemed to be the answer to this.

1.2.2 Accountability and multinational corporations

Accountability is an important theme in earlier literature and offers a framework through which the empirical work in social accounting can be viewed, and addresses the extent to which the social and environmental responsibility of large corporations is discharged through social and environmental reporting. In principle, Gray et al. (1987, 1988, 1996) develop the notion of accountability through re-examination and expansion of stakeholders' rights to information and corporations' obligation to provide information.

There appears to be a *prima facie* case for the desirability of holding corporations accountable for their social and environmental practices, as

corporations are growing larger, crossing over national territories, and their influence in society is becoming greater than ever before¹⁷. Of even more pressing concern, and becoming increasingly important, is not only the social and environmental responsibility of these corporations, but also how that responsibility is discharged, or neglected, by large multinational corporations (Donaldson, 1982, Donaldson and Preston, 1995; Donaldson and Dunfee, 1994; Scherer and Smid, 2000; Bendell, 2004). Such concern is justified for several reasons. Firstly, MNCs are becoming larger than many states in terms of earning revenue and are operating with less governmental control. The power of national governments is increasingly seen as declining in favour of multinational corporations (Bailey et al, 1994, 1999, 2000; Beck, 1992, 1999). Secondly, as corporations cross over their home territory to go to a new host territory, they are immediately confronted with new and diverse ethical and moral values that exist in the host country. Moral values, which are taken as given in the home country, get questioned in the host country (Donaldson, 1996; Donaldson and Dunfee, 1994; Spicer et al, 2004)¹⁸. Thirdly, the more corporations go out of their home

¹⁷ Expanding global markets have resulted in renewed interest in accountability by multinational corporations (please see, Christian Aid, 2004; Kolk et al, 1999; Marsden, 2000; Seidman 2003, Scherer and Smid; 2000; Shearer, 2002, Sethi, 1996; UN, 1974, 2001; Waddock, 2000). Consumer and pressure groups appear to be increasingly demanding responsible and ethical behaviour (Smith 1990), media and researchers are constantly highlighting corporate abuses and malpractices (see, Manu, 1996; Madely 1999, Collins, 2000) and recent demonstrations of all kinds in the streets of Seattle, Stockholm, Genoa, and London, have challenged the very nature of capitalism and questioned the impact of multinational corporations on society. Environmental hazards and labour exploitations resulting from the operations of multinational corporations have in particular attracted a great deal of attention and concern¹⁷ (see, Manu, 1996; Harvey and Lucas, 1996; Madeley, 1999). Manu (1996) provides a list of some of the hazard incidents throughout the period 1968–1990, mentioning the causes and effects of those incidents. The list shows that these accidents mostly happen in subsidiaries of multinational corporations. Child labour has become a major issue as child abuse in the workplace has worsened (Harvey and Lucas, 1996).

¹⁸ Spicer et al (2004) suggest that it is, in fact, a difficult challenge for international managers when differences in home country and host country norms lead to tension about which ethical standards should be applied in a particular situation. Following Donaldson and Dunfee (1994) and Beauchamp and Bowie (cited in Spicer, 2004), they suggest an integration between universalism and relativism to follow when such situations arise.

territory, the more they potentially escape the control of their national government. So, a corporation that moves its production process to an LDC becomes less controllable, even by its home country regulation. More importantly, it seems that few nations require a formal accountability much beyond financial accountability to financial stakeholders (notably investors). Equally, whilst a selection of large companies appear to acknowledge the principal of accountability, disclosure is generally infrequent, incomplete and of poor quality. This appears to be the case in developing countries in particular. Why should this be? And does it matter?

At least one factor that is driving the increasing concerns about the accountability of MNCs is the size and influence of those companies and their geographic reach (see, Korten, 1995, 2001)¹⁹. If the size of companies, particularly of MNCs, is of concern in developed countries (see for example, Bailey et al, 1994, 1999) it is of even more concern in an LDC where the apparent

¹⁹ The notion of MNCs' influence and power is elaborated on in chapter 4. For the present purpose though, statistics show that: MNCs own major media that determine much of our information; 500 companies now control almost two-thirds of world trade; 51 of the largest 100 economies are multinationals, and of these, five of the largest companies together generate annual sales greater than the combined incomes of the 46 poorest countries in the world (Shearer, 2002). According to recent reports, 70 per cent of the world market is now controlled by only five multinational corporations, highlighting the control of material resources by a small number of MNCs (Simms et al 2000 cited in Bendell, 2004). Meanwhile, two-thirds of the world's population now survive on less than US\$2 a day (Maclaren and Willmore, 2003). MNCs supply global products, employees, and pay a major portion of government tax and so are a celebrity in an LDC and not accountable to the constituencies of the host society. For example, while the Bangladesh government is accountable to Bangladeshi people, Shell, although operating there, is not formally accountable to the Bangladeshi people and only formally accountable to a relatively small group of people who own shares in the company but reside outside Bangladesh. The community in Bangladesh that depends on and is influenced by Shell's decisions have very little influence on the company's operations and thus have no control over Shell's social and environmental impact in Bangladesh. The accidents in the gas field at Magurchara in Bangladesh highlights that MNCs do not seem to hold any accountability to local constituencies for such accidents (Siddiqui, 2001). Most importantly, the corporation - whose operation caused such an accident - did not provide any information to local constituencies regarding damages and did not pay any compensation. But does it matter? Most importantly, how do we know if it matters, if social and environmental information is not provided to the public?

attractions of bringing in foreign direct investment²⁰ (FDI hereafter) seem to outweigh governments' willingness to try and control such organisation, and where MNCs' abilities to withdraw investment from a country leaves the economy of that country very vulnerable. As we will see in chapter 4, work by (amongst others) the United Nations has pointed out the need for host and home country control of MNCs, and the issues this need for control raises for globalisation and the control of exceptionally large organisations. Even more pressing is the concern about whether the presence of such companies is actually in the interests of the people of host countries - and how we would know this one way or the other if corporations do not provide social and environmental data to the local constituencies. Although I have no detailed conception as to how exactly increased control over large corporations may be achieved [the work of the United Nations ultimately failed to control these MNCs (Rahman, 1998) (discussed in chapter 4)], it is suggested that, in the very least, certain reliable information should be provided by MNCs to enable both host and home governments, host and home societies, and international community groups to monitor the social impact of subsidiaries and to ensure that they are not acting irresponsibly towards the LDC's society. This leads me to the examination of social and environmental disclosure issues in general and subsidiaries of CSR of multinational corporations in an LDC - Bangladesh.

This is not to deny that MNCs play a positive role in the economy of LDCs by producing standard consumer goods, raising standards of living (for many),

²⁰ Broadly speaking, foreign direct investment (FDI hereafter) means all investment of finance and intangible corporate assets by a corporation from one country to another country. This is in contrast to private portfolio investors who do not have any control over the management of the enterprises. Traditionally, MNCs conduct FDI in the form of whole or majority share ownership in subsidiaries that operate outside the host country.

and contributing to a higher per capita income. On the other hand, their overriding pursuit of growth and profit also enables them to behave in an unsustainable or, to a lesser extent, irresponsible manner (Korten, 1995). More importantly, we are all becoming caught in a global economic system, increasingly powerless to change and lacking motivation to challenge the economic system (Shearer, 2002). The price of this uncontrollable or unchallenged growth of the economic system is serious. For example, regional labour forces are cutting wages, benefit provisions, work-place safety provisions and the right to collective bargaining, in order to make their employment attractive to MNC managers and so to invite FDI (Scherer and Smid, 2000; Shearer, 2002)²¹. National states are sacrificing natural resources, and most importantly, the economic and social welfare of a significant section of the population in order to attract multinational corporations and international aid (Shearer, 2002). McIntosh et al. (2000) argue that even large multinational corporations find themselves enslaved by the economic system. Firms which fail to achieve a competitive target rate of return on invested capital will simply not survive in the market. In short, MNCs, although accelerating economic growth in some countries, have also intensified the need for accountability of these economic giants. Schweiker (1993) states:

“If it is impossible to render economic forces morally accountable, then human beings have become slaves to their own financial and corporate creations, and the world is subjected to unending exploitation under the aegis of efficiency” (Schweiker, 1993, p.231).

²¹ Scherer and Smid (2000) suggest a race to bottom hypothesis. They suggest that MNCs actually encourage LDCs to compete with each other through reducing labour cost, making their natural resources more available to the hand of corporations, and as many benefits as they can offer to attract FDI.

This is therefore the main aim of this study: the need to consider the issue of accountability of large multinational corporations in an LDC – Bangladesh – through CSR.

1.2.3 Accounting, accountability and CSR

Accountability appears, as a common basis from where mainstream accounting and social accounting lenses can be used. In fact, either form of accounting or in any accounting practices likely to assume an accountability position - whether limited by financial, or broadened by social, accountability - for the organisation (Gray et al, 1996; Shearer, 2002). Indeed, it depends how an accountant likes to define accounting and use accounting. Referring to Miller and Napier (1993), Neu (2000) describes accounting as:

“numerical, monetarized calculations and techniques which mediate the relations between individuals, groups, and institutions as well as the accountability relationships that result from these social relations.” (Neu, 2000, p.271).

To him and others, such a definition acknowledges both the distributive and ideological roles played by accounting techniques (see also, Tinker, 1980). It can be claimed that mainstream financial accounting literature, based on neoclassical economic conceptions, limits the ideological role, and is limited to the notion of financial accountability. For example, financial accounting practices, particularly reporting practices, provide financial accounts to an organisation's owner, creditors and investors. Financial accounting by only reporting financial information to certain selected groups is thus a limited view and dominated by a neoclassical economic conception that has been repeatedly observed by many researchers (see for example, Cooper and Sherer, 1980, 1984; Gray et al., 1996;

Gray 1992; Hines, 1988; Tinker, 1985; Tinker et al., 1982, 1991; Tinker and Gray, 2003).

Reliance on traditional accounting information severely reduces the nature of the accountability that is able to be discharged by an economic organisation. So to study accounting practices within the wider framework of accountability is to leave this classical economic view aside and to see other possible ways of providing accounts, perhaps through social accounting. That is not such a difficult task for management or for accountants. The difficulty is how managers and accountants actually use, or like to use, accounting techniques to deal with social and environmental problems. Gray (1992) suggests:

“Accountants must first identify the cage in which we place ourselves through economic thought, and then escape that cage if we are to address either changes in accounting in general and, [or] protection and enhancement of the environment in particular” (Gray et al. 1992, p.401).

Corporate social accounting, compared to mainstream accounting literature, rests on a broader conception of the accountability practices of an organisation and incorporates all forms of possible accounting not just the economic (Gray et al, 2002).

CSR as a form of social accounting assumes the notion of accountability to wider groups of people (Gray et al, 1996). Gray et al (1987) question the dominance of investors as the primary recipient of information and suggest inclusion of broader groups - namely, the natural environment, employees, consumers and the community, focusing on their information rights and the corporations' responsibility to provide accounts to them (see also, Gray et al, 1997; 1996; 1987; Owen et al., 1997). They see CSR as the potential means by which an organisation can provide accounts or should account for their social and

environmental impact on society and thus discharge its social accountability. This requires an increased flow of information to society to ensure that society is informed of the operation of business and also gets the chance to act on the information, if it wishes²² (Gray et al, 1997; 1996; 1987). By getting the chance to work on information and so holding corporations to account, society can press for changes in their activities and thus press to work in a more benign way. In this vein, it is argued that CSR has the potential to bring power back to the community and thus could address the apparent imbalance of power relations between society and business (Gray et al, 1992; O'Dwyer, 1999). Taking this view, at the very least, I hope that, the power imbalance between MNCs and host LDCs' societies can be addressed, if they (subsidiaries and MNCs both) report complete and reliable information in any form of social reporting. This means that (potentially) MNCs could be held to account, if not by the host country society nor by the regulation of the home country then, at least, by their home country society and international community groups, by putting pressure on MNCs that control their subsidiaries' operations. By so doing, MNCs may be driven or compelled to change any detrimental operation of their subsidiaries. In the future, this may lead to more socially responsible corporations.

However, despite my normative aim to see more socially responsible corporations in Bangladesh, irrespective of their country of origin, it is of equal concern that current CSR practices in the West are still unsystematic, unaudited,

²² Swift (2001) and Owen et al. (2001) suggest that information provision is not a sufficient condition to bring any change in business operations. Swift (2001) suggests that there is no guarantee that stakeholders receive sufficient, accurate, understandable and timely information on which they can act. If stakeholders have such information and do not act then it implies an 'informed consent' which may be used by the organisation in favour of their irresponsible operation. Owen et al. (2001) mention that current processes of social reporting seem to be concerned with managing stakeholders in line with the interest of business and so mean little in terms of discharging accountability.

and of poor quality, perhaps not representing organisations' real motivations for discharging social and environmental accountability (Lehman, 1999; Galhofer and Haslam, 1997; O'Dwyer 2003). It is suggested that CSR, as understood from the practices of corporations in the West, is not more than a vehicle of legitimization of stakeholder management activities, rather than discharging true accountability of business, and remains in the hands of corporate management (Gray et al, 1996, 1995; Lehman, 1999; Galhofer and Haslam, 1997; O'Dwyer 2003). Gray et al. (1996) mention that stakeholder, legitimacy and political economy theories largely give an impression that corporations in practice use CSR as a means of keeping pressure groups happy and thus reduce the need to develop transparency and accountability out of the corporate management agenda. Moreover, these theories, while valuable in understanding CSR practices, are also equally accused of providing partial and incomplete explanations of motivations behind voluntary CSR practices and, most importantly, explain mainly CSR in Western and developed countries (this will be developed in chapter 3). It should be noted that the context of an LDC is different to that of a Western developed country and there is a danger of applying Western-based CSR explanations to LDCs without recognising such contextual differences (Gray et al, 1996). This study therefore does not take for granted any explanations from a single theory of CSR; rather it explores corporations' CSR practices and then expands present explanations of such practices in an LDC.

Kisenyi and Gray (1998) suggest that:

“...Learning about these countries is not only valuable for stimulation it offers to the jaded palettes of western scholars but also, more importantly, it can provide vivid challenges to the presuppositional baggage with which western researchers typically approach issues.” (Kisenyi and Gray, 1998, p.16)

1.3 Research question and broader issues surrounding research question

This study is exploratory in nature. It seeks to cast light upon the research question, “Why do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports in Bangladesh?” This elusive but essentially simple question is set in a much broader and more challenging framework and has been developed from the call of Gray and Kouhy (1993) and Gray et al (1996). Gray et al (1996) warn of the danger of applying Western social accounting techniques to lesser developed countries on one hand, and on the other hand they call for more exploration of corporate social reporting issues in lesser developed countries due to the presence of many multinational corporations and their influences on the host LDC (Gray and Kouhy (1993). More importantly, the motivations for this thesis derives from a broad concern with the impact of MNCs, particularly in my home country. More specifically, how, if at all, are large companies - especially overseas companies - held accountable for their actions and their social and environmental impacts in Bangladesh? In particular, this concern has led me to challenge the extent to which the assumptions of accountability that permeate Western social and environmental accounting literature (Gray et al, 1987, 1996) can realistically and appositely be applied to a lesser developed country context such as Bangladesh.

Following Gray et al. (1996), I have illustrated in chapter 2 that one objective of CSR might be to discharge social accountability. Gray et al. (1996) mention that there is no social accountability to discharge if an organisation has no social responsibility. Following their argument, my concern that drives the study is: whether corporations, particularly subsidiaries of MNCs, are producing CSR in their annual reports in order to discharge their social accountability, given that they do assume social responsibility which creates social accountability to local people²³. Otherwise, why do they prepare or should prepare CSR in Bangladesh? Most importantly, are there any good arguments behind granting the development of CSR (or absences of CSR) in general and subsidiaries in particular in my country, a phenomenon which still seems to belong to Western developed countries?

This thesis will seek to tease out some preliminary aspects of this broader set of concerns via a focused examination of three interrelated themes: namely, social responsibility, social accountability, and CSR at two different levels: namely, general and subsidiaries of MNCs in Bangladesh. Table 1.1 shows the main research question and sub-research questions set for this study.

²³ There is, indeed, a complex set of relationships between social responsibility, social accountability and discharged accountability through medium of information. Chapter 2 illustrates this more clearly.

Table 1.1
Research questions

<p>Main research question</p> <p>Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports?</p>
<p>Sub-research questions</p> <ol style="list-style-type: none"> 1. To what extent are corporations currently disclosing social and environmental issues in their annual reports in Bangladesh and the UK. 2. How do corporate managers perceive CSR practices (or absences of such practices) in Bangladesh? 3. How do social stakeholders perceive CSR practices (or absences of such practices) in Bangladesh? 4. How do corporate managers perceive their social responsibility in Bangladesh? 5. To what extent do corporate managers’ perceptions, along with societal stakeholders’ perceptions of CSR provide sufficient explanation for CSR practices (or absences) in Bangladesh?

1.4 Research design

1.4.1 Method of research

Researching social and environmental reporting and accountability of corporations in which managers or organisational members become routinely involved requires an exploration of the ways in which that routine is constituted. An ethnographic study through observation and interviews at different levels would seem to be the most suitable method (Ahrens, 1996). But such a method would require a familiarity with sociology and access to a wider range of fieldwork possibilities than lies beyond my capacity²⁴. Moreover, partly because

²⁴ It was very difficult to manage access to different corporations in Bangladesh without having a link with top management. The researcher at the first year of the research went to Bangladesh twice He established the link through his professional exposure which helped the researcher

of my belief in Laughlin's middle range approach (1995), the study is informed by quantitative and qualitative methods (discussed in chapter 6) which have also previously been used in accounting literature. Content analysis as a quantitative method is used to record the extent and issues of disclosure from annual reports and it is deemed appropriate for exploring the first sub-research question²⁵. An in-depth interview as a qualitative method is used to explore the perspectives of interviewees on the practice and is deemed appropriate for exploring the second, third and fourth sub-research questions²⁶. While the second and fourth sub-research questions investigate managerial perspectives on reporting and responsibility, the third sub-research question explores how accountability through reporting might be perceived in Bangladesh and this will help in exploring the main research question better²⁷. The fifth sub-research question is then examined through key observations made from sub-research questions one, two, three and four. Interviews were taken at multiple levels and with multiple groups. Data collected at multiple levels helped to explore the research question better (Yin, 1984).

The main theme of accountability is that corporations need to communicate their social and environmental activities. There are a number of mediums a company can use, such as newsletters, bulletins, media releases, annual reports and the Internet. This makes the identification of all mediums difficult for the

further to take interviews at the second stage of the research. Difficulty in getting access is detailed in chapter 10.

²⁵ Chapter 6 and 7 detail content analysis along with the justifications for using it in this study.

²⁶ Chapter 6 and 10 detail interview analysis along with the justifications for using it in this study.

²⁷ O'Dwyer (2005) argues that the perspectives of non-managerial stakeholders have been largely ignored in CSR literature.

researcher. This study, therefore, focuses only on disclosures made in annual reports²⁸.

The approach to answering these research questions starts by reviewing the literature on three interrelated topics: social responsibility, accountability and CSR. It should be noted that researchers have used different theoretical perspectives in examining CSR, including stakeholder theory, legitimacy theory, and political economy theory (Gray et al, 1995a, 1996; Guthrie and Parker, 1990, Patten, 1992). These theories allow an understanding of the role of information and disclosure. The study then proceeds using content analysis²⁹. Initially, the CSR practices, for a two year period, of a sample of corporations in Bangladesh, including both Bangladeshi companies and subsidiaries of MNCs, are examined and recorded.

CSR practices in a large sample of UK companies for the same two years are also recorded, examined and compared with CSR recorded in Bangladesh. One should be cautious about the purpose of recording CSR of UK companies and also the purpose of such comparative analysis. It should be mentioned that comparing CSR of Bangladesh and the UK is not the central theme of this thesis. One of the reasons for analysing UK companies is to become familiar with the content analysis method used by Gray et al (1995a & b) in recording CSR issues, so that this method can be modified and comfortably adopted for analysing CSR of Bangladeshi corporations further. Most importantly, the initial comparison between the UK and Bangladeshi CSR practices is to gain an understanding of CSR issues presently reported in a Western European country (the UK) on one

²⁸ Many previous studies use annual reports (this is further discussed in chapter 6)

²⁹ This study uses Gray et al's (1995b) instrument to record quantity and issue of CSR. The full description of this method is provided in chapter 6.

hand and in an LDC on the other. This, I believe, helps to identify social and environmental issues which corporations in different countries (in the UK and Bangladesh) are currently reporting, and that they see as important to the society in which they are operating.

The study then investigates CSR of subsidiaries of MNCs and domestic corporations, in detail, from the sample corporations in Bangladesh. The underlying idea is to see to what extent CSR of subsidiaries follows the local CSR practice, found in the first stage. All subsidiaries listed in the Dhaka Stock Exchange (DSE hereafter) are considered at this stage, for content analysis. Seven subsidiaries are found, of which four are from the UK. These firms are located in four industries: chemical, pharmaceuticals, tobacco manufacturing, and food and allied, among the six industrial categories showed by the DSE. The reason for choosing these firms is influenced by the motivation of the study. As the accountability issues of MNCs motivate the study, it is focused mainly on CSR subsidiaries of MNCs irrespective of their size and industrial nature. So, all subsidiaries enlisted with the DSE are considered in the content analysis and then investigated in more detail, through personal visits and interviewing managers at different levels.

Subsidiaries enlisted with DSE mainly fall under industrial groups such as chemical; pharmaceutical; tobacco; textile, and food and allied. - These are the industries listed by environmental agencies as the most polluted in Bangladesh^{30,31}. In an LDC the social significance of pharmaceutical corporations

³⁰ A survey carried out in 1985 by the Directorate of Environmental Pollution Control (DEPC) listed the 903 most polluted companies under 12 broad industrial classifications. The highest polluting industry was found to be the textile group, followed by tanneries, pharmaceuticals and tobacco (Muhith, 1999).

is even higher due to the fact that they are capable of delivering life saving drugs to poor people. However, there are also claims from the non-governmental organisations (NGOs) that these enterprises in many cases engage in practices, like delivering lower quality drugs, which damage the health of the poor people and also induce people through advertisements to buy and consume unnecessary vitamin drugs at a high cost (Madeley, 1999). The latter is particularly evident in Bangladesh³². One would therefore expect that these corporations would be held responsible for their social and environmental impact and would be more likely to discharge their social and environmental accountability to local constituencies.

After examining the CSR of all subsidiaries of MNCs, the CSR of four UK subsidiaries is then examined further with the intention of illustrating CSR both in these subsidiaries' annual reports and in the annual reports of their parent corporations. These are considered simply because they are the only subsidiaries of UK companies where I can examine CSR at both parent corporation and subsidiary level. I do not examine comparative CSR of the other three subsidiaries, as CSR of their parent corporations located in their home countries: the USA, Japan, and the Netherlands is not covered.

³¹ The tobacco industry has a significant environmental and social impact on the local community. First, its production process is environmentally sensitive. Second, production of its raw material is harmful to the local farmer who produces it and also harmful to the natural land (Christian Aid report, 2004). Government is concerned about cigarette and tobacco product, which is evident from recent banning of tobacco related products in government media such as television and radio. Pharmaceuticals firms have link with doctors and pharmacist to whom they pay commission to sell or prescribe their products. In Bangladesh there are no restrictions on buying or selling drugs and people usually depend on brand names and the suggestions of pharmacy employees. This, in turn, means that the products of these industries have a great social effect on the local people, an effect that is still under cover mostly due to the pursuit of profit attitude of corporations, reluctant government and the ignorance of local people.

³² The drug policy of the Bangladesh government was introduced in the mid-eighties, and it prohibited production of several medicines/tonics mainly manufactured by MNCs. As a result, many pharmaceutical MNCs threatened to withdraw, or even withdrew, their investment from the pharmaceutical sector. After consultation with different pressure agencies, the Bangladesh government gradually lifted its own drug policy, which was in favour of its society but invited FDI in the pharmaceutical sector again. However, the sector lost its relative importance in terms of attracting FDI over the course of time (Reza, 1995).

After investigating CSR in the UK and Bangladesh, then in depth in subsidiaries of MNCs, the study then goes further in seeking to explain CSR practices by drawing out the perceptions of 49 organisational members, at different organisational levels, selected from the above mentioned seven subsidiaries and five domestic corporations, on both corporate social responsibility and reasons behind CSR practices. With this, an additional insight is provided by including views from 10 sample social and environmental stakeholders on CSR and corporate social responsibility. Ten interviews from seven national and international social and environmental NGOs are selected. Perceptions gathered from multiple levels within an organisation and stakeholders regarding CSR, I believe, are absent from most of the literature seeking to explain and understand CSR practice and social responsibility in LDCs.

1.4.2 Scope and methodology of the study

The study takes a predominantly middle range approach and thus uses both qualitative and quantitative methodologies as will be discussed in chapter 6. The justification for this is the researcher's philosophical view of ontology, epistemology, and the human nature of society - a middle range methodology between ideographic and nomothetic³³. These assumptions have guided the researcher to explore and understand CSR practices from either end. First, the amount devoted to social disclosures in the annual report represents its importance to the provider and thus volume is not considered to be less important (Krippendorff, 1980). So it is important to record the volume of CSR by quantitative methods such as content analysis. Second, social and environmental

³³ These terms are explained fully in chapter 6.

issues reported (or not reported) by managers represent their importance to certain social groups or stakeholders whom managers think important to account to (Buhr, 2001). Thus, perceptions of managers and social stakeholders regarding CSR issues are of the utmost importance when studying corporate accountability in a given context (O'Dwyer, 1999). It therefore is also important to gather qualitative data through interviews with different groups that are directly (or indirectly) related to CSR.

Two research methods are therefore employed in this study - namely, content analysis and interview. The vast majority of previous researchers have used either content analysis or interview (It will be discussed in chapter 3). It is, however, acknowledged that the findings of the present study cannot be generalised. This is due to a number of different reasons. In particular, it is assumed that any researcher bias will reduce the objectivity of the study. However, it is argued that there is no study, particularly in the field of social science, which is a totally objective and value free investigation, as the researcher is always a crucial part of the every research and the study has every chance to be biased by his or her own beliefs (Hopper and Powell, 1985; Lincoln and Guba, 1985). In addition, although the study explores CSR and responsibility issues in 50 sample corporations, interviews, however, only collected from limited number of organisations with only twelve firms of which seven are subsidiaries and five are local corporations. This is due to problems of access to corporations, particularly domestic corporations.

1.4.3 Justification for the study

Previous studies of CSR have been mainly confined to single developed country such as Canada, Australia, New Zealand, the US and the UK, and, to a

lesser extent, developing countries which focus mainly on disclosure issues rather than social responsibility issues (discussed further in chapter 3). Moreover, a single study on CSR and social responsibility of MNCs including their subsidiaries is rare (but see, UN, 1991, 1995). This study explores CSR and social responsibility issues in an LDC mainly in foreign subsidiaries, gaining an insights from a Western country (the UK) about CSR practices of their MNCs. However, evidence of comprehensive research in Bangladesh into social responsibility and CSR is also rare (but see, Belal, 1999; Imam, 2000). In particular, there is no previous detailed study found of CSR practices of subsidiaries of MNCs in Bangladesh³⁴. Moreover, following Laughlin's (2004) explanation of multiple reality, this study uses multiple evidences by examining perceptions of organisational members at various levels within the firm or organisational structure. Finally, despite several comparative studies of cross-country practices in Western Europe, to the researcher's knowledge there has not until now been any detailed comparative analysis of CSR between a parent company and its subsidiaries (but see, UN, 1991, 1995).

By looking at CSR practices in an LDC, particularly from social stakeholders' perspectives, this study adds to the understanding of CSR practices as a mode of discharging social and environmental accountability and questions its appropriateness. It goes beyond much of the previous literature seeking to explain CSR practices from a Western perspective. This study also heeds the call from O'Dwyer (1999) to investigate a social responsibility perspective in explaining or understanding CSR practices, but recognises a sharp distinction

³⁴ Only Belal (1999) and Imam (2000) have studied CSR practices in Bangladesh. They, however, do not examine CSR of subsidiaries of MNCs in detail. These studies are discussed further in chapter 3.

between accepting social responsibility and the mode of discharging social accountability through CSR in an LDC. This could lead on to new explanations for CSR practice in LDCs and the potential for further research.

This research also recognises that, although it takes a normative accountability framework as the conceptual framework to understand CSR practices, it really cannot ignore the power aspect of MNCs and their subsidiaries. To develop this is the work of chapter 4. The study is also informed by different theoretical explanations of CSR (stakeholder, legitimacy and political economy theories), rather than relying on only one single theoretical explanation of CSR because of the nature of its investigation. Moreover, the nature of CSR, voluntarily undertaken by organisations, particularly by subsidiaries in a developing country, is still not fully explored and may be many, and so using one single theory may risk ignoring other explanations. There is also still no single well-accepted CSR theory that explains the reasons behind CSR disclosure (Deegan, 2002, 2002a). In addition, there is still doubt whether any present popular theoretical explanation can be taken for granted to explain CSR practices in an LDC context due to the very different socio-political context of that country (Gray et al., 1996). This in turn encourages the researcher to use a single theoretical reason for CSR practice for this particular study. Therefore, the present study's emphasis is on understanding and illustrating CSR practices in an LDC context, so to contribute to present popular CSR theoretical explanations rather than taking these for granted.

1.5 Organisation of the study

The study is organised into 14 chapters. Chapter 1 has outlined the core motivations underpinning the research and the research questions: how they were derived; why they have been derived; and how this thesis will seek to cast light upon them. The research questions are explained, followed by a discussion of the research design, scope and research methodology. The motivation of the study has then been justified in the context of its proposed contribution to the CSR literature.

Chapter 2 is concerned with previous published literature and here, the literature relating to three interrelated topics is reviewed: social responsibility, accountability and CSR. Most importantly, this chapter will demonstrate how the research questions are related to the key concerns of social accounting: responsibility; accountability; and CSR. This literature review, along with a literature review concerned particularly with CSR practices and CSR theories (which is the purpose of Chapter 3), will provide both the framework (perhaps the scope) of the thesis, as well as the foundation from which the thesis will be built.

Chapter 3 examines CSR practice in mostly Western and developed countries, followed by a detailed review of evidence of such practices in LDCs, particularly in Bangladesh, and, most importantly, a detailed review on CSR of multinational corporations. The chapter then investigates the potential reasons for CSR, and as well as reasons for its non-practice, as suggested in the literature. The core motivation behind this chapter is to gather an understanding of the nature of corporations' CSR practices and its theoretical explanations. It will seek to show that current theorising on social accounting although by no means a complete activity, can provide us with a series of lenses through which we may further explore the key issues surrounding CSR in Bangladesh. This review will then also

provide a foundation from which we may advance to explore the pressing issues of multinational organisations, which initially provided the motivation for the thesis and the context within which this exploration is to take place.

There are many issues which have led to increased concerns about the accountability of multinational corporation, which are only hinted at in chapter 1. Chapter 4 is devoted to developing these issues. Chapter 4 casts lights upon such selected issues as the nature, power and social accountability of multinational corporations and their subsidiaries. This chapter outlines the social and environmental concerns previously raised in the literature regarding the operation of multinational corporations and efforts by international organisations (i.e. United Nations) to make multinational corporations more accountable. We will see in this chapter the pressing issue of controlling MNCS which is becoming increasingly important in developed countries and even more important in LDCs where the apparent attractions of bringing in FDI seem to outweigh governments' willingness to try and control such organisations. An even more pressing concern about MNCs in LDCs is how it is possible to know whether their subsidiaries are operating responsibly in these countries. Exploring some of these difficult issues in an LDC is the purpose of this chapter.

Chapter 5 provides an outline of the particular Bangladesh context within which this study is undertaken. This chapter states broader contextual issues - the socio-political, cultural and economic context of the country. As we will see, Bangladesh possesses institutions, rules and regulations from its colonial legacy, holds typical cultural characteristics from the Islamic religion, depends on its agricultural economy, and is well known for its famine, natural disasters and other characteristics of an LDC. In addition, most importantly, its economic policy,

influenced by the World Bank, IMF and bureaucratic governments, is geared to a highly ambitious free market economic policy which, ever since 1985, has been encouraged. The socio-political and cultural factors that Bangladesh possesses would affect the way accountability is discharged through information provision and CSR practices. This chapter explores some of these contextual issues and raises concern about current social and environmental accountability in Bangladesh.

Chapter 6 discusses of the research methods and methodologies undertaken in this study. The objective of this chapter is to explain the philosophical positions of the researcher, which influenced the choice of both quantitative and qualitative methods of the study.

Before going on to record CSR in annual reports, and having discussed quantitative and qualitative methods, chapter 7 introduces content analysis (Gray et al, 1995) - the instrument that is used to record CSR in annual reports. This chapter basically illustrates how the method has been modified and then used to record CSR of Bangladeshi companies. It also illustrates some of the limitations the researcher faced using this method.

Chapter 8 then presents the results of the content analysis of annual reports and descriptive data. It details the main disclosure issues and amount of disclosure devoted to these issues in Bangladesh and the UK. It then explains some of the CSR trends through present social accounting theories as documented in chapter 3.

Chapter 9 examines CSR of different subsidiaries of MNCs in more detail. Detailed descriptive data relating to CSR issues in these subsidiaries of MNCs (in Bangladesh) and parent companies (in the UK) are then investigated. The core

motivation of this chapter is to gather evidence of CSR within foreign affiliates and their parent corporations. Issues surrounding CSR of these corporations with other domestic corporations within similar industrial groups is then investigated further through interviews with the organisational members.

Chapter 10 introduces method of interviews - how these interviews have been conducted and analysed to provide descriptive data, following O'Dwyer (1999). The aim of this chapter is to provide the grounding for explaining and analysing interview data in the next chapter.

Chapter 11 looks at the results of interviews with corporate managers regarding social responsibility in both subsidiaries of MNCs and domestic corporations. This chapter mainly explores how executives within these firms perceive their social and environmental responsibility.

Chapter 12 then details the results of the interviews with corporate managers regarding the discharge of their accountability through reporting.

Chapter 13 details perceptions of NGOs regarding CSR practices and the implication of such practices for local people in terms of discharging accountability. This chapter presents additional evidence on the presence or non-presence of CSR as a form of social accountability from social stakeholders.

Chapter 14 summarizes the findings and tells the story that is built up from the core findings of the study. Here, an interpretation of the findings is provided, results in terms of the core research questions are presented, and the study is concluded. Suggestions and recommendations in light of the findings are then made. Finally, the chapter goes on to discuss the limitations of this study, recommends future research and points out its major contribution to current knowledge.

1.6 Summary and conclusion

This chapter has laid a detailed foundation of the present study, in that it describes the motivations behind the study, the research questions and the issues surrounding research questions. It also describes how the research questions have been examined. It also provides an organisation of thesis chapters. To me, the starting point of this study is to equip myself by becoming familiar with existing literature both to understand the notion of responsibility, accountability and CSR on one hand, and the context in which these will be addressed - Bangladesh and MNCs - on the other. The following four chapters are devoted to building this grounding through a literature review. Chapter 2 starts this process by exploring the nature of corporate social responsibility, accountability and social accounting.

Chapter 2

Introduction to the social responsibility, accountability and corporate social reporting literature

2.0 Introduction

This chapter is concerned with the existing literature and research on corporate social responsibility, accountability and corporate social reporting¹. The central question: “Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports?” is to be framed within the framework of both prior social accounting literature and the Bangladesh context. This chapter is designed to provide the first step in that grounding and framework.

In chapter 1 the broad outline of the thesis was provided. This included a brief introduction to the background and motivation of the thesis, an explanation of the research questions, how they have been derived and how the thesis casts light upon them. This chapter will provide a framework, through which CSR in Bangladesh will be investigated, by placing social and environmental reporting on

¹ A reminder that CSR is used in this thesis to refer exclusively to reporting. Although the more common usage of CSR is to refer to responsibility, that is not the practice here. When I need to refer to corporate social responsibility, I will write it in full. Equally, I need to stress that CSR is treated as a generic term and taken to include environmental, employee and ethical reporting issues as well as the more obvious social justice, community and charitable issues.

an accountability basis which, in turn derives from social responsibility². This is based upon an implicit assumption (that is widespread in the social accounting literature) that responsibility for a thing can be used to explain reporting on a thing. Gathering empirical evidence regarding responsibility, accountability and reporting through interview is the work of chapter 11, 12 and 13. This chapter will review existing literature on social responsibility, accountability and CSR. Consequently, this chapter is organised as follows. Section 2.1 looks at the nature of social responsibility as documented in the business and society literature. Section 2.2 illustrates the concept of accountability from the social accounting literature. Section 2.3 looks at the CSR literature on social accounting. Section 2.4 concludes the chapter. It is clearly beyond the scope of this thesis to review all of the prior work or literature in any of these three issues, namely, social responsibility, accountability and CSR, as these are extensive. Therefore, I have chosen to emphasise only the principal themes from the literature on the basis of concerns with their meaning and, most importantly, how these themes can help to explain accountability issues in my home country. In doing so, we can gain a broader view on CSR, accountability and responsibility, and begin the process of examining actual CSR practices of Western developed countries in general and reporting practices in LDCs – Bangladesh – in particular.

² Gray et al. (1996) mention that social accountability only arises if the organisation accepts social responsibility. They also mention that one role of social and environmental disclosure is to discharge social accountability (Gray et al., 1996).

2.1 Corporate social responsibility

This review provides an overview of the contemporary debate on the concepts and definition of corporate social responsibility and corporate responsiveness. The conclusions, based on historical perspectives, show that ‘one definition’ of social responsibility is not possible. One’s view regarding the social responsibility of business depends on how he or she wants to see the world (Gray et al., 1996). Therefore, it is important, for this study to subscribe its own view or to recognise a wide range of views regarding the social responsibility of business. More importantly, it is necessary to develop an understanding of how concepts of responsibility emerge in actual corporation settings within a particular context. To do this, a review of existing literature follows³.

2.1.1 Definition of corporate social responsibility

Responsibility can be simply defined as a moral attribute⁴ of people which makes them believe they have a duty or obligation to others (Helkama 1981, cited in Takala and Pallab, 2000). In this sense, responsibility, at least, assumes or depends on a relationship between two parties, where one party ascribes to another party a hope to act in a certain way. Such hopes or expectations are unlikely to be only expectations based on taste and preferences but have an authoritative and binding character (Fisscher et al, 2003). When it is used in the context of a corporation, responsibility may be taken to mean “*responsibilities for*

³ Then, according to the quantitative and qualitative methodology, followed in this study, empirical data from organisational members regarding corporations’ responsibility is gathered through interviews and presented in Chapter 11.

⁴ Fisscher et al. (2003) explain descriptive, normative or moral aspects of responsibility. They suggest that the descriptive aspect of responsibility refers to the factual causing of something. For example, who is responsible depends on who has caused this (see also Donaldson, 1982). Alternatively, the moral aspect of responsibility is not based on causality, rather it is based on imputation and judgmental criteria, which in a broader sense refers to responsibility as an attribute.

actions which do not have purely financial implications and which are demanded of an organisation under some (implicit or explicit) identifiable contract” (Gray et al, 1987, p.4)⁵. This definition emphasises the growing recognition that the values, ethics and behaviour of firms can have an impact (positive and/or negative) upon society. Recognition of values, ethics and incorporation of these in explaining social responsibility of business, has a long history. Crowther (2004, citing from Joyner and Payne, 2002) examines the historical development of the corporate social responsibility (CSResp hereafter) concept over the period 1938–2002 and shows a concern for increasing recognition of social stakeholders and businesses’ responsibility to them. However, Friedman (1970) argues differently. Friedman (1970, cited in Crane and Matten, 2004) has three arguments: only human beings have moral responsibility; a manager’s responsibility is to act solely in the interest of shareholders; and social issues are an area of government concern rather than the concern of corporate managers. In this way, he suggests that although corporations do have social responsibilities, they are only to increase profit. His arguments have created a long debate between business scholars and philosophers⁶ regarding the nature of corporate social responsibility, and presently his view is not widely accepted⁷. Alternatively, very different reasons have been

⁵ The history of the conceptual development of corporate social responsibility is rather long and has been documented in business and society literature in general and in corporate social performance (CSP) literature in particular (Carroll, 1979; Swanson, 1995). Carroll (1999) and Swanson (1995) provide a good review and historical account of corporate social responsibility in corporate performance literature.

⁶ Please see Donaldson (1982) for a good discussion on this.

⁷ Dawkins and Lewis (2003) in their study cite the survey results of Market and Opinion Research International (MORI), UK. The survey mentions that 51% of 2000 members of the general public in the UK in 1999, compared to 30% in 1976, now disagree with the statement that profits of large corporations help make things better for everyone who uses their products and services. They also produce survey results of what matters to people in forming an impression of a particular company among 23,000 adults in 23 countries for the year 1999. They mention that 56% of the sample perceive that responsibility to employee treatment, community commitment, ethics, and the environment are the factors forming an impression, compared to 34% who mentioned financial performance only.

suggested for the social responsibilities of business, other than increasing profit, and these can be grouped into business and moral reasons⁸. Since business reasons suggest that businesses do accept social responsibility for their own good, it actually supports Friedman's view. In fact, Friedman did not reject the idea of business being socially responsible but did acknowledge that any socially responsible actions of a corporation under profit maximisation would surely be enlightened self-interest (Crane and Matten, 2004). Hence, many scholars reject these business reasons and argue for moral reasons⁹.

For example, Davis argues that:

"if business has the power, then a just relationship demands that business also bear responsibility for its actions in these areas..social responsibility arises from concern about the consequences of business's act as they affect the interest of others" (Davis, 1973, p.20).

Two other early advocates of social responsibility are L.E. Preston and J.E. Post who state that companies have a responsibility to certain primary and secondary involvements within society. This helped to establish the idea that

⁸ These arguments are elicited by Crane and Matten (2004) from the corporate social responsibility literature. In the case of business, they refer to corporations taking on social responsibility in so far as doing so promotes the corporations' self-interests. For example, being socially responsible may be rewarded by satisfying customers and certain groups whilst irresponsibility might result in boycotts and create pressure on the company; committing to a social responsible action may forestall legislation and ensure greater corporate independence from government. This line of argument suggests that social responsibility tends to be a case of enlightened self-interest. On the other hand, the moral argument suggests that corporations cause social problems and hence have a responsibility to solve these or at least reduce these. As corporations enjoy power with substantial resources provided by society, corporations should use their power responsibly; all corporations have social impacts and hence cannot escape from taking responsibility for those impacts.

⁹ Jones (1996) argues that the social responsibility concept, if one accepts primacy of shareholders' interests over other stakeholders, will mean acting in favour of shareholders to safeguard their interests. Thus, social responsibility, while becoming a part of business interests, will become a commercial and or public relation instrument of the organisation (Jones, 1996). Windsor (2001) suggests that the corporate social responsibility literature is overwhelmed by "retaining a *profit oriented path that had created a muddle in the literature and overlapped too much with neo-classical economic values*". Moreover, Gray et al. (1987, 1996) reject the market based interpretation of corporate social responsibility. To the contrary, Gray et al. (1987) argue for social responsibility from a moral accountability point of view. In addition, scholars like, Zenisek (1979) place greater emphasis on the ethical perspective (see also, Frederick, 1986,1987, 1994). He views social responsibility as the degree of 'fit' between social expectation and the ethics of business.

business and society are interdependent (Clark, 2000)¹⁰. Shocker and Sethi (1974), in fact, portray such interdependency through the social contract they think exists between an organisation and the various social groups from which the organisation derives its power. They argue that business will lose power if it does not use power responsibly.

Given the range of business and moral arguments documented in the corporate business responsibility literature¹¹, the next focus is, if corporations have responsibilities, what form does that responsibility take?

2.1.2 Nature of corporate responsibility

In a seminal work on corporate social performance (CSP hereafter), Carroll (1979) suggests that CSResp includes economic and non-economic responsibilities of business. In his work he argues that CSR includes:

“the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time” (Carroll, 1979, p.500)

Carroll’s definitional components of CSResp are widely accepted although not unanimously (Acar et al, 2001). A business’s economic responsibility refers to the traditional functions of business directed to earn profit. Its legal responsibility is to comply with government regulations which are the fundamental guidelines of the free economic system. On the other hand, the ethical responsibility of a corporation refers to those socially defined expectations of business behaviour that are not part of formal law. Finally, the discretionary responsibilities are

¹⁰ This interdependent relationship is later expanded by Frederick (1986) to include responsiveness strategies. Following Preston and Post (1975), Frederick (1986) developed and popularised two concepts: corporate social responsibility (termed as CSR1), and corporate social responsiveness (termed as CSR2). However, Carroll (1979) expands CSR1 by identifying business responsibility in four areas. These are discussed in more detail in section 2.1.2.

¹¹ For further reading on this please see O’Dwyer (2002; 2003).

purely voluntary and philanthropic. The benefit of Carroll's model is that it structures various forms of corporate responsibility into different dimensions. However, it fails to acknowledge social responsibility without acknowledging the economic and legal responsibility placed on the firm¹². In this sense, it lacks a philosophical or moral component of responsibility and is fairly pragmatic; yet it is well accepted in the business literature as it is indicative of a manager's decision-making style at corporation level (Acar et al, 2001). The second problem with the model, in the literature that I am more concerned with, is that it is strongly biased towards the US context from where much of the author's literature and conceptualisation has emerged (see also, Crane and Matten, 2004). This casts doubt upon whether these four levels of CSResp, described in the literature, can explain corporate social responsibility in other contexts in general and in an LDC's context in particular¹³. More importantly, corporate responsive literature (CSR2) suggests that corporations actually rationalize responsibility into responsiveness and take strategies: reactive, defensive, accommodative, and proactive, according to the contexts and situations they face (Carroll, 1979). This

¹² Windsor (2001) suggests that Carroll's (1979) pyramid construction of responsibility puts economic responsibility as the foundation and philanthropy as the apex. He argues that this pyramid construction of four responsibilities - economic, legal, ethical and discretionary obligations - gives the idea that social responsibilities could not be achieved in the absence of economic performance (Windsor, 2001). He suggests that Carroll's study places higher emphasis on economic and legal responsibilities than on the ethical or social responsibilities of a corporation. Kang and Wood (1995) also criticise Carroll's pyramid construction of social responsibility (cited in Windsor, 2001). They argue that literature based on Carroll's work uses a flawed assumption that social responsibility occurs only after making profit, whereas in fact responsibility may occur before making profit (Kang and Wood cited in Windsor, 2001). Windsor (2001) suggests that wealth maximisation, although invisible, limits social responsibility.

¹³ Crane and Matten (2004) conclude that the four levels of responsibility are still valid in a European context although they may be accorded different significance. It seems that most of the social responsibility issues on the corporate agenda are actually located in the area of ethical responsibility, due to the fact that Europeans tend to exhibit far greater mistrust of modern corporations, compared to economic responsibility, than the US which is strongly focused on the profitability of companies. Maignan and Ralston (2002) suggests that while US consumers stress the economic responsibilities of companies, French and German firms tend to be concerned about complying with social norms and laws and social performance.

in turn means that companies may view their responsibility as a responsive to different external contexts. Therefore, the next issue is to discuss corporate responsiveness literature.

2.1.3 Corporate responsiveness and responsibility

Corporate social responsiveness conceptualises the more strategic nature of corporate social responsibility and is defined as the way corporations respond to societal pressures (Frederick, 1986). Carroll (1979) notes that corporations could use strategies of reaction, defence, accommodation, and proactive recognition to address their discretionary responsibilities (see also, Jawahar and McLaughlin, 2001)¹⁴. It is not the case, however, that a corporation follows a single strategy; it appears that a corporation will shift its strategy of social responsiveness when necessary to control public perceptions of the corporation¹⁵. The strategic concept of corporate responsiveness thus suggests that the emphasis on moral attributes of responsibility shifts ultimately to operational aspects. That means, the debate on corporate responsibility has shifted from “why should corporations be responsible?” to “how will corporations show they are responsible?” - a more operational concept of responsibility. The meaning of corporate social

¹⁴ Carroll (1979) explains these strategies. He suggests that in the case of a reaction strategy the corporation denies any responsibility for social issues, advocating that social activity is a job of government. Taking a defensive strategy, the corporation admits social responsibility but fights it by doing the minimum that is required by law. A corporation can take an accommodation strategy by accepting responsibility and doing what different groups demand of it, and finally, through a proaction strategy a corporation anticipates future expectations and goes beyond industrial norms by doing more than expected.

¹⁵ For example, Crane and Matten (2004) mention that tobacco companies, in the past, have denied a link between health problems and smoking which has been a defensive strategy. When the link became publicly accepted, they allegedly denied knowledge of the addictive properties of nicotine and lobbied against further government regulation - a defensive strategy. More recently, the evidence against their claim has led them to take an accommodative strategy, and firms are now admitting their product is ‘risky’ and claim that they are introducing a youth smoking prevention programme. Hooghiemstra (2000), in a similar vein, shows how Shell has changed its strategy from defensive to proactive regarding their responsibility over time.

responsibility is thus in effect captured by corporate operations and strategies (Frederick, 1986). However, corporate responsive actions lead to observable outcomes of business commitment to social responsibility: outcomes in terms of social performance.

2.1.4 Social performance and corporate responsiveness

The outcome of corporate responses to social pressure is social performance. Different models of CSP have been developed to conceptualise observable outcomes of corporate responsiveness, on the basis that if economic performance of a corporation is so important and measurable, why should not we measure societal performance as well¹⁶. However, social performance is complex to measure and hard to identify by observable outcomes. These observable outcomes, which, at least, indicate social performance are delineated in three areas such as social policies, social programmes and social impacts of business (Crane and Matten, 2004).

¹⁶ Different models of CSResp have been developed in the CSP literature based on Carroll's model. Wartick and Cochran (1985) and Wood (1991 a, b) construct general models of CSP. Both models of CSP include three components of CSR: the principles of social responsibility, the process of responsiveness and the policies developed to address social issues (Wartick and Cochran, 1985; Wood, 1991 a, b). Wartick and Cochran (1985) suggest that social responsibility principles include premises on which the decision of a manager should be based: economic, legal, ethical and discretionary. Social responsiveness indicates the action phase of management, usually reactive, defensive, responsive and interactive. Social policy, the third dimension, is the outcome from such action and includes issue management (Wartick and Cochran, 1985). Wood (1991, a, b), in her model, suggests three bases behind social responsibility based on three levels, namely institutional, organisational and individual. She proposes legitimacy at an institutional level in assuming responsibility. Borrowing from Davis (1973), she argues that society grants legitimacy and power to business and in the long run those who do not use that power in a manner conforming to responsible behaviour would lose it. This extends responsibility to many other groups of society, termed as stakeholders (Freeman 1984). Borrowing from Preston and Post (1975), she extends corporate social responsibility at organisational level to the principle of public responsibility (cited in O'Dwyer, 1999). Preston and Post (1975) propose that the social impact of business should be guided by external social and public policies (cited in O'Dwyer, 1999). This view of social responsibility implies that a social contract between business and the public exists, which suggests that business must behave in conformity with social values (see, also Mathews, 1993, Gray et al. 1988, Donaldson, 1982, Shoker and Sethi, 1974).

2.1.5 Stakeholder theory and corporate social responsibility

The stakeholder theory is the most popular theory, with the most influential argument that there are wider groups of stakeholders in a corporation than merely shareholders and investors (but see, Sternberg, 1997)¹⁷. Freeman (1984) defines stakeholders as any group or individual who can affect or be affected by the economic activities of a corporation¹⁸. The emphasis here is on '*who can affect or be affected by*' as this includes a number of groups within a society and how their actions affect corporations, or how they may be affected by the actions taken by the organisation¹⁹. Freeman (1984) argues that the relationship between the firm and the various groups is defined by all sorts of contracts and it is simply not true that shareholders have the only legitimate interest in firms' activities²⁰. For example, there is not only a legal binding between a firm and its shareholders, but also with its employees, suppliers and customers who also have legitimate interests in firms' activities²¹. In addition, society and the natural environment

¹⁷ Sternberg (1997, p.3) argues that "*stakeholder theory is indeed intrinsically incompatible with all substantive objectives, and undermines both private property and accountability*".

¹⁸ But who is a stakeholder? For a chronological development of this issue please see Mitchell et al, (1997).

¹⁹ The phrase is important. The first part of the phrase - one who can affect a firm (must be considered with care to achieve firm's interest) - highlights the strategy of a firm to manage stakeholders thus focusing on the amorality and self-interested action of a firm, corporate responsiveness (CSR2) (Clarkson, 1995; Frooman, 1999). Alternatively, the latter part of the phrase - the one who is affected by the firm - provides a moral account of the firm and its stakeholders, more importantly focuses on corporate responsibility from a moral point of view (CSR1) (Donaldson and Preston, 1995; Frooman, 1999). This suggests that stakeholder theory can be viewed from a normative or strategic point of view.

²⁰ It is assumed that a contract is "an appropriate metaphor for the relationships between the firm and its stakeholders" Jones (1995, p.407).

²¹ Views on this depend on the interpretation of the contract between a corporation and its various constituencies within society (Boatright, 1994 cited in Moore 1999; Donaldson, 1982, Donaldson and Preston, 1995; Freeman, 1988). Sternberg (1994) suggests that a director has a fiduciary duty to its shareholders to maximise the long-term owners' value, and thus is only responsible for safeguarding the interests of the shareholders (Sternberg 1997). Boatright (1994, cited in Moore, 1999) however, contends that there is no explicit contract, even an implied contract, between shareholders and directors. There is nothing written down spelling out the terms of relationship, and there is relatively little interaction between shareholders and managers due to the fact that shareholders usually purchase shares from a third party. So, he argues, it is not right to say that directors are responsible only to their shareholders because of the agency or fiduciary relationship.

also have legitimate rights on business activities as they are also affected by the economic activities of organisations²². There is in fact a long history of development of these arguments in favour of stakeholder theory's claim that business is responsible to different groups, who these groups are, and various aspects of stakeholding²³. However, a simple synopsis is that stakeholder theory rests upon a corporation's duty to different groups rather than just shareholders and equally the right of different groups to take part in corporate decision making. The theory suggests that corporations should, and indeed do, at least to some extent, take into account the interests of stakeholders beyond the narrowly defined interest of shareholders (Freeman, 1984; Gray et al, 1996)²⁴.

2.2 Nature of corporate accountability

Accountability is synonymous with duty and obligation, and thus with responsibility. However, both terms - responsibility and accountability - may suggest different meanings depending on the intention of those who use the terms

²² This assumes that a social contract does exist between corporations and other constituencies in society (Donaldson and Preston, 1995). The more common justification for a multi-fiduciary approach is the argument placed by Evan and Freeman following Kant's argument (Moore, 1999). Evan and Freeman argue:

"... that the legal, economic, political and moral challenges to the currently received theory of the firm, as a nexus of contracts among the owners of the factors of production and among customers, require us to revise this concept along essentially Kantian lines. That is, each of these stakeholder groups has a right not to be treated as a means to some end, and must participate in determining the future direction of the firm in which they have a stake" (Evan and Freeman, 1988, p.255, cited in Moore, 1999, p. 121).

²³ Stakeholder theory and different variations of this theory is discussed in chapter 2. However, also worth reading for a brief discussion of this theory are: Freeman (1984); Gray et al. (1996); Mitchell et al. (1997); Donaldson and Preston (1995), Stoney and Winstanley (2001).

²⁴ Donaldson and Preston, (1995) propose three variations of stakeholder theory: normative stakeholder theory; descriptive stakeholder theory; and instrumental stakeholder theory. While the normative version of stakeholder theory suggests that business should take into account stakeholders' interests, the descriptive version of stakeholder theory suggests how business actually takes stakeholders' interest into account to manage them. The instrumental stakeholder theory attempts to answer whether it is beneficial for the corporation to take stakeholders' interests into account.

while dealing with corporate power (Bendell, 2004)²⁵. To use the term 'responsibility' is regarded by some as not challenging the power of corporations but to allow corporations to work voluntarily on their responsibility, while to use the term corporate accountability is regarded by some as challenging corporate power and working to give society more power in determining the behaviour of corporations (Bendell, 2004). More specifically, accountability goes beyond a voluntary approach to suggest or establish mechanisms of controlling large corporations to ensure more socially responsible action (Bailey et al, 1994, 1998)²⁶. Accountability does not simply mean a corporation's willingness to accept responsibility but also its liability to provide an account, or to provide an answer for its actions²⁷. This implies that accountability is not only responsibility - an attribute - but also a process by which one is liable to provide an answer for his own actions and thus discharge his duties (another responsibility or obligation) to provide account of that action (Gray et al, 1996). In this sense, accountability implies or refers to "whether a corporation is *answerable* in some way for the consequences of its actions" (Crane and Matten, 2004, p. 55)²⁸. There is, in fact, a vast amount of literature explaining what accountability means. It is not the scope of this chapter to explain all of these, but only those which motivate the present

²⁵ Bendell (2004) suggests that it was evident at the 2002 United Nations Summit in Johannesburg that scholars are presently clearly not sharing the same meaning when addressing accountability of corporations. In fact, they are divided into two groups. One group wants to address corporate power as problematic and advocates controlling it, and another group wants to accept corporate power as an opportunity and advocates using corporate power for the betterment of society. The latter are said to be involved with corporate responsibility and perhaps their suggestion is to allow voluntary discharge of responsibility by corporations, and the former are involved in corporate accountability and suggest regulating corporations to make them more accountable. So there is a clear distinction between the non-literary use of the terms in the way they are used.

²⁶ Friends of the Earth puts this aspect of accountability as: "*accountability requires going beyond voluntary approaches and establishing mechanisms.... It must also empower stakeholders to challenge corporations (FoE-I 2000, cited in Bendell, 2004, p.17)*

²⁷ The Oxford English Dictionary defines accountability as "*the quality of being accountable; liability to give account of, and answer for, discharge of duties or conduct*".

²⁸ Responsibility may not mean answerability.

study and are relevant in explaining the provision of social and environmental accounts through CSR by corporations. Initially, an explanation of accountability from Gray et al (1987, 1996, 1997) is given, and then other related literature is looked at²⁹.

Gray et al (1996) suggest that: *“accountability is the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”* (Gray et al., 1996, p.38). Accountability of a corporation includes two responsibilities: responsibility for the action and responsibility to provide accounts of that action (Roberts and Scapens, 1985). In a very simple form, accountability is therefore defined as *“what one is responsible for and then providing information about that responsibility to those who have rights to that information”* (Gray, 2001, p.11). In a narrow sense, it is assumed that the accountability relationship at least binds two parties: the accountor and the accountee. One is responsible for providing the account, and the other (the latter) has the right to make the former accountable. This view suggests that there can be no act of accountability without a contractual arrangement (Tricker, 1984). Gray et al (1987) suggest that the relationship between these two parties can be viewed in principal and agent terms, where the agent acts on behalf of the principal under a contract which is not necessarily written or explicit³⁰. They suggest that the business and society relationship can be based on law, quasi-law, corporate values and mission statements and moral rights, rather than an explicitly written contract, and therefore business has a duty to account for its actions to society at large (Gray et al, 1997, 1996). This view

²⁹ To illustrate issues related to accountability, the thesis chooses other relevant studies. Some of these will appear in the discussion and some of these will be shown in the footnotes.

³⁰ Please see also Gray et al. (1988, 1996)

does not, therefore, accept the idea that a business is solely responsible to its shareholders; rather it supports the view that business should be responsible to a group of stakeholders³¹. Referring to the idea of a social contract theory, Gray et al (1988) support this position (see, also Donaldson, 1982, Donaldson and Preston, 1995)³². To understand the nature and extent of accountability we, at least, need to understand three important issues: the relationship of that business with society; the reflexive nature of accountability; and the power of the organisation (Buhr, 2001).

2.2.1 Business in society

Buhr (2001) suggests that a manager needs to rely on some understanding of the role of the corporation in society as well as some understanding of himself and others to understand the nature and extent of a corporation's accountability. More specifically, how accountability functions in an organisational context requires not only an understanding of an organisation but also an understanding of the society and business relationship, particularly, the way businesses account for themselves

³¹ It should be mentioned that although normative stakeholder theory similarly suggests corporations' duty to its stakeholders, it perhaps does not explain corporations' duty to provide accounts to the stakeholders. That means, the notion of discharging responsibility through providing accounts is perhaps missing in stakeholder theory.

³² Shocker and Sethi (1974) portray the social contract as a relationship between the organisation and various social groups from which the organisation derives its power. Accordingly, the survival and growth of the corporation depends on the support society provides - namely, natural resources and labour. So although there is no existence of an explicit written contract between society and business, there exists an implicit assumption of a social contract between a corporation and its society. Gray et al's (1987) construction of accountability suggests that in social responsibility reporting, society should be viewed as the principal and the business as its agent. While discussing environmental accountability, Power (1991), in a similar approach to Gray (1987), sees society as the principal and the polluter as the agent. He suggests that there is a social technology that binds the principal and agent together and generates relations of accountability (Power, 1991).

in order to maintain their identities in society. Drawing from Schweiker (1993)³³ she argues that:

“a self is not independent of others, accountability also represents our perception of the attitude of others towards us.” (Buhr, 2001, p.407).

This refers to the communal nature of accountability, seeing an economic organisation in a community as answerable to society and the need to justify its actions by giving accounts (Shearer, 2002). This also supports the idea that a corporation builds its social identity through the relationship it makes with different groups of stakeholders. Schweiker (1993) therefore suggests that corporate community and social identity are the motivating factors for corporations' accountability. Ahrens (1996) suggests that there are different styles of accountability which depend on how managers of corporations provide, or are motivated to provide, accounts of their corporation's action. Moreover, Gray (2002) suggests that giving and receiving account is an inherent part of human experience, and there is no good reason behind not giving social and environmental accounts as a part of a corporation's main activity. In other words, organisational members, mainly corporate managers, are key persons in providing social and environmental accounts and thus the construction and maintenance of a corporation's identity in a society. Ahrens (1996), however, also suggests that providing reasons for actions or accounts of action by organisational members are also, at least, organisationally determined.

³³ Schweiker (1993) argues that: “We account for (actions, outcomes, intentions, relations) and our substantive notions of what is good are bound up with these relations to others and ourselves”.

2.2.2 Accountability as a reflexive process

Accountability is a reflexive process (Roberts and Scapens, 1985). Buhr (2001, p.408) suggests that as our moral point of view is not independent but depends on others, we constitute and reconstitute our morals as “we develop an understanding of self and reciprocal understanding of others”. Ahrens (1996) links public discourse with an organisational process of accountability, seeing accountability as reflexive. He compares manifestations of accountability between the English and German view of making repairs in manufacturing companies, and finds that managers give different accounts. He concludes that such differences occur because of different styles of reasoning or perceptions that are at least organisationally determined. This suggests that the organisational process of accountability is the alignment of organisational practices with public discourses. As public discourses can be associated with many factors (i.e. history, education, political structure of a country), different styles of accountability or different ways of discharging accountability may be expected within organisational practices (Ahrens, 1996). This highlights the fact that although the way we understand accountability may be universal, the way accountability is discharged may vary and so it is reasonable to question CSR, the Western style of discharging accountability in an LDC case. We will turn to this discussion later.

2.2.3 Accountability and power of corporation

Although accountability embeds a moral responsibility, it is also important to recognise that the organisation is primarily an economic self, created within the neoclassical economic logic. It is thus very likely to act in a self-interested manner. Shearer (2002) suggests that corporations will rationally make decisions

which are not counter-productive to their own economic interest. This in turn means that if one seeks to hold economic entities accountable for purposes beyond their own interest, it is not sufficient that the businesses have a moral identity nor could it be expected that these entities will render accounts of themselves to society. At this point, it can be assumed that corporations will only respond to those groups and interests that have the ability either to harm or benefit the corporations (Buhr, 2001) ³⁴. In another words those who are necessary to the corporation, but do not or are not able to affect it, will be ignored by the corporations (DiMaggio and Powell, 1983). This highlights the fact that in the real world it is the issue of corporate power compared to the power of stakeholders that is relevant to the accountability issue. Therefore, the growing power of multinational corporations is also relevant to the accountability issue in the age of economic globalisation. It is argued that the rise of corporations' power within the globalisation context makes the accountability issue more important at present, at least due to two reasons: government failure and controlling corporations (Crane and Matten, 2004, Bendell, 2004). Both these developments suggest increased business involvement in society and political structure, inevitably demanding business to be more responsible (Crane and Matten, 2004, Bendell, 2004). Corporations no more remain solely a business organisation and we are expecting a time when corporate will role the world (Korten, 1995).

³⁴ It seems that this will be true in an LDC context as it can be fairly assumed that in an LDC stakeholders or groups in the society may be very weak compared to corporations. So, although affected by corporations' activities they may not have the power to affect corporations.

2.2.3.1 Government failure

Government failure simply means governments' inability to protect their citizens from social and environmental catastrophes, mainly as a consequence of industrialization (Beck, 1999). Ulrich Beck, a German philosopher, (1992, 1999) provides a new view of industrial society, highlighting catastrophes facing by such society and government failure in dealing with such issues. He, in fact, comments that in some cases governments are part of the problem rather than the solution³⁵. Beck concludes that industrialisation, although providing an abundance of products, is also leading modern society to risk their health, life and their natural environment. Most importantly, modern governments are increasingly showing their inability to address the social and environmental problems faced by modern society. While social and environmental catastrophes are increasingly becoming problematic to modern society, these are more common to an LDC society³⁶, especially in the case of government failure. There are many reasons why a particular government fails to tackle a particular issue. Even one particular failure can produce a huge amount of literature in favour of or against the government, and this thesis is not about government failure in tackling social and

³⁵ Beck (1992) starts by mentioning the risk of nuclear power, the risk of global warming, the risks associated with industrial agriculture, and the risk of adopting new technology such as genetic engineering. Some of these have had severe consequences for modern society, such as the Chernobyl incident, the BSE crisis, and the foot and mouth outbreak, to mention a few. Although handling these catastrophes is the task of governments, governments in many cases failed, or it seems that government became part of the problem, as the BSE case shows (Crane and Matten, 2004).

³⁶ This is, however, not to say that there is no need to address these issues in an LDC context, but to say that LDCs mostly have a long history of facing these social and environmental catastrophes, although in different forms, with frequent government failures, often not even trying to address the sufferings of the majority of the people. Madeley (1999) shows how social and environmental catastrophes or problems remain uncovered, but are consequences of MNCs operating in LDCs and going unchallenged by governments. If accountability of these MNCs is becoming a pressing concern to their home countries, why is it not equally important to the host LDC society where these corporations are operating?

environmental issues³⁷. Following Beck's (1992, 1999) globalisation thesis, it is suggested that modern industrialisation is, at least, weakening state power, resulting in more failures by governments, which points to the necessity of controlling modern corporations³⁸.

2.2.3.2 Controlling modern corporations

Controlling corporations in terms of their social and environmental impacts is becoming a complex issue (Bailey et al, 1994; FitzGerald, 2001; Korten, 1995; UN, 2000a, Utting, 2002a, 2002b)³⁹. The common line of argument in the literature is the evidence of the growing power and influence of MNCs, which make it hard to control these organisations⁴⁰. Moreover, economic globalisation is increasingly eroding the capability of governments to control MNCs, and gives MNCs more influence over public and private life (Donaldson, 1982; Crane and Matten, 2004). It seems that, within the present status of democracy, governments, particularly of LDCs, are no longer able to make social and environmental decisions on their own without consulting corporations. Therefore, the central problem, for me, perhaps is to return power back to the people from corporations

³⁷ The case of government failure in dealing with social and environmental issues in LDCs may be common. However, the reasons may differ according to the country context, most importantly: how corrupted the government structure of the country is; to what extent it depends on foreign funding agencies and foreign direct investment; and the demography and geography of the country (Ghartey, 1984). The country context of Bangladesh is elaborated on in chapter 4.

³⁸ Beck (1999) suggests that it is inevitable that globalisation will weaken state territory and corporations will replace governments in determining social policy and programmes in the future. In future, corporations will control states rather than states controlling corporations.

³⁹ Korten (1995) suggests the rising power of corporations is really a big concern and doubts that these corporations can be regulated by self-regulation. This view is widely held in the literature (i.e FitzGerald, 2001; UN, 2001; Utting, 2002a, 2002b). However, while Bailey et al (1994) suggest corporations can be controlled by their home country, FitzGerald (2001) and Utting (2001, 2002a, 2000b) suggest multi-stakeholder initiatives to control these corporations.

⁴⁰ We will see in chapter 4, and other chapters, that literature from the United Nations since 1974, recognises the power of multinationals and a need for host and home country control, but has ultimately failed to establish a mechanism, perhaps due to the increased power of multinationals (see, Rahman, 1999, for details of this issue).

and thus make these MNCs accountable to people or society in a democratic setting⁴¹. One important stream of literature has examined such a possibility through the audit and reporting of social and environmental information provided by corporations (see for example, Bailey et al, 1994, 1998).

2.2.4 Corporate Social Reporting (CSR) and accountability

CSR rests on a broader conception of the accountability practices of an organisation and is a form of social accounting. A standard definition of CSR is that provided by Gray et al (1996). They describe it as:

“the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large” (Gray et al., 1996, p.3)

Such a definition emphasizes CSR as a process that generates and provides financial and non-financial information⁴² (Gray et al, 1995a; Hackston and Milne,

⁴¹ Gray et al. (1996) argue the whole issue of social reporting within a broader explanation of democracy. They define democracy in broad terms, identifying three forms of democracy: representative, state and participative. Advocating participative democracy, they claim that information should flow from those who control resources to those from whom resources are acquired. In this sense, social reporting is based on the democratic right of society to get information from corporations. They claim that providing information to society by a corporation, a re-democratisation process can be started which is necessary to return power to people from that corporation. In this sense, social accounting is re-democratisation and a noble attempt to give people control over their lives and to direct corporations’ policies that affect their lives. But a re-democratic process requires fulfilment of the criteria that information flows are themselves democratic.

⁴² Financial and non-financial information can include a huge amount of information on a huge number of issues. Gray *et al.* (1996) try to restrict the information content of CSR by providing some traditional and common ‘accounts’ although there is no plausible reason why these will prevail over other issues. These accounts are categorised as environmental, employee, community and customer information, and include the impact of organisational activities upon the natural environment, employee, customer, community, and society at large (Gray et al., 1996). It has also been suggested that the issues included in CSR vary across time and place (Adams et al, 1998; Gray et al., 1996, 1995a). For example, in the 1970s employee reporting (See, Maunders, 1984; Roberts, 1990) was a common form of social reporting in the UK and Europe. It then disappeared by the mid-1980s as the business climate changed (Gray et al., 1995a; Gray et al., 1987; Burchell et al., 1985). In the late 1980s environmental reporting grew as a part of CSR as a consequence of increasing public awareness of the environmental impact of corporations. Today, CSR focuses heavily on environmental information while placing less importance on other social issues, such as ethical disclosures (Adams et al, 1998; Mathews, 1997; Owen et al, 1997). However, with the rise of so-called sustainability reporting this appears to be changing again.

1996) about the organisation's social and environmental effects, and can be seen as a form of social accounting⁴³ (Gray et al, 1997). The usual form of reporting information is the corporate annual report although Zeghal and Ahmed (1990) offer persuasive evidence of the reporting of social and environmental issues through other media⁴⁴. Reporting social and environmental information is still mostly a voluntary activity, and firms should produce CSR –even though it is not mandatory to fulfil their accountability obligation (Gray et al, 1996). Their argument is based on the normative explanation of the accountability framework. To them, such a normative explanation of accountability is concerned with:

“.. the relationships between groups, individuals, organisations and the rights to information that such relationships entail” (Gray et al, 1997, p.334)

It includes:

“...responsibility to provide an account (by no means necessarily a financial account) or reckoning for which one is held responsible” (Gray et al, 1987, p.2)

So it can be simply defined as:

“the duty to provide an account of those actions for which one is held responsible” (Gray et al, 1996, p.3).

They suggest responsibilities for action can be set through establishing the *‘the rules of the game in which the organisation chooses to play’* in a society by law (Gray et al, 1988, p.13). The organisation complying with the law will be seen

⁴³ Social accounting lies with four foundations that differ from conventional accounting. See Gray et al. (1996) for details.

⁴⁴ For example, the Internet is becoming a popular medium for providing social and environmental information. There is also growing evidence of specific reports (such as environmental reports and employee reports) prepared by the corporations and targeted to specific groups. These include stand-alone corporate social or environmental reports (Gray et al., 1996). However, Gray et al. (1996) suggest that CSR is still not a systematic activity and is still in its developmental stage. Most CSR issues are not yet part of a mandatory reporting process and still depend on voluntary activities of managers.

as discharging its social responsibility, although at a very minimum level (Gray et al, 1997). While the law often defines responsibility for *actions*, it rarely addresses the responsibility to *account* for those actions (Gray et al, 1996). However, Gray et al contend that the legal responsibility for action would bring moral accountability to *account* for those actions (also see, Gray et al, 1987; Roberts and Scapens, 1985). It is difficult to define the level of moral accountability one holds in practice. But Gray et al. (1997) suggest that the level of '*moral accountability for account*' could be more precisely identified, firstly by identifying the stakeholders, and secondly, by providing information at different levels to define the relationship between the stakeholder and the organisation. This in turn means that organizations need to provide information to discharge their *moral accountability for account*. More importantly, an increased flow of information to society would ensure that society is informed of the operation of business and also gets the chance to act on the information, if it wishes⁴⁵ (Gray et al, 1997; 1996; 1988). In this vein, it is argued that CSR has the potential to bring power back to the community and thus could address the apparent imbalance of power relations between society and business (Gray , 1992). However, discharging accountability on the basis of the information rights of stakeholders and obligations to these stakeholders from the organisation, is not unanimously agreed to by the scholars.

⁴⁵ Swift (2001) and Owen et al (2001) suggest that information provision is not a sufficient condition to bring any change in a business operation. Swift (2001) suggests that there is no guarantee that stakeholders receive sufficient, accurate, understandable and timely information on which they can act. If stakeholders have such information and do not act then it implies an 'informed consent' which may be used by the organisation in favour of their irresponsible operation. Owen et al (2001) mention that current processes of social reporting seem to be concerned with managing stakeholders in line with the interests of business and so means little in terms of discharging accountability.

2.2.5 Power, corporate accountability and social reporting

The extent to which social accountability is actually discharged by an organisation through the *provision of information* to stakeholders needs to be interpreted cautiously (Gray et al., 1997, Swift, 2001; Woodward et al., 1996). There is a growing concern that current CSR practices are becoming a new form of managerial opportunism (Owen and Lehman, 2000, Owen et al, 2001; O'Dwyer, 2003), resulting in the possible trivialisation of social accounting by powerful organisations, rather than the discharge of accountability (Gray et al, 1997). Corporations are likely to operationalise 'providing information' to stakeholders as strategically managing stakeholders. Owen et al (2001) argue that current processes of social auditing and reporting seem more concerned with stakeholder management for commercial motives rather than providing *accounts* for corporate actions. So there is doubt whether the provision of information to stakeholders, the key element of the normative accountability explanation, does in fact demonstrate real accountability rather than serving other purposes (Swift, 2001).

In the real business world, the information provided by the agent (business) to the principal (society), based on quasi-legal and philosophical rights, is easily influenced by managerial or organisational interests, and thus can usually be seen as a limited notion of accountability (Gray et al, 1996). More importantly, a radical critique views corporate accountability within the dynamics of a capitalist bureaucratic organisational system. Jones (1996) criticises the fact that a manager might not be allowed to discharge his socially responsible actions within the organisation if those actions are not in the interests of the business (Jones, 1996). Power lies within the structure of society, within which there are structurally

advantaged and disadvantaged groups (Cooper and Sherer, 1984; Tinker et al., 1991). Corporations seem to possess more power than individuals and even other organisations (Gray et al., 1996). Moreover, Arnold suggests that the state acts in favour of the ruling capitalist classes (see, Guthrie and Parker, 1990, Puxty, 1986). Such a political dependency on ruling economic classes would provide a structure where the state could act in the interests of the capitalistic organisation. These arguments may realistically question to what extent accountability could be discharged by a corporation within the power asymmetry through information provision. If power matters, the rise in corporate power within the *detrterritorialization* facilitated by the growth of MNCs, it becomes also of paramount importance, at present, to direct such power in an accountable framework (Bailey et al, 1994; 1999) ⁴⁶. Most importantly, if corporate power matters and addressing such power in an accountability framework is a pressing concern in the West, accountability of MNCs is surely a pressing concern in LDCs too.

2.2.6 Use of an accountability framework in this study

Corporate accountability can be defined from the above discussion as a simple notion of identifying a corporation's responsibilities for their social and environmental impact, and then providing information about those responsibilities to those people who have rights to that information. It seems that from a simple but normative notion, the basic elements of accountability are universal and so

⁴⁶ In describing the history of social accounting, Gray (2002, p. 692) claims that social accounting projects are not homogeneous. Whilst many projects are grounded on the principles of democracy and accountability, equally there are projects developed under alternative/critical perspectives which seek an 'evolutionary and emancipatory moment within current possibilities'.

can be equally applied to an LDC namely - Bangladesh. Therefore, it seems that it can be equally applied in this study. There are many reasons to support this.

First, the accountability approach is viewed as a moral concept rather than a concept purely limited to finance. Normative explanations of accountability require that social and environmental information needs to be provided by a corporation, irrespective of its social demand. This is the right of stakeholders and the duty of corporations, and from my perspective, I cannot see why that such a right would only be appropriate in a certain country and will not be applicable in another. In particular, there is no plausible reason to believe that the social responsibilities of MNCs and their subsidiaries addressed through an accountability framework could not be expected in an LDC. Most importantly, the basic philosophical point of claiming a corporation should be accountable to wider stakeholders for its social and environmental impact, is moral and universal and so should not vary according to the country where corporations are operating. Indeed, we can expect that accountability of corporations is particularly important to address in an LDC context due to the many imperfections in the market, the social and environmental problems and injustices that are observed more in LDCs (Samuels, 1990). Samuels (1990) notes that social and environmental reporting is more important in these countries (LDCs) due to the fact that conventional accounting models are unable to address many of these imperfections and social and environmental injustices. This is particularly relevant in Bangladesh's case.

Second, accountability is based on the notion of a democratic right to information (Gray et al, 1987; 1996, Gray, 1992). Thus, accountability confers rights or claims explicitly, rather than using the notion of need and usefulness of

information to determine rights⁴⁷. It also implies that whether society (or whoever the information is provided to) uses it or not, does not matter; the important point is that they have access to it (Burchell et al, 1982). From this point of view, there is no reason to believe that such rights should not be universal, and thus leads us to believe that the basic elements of accountability are universal. In addition, it seems that much of the information presently provided by financial statements through annual reports in Bangladesh (an LDC) is consistent with an accountability framework, although mostly limited to financial accountability. Samuels (1990) suggests that rather than only financial information, a greater level of information is needed in an LDC to assist decision-making, whether at market place or administrative level. He further observes that there is evidence of over-exploitation of the natural resources of developing countries to encourage FDI in the country, and so there is urgent need for information regarding the social and environmental impact of MNCs in these countries. Moreover, it seems that present financial reporting practice is actually imposed on LDCs through colonialism and as a requirement of MNCs operating in these countries (Hove, 1996; Perera, 1989; Fechner and Kilgore, 1994; Haniffa and Cooke, 2002; Baydoun and Willett, 1995, 2000)⁴⁸. Therefore, such mainstream financial reporting has little to offer social and environmental accountability in an LDC. The present financial reporting system prevailing in Bangladesh is not an exception to this.

⁴⁷ However, the notion of democratic right to information is derived with democratic theory (Gray et al., 1996). If the society is not democratic or does not align with democratic values then accountability will not have the same place. This refers accountability may be ignored and does not necessarily mean accountability is not universal.

⁴⁸ Hove (1996) provides evidence of how existing accounting practices of LDC have evolved from colonial influence and the influence of MNCs, and suggests that harmonisation of accounting practices is not justified due to the very different cultural and political requirements of different countries.

However, Samuels (1990) also suggests that governments of LDCs need to address the measurement process and the use of appropriate disclosure techniques to ensure greater accountability. He argues that if the paths towards socio-political development of LDCs differ from those of a pre-capitalistic Western country, it equally implies that the need for an accounting and reporting mechanism should, ideally, be different in an LDC. It is vitally important that those concerned with social accounting and reporting practices (CSR) in an LDC context in some sense assume, or at least do not challenge, the idea that what is good accounting practice for developed countries would be equally relevant or appropriate in an emerging and LDC context⁴⁹ (see, Nasar and Baker, 1999; but also see, Kemp, 2001). Besides, a number of mainstream financial reporting suggest that financial accounting and reporting systems in an LDC need to be justified from the societal and cultural perspectives of these countries (Perera, 1989; Perera and Mathews, 1990; Gray, 1988; Haniffa and Cooke, 2002). These studies suggest that accounting practices are culturally relative and culture causes a difference in accounting practices between two countries⁵⁰.

Although, cultural relativity of accounting practices has a fairly strong history in the mainstream of financial accounting literature, very recently social accountants have also been using these arguments in examining social accounting and reporting practices in different cultural and country contexts (Adams and

⁴⁹ In line with many other CSR studies in LDC contexts, Nasar and Baker's (1999) study granted CSR as a mode of discharging accountability in Jordan. Very few studies on CSR actually challenge Western based CSR literature when studying CSR in an LDC context. However, Kemp's (2001) study shows that Western based CSR is not appropriate for Indonesia and, as such is a 'quixotic dream', not a 'confident expectation' in an Indonesian context.

⁵⁰ Perera (1989), Perera and Mathews (1990), and Gray (1988), all suggest the importance of culture in accounting practices. Their argument lies with the fact that accounting is a social discipline and not a purely technical activity, which includes human and non-human factors. Human behaviour is influenced by culture so there are cultural elements that can influence accounting practices. In fact, Gray (1988) suggests a framework to study accounting from a cultural perspective.

Kuasirikun, 2000; Buhr and Freedman, 2001; Perera and Mathews, 1990; Ahrens, 1996; Lewis and Unerman, 1999)⁵¹. Although few, these studies suggest that differences in culture to some extent explain differences in issues of social accounting and reporting. Equally, it is also suggested that accountability and different modes of discharging accountability would exist in different nations (Ahrens, 1996). Most specifically, accountability and discharging accountability can be understood differently in different countries⁵².

The present study explores CSR in Bangladesh assuming that although there is a need for social and environmental information, the way social and environmental data is disclosed in the annual report and the motivations behind such reporting may be different.

2.3 Summary and Conclusion

This chapter basically expands on some of the points mentioned briefly in the previous chapter. Most importantly, it explores present literature regarding social responsibility, accountability and social reporting and thus provides a framework for the research. It explains responsibility, as it is argued that responsibility is the basic element that precedes accountability. We therefore need to be clear about its meaning and the debate into its nature and other aspects related to accountability. Consequently, this chapter examines corporate responsibility literature.

The concept of corporate responsibility in the literature is highly contested. Along with many other reasons, this is mainly due to the philosophical debate into

⁵¹ While Perera and Mathews (1990) were perhaps the first to suggest that cultural influences on social disclosures may be relevant in understanding national differences, there are not many studies that use culture to understand different patterns of social accounting (but see, Adams and Kuasirikun, 2000; Buhr, and Freedman, 2001).

⁵² Chapter 5 discusses the Bangladesh context in more detail. It is worth reminding the reader that the aim of the study is not to examine culture as an explanatory variable of CSR or accountability.

its nature and meaning, and also due to the focus on its operational aspects⁵³. “Responsibility” is found to be a moral term that implies obligation to someone for something. Review of the corporate responsibility literature suggests that this ‘something’ means different things to different people. While Friedman (1960) advocates that this ‘something’ to a corporation only refers to profit-maximization or economic responsibilities, many other scholars argue that it is something beyond economic responsibility and includes non-economic responsibilities such as, legal, ethical, and discretionary (Carroll, 1979, 1999). Carroll’s construction of responsibility (1978, 1999) is well established in the business literature and the present study also takes the view that corporations have a social responsibility, at least, within the four broad levels identified by Carroll (1999). Moreover, the stakeholder theory literature and social contract theory provide a basis to believe that firms are responsible to a wider group of stakeholders rather than just shareholders or society at large.

However, it seems that, the corporate responsiveness literature, on operational aspects, discusses how corporations would respond and thus manage these stakeholders. In a sense, the focus shifts from why corporations should be responsible to how corporations show their responsibility (Frederick 1986).

⁵³ For example, Clarkson (1995) and Carroll (1999) provide a historical account of the concept of responsibility and the ambiguity that lies within such a concept. However, as has been shown earlier in the thesis, the debate into the nature of corporate responsibility perhaps started with Friedman’s (1960) classical conceptualisation of responsibility – that a corporation’s responsibility is only to maximise its profits – a conceptualisation which was then highly contested by Davis and other business scholars. The philosophical debate divided into two tenants: those who believe in neo-classical economy and so see corporate responsibility as only a profit maximisation activity, and others who see moral elements in business and argue that business has a wider responsibility than only to shareholders, as it has impact on other groups too. However, such a philosophical concept of corporate responsibility is also criticised by radical critics who argue that the corporate responsibility debate misses the bureaucratic structure of the power imbalance that lies within society, and thus fails to realize that corporations will only be responsible to power groups and will do nothing for society.

Carroll (1999), as well as Wood (1991), describes different strategies that a corporation can take. These strategies can vary from reaction, defence, and accommodation, to proactive strategies. A firm can even, it is suggested, shift to a different strategy to manage public impression at different times.

However, I need to clearly explain my view regarding social responsibility of business that I have learned from the literature review and used throughout the rest of this study. I subscribe to the view that companies and other organisations belong to society and are related through a complex set of social relationships. They operate via social contract, implied or expressed (Shocker and Sathi, 1973). Their economic activities have impacts upon the external environment which constitutes the physical environment and social groups. Moreover, corporations are assumed to be social institutions (Dehl, 1972 cited in O'Dwyer, 1999), which means that they need to justify their existence and decisions to society and thus need to take responsibility for their social and environmental impacts (Gray et al., 1996). With this, following Ulrich Beck's globalisation thesis (1992, 1999), I argue that corporations are becoming political institutions too and are taking many activities in their hands that were previously thought to be the government's duty (see, Crane and Matten, 2004). Most importantly, increasingly corporations are overtaking the power of the state in the age of economic globalisation. This leads me to believe and argue for corporate accountability.

From a synthesis of responsibility or responsiveness from the literature, I have also learned that the nature of social responsibility is ever changing and developing over time (Gray et al., 1996). Therefore, this study suggests that the concern for social accountability through CSR in Bangladesh should be looked at by reference to social responsibility as recognised by managers of organisations

within the socio-political and cultural environment and actual corporations settings in Bangladesh.

This chapter then looks at accountability, its nature and different aspects. In particular, it examines in detail the reasons that make accountability of MNCs in an LDC more important. More specifically, it suggests that globalisation is increasingly becoming a major reason for government failure, affecting developed countries and also LDCs. Growing corporate power and corporate influence is becoming an increasingly difficult task to manage by home and host country society. If making MNCs accountable is becoming an increasingly important issue in the West, it is also important in LDCs as many MNCs are now operating in LDCs.

Developing this line of argument, this chapter then focuses on a second aspect of accountability: the mode of discharging accountability through providing information. The law often, to some extent, defines responsibility for *actions* but does not ensure the responsibility to *account* for those actions, so rarely addresses discharging responsibility through providing information to wider groups of society (Gray et al, 1987, 1996). Based on the conception of participative democracy, information rights, and corporations' obligation to provide accounts, Gray et al (1987, 1996) suggest that stakeholders have an equal right to hear from corporations about the social and environmental impact of corporations that affect them. This line of argument is reflected in the literature that examines the possibility of social audit and reporting social and environmental data by corporations. This stream of social reporting literature mainly examines actual CSR practices and the motivations of managers behind such disclosures in different countries, mostly in Western and developed

countries. Examining literature on actual practices of CSR and CSR theories, in more detail, is the work of the next chapter (chapter 3).

It is suggested that the way accountability is understood gives a sense that the basic elements of accountability may be universal rather than contextual and so similarly applicable in any context. There is also an equal possibility that accountability is culturally relative and the social context in which it is being studied can contribute to a better understanding of how corporations provide an account of their actions and, most importantly, how society likes corporations to produce social accounts of their activities. Chapter 12 and 13 are devoted to the empirical evidence on discharging accountability through social reporting. The next concern, however, is to revisit social reporting practices and theories from the existing literature.

Chapter 3

Corporate Social Reporting: Practices and theories

3.0 Introduction

This chapter is the second part of the literature review. Chapter 2 discussed the broad framework of the thesis. This included a brief introduction to responsibility, accountability, stakeholder and social reporting literature and explained how these relate to the current research questions. The central question: “Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports?” is to be explored through interviewing managers who are involved with such corporate practices. However, any exploration as to why CSR is practised by corporations requires, first, an understanding of the CSR practice itself. This chapter, therefore, reviews empirical studies on CSR practices. This then reviews present theoretical explanations of such practices from social accounting literature. The review will provide a foundation from which we may advance the argument for using three popular theoretical explanations (stakeholder, legitimacy and political economy) rather than using any single social reporting theory to explain CSR practices in Bangladesh. Literature on the CSR practices of MNCs is then discussed in the next chapter.

Consequently, the chapter is structured as follows. Section 3.1 outlines the social and environmental issues reported by corporations throughout the world in developed countries, LDCs and Bangladesh. Section 3.2 reviews popular CSR theories. Section 3.3 looks at single study (i.e. Gray et al, 1995a) that uses three of the most common theories and follows its approach to investigate CSR practices in the present study. Section 3.4, finally, concludes and summarizes the chapter.

3.1 CSR practices: A synthesis

3.1.1 CSR practices in developed countries

Although CSR is an increasingly global activity, it has a greater presence in Western developed countries than in LDCs with, it would seem, European countries leading the way¹. For example, Guthrie and Mathews (1985), Guthrie and Parker (1989), Hackston and Milne (1996), Deegan and Gordon (1996) and Deegan et al (2000, 2002), concentrated on Australia and New Zealand.. The studies of Gray *et al* (1995a, 2001a), Owen et al. (1997, 2001a), and Bebbington et al. (1999), all relate to the UK. Adams *et al* (1995a,b, 1998) studied the practice in Western Europe and O'Dwyer (2001, 2002; 2003) studied the practice in Ireland. Even international comparative studies on CSR have tended to focus on the difference between the practices in developed countries (e g Roberts et al. 1995, Adams et al, 1998; Adams and Kuasirikun, 2000; Gamble et al, 1996; Guthrie and Parker, 1990; Roberts 1990, KPMG, 1999, 2002, 2005)².

¹ Please see Gray (2001, 2002) for the development of social reporting literature, particularly in the UK. Mathews (1997) provides a good account of the historical development of the social accounting literature in the last 25 years.

² The results of these studies must be interpreted with caution. Although these studies provide some evidence of differences in both the amount and the issues of disclosure across countries, the extent of these differences are difficult to determine. This is due to a number of reasons. First, the characteristics (for example, the size of sample, and even the size and industrial characteristics of

Many of these studies investigate CSR practices in different countries, using different theoretical perspectives and methods and asked many different research questions (see also, Deegan, 2002)³.

Most studies on CSR practices are in broad agreement about the main reporting issues, or at least take a similar view of the principal components of CSR⁴. In particular, it seems that human resources disclosure is the most common and popular issue of disclosure, followed by environmental, community and ethical issues in Europe, particularly in the UK (Adam et al., 1998; Adam et al., 1995a; Gray et al, 1995a; Guthrie and Parker, 1990; Roberts, 1990, 1991;

corporations within the sample) vary between countries, making comparison unreliable (Adams and Kuasirikun, 2000). Second, there is still little explanation in CSR theory regarding the extent of contextual variables: culture, the extent of regulation, and the influence of political pressures in social reporting (Adams, 2002). Indeed, the extent to which apparent differences in disclosure across countries are determined by culture and regulations demanding social and environmental accountability, has not been studied sufficiently.

³ Indeed, the social reporting literature covers different areas of interest. Covering all these areas is not in the scope of this thesis. A brief overview of these areas can be found in the studies of Gray (2001, 2002), Mathews (1997) and Deegan (2002). However, many studies examine corporate characteristics and CSR relationships (e.g Cowen et al, 1987; Deegan and Gordon, 1996; Gray et al., 1995a, 2001; Hackston and Milne, 1996). Although a generalisation cannot be made from these due to varying sample sizes, industrial composition and time periods, it appears that CSR is associated with large companies and is less common in smaller companies. It also appears that CSR is more likely in some industries but is not obviously related to the profitability of the corporations. Market based studies attempt to show that disclosures of socially related information have an impact on price or market returns (please see, Murray et al, 2006; Belkaoui, 1976; Spicer, 1978; Ingram, 1978 cited in Gray et al. 1996; Gray et al, 2001). The results have been mixed and appear to be strongly influenced by the samples available and the statistical tests employed. Overall, these studies suggest that there is additional information content for shareholders for making decisions (Freidman and Miles, 2001). CSR is also investigated from moral grounds. This line of argument is examined by Donaldson (1982), Donaldson and Preston (1995) and Donaldson and Dunfee (1995), using social contract, integrated social contract theory (IST) and legitimacy theory (Lindblom, 1994; Gray et al, 1995a; Adams et al, 1998; O'Donovan, 2002; O'Dwyer, 2002). Externalities have provided the opportunity for a debate on the philosophical position as well (Ramanathan, 1976; Benston, 1982, 1984; Power, 1991). The philosophical based literature extends social accountability, suggested by Gray et al (1987, 1988), to parties or social groups other than shareholders who might have a 'right to know' However, not all researchers embrace such a moral view behind CSR projects. Most importantly, critical (radical) researchers (Tinker et al, 1982; Cooper and Sherer, 1984; Tinker, 1985; Puxty, 1986; McIntosh and Baker 2002) have offered alternative and competing views of social accounting as part of an approach to a Marxist restructuring of decision-making and accountability functions in society. Most of these researchers view social reporting as a means to maintain the status quo in society and so in fact it helps to maintain the capitalistic system rather than questioning it. In addition to these views, Mathews (1993) and Perera and Mathews (1990) investigate cultural aspects of social reporting.

⁴ See Gray et al (1995b) for a discussion of the semiotic element here.

Hackston and Milne, 1996; O'Dwyer, 2002).⁵ Although there is no plausible reason why these disclosures dominate, or will dominate, disclosure pattern changes over time and responses to the social context. For example, Gray *et al* (1995a) contend that since an initial upsurge in environmental concern around the late 1980s and early 1990s, there has been a steady growth in environmental reporting in UK and other European countries⁶. KPMG's (1999) study also suggests a sturdy growth in environmental reporting since 1999. This trend is rising and recently corporations are increasingly reporting sustainability and

⁵ Guthrie and Parker (1990) identified that among Australian, UK and US companies, 98 per cent of UK companies disclosed human resources issues compared to 93 per cent and 75 per cent of Australian and US companies respectively. Different social concerns in the US may account for such a small concentration in human resources data in the US (Gray *et al.* 1996). In contrast, Gray *et al.* (1995a) reported steady growth in the volume of human resources disclosure in the UK from 1979 to 1991 and also showed that the types of issues classified under human resources changed over time. They contend that over the period, value-added disclosure and trade union disclosure substantially declined and was replaced by disclosures on training, equal opportunities and employee share-ownership data. They also suggest that issues of voluntary CSR changed according to the fashion of time, while only mandatory disclosure had a chance for long-term survival (Gray *et al.*, 1996). Roberts (1990) concluded that European countries provided the highest level of disclosure in human resources. Recent international comparative studies of Western European countries (Adam *et al.*, 1998; Adam *et al.*, 1995a; Roberts, 1991) also indicate that almost all European countries disclosed human resources issues. Among other countries, Hackston and Milne (1996) studied CSR in New Zealand, while Yamagami and Kokubu (1991) studied CSR in Japan. Hackston and Milne (1996) suggest that 79 per cent of large companies within their sample disclosed information on human resource issues, most of which was found to be voluntary, unlike the predominance of mandatory disclosure in Western European countries. Adam *et al.* (1995a) found that 80 per cent of the UK sample companies report community-type information. But such information is very brief and dominated by charity and political donation information⁵. Gray *et al.* (1995a) note an increasing trend in the number of companies disclosing community-related disclosures in the UK from the late 1980s to the early 1990s. They found that typically around half a page of an annual report is devoted to disclosure of community information. In the case of customer related information, Gray *et al.* (1995a) found that the proportion of companies making customer-related disclosures was very low for most of the 1979 to 1991 period. Guthrie and Parker (1990) found that 31 per cent of their overall sample of companies drawn from the UK, the US and Australian companies report community-related disclosure in their annual report, while only seven per cent of companies make product-related disclosures. However, it seems that reporting corporate governance is becoming a more important issue within social and environmental reporting. We will see evidence of this reporting in chapter 8.

⁶ International survey evidence (UN, 1995, 1994, KPGM, 1999, 2002, 2005) confirms such a trend and demonstrates that an increasing number of large corporations started to report environmental issues in their annual reports from this time. Gamble *et al.* (1996) suggest that developed countries (where social consciousness regarding the natural environment is growing) are making environmental disclosures voluntarily, above that required by law. Gray (1995a) also suggests that most of the environmental disclosure is voluntary in nature and more than the legislative requirements of European countries where such disclosure takes place.

corporate responsibility issues rather than only environmental issues through annual reports and stand alone reports (KPMG, 2002)⁷. Indeed, it is suggested that corporate responsibility reporting is becoming a mainstream activity of business, notably by large corporations and multinationals (KPMG, 2005)⁸. More importantly, reporting practices are no longer restricted to sectors with a high environmental impact in Western countries but also to the non-industrial sector and in other newly-industrialised regions (KPMG, 2002; 2005). The survey results show the growing importance of corporate responsibility reporting within the business community. What drives the business community to increasingly report social responsibility issues? The international survey by KPMG (2002, 2005) suggest mixed reasons such as economic and ethical reasons, which echo those suggested in the Western literature. Moreover, the survey is also confined to top corporations notably from developed countries, and still there are no clear explanations of CSR of MNCs' subsidiaries that are operating in developing countries.

3.1.2 CSR practices in Bangladesh and other developing countries

Despite the large number of studies of CSR practices in developed countries, there are relatively few studies of CSR practices in developing countries, or in Bangladesh in particular (but see, Andrew et al, 1989; Belal, 1999; Gao et al, 2005; Hagde et al, 1997; Jaggi and Zhao, 1996; Kuasirikun and Sherer, 2004;

⁷ KPMG (2002) survey result shows that in 2002 almost half of the GFT250 (45%) and nearly one third (28%) of top 100 companies are producing environmental reports and sustainability reports compared to 35 % and 24% in the year 1999 respectively

⁸ KPMG (2005) survey results shows that in 2005 more than half of the GFTS250 (52%) and one third (33%) of top 100 companies issued separate CSR reports compared with 45% and 28% in the year 2002 respectively. The survey also suggests a dramatic change in the issue of reporting since 1999 which shifted from reporting purely environmental issues to sustainability issues such as social , environmental and economic.

Lynn, 1992; Lodhia, 2000, 2003; Singh and Ahuja, 1983; Teoh and Thong, 1984; Tsang, 1997; Williams, 1999).

Teoh and Thong (1984)⁹ studied social responsibility reporting of multinational corporations operating in Malaysia. They concluded that issues of human resources are the most popular area of disclosure among companies, while reporting on the physical environmental was the least favoured in terms of the number of companies reporting such issues. They conclude that human resources are viewed as valuable assets by company managers, which perhaps explains managers' motivation to report more human resources related information. Similarly, Andrew *et al* (1989) showed that the majority of disclosures in Singapore and Malaysia are related to issues of human resources: 71 per cent of their sample disclosed such issues. However, they suggest different reasons for this by pointing out the concern of governments to improve working conditions and living standards in these countries. In a relatively recent longitudinal study, Tsang (1997) examined the CSR practices of the banking, food and beverages, and hotel industries in Singapore from 1986 to 1995. He concludes that social disclosures have grown since 1986. He found that disclosure in human resource information ranked at the top, followed by community and environmental information. He also concludes that the nature of disclosure was mostly qualitative with the exception of disclosure related to donations and sponsorship where the amounts involved were usually stated.

⁹ The Teoh and Thong (1984) study is a notable study which explored social responsibility of multinational corporations in Malaysia. This study found that 45.6 per cent of companies reported issues related to human resources while only 17.5 per cent of companies reported information related to the physical environment.

Williams (1999) studied the CSR practices of seven countries within the Asia-Pacific region¹⁰. Rather than exploring the motivations behind specific disclosures, he examined the extent to which a country's culture-specific variables influence social disclosure. He concludes that culture-specific variables, such as uncertainty avoidance, masculinity, political and civil systems, significantly influence social disclosure in these countries. His findings are particularly interesting because they point to cultural factors which may have an influence on social reporting.

Kuasirikun and Sherer (2004) studied CSR in Thailand. They concluded that the most disclosed subject in Thai corporate annual reports is employee information. They also state that while community information is the second most reported social disclosure in the UK, US and Australia, environmental disclosure is the second most disclosed issue in Thai annual reports.

Lodhia (2000) studied social and environmental reporting practices in Fiji. Lodhia (2000) states that 62.5 per cent of the sample companies report employee issues whereas only 12.5 per cent of companies disclosed environmental issues. In another study, Lynn (1992) found that a very low number of companies (only six per cent of his sample) report social information in Hong Kong. He notes that staff development accounted for the majority of these, while environmental issues are the least common. Jaggi and Zhao (1996) also study environmental disclosure in Hong Kong firms. They note that there is a gap between the perceived importance of environmental performance and environmental disclosure. They see

¹⁰ Countries included in this study were: Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia.

a lack of concern for voluntary reporting of environmental issues by professional accountants as a major cause for such a low level of environmental disclosure.

Kisenyi and Gray (1998) studied CSR practices in Uganda in only four companies. They found that although all the companies reported employee-related disclosure, they did not report anything concerning the natural environment. Two of the sample companies were found to report some customer and community-related issues. They concluded that social and environmental disclosure in Uganda was very infrequent, of low standard, and had little importance. However, that does not mean that studying CSR practices in a developing country is not important. They concluded:

“Whilst we are steadily learning more about social and environmental accounting and disclosure practices in the English-speaking and European countries, we still know too little about practices in ex-colonial, smaller and/or emerging countries. Learning about these countries is not only valuable for the stimulation it offers to the jaded palettes of western scholars but also, more importantly, it can provide vivid challenges to the presuppositional baggage with which Western researchers typically approach issues.” (Kisenyi and Gray, 1998, p.16).

Despite recent growing interest in CSR practices within developing countries and in a few Asian developed countries (particularly Japan and Singapore), there are few studies of CSR practices in a South Asia context, where Bangladesh is located. Singh and Ahuja (1983) examined the relationship between different organisational characteristics and social reporting in India. They found that the items of social disclosure vary from enterprise to enterprise. Examining the relationship between organisational characteristics and social responsibility disclosure, they found that social disclosure was much more related to the nature of the industry than to the age of the company. Singh and Ahuja studied the disclosure practices of public corporations rather than private business. In

contrast, Hagde *et al.* (1997) studied the social disclosure practices of a single Indian public corporation. They report that social disclosure in the Steel Authority of India Limited (SAIL) is mainly voluntary in nature. They found that there was no specific form of external reporting rather than a few very general statements regarding human resources, the environment and product safety issues. However, they point out that the SAIL mostly disclosed social balance sheets and income statements, value-added statements, and human resources account as CSR.

In comparison with India, Belal (1999, 2000, 2001) and Imam (1999, 2000) studied social and environmental reporting of private corporations operating in Bangladesh. Imam (1999) focused on environmental disclosure rather than broader areas of social disclosure. He studied the annual reports of 34 companies listed on the Dhaka Stock Exchange and found that 20.58 per cent of his sample disclosed environmental information of any kind in the year 1996-1997 compared to only 11.76 per cent for the year 1992-93. In all cases, the nature of disclosure was descriptive and positive. In a later study, Belal (2000)¹¹ noted that 90 per cent of the sample companies disclosed environmental information, with information relating to energy use being the most popular. It should be noted that disclosing energy usage is a mandatory requirement in Bangladesh. By comparison, Belal's (1999) study covered both social and environmental reporting. Using content analysis, he studied the nature of disclosure, level of disclosure and location of disclosure. Belal (1999) found that the nature of disclosure varied from the purely descriptive to providing financial figures. While disclosure using financial figures was usually found within financial notes and accounts, descriptive disclosure was

¹¹ Belal (2000) studied the annual reports of 30 companies; mainly listed companies with the Dhaka Stock Exchange and some unlisted companies.

mainly found in the chairman or director's report. Regarding the level of disclosure, employee disclosure was the most widely reported, with an average of eleven lines devoted to this compared to an average of two lines devoted to disclosure of environmental issues, or of ethical issues. However, Belal's (1999) study was based on a small number of samples¹². Moreover, the samples included both private and public companies.

In contrast, Imam (2000) studied corporate social reporting in Bangladesh in more detail, looking solely at private corporations. His survey included 40 companies randomly selected from the Dhaka Stock Exchange listed companies. He noted that almost all companies made some form of human resources disclosure, 25 per cent of companies made community disclosure and 22.5 per cent of companies made environmental disclosure, while only 10 per cent of the companies made customer related disclosure. Human resources information consisted mainly of data on the number of employees, health, safety and training, and employee welfare information such as gratuity schemes, medical allowance, pensions, provident funds, profit participation funds and group insurance data. Out of his sample of 40 companies, 15 companies reported value-added information as a part of social reporting in their annual report. The overall level of disclosure was on average half a page, while for some more progressive companies it was more. In a more recent study, Belal (2001) again examined social reporting practices in Bangladesh, arguing that such practices should be seen within the socio-political context of Bangladesh. As in his previous studies, he measured the level of disclosure by using the average number of lines of a report devoted to social disclosure. He noted that 97 per cent of his sample

¹² Belal's study (1999) was based on only 28 listed and unlisted companies.

provided employee-related information, while 77 per cent of the sample provided 'ethical information'. He also found that one in every three companies produced value-added information as a part of social reporting.

A synthesis of these studies provides a general overview of current CSR practices in at least a selection of developing countries in general, and in Bangladesh in particular. The results of previous studies, particularly those for Bangladesh, need to be interpreted cautiously. Generalisations are therefore hard to make. More importantly, many of these studies used some form of content analysis, developed in Western countries, to examine the issue and level of social disclosure in developing countries. Yet, there is a real danger in using Western type social reporting methods and techniques in the context of a developing country (Gray et al, 1996). In addition, different measures that have been used to quantify the level of social disclosures also make generalisations difficult, if not impossible. For example, the measurements of lines and words, which are used instead of the measurement of page proportion in these studies, indicate different levels of CSR. However, these are caused by using different tools of measurement rather than because of actual differences in the level of CSR. This is due to the fact that the page proportion measurement includes pictorial images, graphs or pie-charts, while counting words and sentences ignores these, therefore perhaps accounting for the lower measurement of CSR in these studies than in those working with page proportions.

Nevertheless, some tentative conclusions can be made. It seems that CSR is a less organised activity in LDCs and is lower in quantity, compared to developed countries. Although the level of disclosure is very low, the studies show that an increasing number of companies in LDCs are now reporting social and

environmental issues. In common with the literature on developed countries, it shows that employee-related disclosure is the most common area of disclosure, with an increasing number of companies reporting such issues. Disclosure of environmental and community issues is the next popular area of disclosure while customer issues are less reported. This in turn means that CSR practices of LDCs - specifically, Asian practices in general and Bangladeshi practices in particular - do not seem to be notably out of line with the issues of reporting found in European CSR practice. It suggests that CSR issues in both European and LDC countries have much in common. However, in fact that may not be the case¹³. It may seem that the broad categories of CSR practices are similar, but there is a great deal of variation between countries in the issues recorded within each category. For example, while value-added statements within employee disclosure is an important issue of disclosure in Bangladesh, it is not common in the UK or even in most of the Asian countries (see also Kuasirikun and Sherer, 2004). In addition, data on energy consumption is a mandatory disclosure requirement in Bangladesh but is not common even in developed countries. This suggests that the issue of CSR actually varies according to the country. More specifically, the mandated disclosure (which has often not been carefully identified in the existing literature) appears to vary between countries, both in terms of the areas of disclosure and of the amount of disclosure required. There is, indeed, more work to be done on exploring the differences in nations' mandated disclosure.

This review of CSR practices suggests that understanding the nature of CSR, particularly in developing countries, is still limited, with few conclusive results

¹³ In fact, the country in which corporations are reporting and the ownership of the company seem to have a significant influence on CSR (see for example, Andrews et al, 1989; Guthrie and Parker, 1990; Roberts, 1990; Teoh and Thong, 1984).

from studies. It appears that in developing countries such studies are important not only for the host government or local society of the LDC but also to the society of the developed country, because many MNCs from developed countries are now operating in these countries (Samuels, 1990; Gray and Kouhy, 1993)¹⁴. In particular, concerns about social and environmental impact of MNCs in LDCs – both at home developed country and amongst western agencies working in LDCs are increasing.

From the review it can be seen that previous studies have provided very little specific detail about the CSR practices of MNCs and their subsidiaries (but see, UN, 1991a, 1995). More specifically, the Belal study (1999) and Imam study (2000) does not focus specifically on CSR practices of MNCs operating in Bangladesh. However, with evidence from the above literature of increasing CSR practices by corporations in LDCs, the present concern is how we can interpret such CSR. Most importantly, what social accounting lens from present theories can be used to interpret the CSR of an LDC?

3.2 Common theories adopted to interpret CSR practices

3.2.1 A general view of CSR theories

Researchers have used various theories to interpret motivations behind social and environmental reporting practices of companies (see, Buhr, 1998, 2001, 2002; Brown and Deegan, 1998; Deegan 2002, Deegan et al, 2002; Gray *et al.*, 1995a; Hooghiemstra, 2000; Milne and Patten, 2002; O'Donovan, 2002; O'Dwyer, 2002; Tilt, 1994; Tilt and Symes, 1999; Wilmshurst and Frost, 2000). Gray *et al.*,

¹⁴ India and China attract the largest amount of FDI in Asia.

(1995a) suggest three groups of theories, each offering different theoretical explanations. These three groups of theories are decision usefulness theory, economic theory, and social and political theory (Adler and Milne, 1997; Gray *et al.* 1995a, 1996; Tilt and Symes, 1999).

Decision usefulness theory argues that organisations disclose information that users find useful to make their decisions. According to this theory, companies disclose social information because traditional user groups, such as investors, creditors and shareholders, find it useful to them for their investment decisions (see, Dierkes and Antal, 1985; Milne and Chan, 1999). The decision usefulness theory, perhaps, produces two different types of inquiries: ranking studies and studying the information effect on share price (Gray *et al.* 1995a; Tilt, 1994; Mathews, 1993)¹⁵. The main problem with the decision usefulness theory is with the term ‘usefulness’. In addition, CSR is not predominated by the needs and wants of, and usefulness to, financial constituencies - namely shareholders, investors or creditors (Gray *et al.* 1995a)¹⁶.

The second group of theories, economic theories, , are predominantly informed by economic agency and positive accounting theory (see for example,

¹⁵ Studies that use such a perspective mainly survey potential users of such reports and study the association between the level of social information and financial performance (Belkaoui, 1980; Belkaoui and Karpik, 1989; Dierkes and Antal 1985; Spicer 1978). Results of these studies are inconclusive and vary in most cases. For example, some studies suggest a positive relationship between social reporting and economic performance (Abbot and Monsen, 1979; Bowman and Haire, 1976) while others suggest no relationship (Freedman and Jaggi, 1988; Hackston and Milne, 1996; Patten, 1991) or a negative relationship (Belkaoui and Karpik, 1989; , Patten, 2002). Patten (2002) controlled size and industrial classification for firms, examined the relationship between environmental disclosure and performance, and found a negative relationship. He pointed out that there at least three types of problems in previous studies including his own (1992): failure to control other variables; inadequate sample selection; and inadequate measure of performance. Although the results of these studies are not consistent, it appears that they do not fully explain motivations for CSR (Gray *et al.* 1995a).

¹⁶ However, Gray *et al.* (1995a) suggest that it is not, therefore, wise to dismiss the decision usefulness theory as it shows potential importance of non-financial information in organisational reporting and accountability. Milne and Chan (1999) suggest that investor reaction varies depending on the social and environmental information they are given.

Belkaoui and Karpik, 1989; Ness and Mirza, 1991; Deegan and Hallam, 1991; Milne, 2002). While Deegan and Hallam (1991) suggest that the value-added statement is produced in Australia to reduce political cost (agency cost), Milne (2002) cannot find similar evidence for social disclosure. Apart from the debate over the sophistication of economic agency and positive accounting theory, there is, in fact, much doubt about using economic theory to explain CSR issues. In particular, these theories do not emphasize ‘what should be’; they are based on market-based literature and so are entirely contrary to the principle concerns of CSR: *“the market failure: especially injustice; anti-democratic; information asymmetric and externalities and desire to change current practices”* (Gray et al, 1995a; p.51). More specifically, the assumption that all activities are motivated by short-term interests is not the basis from which this study is looking at accountability.

Therefore, the study does not use either of these theories as a basis from which to study CSR practices. Instead, this study is concerned with social and political theories: social and political theories - stakeholder; legitimacy and political economy theory. These are mainly discussed in the social accounting literature (Gray et al, 1996)¹⁷. Explanations of these theories are based in part, or at least seem to be based, on the relationship between business, the state and individual groups on which, it seems, accountability of corporations can be

¹⁷ For details on stakeholder theory please see Stoney and Winstanley (2001). For legitimacy theory please see a special issue of the Accounting, Auditing and Accountability Journal (2002, 15/3). Gray et al (1995a) suggest that these theories are based on a political economy perspective and therefore do not compete with each other. They suggest that the difference that can be observed in explanations of these theories is “in the level of perceptions rather than arguments for or against competing theories as such” (Gray et al, 1995a, p. 52). However, we will turn to this discussion in the next section.

addressed (Gray *et al.* 1995a, 1996)¹⁸. If these theories can to some extent explain business, society and state relationships, they can help to explain CSR from a socio-political economic viewpoint (Gray *et al.* 1995a)¹⁹ and to a lesser extent from a cultural viewpoint, which is perhaps still not fully studied. (Perera and Mathews, 1990)²⁰. It is to these theories that we now turn.

3.2.2 Stakeholder theory

Stakeholder theory is based on the premise that an organisation has many stakeholders²¹ rather than a single group of shareholders or groups of financial stakeholders, such as creditors. The basic premise is that an organisation needs to manage its relationship with many stakeholder groups that affect or are affected by its business decisions (Freeman, 1984). However, the reasons why organisations need to manage such relationships provoke different arguments, leading to a number of variations of the stakeholder theory. Donaldson and Preston (1995) provide three variants of the stakeholder theory: the normative, the

¹⁸ Stakeholder theory explanations and accountability are discussed in chapter 2.

¹⁹ Analysing social disclosure of UK companies from 1979 to 1991, they point out that stakeholder and legitimacy interpretations can be put within the broader framework of a political economy explanation (Gray *et al.*, 1995).

²⁰ Whether culture matters in social and environmental disclosure is complex and rarely investigated (Adams, 2002; Adams and Kuasirikun, 2000). Understanding CSR from the cultural context in which it is made is still underdeveloped in the social accounting literature (Perera, 1990, 1989). However, we argue that if CSR theories can claim anything about society, they thus include socio-political and economic analysis of the charge and discharge of accountability to understand the business and society relationship at its heart. The essential point is that the cultural domain cannot be separated from the political, social and perhaps from the institutional framework within which CSR takes place and so must also be integrated within these theoretical frameworks. We will try to develop this throughout the chapter.

²¹ Freeman (1983) defines stakeholders as “groups or individuals who can affect and are affected by the achievement of an organisation’s mission” (p.38). In this way, the term stakeholder includes “...persons or groups of persons that have, or claim ownership, rights, or interests in a corporation and its activities, past present or future” (Clarkson, 1995, p.106). Gray *et al.* (1996) define stakeholders as “any human agency that can be influenced by, or can itself influence, the activities of the organisation” (p. 45). They suggest that the concept of stakeholders can be extended further to include future generations and non-human life (Gray *et al.*, 1996). Roberts (1992) suggests that stakeholders of a company can include shareholders, creditors, employees, customers, suppliers, pressure groups and government.

instrumental, and the descriptive version. Whilst the normative variant²² suggests that management should address stakeholder concern from an accountability perspective²³, the instrumental and descriptive variants suggest that businesses strategically manage powerful stakeholders by identifying them with the self-interest of the business (Donaldson and Preston, 1995; Freeman, 1984; Gray et al, 1988, 1995a, 1996, 1997; Jones, 1995;; Woodward et al., 1996).

These variants help to explain motivation behind CSR and thus point to an explanation of corporate accountability: from the positive to the normative. First, the normative stakeholder perspective explains that corporations do have a duty and obligation to wider society and corporations, and are perhaps, obliged to make social disclosure in order to discharge wider accountability by providing accounts to relevant stakeholders (Gray et al., 1996; Buhr, 2001). This view emphasises the ‘principle of responsibility’ (CSR1) of an organisation and it is so close to normative accountability explanations that it seems to have drawn from the moral imperative of ‘duty’ and ‘rights’ (Donaldson, 1982; Stoney and Winstanley, 2001). In other words, it provides a prescription of how an organisation should treat its stakeholders - consequently it does not have a direct role in predicting managerial behaviour in practices (Deegan, 2002). Buhr (2001) states:

“While notions of accountability would lead us to expect a modicum of relevant disclosure, the empirical results are otherwise....The conclusion is reached that managers and companies do not see themselves as accountable for or liable to speak about their environmental performance...” (Buhr, 2001)

²² The normative framework underlying the normative stakeholder theory explanation has been extensively discussed in chapter 2, focusing on Gray *et al.* (1996). Normatively an organisation is accountable to all of its stakeholders for its action and for providing accounts of its action (Gray et al., 1996).

²³ It should be noted that although the normative explanation of stakeholder theory suggests the obligation and duty of corporations to broader groups rather than shareholders only, it only supports the idea of accountability theory and thus should not be confused with accountability theory. More specifically, accountability theory suggests answerability for making an action and is broader in scope than the normative version of stakeholder theory. Please see (Gray et al, 1987, 1988, 1996) for a full explanation of accountability.

By contrast, the other two perspectives suggest that corporations will make social disclosure to manage only the perception of powerful stakeholder groups. Thus information is provided by firms for the strategic purpose of gaining approval and support for the continuing operation of the business, rather than to actually demonstrate accountability (Deegan, 2002; Adler and Milne, 1997). So it may be in the organisation's self-interest to disclose social information thus maintaining a good relationship with different stakeholders. With this line of argument, social disclosure is made to those groups seen as important to the corporation, and reflects the way corporations manage those stakeholders. Gray *et al* (1996) mention:

Here (under this perspective), the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the organisation. (The interests of the organisation need to be restricted to conventional profit-seeking assumptions). The more important the stakeholder to the organisation, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval. (Gray et al, 1996, p.45)

However, stakeholder management, though providing a self-interest perspective of a corporation, supports the socially inclusive and pluralistic version of society and seems to exclude non-powerful stakeholders. Rejecting Hobb's vision of life 'as solitarily, poor, nasty, brutish and short', Locke, Hume and Rousseau's philosophy suggests social inclusiveness through various form of social contract (Stoney and Winstanley, 2001). Stoney and Winstanley (2001) suggest that a stakeholder (in one form of social inclusiveness) would facilitate higher moral commitment in the organisational level, prevent undesirable behaviour and improve economic performance. Such a view suggests a win-win situation.

However, Gray et al (1995a) suggest that stakeholder management essentially lies in the bourgeois version of political economy theory and within such a perspective, CSR can be seen as a medium for negotiating organisation and society relationships.²⁴ This is criticised by most of the mainstream political economy thinkers (classical economy version) for not addressing the inequality in stakeholders' relationship. The main attack, however, that mostly comes from the political left, is directed at the fundamental pluralist framework on which stakeholder theory is based.²⁵ In particular, the pluralist tendency of assuming power as a positive sum of a commodity, which a manager can successfully arbitrate in order to produce a win-win result for every stakeholder, is very much questioned (Stoney and Winstanley, 2001). Much of the legitimacy explanation can also be seen in the same light (but see, Gray et al, 1995a for a different version of legitimacy theory explanation).

²⁴ Gray et al (1995a) convincingly demonstrate a distinction between the bourgeois version and classical political economy explanation of social structure, which is helpful to study business-society relationships. They suggest that Marxist political economy places sectional interest and conflict of interest in the heart of analysis, while the bourgeois version of political economy (J. S. Mill) largely ignores these elements, accepts these as a given, assumes a pluralistic explanation of the world, and places importance on studying relationships between interest groups. Thus the essential points of perceiving the importance of issues in these two versions are fundamentally different and irreconcilable (Gray et al, 1995a). To them (to who?), while Marxist political economy explains the way a capitalist system meditates structural conflict within the structure and so reconstructs further structural inequalities that help to maintain its own interest, bourgeois political economy ignores analysis of such processes that create such inequalities and instead investigates those mediations that seem significant in developing the relationship between different groups. On this point, Gray et al (1995a) suggest that both stakeholder and legitimacy theories can be more clearly understood from a common platform with bourgeois political economy. Although they have a different point of analysis, they are not competing theories - rather they can complement each other in explaining CSR.

²⁵ While Marxist analysis is based on a dualistic model of a capitalist society in which capital and labour are opposed, the pluralistic version on which the stakeholder concept is developed suggests that there are a multitude of groups whose interests are diverse and often conflict. Such conflict is assumed to be a feature of modern society, and in an organisation, managers are empowered to negotiate interests of different groups and thus maintain relationships (Stoney and Winstanley, 2001).

3.2.3 Legitimacy theory

Legitimacy theory is widely used to understand the motivations behind voluntary social and environmental reporting (Adams et al., 1998; Brown and Deegan, 1998; Buhr, 1998; Clarke and Gibson-Sweet, 1999; Deegan et al., 2000, 2002; Deegan, 2002, 2002a; Deegan and Gordon, 1996; Deegan and Rankin, 1996, 1997; Guthrie and Parker, 1989; Mobus, 2005; O'Donovan, 2002; Patten, 1992, 1991; Milne and Patten, 2002; Mathews, 1993; Neu et al., 1998; Rayman-Bacchus, 2006; Tsang, 1998; Gray et al., 1995a; Wilmshurst and Frost, 2000). According to Deegan *et al.* (2002) legitimacy theory appears to be the most frequently used theory in social and environmental disclosure research.

Legitimacy theory has commonly been used in the social accounting literature (Deegan et al., 2002; Dowling and Pfeffer, 1975; Gray et al., 1995a; 1996; Guthrie and Parker, 1989; Milne and Patten, 2002). Legitimacy is commonly described as the congruence between an organisation's value system and that of the larger social system of which the organisation is a part (Dowling and Pfeffer, 1975). Dowling and Pfeffer (1975) state that:

"...organisations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are a part. Insofar as these two value systems are congruent we can speak of organisational legitimacy " (Dowling and Pfeffer, 1975, p.122)

Using the legitimacy perspective, firms voluntarily disclose social and environmental information to show that they are conforming to the expectations and values of the society within which they operate. Guthrie and Parker's paper (1989) is one of the early and very influential papers in the CSR literature²⁶ (see

²⁶ This paper seeks to explore disclosure practices of BHP Ltd (a large Australian company) for the period 1885-1985, considering historical events relating to BHP Ltd. Taking explanations of legitimacy theory the authors try to explore whether disclosure made by BHP Ltd occurred as a

Deegan, 2002). They argue that if the legitimacy explanation holds true, then corporate disclosure policies will react to major social and environmental events. Studying social and environmental disclosure of BHP Limited Company of Australia, they do not find evidence in favour of a legitimacy explanation. However, Deegan et al. (2002) re-examined the social and environmental disclosure of the same company for the year 1983-1997 and found evidence of a legitimacy explanation. They suggested that Guthrie and Parker (1989) perhaps overlooked some limitations in the data used²⁷. Deegan and Rankin (1996) suggest that 'social expectation' no longer rests upon mere generation of profit but has broadened to include health and safety of employees and local communities as well as concern for the natural environment. Firms today need to provide voluntary social and environmental information to meet the broad expectations of society relating to employee welfare, community and the treatment of the natural environment. Brown and Deegan (2002) note that 'social expectation' is not a static concept; rather, it may change over time, so organisations need to continually maintain their legitimacy (see also O'Donovan, 2002).

Rather than exploring the managerial response to perceived legitimacy threats through disclosure, O'Donovan (2002) explicitly recognises the differences between the efforts of managers in gaining, maintaining, or repairing legitimacy²⁸.

response to social and environmental events related with it. Guthrie and Parker (1989) suggest that their study result does not provide evidence to support a legitimacy theory.

²⁷ Deegan *et al* (2002) investigate whether the extent of community concern was led by particular disclosure by BHP Limited. They rely upon the issues to which the media directs attention to measure 'community concern'. In doing so, they use Media Agenda Setting Theory that is first used by Brown and Deegan (1998). Their findings show that those issues that attract media attention are also largely disclosed by BHP in their annual report.

²⁸ O'Donovan (2002) suggests that different organisations have different levels of legitimacy to maintain. He uses six vignettes which are given to six managers from large Australian companies. Each vignette includes environmental issues linked to fictitious companies and provides different situations associated with gaining, maintaining and repairing legitimacy. He shows that reactions provided by managers support a legitimacy explanation. He contends that managers disclose less

While O'Donovan's study focuses on managers' legitimising strategies, O'Dwyer's (2002) study focuses on whether social disclosure can be a successful legitimisation strategy at all²⁹. Investigating the Irish case, he suggests that CSR in an annual report would not be used as a legitimising strategy – rather, some organisations may use CSR in their annual report perceiving “*futility in acting as a legitimisation vehicle*” (Dwyer, 2002, p.302).

There are various strategies that organisations can adopt for maintaining legitimacy, all of which can involve making social disclosures to show that the organisation conforms to society's expectations (see Dowling and Pfeffer 1975 and also Lindblom, 1994). Lindblom (1994) has suggested four broad legitimisation strategies that a company can usually take.

1. *to seek to educate and inform its “relevant publics” about actual changes in its performance and activities;*
2. *to seek to change the perceptions of the “relevant public” without changing its actual behaviour;*
3. *to seek to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to, for example, emotive symbols;*
4. *to seek to change external expectations of performance.*

Each of these strategies can be used to change the perception or expectation of society with or without changing the real activities of the firm (Gray et al., 1996; Milne and Patten, 2002). Milne and Patten (2002) state that legitimisation may actually mean very little in terms of significant change in activities of the organisation. They also mention that the process of legitimisation may be strategic

in the event where there is perceived to be a minimal threat. He also suggests that disclosure reactions vary depending upon whether the action is necessary to gain, maintain or repair legitimacy.

²⁹ O'Dwyer (2002) used in-depth interviews held with 29 senior executives from 27 Irish companies. Investigating both reasons for disclosure and non-disclosure, he suggests that social pressure generates a need for the Irish companies to be responsive in general, and in environmentally sensitive companies in particular. However, he suggests that in Ireland, legitimising disclosure is unlikely to succeed due to the Irish culture. He notes that Irish people tend not to emphasise positive achievements or actions.

or institutional (Milne and Patten, 2002). To them, a strategic approach assumes that the legitimacy process is under the control of the manager and so the manager decides the issue of the disclosures in order to provide a good perception of the company. On the other hand, the institutional approach (see also Deegan, 2002) assumes that managers face pressure from different institutions in society. Indeed, the legitimacy process is controlled by institutional pressure rather than by the manager. Deegan (2002) notes:

“under institutional theory, managers are expected to conform with “norms” that are largely imposed upon them” (Deegan, 2002, p.294).

This approach therefore argues that firms report social information in order to conform to social, environmental and political institutional pressure, which lends the organisations credibility with outside audiences (Milne and Patten, 2002). In short, this line of legitimacy explanation recognises the bourgeois political economy explanation, provides CSR with a strategic posture, and the interpretation of it tends to support different strategies adopted by companies when faced with public pressure³⁰ (O’Dwyer, 2000). Milne and Patten (2002) describe such reporting as a strategy ‘*to inform*’ rather than ‘*to involve or act*’³¹.

Gray et al. (1996) identify another variant of legitimacy theory. They describe it as an attempt to maintain the perception of the company to the relevant public in order to maintain the present wealth creation system or capitalist system. To them, by scaly legitimation through the reporting, an organisation does not only seek to

³⁰ Post (1978, cited in O’Dwyer, 2000) examined CSR as a strategic response when facing pressure from society

³¹ Wartick and Cochran (1985) contend that social responsiveness (for example through CSR) does not necessarily mean that the corporation is socially *responsible*; rather that it *appears to be* socially *responsive*. These two terms do not necessarily mean the same thing due to the separation of action and the reporting dimension of the responsibility (O’Dwyer, 1999). This in turn means that a firm can appear to the public as socially responsible through sophisticated reporting while not changing its actual actions.

legitimate its own action but also seeks to legitimates the whole capitalistic system whether consciously or not. This version of legitimacy theory overlaps with the classical political economy explanation of CSR practices.

Indeed, referring to explanations of legitimacy by Guthrie and Parker, (1989) and Hogner, (1982), Gray et al (1995a) suggest that legitimacy of a whole system (the capitalist system) reflects the reproduction of the system with the help of the state (Arnold, 1990). In fact, not only is the role of the state important, but the role of civil society and other powerful groups is also important to create and maintain elements of hegemony; this is known as neo-Gramscian analysis (please see Leavy and Egan, 2003; Burawoy, 2003)³². Such an explanation recognises the classical political economy interpretation and questions the role of the state and other powerful organisations in mediating the business-society relationship. More specifically, the classical political economy explanation, which suggests that the political and economic processes are inseparable , seems to be true, and CSR, as an organisational practice, can be more clearly understood from a political economy approach rather than solely from economy or moral explanations (Gray et al, 1995a).

3.2.4 Political economy theory

A number of studies attempt to interpret social disclosure (or non-disclosure) practices using political economy theory (Adams et al., 1995b, Adams and Harte, 2000, 1998; Adler and Milne, 1997; Buhr, 1998; Gray et al., 1995a; Guthrie and Parker, 1990, 1989 Tinker and Neimark, 1987). The core argument of these

³² Burawoy (2003), referring to Gramsci and Polanyi, mentions that modern capitalism does not lie solely on economic power; rather, 'civil society' or other active groups are keeping capitalism alive and thus help capitalism to maintain hegemonic control.

studies is that on the whole managers dictate the issues to be reported, according to their own conceptions and on their own terms (Guthrie and Parker, 1990, 1989). There is scope for management to suppress some major social events (Gray et al. 1996) and disclose some common issues in their own interests. Interpreting the case of non-disclosure of equal opportunity information, Adams et al (1995a) suggest that a firm would not report information which could be viewed negatively and/or was critical of the firm's economic performance. They suggest that corporations make selective social disclosures consistent with their interests and hide other information which is not in their interests. This too, is in line with the political economy approach. In another study, Adams *et al.* (1998) note that the high level of social disclosure in the UK compared to other European countries could be seen as a corporate attempt to prevent further social and environmental regulation in the UK. Their findings support the political economy explanation. Adams and Harte (1998) examine social disclosure related to the employment of women in the UK, and consider wider social and political issues. They see the stakeholder and legitimacy theories of CSR as relevant only if the socio-political context is not considered, but when seen in a wider socio-political context they believe a political economy approach provides a better understanding.

The political economy explanation of CSR is dominated by the radical critical theorists' explanation of social responsibility. These theorists are mainly concerned with the socio-political and capitalistic economic system, and the power and inequalities that exist within its structure (Adams et al, 1995a,b; Cooper and Sherer, 1984; Tinker and Lowe, 1980; Tilt, 1994, Tinker and Gray, 2003). They draw the conclusion that society consists of an unequal power

structure which highlights conflicts of interest and ensures that the structure of such society is reproduced. Puxty (1986) mentions that interests are in constant conflict and reflect the amount of power organisations wield. Thus the social structure itself is merely a reflection of the power of large institutions. If based on this perspective, CSR reflects merely the values and views of the corporation rather than wider social values, and as such presents only one side of the issues and ignores other, more important, aspects (Adams et al, 1995a). In this way, the political economy perspective focuses more on the issue or theme disclosed or not disclosed rather than the quantity of information. Similarly, Guthrie and Parker (1990) suggest that corporations make social disclosure to construct, sustain and legitimate economic power and political arrangements that contribute to the corporation's private interest. To them, corporations use social disclosure for their own interest, not just for short-term profit-making but perhaps to legitimate and sustain the whole system of making profit in the long run. This may also involve making social disclosure by corporations in order to avoid or delay further regulation on their disclosure (Adams et al., 1998, 1995a; Guthrie and Parker, 1990).

It can be noted that a synthesis of social and political theories, from the above, is possible. It seems that the normative stakeholder theory helps to explain normative explanations of accountability and so contains philosophical aspects of responsibility (CSR1). In contrast, the stakeholder management version is based on bourgeois political economy theory and contains responsiveness aspects of responsibility (CSR2). Much of legitimacy theory also falls within the bourgeois explanation and so reflects the corporate social responsiveness (CSR2) aspect described in chapter 2. Meanwhile, explanations of legitimacy to the social system

overlap with the explanation of classical political economy theory. Not many studies use these three theories in a single study (but see Gray et al., 1995a; O'Dwyer, 1999; Woodward *et al.*, 2001). Gray *et al.* (1995a) argue in favour of using all theoretical explanations - stakeholder, legitimacy and political economy - in order to interpret social disclosure practices.

3.3 Use of social and political economy theory in this study

Deegan (2002) points out that since social and environmental accounting still does not have an *accepted* theory, there is thus much variation in the theoretical perspectives researchers undertake in explaining the motivations behind CSR. Therefore, as well as the abovementioned theories, efforts have also been made by researchers to explain social and environmental reporting using other theories such as media agenda theory, structuration theory, cultural and impression management theories (Brown and Deegan, 1998; Buhr, 2001; 2002; Hooghiemstra, 2000; Perera and Mathews, 1990). Deegan (2002) also mentions that there could be several motivations behind CSR and each theory provides a slightly different and useful insight into CSR practices. However, such a strategy is not supported by some academics who believe that a researcher should embrace just one *view of the world* (Deegan, 2002). Gray et al (1995a) examine this position and suggest that the differences among these theories are:

“ in levels of resolution of perceptions rather than arguments for and against competing theories as such” (Gray et al., 1995a, p.52).

They demonstrate that stakeholder theory and legitimacy theory are based on a bourgeois political economy explanation and both come from a partially common place. A neo-pluralist explanation of society is such a common place from where

both of these theories can be addressed³³. Gray *et al* (1995a; 1996) assume a neo-pluralist society and immediately realise the uneven power distribution in the structure of society. This means the conflict of interest within is obvious. To Gray *et al* (1995a, 1996), social disclosure in such a captured social system would possibly make such uneven power distribution more visible. Therefore, interpreting social disclosure is important to them and it requires using a classical political economy explanation as a base, along with stakeholder and legitimacy theories, to enhance explanation of disclosure trends. So Gray *et al.* (1995a) argue that these social and political theories are not competing explanations; rather, they can be used together to interpret social reporting. Analysing social disclosure of UK companies from 1979 to 1991, they point out that stakeholder and legitimacy interpretations can be put within the broader framework of a political economy explanation (Gray *et al.*, 1995a). The authors employ classical political economy theory to interpret social disclosure practices and find that such a perspective cannot easily interpret certain aspects of social disclosure. They then use stakeholder and legitimacy theory to reinterpret these trends. It appears to Gray *et al* that such use of the three theories enriches the understanding of certain trends. Therefore they seem to accept the explanation of classical political economy theory and use stakeholder and legitimacy theory within it to enhance the understanding of social disclosure, rather than using a single theory. This view is also complemented by Deegan (2002) who asserts that there are links between

³³ Gray *et al* (1995a) explain neo-pluralism. They suggest “neo-pluralism conception recognizes that power will be distributed unevenly, that there will be conflict of interests (possibly structural) and that the focus of observation (e g observable corporation –society interactions like CSR) may, indeed, take place within a captured or controlled system - even if the capture or control is perhaps not identifiable with any sectional or class interest or, indeed, any interests at all” (Gray *et al*, 1995a, p.55). They suggest that this line of argument does not limit or draw a static battle line between classes so permits an analysis that is possible to make through these different theories.

social accounting theories (such as legitimacy and stakeholder theory) and that benefits can accrue from using more than one theory.

If such an integration of three theoretical explanations is useful to interpret social disclosure practices in a developed country, it seems of even more use in interpreting CSR practices of an LDC. We still know very little about such practices in LDCs and so taking a single theoretical explanation could risk ignoring other possible explanation of CSR which could be equally important (O'Dwyer, 1999).

Woodward *et al.* (2001) developed a complex conceptual model using organizational legitimacy, political economy, agency theory and stakeholder theory explanations, and analysed the attitudes of executives from UK companies towards their social responsibility. They used agency theory and stakeholder explanations to explain the relationship between the organisation and various stakeholder groups³⁴. Then they examined the legitimacy and political economy explanations from interview data. Woodward et al. (2001) suggest that the attitude of executives regarding social responsibility suggests both a legitimacy and a political economy explanation, while an agency theory and stakeholder analysis is utilized to analyse those responses. However to them, it is impossible to determine which theoretical explanation predominates. Woodward et al.'s (2001) study therefore uses theoretical lenses from stakeholder theory and legitimacy theory within the wider framework of global political economy of which multinational corporations are an important vehicle.

³⁴ Woodward et al. (2001) assume that business recognises relevant stakeholders by either considering 'accountability' to them or wishing to manipulate stakeholders view in favour of them.

3.4 Summary and Conclusion

This chapter provides a review of CSR practices by corporations and also illustrates present popular theoretical explanations behind such practices. CSR practices provide evidence that CSR does not reflect a systematic activity, is in its developmental stage, and varies in the issues included within it across time and place. In developed countries, the practice is found to involve issues such as employee issues, environmental issues, community and customer issues. The level of disclosure is found to be low and the quality of any disclosure is partial, descriptive and mostly qualitative in nature. Increasing reporting of social disclosure is also evident in developing countries, mainly relating to employee reporting or human resources information. The level of disclosure and quality of disclosure is even lower than developed countries.

This chapter then details the theoretical explanations widely used to interpret CSR practices. In particular, it examines social and political economy theories (stakeholder, legitimacy and political economy theories). It then looks at the use of these theories in a single study, namely the Gray et al (1995a) framework, and discusses how it derives its motivation to study CSR in Bangladesh through social and political economy lenses. In line with the O'Dwyer (1999) argument, it does not take a single theoretical lens but instead equips itself with stakeholder and legitimacy lenses based on a broader context of social, political and economy theories. This theoretical lens will then be used to interpret CSR practice empirically, as investigated in chapters 11, 12 and 13 through interviews. The next chapter, though, is concerned with MNCs and their accountability.

Chapter 4

Globalisation and Multinational Corporations

4.0 Introduction

The previous chapter gave an overview of social and environmental reporting practices of corporations in developed countries in general and LDCs in particular, and also looked at current theoretical explanations of such practices in the CSR literature. Following Gray et al.'s (1995a) view, this study takes both a stakeholder and legitimacy perspective within a classical political economy framework to examine CSR practices in Bangladesh. The major concern of the study is derived from the increasing anxiety regarding social and environmental responsibility and accountability of large corporations, notably subsidiaries of MNCs in LDCs. These are only briefly mentioned in chapter 1 and 2. While the necessity of information disclosure by an organisation to discharge accountability has been discussed in chapter 2, a distinction between accountability of those organisations whose ownership and operations remain essentially in one country (i.e. domestic corporations), and those that operate at the same time in many countries (i.e. MNCs), is still far from clear in the CSR literature. More specifically, what distinguishes MNCs from domestic firms and do these factors affect the accountability and reports of MNCs? It can be argued that, if accountability becomes an important issue for domestic organisations whose operations affect a single country's society, it becomes more important for MNCs whose operations actually affect the societies of many countries. Alternatively, the demand for greater disclosure from MNCs may be viewed as a part of a

bargaining process – an attempt by the host country's society, and in an LDC in particular, to recover their bargaining power (Redebaugh and Gray, 1997). This chapter sorts out some of these concerns from the existing international business literature.

This chapter reviews literature on MNCs, notably by international business scholars, the United Nations and to a lesser extent by social accounting researchers¹. Indeed, this chapter illustrates why the central focus of this thesis is the CSR of MNCs, notably in those subsidiaries of MNCs operating in one LDC: Bangladesh. Meyer (2004) offers a useful assessment of the literature on international business and calls on international business scholars to understand the impact of these corporations on host developing countries. However, it is not within the scope of this study to provide a full review of literature on MNCs, as this would be quite impossible. Therefore the review includes a definition of MNCs, an historical account of the development of corporations' power, and discussion of the accountability of MNCs. Consequently, the chapter is structured as follows. Section 4.1 discusses the definition, nature, and development of MNCs. Section 4.2 looks at the development of corporate power and how such power competes with that of other actors, such as states, international bodies and international non-governmental organisations (NGOs). Section 4.3 outlines social and environmental accountability of MNCs in terms of both their responsibility for their operation and their responsibility for providing information regarding their actions to society. Finally section 4.4 concludes and summarizes the chapter.

¹ It should be noted that CSR studies looking specifically at the accountability of MNCs are limited.

4.1 Definition and nature of multinational corporations

4.1.1 Definition of multinational corporations

Definitions and discussions of MNCs can be found in the management literature from at least the 1960s onwards. David E. Lilienthal perhaps first used the term ‘multinational’ in his paper “*Management and corporations*” to mean an international business that has originated from one country with foreign operations in different countries (please see Muchlinski, 1995). Economists such as Hood and Young define MNCs more broadly. They define MNCs as any enterprise that manages, controls and owns income generating assets in at least more than one country (Hood and Young, 1979). This implies that every MNC must have a parent company, which is usually located in the home country, must also have a subsidiary in a host country, and will control and manage the operation of that subsidiary (Allison, 1993). The United Nations study (1974) adopts a similar definition of MNC to that of Hood and Young. It views a multinational as an enterprise which owns or controls production or service facilities outside its home base (United Nation, 1974). Later, after a long discussion at the 57th session of ECOSOC in 1974, the United Nations adopted the term ‘transnational corporation’ in lieu of ‘multinational corporation’. There are disagreements about the role and significance of such MNCs in host LDCs. Some observers see them as the last hope of world peace and growth², while others see them as engines of global injustice which allow rich nations to enrich themselves at the cost of poor nations (Donaldson, 1982; Donaldson and Preston, 1995). The latter view suggests that with the increasing size of their operation, large corporations are capable of influencing not only the global economy but also

² See, Ramamurti (2004), and Meyer (2004) for a discussion on this issue.

societal and political events of the country where they operate (Donaldson, 1982; Donaldson and Preston, 1995; Donaldson, 1996; Garvey and Newell, 2004).

4.1.2 Nature of multinational corporations

Multinational corporations are conceptually different from large domestic corporations. For example, MNCs can be distinguished from large domestic corporations by their capability to locate production facilities across national borders. They are able to locate their production base beyond their home country and so are able engage in international production. MNCs are also conceptually different to portfolio investment and similar to foreign direct investment (hereafter FDI)³.

There is a wide variety of foreign investments. The literature distinguishes between FDI and portfolio investment. The latter refers to speculative investments with a focus on financial interest while the former refers to investment in the ownership of the firm including a management responsibility (Prakash *et al*, 1996). It should be noted that a firm can hold a financial stake in another company through its portfolio investment, but may not be able directly to control the management of that company, whereas controlling subsidiaries' actions is very much a feature of multinationals (see, Prakash *et al*, 1996). It seems that the ability to control subsidiaries' management or operation in a foreign country is a

³ Broadly speaking, FDI comprises all finance and intangible corporate assets invested by a corporation from one country to another country. Traditionally, such investment is in the form of whole or majority ownership in terms of joint-venture. MNCs conduct foreign investments and so provider of foreign direct investment. They are the organisations with their headquarters in one country and investments in another country. FDI, as with all investments, has an impact on society and economy. People are employed, and capital and technology are introduced, which a developing country's government may not be capable of employing. An unwanted effect may be environmental constraints and abuse of labour. Through FDI, MNCs can retain control over their subsidiaries or service units operating in a host country, which is not possible through portfolio investment.

vital characteristic of MNCs (see also, UN, 1974; OECD, 1976), although the extent of control may differ according to the legal form of the MNC⁴ (Kostova and Zahir, 1999). Another distinctive feature of a MNC is that it has the capability of trading its inputs and outputs among its other affiliates which are located in different geographical locations (Muchlinski, 1995).

MNCs, with their increasing global operation and increasing power, are influencing public life more than ever and their operations are increasingly becoming less controllable by national states (see, Bailey et al, 1994, 1998; Korton, 1995). Moreover, through the accumulation of resources and mobility of capital, MNCs can encourage nations and communities to compete against each other for FDI. With the threat of withdrawal investment and employee redundancy as a counter to a government's desire to control their operation, this may push LDCs' governments towards a *race to the bottom* (Scherer and Smid, 2000; Beck, 1999; Bailey et al, 1998; Christmann and Taylor, 2001; Christmann, 2004; Owen et al., 2001)⁵. More importantly, the power of corporations is eroding the state's capacity to control its own economic future, and the increasing influence of corporations rather than government in the public sphere of life is becoming more visible (Beck, 1999, 1992). It seems that this process is accelerating because of government failure, coalitions of powerful interest groups with similar interests (Levy and Egan, 2003), through channelling power into different levels of

⁴ For example, in the case of wholly-owned subsidiaries the parent company retains all control over its subsidiaries, while in the case of a joint-venture it can retain control by holding a majority of the shares. A parent company can also retain control in other ways, such as transferring technology or management skills rather than solely investing in equity shares (Allison, 1993; UN, 1974).

⁵ Owen et al (2001) use the example of steel giant Corus that made a huge number of redundancies in the UK to the detriment of the key non-financial stakeholders' interest. Mentioning the phrase 'corporate spin', they contend that there are in fact huge discrepancies between what leading reporting companies say and do. Christmann (2004) suggests that due to their ability to withdraw investment, MNCs are able to exploit environmental and social regulations.

government (Bendell, 2004), using media (Collison, 2003), and through different initiatives (e g General Agreements on Tariffs and Trade, Multilateral Agreement on Investment). More specifically, corporations are gaining more and more power with the expansion of globalisation, particularly with the expansion of the global market economy, and concerns regarding controlling their operations are increasingly growing as well (Bailey et al, 1994, 1998; Korton, 1995; UN, 1974). With such growing concerns, the issue of controlling subsidiaries' operations in host LDCs through both home and host government regulation is becoming more complex as MNCs establish their operations or production units in LDCs. This is because on the one hand they are not regulated by their home country regulations, while on the other hand the regulations set by LDCs' governments to control subsidiaries of MNCs are commonly more lax because of LDCs' governments' desire to encourage MNCs to operate in their country for their own economic development (Crane and Matten, 2004). Moreover, controlling these large corporations becomes more complex as corporations develop and power grows (Korten, 1995, Rahman, 1999)⁶.

4.1.3 The development of multinational corporations

Although the world has witnessed the rapid growth of MNCs since the 1990s, the development of MNCs goes back to the sixteenth century (Muchlinski, 1995)⁷.

At that time, a form of MNC originated through companies chartered by European

⁶ Gray et al (1995) mention that power is evidential rather than a matter of empirical evidence (Gray et al, 1995a). We perhaps view corporate power from the development of MNCs.

⁷ Corporations, in general, can be one of two types: the small, individual family-owned business, or the large, bureaucratised firm. Currently, the latter accounts for the lion's share of production. Large corporations employ vast numbers of people, receive enormous revenues and, most importantly, operate globally through their subsidiaries to become multinationals. For example, IBM, which is one such corporation, operates in 126 countries and had 23 overseas plants in 1982 (Donaldson, 1982).

governments involved in colonial trading⁸ (Bendell, 2004). At the end of the 1800s, corporations were given a legal and separate identity through a corporate law passed by parliament in the US, and by the end of the twentieth century most countries were granting corporations the status of a 'legal person' (Korten, 1995). This simply articulates the fact that corporations are created by people, exist only in the 'contemplation of law', and although they do not eat, sleep or vote they are capable of entering into a legal agreement, have the right to freedom of speech and have the right to accomplish their goals with limited liability. The limited liability and the legal personality of corporations raises problems regarding accountability (Bendell, 2004). On the one hand, a corporation, as a legal person, can claim its rights like a citizen of a state; on the other hand, due to its limited liability, it may not be formally accountable for all its actions. For example, a parent corporation, will not formally be responsible or accountable for the actions of its subsidiary (but see, Donaldson, 1982).

While the roots of the modern MNC can be found in the colonial trading companies of the sixteenth century, and the later developed status of 'legal person', it is only very recently that corporations have increased so considerably in number and have expanded their production base throughout the globe. For example, while there were 7,000 MNCs in 1970, in 2003 there were an estimated 63,000 MNCs with 69,000 operating subsidiaries throughout the world (UNCTAD, 2003). This growth was also accompanied by a steady rise in FDI.

⁸ The East India Company is an example, being chartered by the British Crown explicitly to make profits by trading in a British colony. However, the power of the corporation grew to such an extent that it was said to have ruled India for many years (Bendell, 2004). This in turn suggests that an older version of modern MNCs indeed existed in the colonial age and assisted the colonial rulers.

For example, in the year 2000, global FDI exceeded US\$1.3 trillion, an increase of 14 per cent on the previous year (UNCTAD, 2003).

A recent increase in FDI in developing countries reflects the growing tendency of corporations to relocate parts of their production process to developing countries which offer cheaper labour and other inputs (Christian Aid, 2004). Statistics show that total FDI in developing countries has been rising since the mid-1980s, from an average of US\$20 billion annually to US\$93 billion by the mid-1990s. By 2000 this figure had reached almost US\$300 billion (UNCTAD, 2004). Indeed, it is estimated that China and India will become the two top countries in attracting FDI for the period of 2005-2007, followed by the US and Thailand (UNCTAD, 2004). Increasingly investing in developing countries, MNCs are diversifying their activities in these regions through their subsidiaries. Although the activities of these subsidiaries are contributing to the economy of these regions, dependency on FDI may mean that MNCs are also becoming able to control most of the economic and social spheres of these developing countries (Moser and Miller, 2001).

Earning maximum profit through the expansion of market opportunities has been recognised as one of the main reasons for international production (see, Dunning, 1988; Casson, 1976; Hymer, 1960; Kindleberger 1969; Vernon, 1973, 1971). In 1960, Stephen Hymer, using the 'comparative advantage theory' (Hymer, 1960 cited in Muchlinski, 1995), was the first to suggest that firms invest internationally to earn maximum profit. This idea has since been refined by Charles Kindleberger (1969 cited in Muchlinski, 1995). The idea of comparative advantage rests on the assumption that each country has specific advantages in factors of production (Dunning, 1992, 1996). By specializing in these factors of

production, firms can produce and export goods to other countries that do not specialize in that particular factor of production. Although this classic model recognises the possession of different productive resources by different countries, it does not fully explain the reasons for producing abroad rather than trading through export.

By contrast, transaction cost theory literature offers explanations for international production (Casson, 1976 cited in Muchlinski, 1995). The premise of the transaction cost thesis is that multinational firms engage in international production across national boundaries in order to save transaction costs. On the other hand, Professor Raymond Vernon in his 'Product Cycle thesis' suggests that engaging in international production is a strategic decision, particularly when a firm chooses to invest in developing countries (Vernon, 1973 cited in Muchlinski, 1995). To him, a firm strategically decides to go to a developing country to use the cheaper input cost of labour and to look for a new market while its existing market matures (Vernon, 1973, cited in Muchlinski, 1995). Vernon's 'Product Life Cycle' thesis and Hymer and Kindleberger's 'comparative advantage' theory all focus on the simple fact that corporations are only motivated to make profit (Friedman, 1970) and will seek to maximize it through expanding their operation globally. Donaldson (1982) criticises such a view. It is not right for a corporation to only pursue its own interest, profit maximisation, when it engages in international production. They (MNCs) are responsible for the social and environmental impact of their subsidiaries (Donaldson, 1982). In reality, however, there is little chance that a corporation will discharge its accountability through strategy, self-regulation, and in fact will use its power to restrict further regulation (Scherer and Smid, 2000). That is, economic and rational strategy (including

voluntary reporting strategy) are all possible partial arguments but pursuit of growth, profit, power and because they are all there are likely to be important in any analysis of MNCs.

4.2 Power and development of multinational corporations

4.2.1 The growth and nature of corporate power

Concern over corporate power has been growing since the 1970s, particularly with the expansion of MNCs in developing countries (Bendell, 2004; Korten, 1995; Muchlinski, 1995; Prakash et al, 1996; UN, 1974)⁹. Research into the concept of corporate power is at least a hundred years old (Bendell, 2004). Power is located in resource dependencies (Pfeffer and Salancik, 1978). In other words, power lies in the controlling of material resources by the organisation. According to recent reports, 70 per cent of the world market is now controlled by only five MNCs, highlighting the control of material resources by a small number of MNCs (Simms et al., 2000 cited in Bendell, 2004). Bendell (2004) suggests that corporate power arises from organising the firm into a corporation. According to him, by being a 'corporation' a firm can claim rights of free speech and this allows it influence over political and other social issues while assuming limited liabilities. Such '*limited liability*' provides MNCs with an opportunity to acquire significant power with limited legal liabilities imposed upon it (Bendell, 2004)¹⁰.

⁹ Bendell (2004) suggests that the concept of power has been researched and theorized for many years, particularly in sociological and political research. However, corporate power, as he suggests, is just as old as the development of corporations. Indeed, corporate power coexists with the so called structure of the corporation. Those post-structuralist critics who do not view corporate power to be a structure in society, do consider it to be a complex set of power relations and capabilities that arise due to the existence of corporations (Bendell, 2004). This in turn means that corporate power is evidential and can be examined by studying the relationships that corporations make with different groups (Gray et al, 1995a).

¹⁰ For example, a multinational can create subsidiaries with a separate legal personality in a developing country where more risky operations can be undertaken. The parent company, being

In contrast, Levy and Egan (2003) look at the strategic conception of corporate power. Based on the neo-Gramscian analysis of political theory they see corporate power as a 'strategic capacity' of the organisation, rather than seeing power located in resources dependencies only. To them -

"Power is strategic in the sense that it is magnified through coordination of efforts in the economic, discursive, and organisational spheres; power is not simply additive...Groups with fewer material resources can sometimes outmanoeuvre their rivals with clever strategy, good timing, and some luck" (Levy and Egan, 2003, p.813)

MNCs are becoming more powerful and influential with the expansion of internationalisation and globalisation (Garvey and Newell, 2004). Internationalisation involves increasing integration of production across the globe and expansion of international production, which is facilitated by the spread of MNCs throughout the world (Prakash and Hart, 1998). In the global world, corporate power may not only rest with the material resources it controls, nor the strategy it is able to take, but is also linked to support from the political and economic elites of states (Bendell, 2004; Levy and Egan, 2003). In another words, corporation's power also rests on the relationship between state and corporations, state and community and community and corporations (Garvey and Newell, 2004). States will support the interests of business because of their structural dependency on business for tax revenue, employment and investment (Garvey and Newell, 2004, Block, 1987 cited in O'Dwyer, 1999). In some cases, state support to corporations stems also from the direct financial benefit accruing to government officials (Garvey and Newell, 2004). Developing countries, which depend on MNCs for investment and technology, are particularly likely to support

legally treated as a shareholder, can not easily be held responsible for the actions of that subsidiary.

MNCs and will relax their fiscal policies to encourage investments (Garvey and Newell, 2004, Seidman, 2003). Therefore, MNCs can enjoy more power with capital mobility, control of resources and their ability to provide employment particularly in LDCs where high unemployment exists and government's restriction over FDI is minimum. The power of corporation in many such settings is also reinforced by the pressure of international institutions such as World Bank and IMF to open their markets to foreign investors (Garvey and Newell, 2004).

MNCs are likely to exert corporate power through different means to serve their interests, for example, by lobbying, financing policy and through the media (Bendell, 2004). MNCs often create lobby groups who are able to communicate at high levels of formal state political and administrative power with considerable success (Sklair, 1998). Moreover, 40 per cent of the world's media are now controlled by only five MNCs (Simms et al, 2000 cited in Bendell, 2004), suggesting that there is a possibility of MNCs capturing the world media. Collison (2003) suggests that corporations are using media to make 'propaganda' which actually works in favour of commercial organisations. He states that:

"The mass media is, arguably, not used by corporate power, it is merely the manifestation of corporate power with fundamentally the same interests and concentrated oligoplistic structure as other areas of commercial activity" (Collison, 2003, p. 872).

However, what MNC's power means in respect to their accountability in a LDC? The relative power of corporations compared to the communities and LDC in which they invest means that demand for social responsibility and accountability of these large corporations can often be silenced in a multitude of ways. For example, through restricting information, corporation can actually prevent local people from demanding accountability (Garvey and Newell, 2004). In the modern

age of globalisation, corporate power of MNCs is seen as so extensive that David Korten argues that in the future, corporations will have every chance to rule the world (Korten, 1995, 2001). However, this argument has been contested by other scholars.

4.2.2 Contested nature of corporate power

4.2.2.1 Simple bargaining approach

While MNCs are recognised as very influential and powerful actors in the global economy, researchers also argue that corporate power is contested by other actors, particularly when engaged in internationalisation (Vernon, 1973; Levy and Egan, 2003; Levy and Prakash, 2003). Vernon's (1971) landmark *bargaining thesis* explains that power between a host government and a MNC conflicts in determining the benefits of FDI (Vernon, 1992). This is due to the fact that each side tries to reap maximum benefits from bargaining when FDI takes place. He argues that the nature of the benefit depends on the specific contextual agreement made between the host country and the MNC, and it is highly unlikely that the MNC would win in every case. To him, the MNC and the host government will each bargain from their own side, and the nature of the agreement will be determined according to the unique assets or advantages each side holds (Vernon, 1973). For example, the MNC may hold certain technological and marketing capabilities while the host government may offer access to cheap natural resources and local markets (Kobrin, 1991, Kogut, 1991). Moreover, MNCs may be perceived as stronger in the initial bargaining process, but the bargaining position may change over time. Vernon (1973) suggests that the balance of power

will gradually shift in favour of the host government and will make the original bargain obsolete¹¹.

However, critics of this view claim that the '*obsolescing bargain*' may not happen in reality (see, Jenkins, 1986). Jenkins (1986) argues that the bargaining power of a developing country will always be limited while it remains economically poor. He contends that, usually, host governments will aim to secure as much FDI as much as possible. Equally, MNCs always have the option to withdraw investment at any time and invest in another developing country (Beck, 1999). This in turn suggests that the bargaining power of MNCs is likely to remain stronger than that of the host government and that the MNC is therefore likely to have more influence over the contractual agreement than the host government.

4.2.2.2 Multi-party bargaining approach

The rise of international institutions (particularly NGOs) in recent decades has turned the '*bilateral bargaining process*' into a '*multilateral bargaining process*' where other national and international actors also challenge MNCs (Levy and Prakash, 2003)¹². It is very simplistic to think that the power of MNCs will go uncontested and will not be challenged by different groups of society; the endpoint of the world is highly unlikely to be "When corporations rule the world"

¹¹ Vernon (1973) argues that host government might enjoy increasing levels of technical expertise while the foreign investment continues in operation. The MNC would definitely desire staying with the investment if it seemed profitable. Thus, over time, the host government might increase its demands on the company.

¹² The term '*bilateral regulatory regimes*' is used to mean the location of authority to regulate international production rested on the state and the MNC (Levy and Prakash, 2003).

(Levy and Prakash, 2003)¹³. In the global polity, each party or actor may have different interests and they will all promote these interests, drawing power from different sources. Levy and Prakash (2003) argue that MNCs in the international era are neither -

“omnipotent ogres nor gentle giants pursuing the common interest; rather, they bargain with states, NGOs, and other actors over the form and structure of particular international agreements and regimes” (Levy and Prakash, 2003, p.146)

Moreover, they argue that even MNCs from different sectors and with different competitive positions rarely speak with one voice on the same issue. This creates a political space for other actors to exploit and to push a particular agenda. In addition, a multi-bargaining process of negotiation among different actors will itself expose companies to new institutional settings and to adopting new viewpoints¹⁴.

The premise of the multi-actor bargaining process is that the government and the MNC are both subjected to numerous influences exerted by other actors in the negotiation process. Thus, different power groups in a society compete among each other and even though it is highly unlikely that MNCs will win every time, they may be an influential actor. As a result of multi-party contestation it is

¹³ Levy and Egan (2003) suggest that a number of important developments have prevented MNCs from acting as ‘invincible juggernauts’ They offer the example of the Multilateral Agreement on Investment that has hindered Monsanto’s efforts to commercialise genetically modified food and seeds, and that has been weakened through the participation of other actors. More importantly, they suggest that the wave of environmental activism in the USA and Europe instigated in the 1960s and 1970s has put pressure on companies to develop techniques of environmental management that in some cases improve the environmental impacts of their business operations. These cases along with others suggest that the power of corporations is compromised or contested by environmental, labour, and other social forces in the new global polity.

¹⁴ For example, MNCs such as BP and Shell shifted their positions from opposition to support as they developed the view that environmental and business goals can be compatible (Levy and Prakash, 2003, p. 146).

probable that a broader range of goals will be raised¹⁵. The bargaining outcome will thus incorporate a wider set of economic and non-economic issues¹⁶ and a more varied set of standards and guides are likely to be introduced¹⁷. However, the multi-party approach opens up greater potential for conflict of interests and power, and concurrently more opportunities for coalitions among the actors (Levy, Prakash, 2003).

While the multi-party bargaining perspective offers a different view from the suggestion that corporations may rule the world, it also suggests that a corporation can enjoy influential power, use different strategies to lessen the power of other actors, and can form opportunistic coalitions to influence issues relating to international production (Korten, 1995; but see, Levy, Prakash, 2003; Levy and Egan, 2003; Levy and Egan, 1998). The power that a business enjoys over a state in international production is not just because of the structural dependence¹⁸ of the state on corporations but also because the state is facing 'competitiveness' in attracting FDI¹⁹ (Levy and Egan, 1998). In addition, the neo-Gramscian concept of the 'historical bloc', suggests that firms take strategic initiatives in forming an opportunistic coalition of economic, ideological, and organisational forces to exert

¹⁵ For example, the World Trade Organisation (WTO) and the Multilateral Agreement on Investment (MAI) tend to reduce transaction costs and provide collective goods important to MNCs, such as standards, multilateral recognition, and enforcement of intellectual property rights. On the other hand, the Kyoto Protocol to reduce emissions of greenhouse gases, activities of environmental and social NGOs, and various proposals for codes of conduct regarding labour standards and the environment are designed to impose constraints on aspects of corporate behaviour.

¹⁶ For example, in the 1990s, many of the NGOs have successfully added non-economic issues, such as environmental standards, to the bargaining agendas.

¹⁷ For example, ISO 14001 set the standard to regulate and constrain environmental pollution made by multinational corporations.

¹⁸ Structural dependency theory argues that the state is structurally dependent on private sector profitability (Block, 1987 cited in O'Dwyer, 1999). State managers depend on popular support and legitimacy, which is a function of jobs and prosperity in the private sector, and their ability to fund government programs providing tax revenue and generating employment (Levy and Egan, 1998).

¹⁹ In an era of globally mobile capital, state managers will soon find themselves not only with structural dependency but also competing to offer an attractive 'business environment'. Such 'competitiveness' therefore influences state managers to act on behalf of business.

their influences over any agendas placed by other actors (Levy and Eagan, 2003). Such strategic initiatives of corporations in creating new alliances will not merely be confined to traditional means of offering material incentives but also by providing information and framing new issues (Levy and Prakash, 2003)²⁰. This in turn means that information does play an important role in the 'strategic conception of power' and greater disclosure by MNCs may be a part of a multi-party bargaining process. From MNCs' perspective, greater disclosure can play a role in framing new issues that come up from the multiple bargaining process. From host country and other multiple groups' perspectives, greater disclosure may improve their bargaining power by enabling them to act upon the information disclosed. Thus, CSR in term of extended disclosure in social and environmental effect, may play an important role in making visible the tension and the power conflict that arises between MNCs and host LDCs within the multi-party bargaining process. The multi-party bargaining process such provide us a framework within which we can address social disclosure practices of MNCs recognising that it is not the power of each MNC or even the power of all MNCs as such but the power of liberal market economics that actually provides the attractions and produces the damages for which they are certainly responsible.

²⁰For example, corporations under challenge on environmental issues often form issue specific associations to lobby, mobilize resources, and coordinate strategy. They also attempt to recruit mainstream environmental organisations into the 'historical bloc' while marginalizing more radical groups such as Greenpeace. Critics of social reporting literature also suggest that social and environmental information can be used for strategic purposes rather than to discharge accountability.

4.3 Corporate social accountability and CSR of multinational corporations

4.3.1 Accountability framework and multinational corporations

Corporate social accountability is at the heart of the obligations that firms owe to the societies in which they operate (Gray et al, 1996). This highlights the normative position of accountability set by Gray et al (1987, 1988, 1996, 1997). In a multinational corporation setting, such a normative position offers justifications for studying social responsibility and CSR practices of both parent corporations and their subsidiaries. First, accountability framework suggests a philosophical basis for considering the social responsibility of MNCs (parent corporations) and all of its subsidiaries equally, based on the fundamental assumption that a corporation needs to be responsible for its actions. This in turn means that the social responsibility of MNCs becomes global, for the corporation is by nature a global operation irrespective of its origin, and thus is not just responsible to its home society. Second, it also suggests a basis and case for social reporting practices of MNCs and their subsidiaries to be based on the responsibility for providing accounts for their actions to the 'relevant society'. The relevant society of MNCs will not necessarily mean groups of people in home country but will also include host country's people. Third, if the normative framework of accountability suggests any motivation at all behind the social reporting practices of MNCs in their home country, it is equally justifiable to think that their subsidiaries will also practise social reporting in developing countries as a part of a similar socially responsible organisation. This may provide a basis from where CSR practices of subsidiaries and the motivation behind such practices can be explored further. In short, it emphasizes the need to make MNCs more accountable to host and host country's people and the need to give society

(home and host society) more power to determine what constitutes responsible actions. Indeed, this becomes more important when we recognise the power of MNCs. Many years ago Heilbroner (1972) suggested that:

“Thus when corporations rape the environment or abuse us as guinea pigs, suddenly we awaken to the realities of our individual powerlessness and of our dependence on their smooth and presumably benign functioning. Then our frustrations and resentments surface with a rush, in the demand that corporate power be brought to heel and that corporate officials be made accountable.” (Heilbroner, 1972, cited in Smith, 1990, p. 50)

Growing concern over making MNCs more accountable is documented in initiatives from international bodies, notably by the United Nations (UN, 1974, 1999, 2001). Such studies focus on two obligations of MNCs: obligations to the society for the impact of its operations on society, and the obligation to provide information of these to groups within society (UN, 1999; UN, 2001). For instance, the draft United Nations Code of Conduct on Transnational Corporations, (which was never adopted) listed a wide range of issues to define the obligations of MNCs (UN, 2001). The list includes two obligations: obligations for their activities and obligations for disclosure (UN, 2001). While obligations for transnational corporations’ activities are detailed under two subheadings - ‘General and political’ and ‘Economic, financial and social’- the third subheading concerns social and environmental disclosure only in very general terms, merely by urging MNCs to disclose in full by appropriate means. The United Nations (2001) report states:

“ The third subheading concerns ‘Disclosure of Information’ and urges TNCs to disclose to the public in the countries in which they operate, by appropriate means of communication, full and comprehensible information on the structure, policies, activities and operations of the TNC as a whole” (UN, 2001, p.7).

A similar list of obligations is also found in the OECD Guidelines for Multinational Corporations which was revised in 2000 (UN, 2001). In relation to the Guideline on disclosure, the OECD commentary on the revised Guidelines notes that:

“enterprises may take special steps to make information available to communities that do not have access to printed media, for example poorer communities that are directly affected by the enterprise’s activities (OECD, 2000b, p.6).

These guidelines suggest that MNCs need to fulfil their obligations both in terms of ‘obligations for their operation’ and by providing accounts of their operation (UN, 2003).

4.3.2 Obligations for actions

Since the 1970s, social and environmental concerns have been raised regarding the operations of MNCs. In its report, the United Nations (1974) mentions:

“Fundamental new problems have arisen as a direct result of the growing internationalisation of production as carried out by the multinational corporations. We believe that these problems must be tackled without delay, so that tensions are eased and the benefits which can be derived from multinational corporations are fully realized” (UN, 1974, p.26).

During the nineteenth and twentieth centuries, social and environmental problems moved further into the public domain (Utting, 2005, Jenkins, 2005). Media and NGO personnel in particular exposed the social and environmental impact of many large MNCs (i.e. Shell, Nestle, Nike and Reebok) (Jenkins, 2005). In addition, critical incidents during this period, such as Rio Tinto, Bhopal, Exxon Valdez, Brent Spar, the Sara Wiwa execution and BP’s role in Colombia, drew the attention of the world to the impact of MNCs’ operations (Marsden, 2000, Utting,

2005). Moreover, researchers are starting to argue that many MNCs are escaping the strict social and environmental standards in their operation by operating in developing countries (Kolk et al, 1999). More importantly, MNCs have the chance to evade their social and environmental responsibilities by claiming that their subsidiaries are separate legal entities and is operating in different regulatory context of LDCs. For example, although UK companies are bound by laws and regulations to protect labour, environment and consumer rights, such bindings only apply to the activities taking place in the UK. When operating overseas, often through subsidiaries, laws governing the accountability of UK companies are mainly concerned with their financial performance (Christian Aid, 2004). Legislation governing their social and environmental performance is limited to host country regulations or to some specific voluntary code of conduct. Thus it is extremely difficult to use UK law to hold a UK MNC responsible for any violation committed outside the UK national boundary. This is similarly true of most of the wealthy countries where the majority of MNCs are based (Christian Aid report, 2004). However, Bailey *et al* (1994) suggest that a home government has every chance to control the operation of MNCs. They argue that the parent company of each MNC has a home base and that the home country government still has the capacity to control their corporation's operations. They propose building a monitoring organisation within the home country and the construction of a social account and a social report by the corporations in their home country.

Compared to home country regulations, national laws and regulations of host developing countries are generally weak (Kolk, 1999). Many lack an acceptable legal framework to regulate MNCs and to protect social and environmental rights (Marsden, 2000). In addition, Scherer and Smid (2000) argue that in many cases

governments of developing countries lose control of policy recommendations in favour of international trade organisations, international bodies and MNCs. Seidman (2003) points out that dependency on MNCs and international fund agencies for their economic development makes it difficult for these governments to formulate and enforce labour standards, environmental and other social protections. Indeed, increased competition between developing countries seems to provide MNCs with the best deals through financial policy incentives (i.e. tax brackets, 100 per cent profit repatriation), and even the creation of export-processing zones exempt from some strict employment practices.

Government participation in ownership through joint-ventures with MNCs adds further complexity to the issue of regulation. Such joint-ventures mean that the government becomes both a shareholder and a regulator. It therefore increases the conflict of interest between the government's responsibility to the company and its responsibility to the people. In a number of concerning instances, governments have been found to support MNCs - even deploying police and armies - over the interests of the society (Crane and Matten, 2004)²¹. However, a group of high-profile MNCs and large corporations have placed themselves at the forefront of the social responsibility agenda through sponsorship, public relation exercise, dialogues and change in business policies (Utting, 2005). Moreover, international bodies produce a number of guideline to regulate MNCs operation socially responsible way.

²¹ Crane and Matten (2004) explain the relationship between government, business and society. They suggest that the role of government is to protect society's interest. But when government becomes dependent on business, the relationship between government and business demands that government will ensure a stable economic environment for the business while in return the business will pay taxes, and provide jobs and economic investment in return. This could sometimes threaten a government's ability to live up to its duty to society.

4.3.3 International initiatives and code of conducts

At the international level, a number of guidelines have been produced to regulate operations of MNCs. Most notable are those produced by the United Nations, the International Labour Organisation (ILO), and the Organisation for Economic Co-operation and Development (OECD). Guidelines include international norms and declarations aimed at protecting, for example, human rights at work or the natural environment. However, none of these guidelines are mandatory so do not directly bind corporations. They do in some cases impose obligations on governments. For example, the OECD guidelines for MNCs, although voluntary for the corporations, bind the signatory countries to set up national contact points (NCPs) through which enterprises can be inspected (UN, 2003).

Scherer and Smid (2000) examine critically the role of intergovernmental organisations, including the ILO, UN, GATT, WTO, OECD, and NGOs in regulating MNCs. They suggest that although there are provisions for making legal sanctions to enforce ILO conventions to bring pressure to bear on a single industry or MNC, these have rarely been brought into action (Scherer and Smid, 2000). Although since 1977 the UN has been trying to develop a voluntary code of conduct to regulate MNCs, this attempt has also failed to achieve its goal due to inherent limitations when applying these guidelines, and because of influence exerted by MNCs during the process (Rahman, 1999; Scherer and Smid, 2000). Kolk et al (1999) suggest that the code prepared by the UN is poorly designed, over complex on the one hand, and with an inadequate monitoring procedure on the other (Kolk et al, 1999). In other words, such incidents raised doubts as to

whether the guidelines set by the United Nations can be at all effective in making MNCs responsible for their actions when they remain voluntary.

Large MNCs today are likely to appear much more willing to design and adopt their own guidelines to define their social and environmental responsibility and also to guide their foreign affiliates (Seidman, 2003). As a result of self-initiative, the number of self-regulated codes of conduct has increased exponentially over the last decade (Abrahams, 2004; OECD, 2001a, b; Utting, 2002a, b UN, 2003). These codes of conduct on the one hand reflect promises on the part of the corporations, and on the other reflect the business community's fear of close scrutiny and of further regulations. However, codes of conduct developed by corporations are often criticised for being limited in scope and application (UN, 2003, Utting, 2002; FitzGerald, 2001). The UN (2003) report states:

"They tend to be adopted by enterprises in which brand names and corporate image are important. Many enterprises have adopted a code of conduct in reaction to public criticism in developed country markets." (UN, 2003, p.5)

Many initiatives are taken by 'civil society'²², those who are actively engaged in trying to improve the accountability of MNCs (see, Bendell, 2004; Mitchell, 1998; Scherer and Smid, 2000, Utting, 2000, 2002a,b). Such initiatives include providing information to the media and the Internet, suggesting different regulatory initiatives, organising consumer boycotts, and demonstrating at corporate offices to control the operation of MNCs (Bendell, 2004). These initiatives are related generally to the specific operation of high-profile MNCs²³.

However, many initiatives also include suggestions for a new framework of

²² Bendell (2004) suggests that although there are various interpretations of the term, 'civil society' is simply the composition of people associated neither with making profit nor with governmental power but with some public purpose.

²³ For example, the campaign against Shell's activities for polluting the North Sea and thereafter Ogoni's campaigning in Nigeria, and the campaign against Nike and Gap for the working conditions and employment of child labour in their supply chains.

regulation. For example, Christian Aid calls for a global regulatory authority to watch over corporate practices, while Greenpeace proposes a set of *Bhopal Principles on Corporate Accountability* (Greenpeace, 2002).

Mitchell (1998) suggests that international NGOs can play an essential role in influencing the MNCs on behalf of the community of developing countries, due to their skill, dedication, and better access to communication, and also due to their international linkages and networks. He states that international NGOs are capable of creating opinion nationally and internationally through the media and are thus capable of putting pressure on business. Moreover, Smith (1990) suggests that an NGO's adverse publicity of a company may result in the boycott of a particular product and draw the attention of legislators to a particular area of concern²⁴. However, Scherer and Smid (2000) conclude that although NGO initiatives may have a strong influence on corporate activities, the case of imposing regulations on corporations' activities does not rest in their hands but is dependent on the nation states.

4.3.4 Obligations for providing information (from responsibility to accountability)

MNCs are under increasing pressure not only to operate socially responsible way but also to report on the social and environmental impact of their economic operations (Cooper et al, 2003; Everett, 2003; Graham and Neu, 2003, Lehman, 2002; UN, 2003). Such reports are usually called corporate environmental or social reports. An environmental report generally includes the impact of the MNC's production process on the natural environment. Today, environmental

²⁴ A prominent example of this is the boycott campaign initiated by Greenpeace that forced Royal Dutch/Shell to change its usual practice of dumping old oilrigs.

reports account for 65 per cent of the total number of social reports (UN, 2003). Other than environmental issues, social reports typically include employee information, philanthropy, as well as labour and human rights information. However, it is suggested that the present form of social reporting prepared by MNCs does not often include some important social problems, such as human rights, supplier relations, child labour, freedom of association, collective bargaining, fair trade, or working hours (UN, 2003).

While large corporations have been increasingly reporting social and environmental issues since the 1980s (Gray et al, 1995), a survey such as that by KPMG (2002) suggests that fewer than 500 MNCs produced an environmental, social or sustainability report in the year 2002. This represents less than one per cent of the 65000 multinational companies (UN, 2003). Lack of government and investor pressure has been suggested as the main factor behind such a low incidence (UN, 2003). The UN study (2003) even mentions that it is lack of pressure from the developing countries' governments that allows subsidiaries of MNCs to produce few reports of their local engagement and their impact on local communities. The recent KPMG study (2005) shows that there has been an increase in the number of companies publishing CSR and the focus of CSR has been shifted from purely environmental to sustainability (social, environmental and economic). The report also states that almost 75 per cent of companies disclose economic reasons behind being socially responsible in their reports.

Different initiatives have been undertaken to establish a uniform format and content for social reporting at the international level (UN, 2004). They include the Global Reporting Initiative (GRI), the Sustainability Reporting Project of the World Business Council for Sustainable Development (WBCSD), and

AccountAbility's series AA1000. The voluntary nature of these guidelines provides an opportunity to the business community to use indicators that they feel most relevant to them (UN, 2003). Moreover, there is a danger that enterprises have every chance to mislead others by referring to the guidelines in their report while not complying with the guidelines in preparing their report. Indeed, it is suggested that *"290 organisations refer to the guidelines in their report, but only eight reports are 'in accordance' with the guidelines"* (UN, 2003, p.13).

4.3.5 CSR practices of multinational corporations

Despite much literature on social reporting in developed countries, and some studies of CSR in developing countries, research into social reporting of MNCs appears to be relatively sparse (but see, UN, 1991; UN, 1995, Newson and Deegan, 2002). Moreover, studies of the CSR practices of MNCs tend to ignore CSR practices of their subsidiaries. Even the international initiatives mentioned above, such as the Global Reporting Initiative, are limited to developed countries and ignore the CSR practices of subsidiaries of large MNCs who also operate in developing countries.

Teoh and Thong (1984) and Andrew et al (1989) provide some understanding of CSR practices of multinationals by including subsidiaries of MNCs in their sample. Teoh and Thong (1984) examined social disclosure and considered four levels: social awareness, social involvement, social reporting and social audit. They found that the level of social awareness is dependent on the affiliation of the parent company. According to them, the environmental and social awareness of the parent company appeared to have a direct or indirect influence on the social disclosure of their subsidiaries operating in developing countries. If their

argument holds true, it would mean that subsidiaries of a foreign company would show greater concern for social reporting in a developing country than domestic corporations in the same industry. They found that foreign companies have a greater level of social awareness and involvement than domestic companies in Malaysia (but see also Andrew et al 1989). However, the result was too simplistic and not conclusive since social awareness may not translate into social disclosure practices because of cultural attributes prevalent in Malaysia (Andrew et al., 1989). Andrew et al. (1989) suggest that managers of domestic companies in Malaysia are often reluctant to disclose all their good deeds or social activities in the annual report due to their religious beliefs²⁵. Regarding issues of disclosure, Teoh and Thong (1984) observe that both domestic and foreign affiliated companies made more disclosures relating to human resources and consumer issues than to issues of the natural environment or the community. This is supported by a later study by Andrew *et al.* (1989). Similarly, Disu and Gray (1998), in a study of 22 large multinationals in Nigeria, noted that all the companies included disclosure relating to employment and corporate governance data, while very few made voluntary social disclosure relating to the community and the environment.

Newson and Deegan (2002) and Maignan and Ralston (2002) have recently studied CSR practices of multinationals using samples from different countries. They studied social disclosure policies of multinationals based in Australia, Singapore and South Korea with the assumption that large multinationals need to respond to '*global expectations*' rather than to expectations of the people in their

²⁵ Malaysian culture is dominated by the Islamic religion, in which there is a belief that to disclose all one's own good deeds appears conceited.

home country alone. To define 'global expectations' they used two survey results established by Enderle and Peters and Environics International in 1998 and 1999 respectively²⁶. However, they found that social disclosure practices of large MNCs do not meet 'global expectations' and instead respond to the expectations of their national 'relevant public'. Moreover, Newson and Deegan (2002) also suggest that large multinationals might use different disclosure strategies in different contexts. Maignan and Ralston (2002) studied the web-based social disclosure of MNCs from France, Netherlands, the UK and the US. They too conclude that corporations use different disclosure strategies in web disclosure when operating in different countries. Such different CSR strategies include different CSR principles, process and stakeholder issues. They noted that 58.5 per cent of US companies made social disclosure as a part of their firm's core values, while performance driven CSR principles mostly motivated UK companies (56 per cent of sample companies) and other European companies. However, these two studies cover only social disclosure made in the annual reports of MNCs in their home countries, not disclosure by their subsidiaries. The next section examines social disclosure practices of multinationals both at parent company and subsidiary level.

With few exceptions (as far as can be ascertained), the UN has led the study of social disclosure practices by MNCs by looking at both the parent company and the subsidiaries' annual report (UN 1991a, 1995). The UN report (1991) studied German and Swiss multinationals' environmental reporting practices in both the home and host countries. This study showed that German and Swiss

²⁶ The survey basically provided expectations of interest groups like non-governmental organisations of the multinationals. For example, Enderle and Peters cited in Newson and Deegan (2002) surveyed 133 interest groups, mostly non-governmental organisations, across 36 countries to determine reasonable expectations of the multinational corporations.

firms do not disclose environmental issues in host countries, although such issues are reported in their home countries (UN 1991a). In 1995, the UN undertook another study with a wider coverage. This study again focused on multinationals' environmental practices but in three host countries: India, Malaysia and the Philippines. This study concludes that environmental information produced by multinationals in their annual reports in these developing countries is relatively low and weak compared to the environmental reporting by the same multinationals in their home countries. Both of the studies highlight the fact that the disclosure policy of multinationals varies not only according to their country of origin but also according to the country in which they report. This also highlights not only cross-country variations in environmental disclosure but also a variation in disclosure strategy within the same companies at different levels (subsidiary and parent company). Both studies suggest differences in environmental regulation among the countries as a possible explanation for such variations.

Ruud (2002) studied environmental management of subsidiaries in India. He noted that environmental management of these subsidiaries was strongly influenced by their headquarters' environmental policies and standards rather than being driven by local pressures (i.e. pressure from local environmental authorities and NGOs, industrial policy, pressure and incentives of the market). Fifty per cent of the sample subsidiaries mentioned the policies of their head office as a motivating factor, while 23 per cent mentioned fear of present or future environmental regulation as a motivating factor. Only 13 per cent of environmental management procedures are stated as being driven by the initiatives of the subsidiary's management. Environmental NGO's influence is

mentioned by only 3 per cent of the companies as a motivating factor. A similarly low per cent of companies mention consumer pressure as a motivating factor. Ruud's study included detailed case studies of environmental management in Danish and German multinationals which operate in China, Malaysia and India (although he discussed findings from India only). Ruud (2002) noted that while environmental measures were implemented in accordance with the requirements of regulation and public expectation in the home countries of multinationals, there was a tendency by managers of subsidiaries to replicate policy statements (originally developed at headquarters) in an informal manner. Ruud argued that in the case of India, no evidence was found of attempts to make those commitments more specific. He mentioned that three-quarters of his sample also formalised environmental auditing where headquarters used to perform environmental auditing on a regular basis, and also formalised environmental reporting between headquarters and affiliates²⁷. He contends that such initiatives placed subsidiary managers with more reporting responsibilities (although only to headquarters) while control actually remained with head office.

However, environmental information is only a part of social reporting and thus the findings may not be sufficient to explore the motivations behind a multinational using different social disclosure strategies for their parent company and for their subsidiaries.

²⁷ Rund (2002) found that environmental auditing rarely meets the objectives of environmental control. For example, in one of his case companies (a US based company), the environmental officer at subsidiary level never obtained a copy of the operational audit made by headquarter officials and did not get any feedback nor recommendations, even though a serious environmental problem was documented at that plant. Moreover, interviewing corporate managers he felt the existence of a global corporate strategy of 'informed' rather than 'involved' personnel in those activities.

4.4 Summary and Conclusions

Multinational corporations need to be accountable for the impact of their actions to both the host and the home society, as well as for providing information about their actions (see also UN, 1999). This chapter argues the case not only from the normative accountability point-of-view but also based on the growing evidence of corporate power and failure of national international bodies to control it. This is, however, not to suggest that the corporation is all-powerful. Considering the multi-party bargaining approach, it is suggested that greater disclosure in terms of social and environmental information will provide an opportunity to host countries and other groups to develop their bargaining power in the bargaining process.

This chapter starts by defining MNCs and explains their nature. Differentiating MNCs from domestic corporations, it argues for greater disclosure of social and environmental information from MNCs and their subsidiaries. For example, the size and complexity of MNCs have enabled some of them to undertake economic operations that are detrimental to a host country. Moreover, MNCs operate in a number of different countries with different legal structures, different socio-political, economic and cultural characteristics, and there is usually a significant volume of transactions between units located in different countries (see also, UN, 1999). In addition, the common control of these globally dispersed operations means that MNCs have an opportunity to coordinate pricing, sourcing, and location decisions in a manner that, while increasing net returns for the group, may be harmful to the LDC's natural environment and society at a large. This is the basis for a conflict of perspectives between that of the national view of various groups within the nation-state and the view of MNCs (Redebaugh and Gray,

1997). While increasing net returns by operating in different countries is for many MNCs just a part of their global business operation, this is the part that is of primary concern for most of those affected in the host country. This particular context appears to have given rise to pressure for more accountability and information disclosure by MNCs and their subsidiaries.

In an LDC, corporate accountability is becoming an increasing concern. This is partly due to the support MNCs get from political and economic elites of states (Bendell, 2004; Levy and Egan, 2003). In particular, LDCs, which depend on MNCs for investment and technology, are likely to support MNCs and will relax their fiscal policies to encourage investment (Seidman, 2003). Moreover, difficulties arise in making MNCs accountable for their subsidiaries' operations through formal state regulation in an LDC. It seems difficult to use home country law to hold responsible a multinational corporation for the violation committed outside its national boundary. For various socio-political reasons, it is also extremely difficult to regulate MNCs by using the host LDC's regulations. International organisations like the UN, the ILO, and the OECD produce different guidelines to regulate operations of MNCs. MNCs themselves also produce a number of their own guidelines. None of these guidelines work to make MNCs more accountable to an LDC society due to their voluntary nature. Different initiatives have also been taken to establish a uniform format and content for social reporting such as GRI and AccountAbility's series AA1000. However, all these are voluntary for the business community as well. It seems that the concept of self-regulation by guidelines is not working (UN, 2003, Utting, 2002b; FitzGerald, 2001). In contrast, although NGOs are increasingly engaged with corporations to make their social and environmental impacts visible, the case for

regulating MNCs rests on nation states. However, Bailey et al (1994, 1998) argue that increasing inflow of information, at least, has the potential to make MNCs more accountable to the home country. If increased information is required in the home country, it is perhaps more important to the LDC society at large to be given information regarding international business, at least to know the extent to which these corporations are really of benefit to them.

The chapter then illustrates CSR practices particularly by MNCs and their subsidiaries, practices which are arguably very few and are not conclusive. For example, it is suggested that subsidiaries of MNCs disclose more than domestic corporations due to their affiliation with their parent corporations (Teoh and Thong, 1984). On the other hand, Andrew et al (1989) suggest the possibility that cultural influence may lower the tendency of domestic corporations' managers to report, compared with subsidiaries' managers, who may follow a more open disclosure policy. In addition, the UN study (1991a, 1995) shows that subsidiaries operating in LDCs are making less disclosure compared to their parent corporations. This study therefore intends to tease out some of these conflicting claims by focusing on UK subsidiaries operating in Bangladesh. The next chapter therefore outlines the Bangladesh context in which CSR has been investigated further.

Chapter 5

The socio-political and economic background of Bangladesh: the research context

5.0 Introduction

The previous chapter gave an overview of the international business literature on the social and environmental accountability of MNCs and their subsidiaries. It also looked at the social accounting and reporting literature on the CSR practices of MNCs and their subsidiaries. The main aim of the study is to examine CSR practices of subsidiaries of MNCs and so to examine the way accountability is presently discharged through reporting by large corporations in Bangladesh. Hence, it is important to address reporting practices of corporations in Bangladesh, with its specific socio-political and cultural characteristics.

The thesis is thus trying to explore the rationale behind the adoption and application of CSR practices by MNCs, particularly by subsidiaries of Western corporations, in a developing country. The maintained assumption throughout the thesis is that it is possible to draw insights from CSR practices of MNCs in Western countries and that it is useful to look at subsidiaries' practices and their relevance to the developing country's context. To do so, on the one hand it draws understanding from present CSR practices of the West in general and CSR practices of the UK in particular, and on the other draws understanding of CSR practices of their subsidiaries within the context of Bangladesh. This requires an understanding of the context of Bangladesh first. This chapter addresses this by

focusing mainly on the geography, socio-cultural, political and economic history of Bangladesh. Consequently, this chapter is organised as follows. Section 5.1 explains the geography, socio-political and cultural history of Bangladesh. Section 5.2 looks at the social and natural environmental problems Bangladesh is currently facing. Section 5.3 looks at the legal framework of disclosing information in Bangladesh. Finally, section 5.3 concludes and summarizes the chapter.

5.1 Geography and history of Bangladesh

5.1.1 An Overview of Bangladesh

Bangladesh was part of India until 1947. It became a part of Pakistan (then called East Pakistan) when, on decolonisation, Britain partitioned India into two separate independent countries: India and Pakistan. Bangladesh emerged from Pakistan as an independent state in 1971. Since its liberation from Pakistan following a liberation war, the country has lacked a strong and effective political environment (Ali, 1999). This has seriously hampered its economic growth and prosperity. Moreover, the shortage of natural resources and the prevalence of natural disasters such as flood and drought, have severely affected economic development and the standard of living of its inhabitants. According to World Bank statistics, Bangladesh's annual GDP growth averages 3.1 per cent over the past decade (World Bank, 2004a). Presently, industries compare to agriculture occupies the major share of GDP, accounting for 26.5 per cent in 2004 (World Bank, 2004b). According to social and economic indicators of the World Bank, the country however exhibits all the characteristics of an underdeveloped country including widespread poverty, increasing inequality, widespread malnutrition and

hunger, rapid population growth, high levels of unemployment and dependency on foreign loans. Bangladesh is ranked as one of the poorest and most densely populated nations in the world, with a GNP per capita of US\$430 in 2004 (World Bank, 2004)¹. It had a human development index score of 138 out of 177 countries and had a total population of about 140.5 million in an area of 147,550 km sq, with a population density of more than 752 persons per square kilometre (World Bank, 2004a,b). The adult literacy rate, 41.1% in the year 2004, is almost the lowest in the world, and compares poorly with the South Asian average of 57.6% (WB, 2004a). The provision for basic health care has also lagged far behind other South Asian countries, with a life expectancy at birth of 61.4 years, infant mortality at 77 per 1000 live births, and child malnutrition at 67% for children under five (WB, 2004). More importantly, Bangladesh suffers from many of the world's social and environmental problems. It seems that the natural problems Bangladesh is presently facing can be identified generally with the geographical location of the country and industrialisation, but the reasons behind social problems are more complex and political in nature.

5.1.2 Geographical location

Bangladesh is the largest delta in the world. There are only a few small hills in the North and East. Chittagong Hill tracks are located on the south-east of the country but the south-west is flat and adjoined to the Bay of Bengal. Very little of Bangladesh's land is over 40 feet above sea level. If the sea level was to rise due to global warming, there would be a great threat of flooding for one third of the land. Three large rivers named Padma, Brahmaputra and Meghna flow from India

¹ According to World Bank report (2004b) average GNP per capita for the low income countries is \$510

through Bangladesh to the Bay of Bengal. The vast amount of water from these rivers during the rainy season is one of the major reasons for floods in this country. However, the fertile land and climate are very suitable for growing agricultural products. The tropical monsoon climate clearly divides the seasons into two basic weather conditions: the rainy season (April to September) and the dry season (October to March).

5.1.3. Cultural history

The culture and society of Bangladesh have been dominated by external influences, especially by the Muslims from the Middle-East region. From the third century A.D onwards, the Mauryas, the Guptas, the Pals, the Senas, Portuguese, French, English and the Muslims came one after the other to rule the land, grafting their way of life and culture into indigenous society (Choudhuri, 1992). However, the Muslims were able to root the Islamic culture deeply in Bangladeshi society (Choudhuri, 1992)². Ideals of Islamic egalitarianism, especially of equality, brotherhood, and social justice, spread through saints known as *pirs*, who were seen as role models for society, and whose words were followed and obeyed (Choudhuri, 1992). Such following is still evident in Bangladeshi families and the community, particularly among rural people, who are still the majority of population (Choudhuri, 1992). It seems that the majority of the Bangladeshi community still believe in what has been said by the *pirs*, rather than asking for anything in black and white (Choudhuri, 1992).

The influence of Islam is also evident at government level. For example, post-1971 regimes have seen the establishment of the Ministry of Religious

and for South Asia is \$590 in the year 2004.

Affairs which directs the policy and programme of the Islamic Foundation and is responsible for organising research and publications on Islamic subjects (Jamil, 1998). Several Islamic financial institutions, such as Islamic banks, have been set up. Two Islamic universities were established with the aim of training Islamic scholars along with modern Western knowledge.

Another step towards further government involvement in religious life was taken in 1984 when the semi-official Zakat Fund Committee was established under the chairmanship of the President of Bangladesh (Jamil, 1998). The committee solicited annual *Zakat* contributions on a voluntary basis, although by Islamic jurisprudence or *Sharia law*, *Zakat* was treated as a mandatory payment or an obligation to pay by any individual or corporation (Jamil, 1998). The revenue generated was to be spent on orphanages, schools, children's hospitals and other charitable institutions and projects. This imposed a philanthropic responsibility on individuals and corporations based on poor people's rights to their savings. However, it seems that the legal system operating in Bangladesh is a modified Anglo-Indian civil, commercial and criminal legal system, established during the British colonial period rather than one based on the Islamic jurisprudence (Parry and Khan, 1984). In particular, the Companies Act 1993 in Bangladesh followed Companies Act 1913 of the then British India. Bangladeshi society is also often characterised by the importance of dominant social groups, by the influence of dominant business and political elite groups, and by widespread corruption (Parry and Khan, 1984, Jamil, 1994).

First, the elite group. Such groups exist in all societies, but in Bangladesh a small socially important group dominates the upper reaches of government,

² At present Islam is the religion of 87% of the population.

industry, commerce and higher education. According to a former member of the Planning Commission this elite comprises “*a closely-knit group living in urban areas....interested in jobs and opportunities...and higher education*” (Abdullah Farouk, 1982, p.9).

These elites operate on a system of mutual favours. Members of Parliament (MPs) are elected as a result of money invested by the economic elite in their favour; these MPs then help to manipulate the market. The economic elite manage big contracts, commit financial crimes and provide low quality of work in the public regime (Islam, 1977, Choudhuri, 1992). Nobody can challenge them, it is nearly impossible to find any documentation or evidence against them, because they abuse the whole system (Bangladesh Observer, 1996). The 1996 stock market crisis and the 1995 fertilizer crisis are only a couple of examples of how the economic elite, with the help of some of the political elite, manipulated the market and made money at the cost of general public (Bangladesh Observer, 1996, Momin and Shaoul, 2004). Although “everybody knows” what happened, no action has been taken against those identified. Further evidence of the nature of this elitism is contained in a study of the bureaucratic elite in Pakistan and Bangladesh by Emajuddin Ahmed, Former Vice-chancellor of Dhaka University:

“In Bangladesh, as well as Pakistan, the bureaucratic elite have emerged as the most powerful power wielding group since November 7, 1975 and the Martial Law regime in Bangladesh is, in fact, a partnership between the military officers and the elite civil servants...In the economic sector, the policy-making structure is dominated by a very small group of senior most civil servants and military officers.” (Emajuddin Ahmed, 1979, p.69).

The situation has become worse over time³. A World Bank study (1996) states:

1. *Government is seen as: preoccupied with process; too pervasive; highly centralised; overly bureaucratic; too discretionary in governance; unaccountable and unresponsive; and wasteful.*
2. *Based on a nationally representative sample, not only is access to government provided education, health, and extension services deficient, but the quality of services is also poor. In almost all areas, services provided by government ranks lower than services provided by NGOs and the private sector.*
3. *According to a survey of 200 businessman and 70 experts, government officials are unresponsive and oblivious to cost of delay, and there is a little improvement in the day-to-day hassles of interaction with public agencies.*
4. *Two thirds of exporters have lost export orders due to delays in dealing with public agencies and, on average, exporters spend 7% of sales to expedite government agency decision making.*

Overall, therefore, there is evidence of an entrenched and dominant elite group managing the country, economy, and the administration.

All societies face the problem of corruption, but its scale and intensity differs. Most Bangladeshi believe there is corruption in every section of their society and that it stretches right across the political and economic spectrum (World Bank, 1996). This environment seems to undermine public confidence in both the government and business people (World Bank, 1996). It engenders individualistic interest and constrains collective social goods. It makes the poor pay a high price, and restricts the development of an accountable framework which would make organisations accountable for their actions. It is difficult to assess the extent of corruption; its very nature makes it secret, and no organisation is enthusiastic about the unpopular task of quantifying corruption (World Bank, 1996). That it does exist, however, is undeniable.

In summary, the cultural environment of Bangladesh suggests a context in which there exists a powerful and corrupt political and economic elite, driven by

³ Amnesty International ranked Bangladesh number 1 for corruption, particularly in the

personal interest. In addition to this, it seems that the Islamic religion, despite having a major influence on the beliefs of normal people, does not help in reducing corruption and or restricting the political and economic elite from their unaccountable behaviour.

5.1.4 Political history and development

The British East India Company defeated local forces and captured Bengal in 1757 and Bengal was eventually ruled by Britain from 1757 to 1947. The socio-economic structure of India changed enormously over this period. Bengal, as a part of India, changed too. Major changes occurred in the economy, communications, education and law structure (Parry and Khan, 1984). India, including Bengal, was developed as a supplier of raw agricultural products and materials for Britain during the colonial regime. The communication structure was also improved with the introduction of the railway. Social changes occurred with the introduction of private property rights through a Permanent Settlement Order in 1793, which in turn created distinct classes i.e., peasant and *Zamider* (rich land owner). Through this order, ownership of land was transferred from peasant to Zamider, who were loyal to the British administrator (Jamil, 1998). Schools, colleges and universities were set up, with English as the only language of education. During the colonial period, British rulers also shaped the legal structure according to English jurisprudence and laws. Business institutions that gradually developed from a single entity to a corporation were based on the legal structure introduced in the British colonial period⁴.

government sector, for the last three years.

⁴ For example, the Company Act 1913 was introduced to incorporate business as a separate entity.

On the partition of India in 1947, the area which is now Bangladesh became part of Pakistan. East Pakistan was not treated equally by the Pakistan central government (Islam, 1977). Immediately after Bangladesh became an independent state in 1971, the Awami League (AL), which led the movement against Pakistan, came to power. The AL government adopted a centrally controlled economic system and nationalised all industries in March 1972. The administrative machinery to handle corporations and enterprises was put in the hands of AL supporters who were not sufficiently qualified or committed to development (Islam, 1977). As a result, the Bangladeshi capitalistic and bureaucratic elite developed and a small group of people took all the benefits (Islam, 1977). Public corporation enterprises started to show continuous losses and became a liability for the government, leading to a period of acute political crisis.

Zia-ur Rahman took power after a series of coups d'état in early November 1975 (Islam, 1977). In April 1977 he was elected President. A period of comparative stability followed until his assassination in May 1981. The period of Zia-ur Rahman was remarkable for the change in political ideology from socialism to capitalism. However, after his assassination, General Ershad, the army Chief of Staff, staged a coup and became the chief martial-law administrator in March 1982. He appointed himself President in December 1983 and was elected to the same position in October 1986. After taking political power in March 1982, the Ershad government made no changes to economic policy, instead continuing the policies of the former government. A united opposition by all the major political parties forced General Ershad to resign and hold an election in 1991, which his party lost. Begum Khalada Zia, wife of the former president Zia-ur Rahman of the Bangladesh National Party, formed the new government. She

ruled Bangladesh as Prime Minister until 1996, after which Sheikh Hasina, the daughter of Sheikh Muzibur Rahman, formed the government. In the 2001 election, Begum Khalada Zia was elected Prime Minister.

These political changes have been accompanied by changes in economic policies which have affected industrialisation and the way industry operates in Bangladesh. The AL government (in the period 1972 to 1975) followed a socialist manifesto, and thus economic policy was characterized by the nationalisation of private business. The then government followed an import-substitution strategy. However, Zia-ur Rahman and the Ershad governments (1975-90) managed the economy differently. They reformed industrial policy, moving to a free market economy through privatisation and thus an export-led industrialisation policy. With such policies, FDI was encouraged by offering benefits such as 100 per cent repatriation of profits. The governments that followed (from 1990 to present) are the Bangladesh National Party and the AL respectively, pursued more openness in economic policy through an acceleration of trade liberalisation, financial and fiscal reforms and massive privatisation. In short, economic policy reforms directed industrialisation from public corporations to an ambitious process of trade liberalization and the adoption of measures to promote FDI. It seems that political changes led a state controlled economy to become a market based economy in a short time period. Indeed, this shift is reflected in the process of industrialisation in Bangladesh.

5.1.5 History of Industrialisation

The AL government discouraged private investment, setting the maximum limit of 2.5 million Taka⁵ for private sector investment in its first industrial policy (Government of Bangladesh, 1973). Restrictions on foreign private ownership were made. The industrial policy of the AL government was intended to prevent growth of the bourgeoisie and elite business class while developing labour-intensive small-scale industries as the base of the industrial sector (Islam, 1977; Ahmed, 1989). During the First Five Year Plan, over 85 per cent of the total investment in the industrial sector was made in the public sector (Ahmed, 1989). Public enterprises were extended to areas such as the distribution of agricultural inputs, and direct investment in areas that are highly capital intensive with low commercial returns, such as the fertilizer industry. In addition, private investment in sectors such as jute, textiles, sugar, paper, electrical, power and water, shipping and utilities was restricted. To deliver the services, specialised financial institutions such as the Industrial Development Bank, Agricultural Development Bank, Industrial Credit and Investment Corporation, Water and Power Development Authority, and the Agricultural Development Corporation were established as part of the public sector. Thus, Bangladesh's First Five Year Plan expanded public enterprises, which the government saw as a measure of rapid industrial development through the direct intervention of government.

A four tier⁶ management structure was implemented to link business enterprises with the cabinet, with the aim of making business accountable to the cabinet, and ultimately to the general populace (Islam, 1977). However, the

⁵ Taka is the local currency of Bangladesh.

administrative machinery that handled these bulk corporations and industries suffered from a lack of transparency, and developed close ties with politicians and business people (Ahmed, 1989; Islam, 1977). It is suggested by some authors that in this way a few groups of Bangladeshi capitalistic and bureaucratic elite developed from the political elite of the AL government. These groups were capable both of dominating the industrial sector on one hand and influencing the politics of Bangladesh on the other (Ahmed, 1989; Islam, 1977).

After the change in government in 1975, successive governments gradually lifted state control and encouraged the development of a market economy by making changes to industrial policies (Ahmed, 1989; Quddus and Rashid, 2000). The investment ceiling for the private sector was raised from 2.5 million to 100 million Taka and ultimately withdrawn altogether in September 1979 (Government of BangladeshB, 1982). Moreover, a number of steps were gradually taken to boost the private sector, including measures like the disinvestment in smaller public enterprises, the initiation of a capital market (by establishing the Dhaka Stock Exchange), and the simplification of investment and loan sanction procedures. The scope of private investment was also extended to include the big textile, jute and sugar units. In 1978, the government started a process of denationalisation, handing over all nationalised enterprises to their previous owners at a reduced price and in some cases by auction. This process was continued by subsequent governments until 1998, leading to growth in the private sector and a reduced number of public enterprises. Thus, over a short time span, there has been a complete reversal of the development strategy, from

⁶ At the bottom of this tier were the public enterprises responsible to the upper tiers of the corporation for their operations. Corporations were responsible to the relevant Ministry for every decision made, while the Minister was accountable to the cabinet members as organised by parliament.

reliance on the public sector to reliance on the private sector. At present, five sectors only are reserved for the public sector. These are: (1) arms, ammunition, defence equipment, and machinery; (2) production of nuclear energy; (3) security printing and minting; (4) forestry in the reserved forest areas; and (5) transportation (except air cargo and domestic air transportation) and railways.

At present, the main industries of Bangladesh consist of sectors such as agro-based industries, food and allied industries, textiles, printing and publishing, tannery, leather and rubber, chemicals, glass ceramics and others, engineering, services and others. These groups of industries can be categorised under three headings: manufacturing, services and others. Overall, the history of industrial development in Bangladesh suggests that no uniform industrial policy has been maintained since the independence. The industrial sector’s contribution to the economy is increasing in terms of GDP. Table 5.1 shows the contribution of the industrial and agricultural sector to the Bangladesh economy.

Table 5.1
Contribution of agriculture and industry in GDP.

Particulars	1971-1975	1975-85	1986-96	1997-02
Average GDP (in bln. US \$)	6.53	13.59	26.15	32.5
Structure of the Economy: (% of Average GDP)				
Agriculture	52.5	62.0	41.8	30.9
Industry	11.3	11.6	16.0	17.6
Manufacturing	7.0	7.0	9.9	9.6
Others	4.3	4.6	6.1	8.0
Services and others	37.20	26.4	42.2	51.5
Average annual growth rate:				
Agriculture	***	3.5	1.8	3.7
Industry	7.9	4.7	6.5	5.3

Sources: World Bank (various reports), Bangladesh Statistical Yearbooks and data cited in Muhith (1999).

Note: ‘***’ means insignificant.

The political and economic policy changes in Bangladesh suggest that in Bangladesh the colonial regime was replaced by a state despotic (Uddin and Hooper, 2001). This despotic state did not improve the quality of its people's lives, although it perhaps improved the life and economy of a small portion of society, namely the bureaucrats, and the state political and business elite (Uddin and Hooper, 2001). Such a despotic state was shortly replaced by a new despotic based on market and international capital. In fact, it is suggested that the establishment of export processing zones, with restrictions on trade unions in these zones, a flexible fiscal policy and incentives offered by the state, as well as a more catalectic view taken by the Bangladeshi government towards a market economy, shifted control from the state to the market (Uddinn and Hooper, 2001). This, it is argued, improved the real income of the richest people while the real income of the poorest households stagnated. Indeed, it is estimated that since 1989-90, the living standard of 20 per cent of the richest people increased by over 30 per cent while the real income of 20 per cent of the poorest people did not increase at all (International Labour Organisation, 2000a). However, it seems that FDI increased during the period of the market based economy, not only due to the success of the market economy policy of the government, but also due to other factors such as the availability of cheap labour including women's labour.

5.1.6 Foreign direct investment

Any attempt to analyze FDI in Bangladesh requires a note of caution. Availability of data on FDI is scanty and to some extent clumsy (Reza, 1995). For example, figures of FDI inflow always include investment by MNCs and other forms of foreign capital an organisation may collect through loans from

international banks (Reza, 1995; Reza et al., 1987). So FDI inflow measured in Bangladesh does not solely represent investment made by MNCs; rather it represents total foreign investment from outside Bangladesh. From the data, it was very difficult to isolate FDI by MNCs from those organisations that are using foreign loans in their capital structure. Moreover, often the data available is for approvals, but not for realised investments (Board of Investment, 2002). Sometimes there are wide discrepancies between national and international data sources and among national and international sources themselves. However, Table 5.2 provides data related to FDI inflow in different regions of the world, using data from international sources. It should be noted that the researcher was unable to find very recent data from a single source.

Table 5.2
Foreign direct investment inflow (US \$million)

Particulars	1980-85	1990	1995	1998
World	49813	203341	331189	643879
Developing countries	12634	31345	105511	165936
Asia	5043	18948	67386	84880
South-Asia	178.8	458	2753	3433
Bangladesh	-0.1	3	2	317
Bhutan	na	na	na	Na
India	62	162	1964	2258
Maldives	-0.3	na	7	7
Nepal	0.2	6	5	9
Pakistan	75	244	719	497
Sri Lanka	42	43	53	345

Source: UNCTAD, World Investment Report, various years

Table 5.2 shows that South Asia did not attract much FDI until the 1990s. FDI flows within South Asian countries are quite minimal. In 1998, FDI in South Asia reached US \$3.43 billion, a mere 0.5 per cent of global flows. However, FDI inflow in South Asia has increased in terms of total FDI inflows to the world, developing countries and Asia over the period 1980-1998. Table 5.3 shows the share of South Asia in world, developing country and Asia's FDI inflows while Table 5.4 shows country shares of FDI as a percentage of total inflows to South Asian countries. This shows that by 1998 India had become the highest receiver of FDI within South Asia, followed by Pakistan, Sri Lanka and Bangladesh.

Table 5.3
Share of South Asia in FDI inflows (in percentage)

Particulars	1980-85	1990	1995	1998
World	0.36	0.23	0.83	0.53
Developing country	1.42	1.46	2.61	2.07
Asia	3.55	2.42	4.09	4.04

Source: computed from Table 5.2

Table 5.4
Country shares of FDI as a percentage of Total inflows to South Asian countries

Particulars	1980-85	1990	1995	1998
Bangladesh	-0.1	0.1	0.1	9.2
Bhutan	na	Na	na	na
India	34.7	35.4	71.3	65.8
Maldives	-0.2	Na	0.2	0.2
Nepal	0.1	1.3	0.2	0.3
Pakistan	42.0	53.3	26.2	14.5
Sri Lanka	23.5	9.4	1.9	10.0

Sources: Calculated from Table 5.2

Note: Column may not add exactly to 100 due to rounding

Despite the growth of FDI in South Asia, FDI as a proportion of GDP in South Asian countries remains very low. For example, in the mid-1990s, the share of FDI in GDP for Pakistan and Sri Lanka was approximately 1 per cent, while the figure for India was only 0.5 per cent (Kelegama et al., 2000). For Bangladesh, it was less than one per cent (CPD, 2001). According to a CPD study (2001), the FDI share in GDP in 1989-90 was only 0.1 per cent, increasing to 0.6 per cent by the year 1999-2000.

Although there are reasons for the development of FDI in South Asia even though it is low, there are indications that significant amounts of FDI are directed to the garment and textile sectors, taking advantage of the very cheap labour in this region (Kelegama et al, 2000)⁷. As such, the textile and garment sectors have attracted a high proportion of FDI in Bangladesh (28 per cent of FDI) and Sri Lanka (16 per cent of FDI) mainly because of the cheap labour offered by these two countries.

The textile and garment sectors alone play a vital role in the economy of both Bangladesh and Sri Lanka and contributes significantly to export earnings. It is estimated that garment exports now comprise more than half of Sri Lanka's export earnings (Kelegama et al, 2000). In Bangladesh, the export earnings from garments overtook the combined export earnings revenue from raw jute and jute goods from 1987 to 2000. The growth rate of this sector in the 1990s was about 21.5 per cent, compared to 15.7 per cent overall average export growth in Bangladesh (Quddus and Rashid, 2000). The share of earnings from garments increased from just 12 per cent in 1985 to account for over 73 per cent of total export earnings in 1998. There has been a concurrent increase in total

employment, estimated at approximately 1.5 million by the end of the 1990s - 1.2 million of whom were women. Table 5.5 shows the amount of FDI invested in different sectors in Bangladesh during the period 1976-1998⁸.

Table- 5.5
Foreign direct investment by industrial sector (In million Taka)

Sector	1976-1998	Percentage (%)
Chemicals & Pharmaceuticals	5,823	9
Textile & Garments	18,601	28
Food & Allied	2,301	3
Tannery & Allied	907	2
Electric Appliances & Electronics	587	1
Telecommunications	5,749	9
Engineering	3,482	5
Services	6,956	10
Others	22,270	33
Total	66,696	100

Sources: ESCAP (1998)

Table 5.5 shows that since 1976 the textile and garment industry has attracted major FDI in Bangladesh, followed by the chemical, pharmaceutical and service industries. However, prior to independence, pharmaceutical, chemical and petroleum companies dominated and attracted the bulk of FDI (Reza et al., 1987, Reza, 1995). In post-independent Bangladesh, the pharmaceutical sector attracts less FDI. This is partly due to the introduction of a national drug policy in the mid-eighties which banned several medicines manufactured by MNCs (Reza, 1995). While pharmaceutical industries became less attractive, the garment industry started to attract FDI in South Asia in general and Bangladesh in particular. The development of the garment sector highlights the fact that the stimulus for growth in these sectors came from foreign investment, attracted by a more liberalised trade and investment policy that allowed them to combine their firm-specific advantages with the countries’ cheap labour. Yet, while the textile

⁷ Ramaswammy and Gereffi (1998) note that labour costs in textile and garment industries are the lowest in the world, with the average hourly wage of only US \$0.16. By contrast, it is US\$0.35, 0.25, 3.85, and 4.61 in Sri Lanka, China, Hong Kong and South Korea respectively.

and garment sectors contribute to the economy, they are also known as notorious industries in terms of broader social consequences, such as labour exploitation. Now the discussion must turn to social and environmental concerns which have been growing since independence.

5.2 Social and Environmental concerns

Bangladesh has undoubtedly faced a series of problems year after year since independence. Corruption, tremendous poverty, natural disasters, political unrest, dependency on agriculture, and growth of unregulated capitalism are many of the obstacles that have led to social and environmental concerns and hindered the development of quality of life for most of the population. It is not possible, nor intended, to address all the concerns facing Bangladeshi society. This study therefore focuses on two of the more pressing concerns, which are related to business operations.

5.2.1 Concern regarding environmental degradation

Environmental concern has been growing in Bangladesh since 1977. For example, the Bangladeshi government promulgated its first Environmental Pollution Control Ordinance in 1977 to control and prevent environmental pollution (Government of Bangladesh, 1977). In 1982 the Department of Environmental Control Board was set up under the Ministry of Rural Development. A separate Ministry of Environment and Forest was established in 1989, charged with enacting the government's environment policy (Muhith, 1999). Moreover, a National Environmental Management Action Plan (NEMAP)

⁸ Data for foreign investment according to sector is not available after 1998.

was finalized in 1995 to instigate programmes and studies regarding environmental protection and control. However, despite an ordinance and policy being in place from 1977, the policies were rarely implemented in practice and Bangladesh started to experience high environmental pollution, especially in Dhaka and other industrial cities⁹ (Alauddin & Hamid, 1999; Belal, 2000; UN, 2000b). It has been argued in previous studies¹⁰ (Alauddin, 1999; Jahan and Alauddin, 1999; Muhith, 1999; Reza, 1995) that the major causes of present environmental degradation are the old technology of most business enterprises, the absence of recycling and waste treatment plants, and the disposal of industrial toxic wastes directly into the water and air. A survey carried out in 1985 by the Directorate of Environmental Pollution Control (DEPC) listed the 903 most polluted companies under twelve broad industrial classifications. Recently this number has risen to 1786 polluted companies (Muhith, 1999). The list includes both local firms as well as multinationals (Muhith, 1999; Reza, 1995). The highest polluting industry was found to be the textile group, followed by tanneries and pharmaceuticals (Muhith, 1999). Moreover, it is suggested that the shrimp culture industry¹¹ - an export-based industry dominated by FDI - is directly related to the destruction of forest and coastal areas (Alauddin and Hamid, 1999). For commercial reasons, shrimp firms takeover the land of poor people in coastal areas, in order to culture shrimps. The effect of shrimp culture is devastating in that it reduces crop production on nearby land, pollutes water and contaminates

⁹ For example, Dhaka (the capital city of Bangladesh and the major industrial city of the country) has one of the highest lead contents in its air in the world. Dhaka is situated on the bank of the river *Bure-ganga*. The water of this river has become so polluted with industrial waste and effluents that it is harmful to public health (Alauddin, 1999).

¹⁰ Also see, Report of the Task Forces on Bangladesh Development Strategy for the 1990s, vol. 4, Environmental Policy: Environment and Development, UPL, Dhaka, 1992.

¹¹ The shrimp industry in Bangladesh produces 4.2 per cent of the world's shrimp production and is the 7th largest shrimp producer in the world.

land, thus affecting the lives of rural people (Alauddin and Hamid, 1999). In addition, Mazid (1995) identified that Bangladesh has lost 50% of its mangrove forest in the south-eastern region of the country since the 1970s. This was due to growth in the shrimp culture industry.

It is also argued that Bangladesh faces great threats from climate change due to global warming and greenhouse gas emissions. According to Buchdal (cited in Alauddin, 1999), the sea level is rising due to global warming and a rise in the sea level of 1.5 meters would flood one-fifth of the total farm land of Bangladesh - a loss of major land area and of around 21.3% of agricultural production (Buchdal, 1996).

The ‘Magurchara Gas Field disaster’ which happened recently in Bangladesh, also highlighted the case of environmental damages made by international capital investment (Siddiqui, 2001). Siddiqui (2001, p.12) states :

“ The molovibazar gas well number 1 at Magurchara, Sylhet is operated by Occidental of Bangladesh Limited. In June 14th, 1997, this was blown out, opening gas reserves of around 700m cubic feet. There was an incessant and major forest fire for seventeen days. The fire rose up to 500 feet. People living in that area were forced to leave the place. All valuable trees, herbs and plants of different types were destroyed. A portion of the nearby tea estate was also affected, resulting in a halt in production of tea for a period (cited from Islam, 2000)... the environmental destruction was estimated at Taka 6.12 billion” (Siddiqui, 2001, p.13).

5.2.2 Employee concerns and issues

Concern regarding treatment of employees mostly relates to the textile, garment and footwear industries¹², both those operating in the Export Processing Zone (hereafter EPZ)¹³ and those operating outside it. The industry is recently

¹² About 50,000 workers, mostly women, are employed in the garment and leather industries in Bangladesh. All of these workers are denied the right to organise, to bargain and to strike, as the government has banned these activities in EPZs in order to lure foreign investors. This is discriminatory in terms of national labour laws (Human Rights for Workers Bulletin, 1999).

¹³ The EPZ now employs 70,000 workers, mostly in the garment and footwear industries.

subject to public debate concerning the use of women and child labour¹⁴ with very low wages, forced overtime¹⁵ and very unhealthy, unsafe working conditions¹⁶ (see, Hossain, 2002; Quddus and Rashid, 2000; International Labour Organisation, 2000b; 1998; Ahmed, 2001). The study (International Labour Organisation, 1998), commissioned by the International Labour Organisation, mentions that -

“A series of abuses or infringements of the law which were going unchecked. These fell into the following categories:

- failure of the employer to pay statutory deductions for unemployment and accident insurance;*
 - failure to issue regular contracts to workers after probationary or training periods in order avoid paying slandered wage rates and other benefits;*
 - compulsory overtime and other abuses of regulations concerning hours of work;*
 - attempts to avoid the provisions relating to paid maternity leave;*
- intimidation or victimisation of worker organisations.” (International Labour Organisation, 1998, p.34)*

Another study from the International Labour Organisation (2000) examined employment status not only in the garment industry but also in the footwear and leather industries in Bangladesh. The study showed that Bangladesh, in general, has the lowest labour cost in these sectors. Moreover, inhuman working conditions prevailed within the factories of the garment and textile industries. According to a member of an international NGO-

¹⁴ According to Hossain, the garment industry employed 13 per cent of its labour from child workers in 1991 (Hossain, 2002).

¹⁵ The law sets a standard of a normal 48-hour work week, and a 60-hour work week inclusive of overtime, but this is poorly enforced in industries such as the textile and garment, where forced overtime has been observed (Human Rights Country Report, 1998).

¹⁶ The Factory Act 1965, normally sets occupational health and safety standards but is largely ignored by major employers (Human Rights Country Report, 1998)

“At first glance it seemed that this horrible huge place was uninhabited. In fact, about 4000 people were working there making cloths...People were crammed in separate rooms. In each room there were as many workers as it was physically possible to hold: 20, 30 even 50 people...Workers squatted on the floor cutting material. Every inch of space was used. In many rooms there were no windows to allow natural light or ventilation, and where there was artificial light, it was weak and inadequate: loose electrical wires laced with cobwebs connected the bulbs in a way that seemed more like a scene from a nightmare than life in 1997. Among the adults, many children were working... seven days in a week for 14 hours a day...many workers sleep on the floor when they become too exhausted to work; often they don't have enough time between shifts to travel to and from home. The sanitary facilities were indescribable. We saw one toilet for all the people on each floor- six for 4,000 people. The infernal heat was made worse by the extreme levels of humidity, especially prior to the monsoon. In Karanigongi more than 30,000 people live and work in such conditions for the clothing industry... the visit to Karanigonji showed us to what extent human dignity can be trampled at the eve of the twenty-first century, at a time when we are also able to explore Mars..” (ITGLWF Newsletter, 1997, p.2)

5.3 The legal framework for disclosure

Bangladesh has its own regulatory framework which governs disclosure in corporate reporting within it. Although companies use different reports such as interim reporting, letters to shareholders, and employee reports, and newsletters, the annual report is considered to be the major source of information for various user-groups in Bangladesh (Akhtaruddin, 2005). The regulatory framework which governs disclosure in Bangladesh mainly consists of the Company Act 1994, the Securities and Exchange (SEC) Rules 1987, and IASs adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). There are, however, other distinct sets of regulations such as the Nationalized Order 1972, the Banking Companies Act (GOB, 1991), and the Income Tax Ordinance 1984 (GOB, 1984), set for banking, railways, electricity and insurance companies.

Bangladesh adopted the Companies Act 1913 from the then British India. This Company Act 1913 was then replaced by the Company Act 1994 with major amendments made in disclosure requirements and financial reporting for limited

corporations¹⁷. Section 185 of the Company Act 1994 provided the mandatory items to be disclosed on balance sheets and income statements and section 186 provided a list of information items that must be disclosed in the director's report (GOB, 1994).

Two accounting professional institutes, namely, the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB), are mainly involved with financial and cost audit in Bangladesh. Moreover, ICAB has been given the authority to develop and issue accounting and reporting standards and to monitor their application throughout the country.

Stock exchange authority governs disclosure in company reports as a part of listing requirements¹⁸. Companies listed with the Dhaka Stock Exchange and also the Chittagong Stock Exchange must disclose the following information in compliance with SEC regulations: company history, outline of business, profile of top employees, profile of directors, information on capital, changes in share capital, number and types of shareholders, audited financial statements, consolidated statements, post-balance-sheet events, holdings in associate and subsidiary companies with relative percentage and payments of dividends (Akhtaruddin, 2005). The stock exchange thus places a disclosure obligation on listed companies in addition to the Company Act 1994. Moreover, IASs adopted

¹⁷ "Under the new law fixed assets are to be shown at cost or valuation. The provisions for depreciation are the annual charge to be disclosed separately. The required disclosures are classified and specified in far more detail and include reserves and the changes that occurred during the year, directors remuneration, commission, tax provision, and the flow of foreign currency" (Akhtaruddin, 2005, p. 402).

¹⁸ Bangladesh inherited only one stock exchange, the Dhaka Stock Exchange (DSE) at the time of independence in 1971. It was formed in 1954 and registered as a limited company. The Chittagong Stock Exchange (CSE), another stock exchange of the country, was set up in 1999 and functions in Chittagong.

by the ICAB gain mandatory status through SEC's directives and become applicable to all listed companies. This means, listed companies are required to prepare financial statements in accordance with the approved IASs along with disclosure provisions of the Companies Act and the stock exchanges. Thus, the SEC in Bangladesh plays a central role in enforcing mandatory disclosure requirements of listed companies.

However, the fundamental weakness of the regulatory framework is that it requires corporations to provide a minimum amount of information that is mainly financial in nature, rather than disclose social and environmental information to facilitate evaluation of financial performance. A major portion of social and environmental disclosure in Bangladesh, as in other countries, still remains voluntary and at the level of managerial discretion. Another limitation of the regulatory framework is that it does not provide any additional guidelines regarding disclosure requirements of foreign subsidiaries of MNCs in Bangladesh. This in turn, leaves subsidiaries of MNCs to disclose voluntarily according to guidelines such as the Code of Conduct on Transnational Corporations (Draft United Nations), the OECD guidelines for MNCs, or according to their own parent corporation's disclosure practices¹⁹.

5.4 Summary and Conclusion

This chapter explains the socio-political, cultural and economic context of Bangladesh, in which the investigation of CSR will take place. The history of Bangladesh suggests that many social ills such as poverty, exploitation, corruption, and natural disasters, have been present since the colonial age and

¹⁹ This issue has been broadly discussed in previous chapter.

have increased over several periods of political change. If motivation for social accounting is based on market imperfections, inequalities, exploitations and unjust treatment of the natural environment, as suggested by Gray et al (1995a) and Samuels (1990), perhaps Bangladeshi society needs more social and environmental information to help in the understanding, debate and, perhaps, solution to the social and environmental problems that Bangladesh faces. In addition, it seems that changes in industrial policy, as a result of political changes and with the assistance of international financial institutions such as the World Bank and IMF, have been directed to a highly ambitious free market economy. Indeed, restrictions on trade unions, flexible fiscal policy, incentives offered by the state and a more catalectic view taken by the Bangladeshi government towards the market economy, has actually helped to further shift control from the state to the market, notably to foreign MNCs (Uddinn and Hooper, 2001). Moreover, the development of stock exchanges, such as the Dhaka Stock Exchange, as a requirement of the market economy means there is a development of financial information flow from corporations to relevant financial stakeholders (i.e. government bodies, stockholders, creditors and investors). The present regulatory framework requires corporations to provide minimum amount of information mainly financial in nature rather than social and environmental disclosure to facilitate evaluation of financial performance. This, thus, does not guarantee Bangladeshi people the right to information regarding the social and environmental performance of corporations. More specifically, how we will know the extent corporations are contributing to the social and environmental problems that Bangladesh is facing, if corporations do not disclose anything? This makes

the provision of social and environmental information by these corporations more important.

However, some cultural traits of Bangladeshi society may have influence over the practices of CSR of corporations or subsidiaries operating in Bangladesh. For example, the collectivistic characteristic of the local society may mean more voluntary disclosure rather than mandatory CSR (Buhr and Friedman, 2001), while the presence of widespread corruption may mean such information would be less reliable. Moreover, religious belief may influence disclosure practices as well. More importantly, socio-political structure and, culture, as we have discussed before, can influence voluntary reporting practices. So it seems necessary to recognise the socio-political and cultural background of Bangladesh when addressing the social and environmental disclosure practices of corporations.

Chapter 6

Methods and methodology

6.0 Introduction

The previous chapter illustrated the socio-political, economic and cultural context of Bangladesh, the area of the study. Earlier chapters (chapters 2-5) described the framework and literature, which guided this study. This chapter discusses the research methods and the methodological stance of the study. More specifically, this chapter describes the quantitative and qualitative research methods undertaken, and the methodological stance of the researcher. The next chapter then focuses on a particular research method, content analysis, that was employed to record the volume and issues of CSR from annual reports of corporations. This chapter is designed as follows. Section 6.1 details the philosophical assumptions that guide the study. Section 6.2 then looks at the methodological stance that supports the methods used in this study. Section 6.3 offers in-depth explanations of the justifications for using quantitative and qualitative methods. Section 6.4 then summarizes and concludes the chapter.

6.1 Philosophical assumptions

Burrell and Morgan (1979) argue that social science can be conceptualised in terms of four sets of philosophical assumptions: those relating to ontology, epistemology, human nature and methodology¹. They note that *ontological assumptions* relate to the inquiry about reality, while *epistemology* consists of a

set of assumptions related to *grounds of knowledge*. To them, a third set of assumptions, conceptually different from ontological and epistemological ones, are related to '*human nature*'. These three sets of assumptions direct the methodological position of a researcher². Similarly, Taylor and Bogdan (1998) contend that the debate in choosing methodologies actually rests on the assumptions researchers are making. Subsequently, Burrell and Morgan (1979) argue that the philosophical assumptions of a researcher can be classified under two broad spectrums: those relating to the nature of social science, and those relating to the nature of society (Burrell and Morgan, 1979). While the nature of science has two opposing dimensions - subjective and objective - the assumptions relating to the nature of society also has two spectrums: the social regulation and the radical change dimensions (Burrell and Morgan, 1979).

6.1.1 Philosophical assumptions relating to social science

Burrell and Morgan (1979) contend that the philosophical assumptions relating to social science fall into two polarised methodologies, depending on either subjective or objective dimensions. Subsequently, the methodological choices at each extreme are either *ideographic* or *nomothetic*. These *choices* are based on a set of assumptions related to ontology, epistemology and human

¹ Burrell and Morgan's (1979, p.1) thesis is "all theories of organisation are based upon a philosophy of science and the theory of society".

² For example, Burrell and Morgan (1979) state: "*It is possible, for example, to identify methodologies employed in social science research which treat the social world as being hard, real and external to the individual, and others which view it as being of a much softer, personal and more subjective quality. If one subscribes to a view of the former kind, which treats the social world as if it were a hard, external, objective reality, then the scientific endeavour is likely to focus upon an analysis of relationships and regularities between the various elements which it comprises....if one subscribes to the alternative view of social reality, which stress the importance of the subjective experience of individuals in the creation of social world, then the search for understanding focuses upon different issues and approaches them in different ways*" (Burrell and Morgan, 1979, p.2-3).

nature. Each methodological choice is now discussed, based on this set of assumptions.

6.1.1.1 Philosophical assumptions behind ideographic methodology

An ideographic methodology adopts a ‘nominalism’ ontology that assumes ‘*reality*’ does not exist independent of observation and is a product of observation. It further assumes that individuals construct their own reality, using names, levels and concepts, and structure the reality in their own terms. It implies that the external world is the product of individual consciousness (Burrell and Morgan, 1979; Hines, 1988; Lincoln and Guba, 1985). A social constructionist perspective (Hines, 1988) assumes a nominalist position. The extreme social constructionist position views no ‘*reality*’ outside one’s own imagination (Lincoln and Guba, 1985).

Burrell and Morgan (1979) suggest that epistemological assumptions behind an ideographic methodology are *anti-positivistic*. Anti-positivist epistemology rejects the objectivity of knowledge and views knowledge as subjective and not independent of the individual’s observation (Lincoln and Guba, 1985). This perspective challenges the idea “*that there can be any form of ‘objective’ knowledge that can be specified and transmitted in a tangible form*” (Morgan and Smirich, 1980, p.493).

Assumptions relating to human nature imply the extent by which human nature is free to act or is merely subject to deterministic forces. An ideographic methodology assumes voluntarism as the nature of human beings. Voluntarism tends to view individuals as ‘free-willed’, who have the freedom to act over their environment rather than being dominated by it.

6.1.1.2 Philosophical assumptions behind nomothetic methodology

A *nomothetic* methodology adopts the ‘realist ontology’ which implies that *reality or the external world* exists independently of one’s perception. It asserts that tangible reality exists independently in hard and real terms and is external to the individual. This stance is also known as ‘naive realism’ or ‘hypothetical realism’ and suggests that “*reasonably good principles of investigation, inquiry can converge on those realities even though individual studies may be only approximations*” (Lincoln and Guba, 1985, p.82-83). This is the opposite end of the philosophical assumptions taken by the ideographic approach.

The epistemological assumption underpinning a *nomothetic* methodology is *positivistic*. Positivism implies that knowledge is objective and truth is found by investigation. Positivists tend to believe that science produces objective knowledge. Silverman (1997) claims that few researchers in social science would accept a positivist label as, in general, social science differs from natural science.

Nomothetic methodology assumes human nature as *deterministic*. This views human beings and their experience as being determined by the environment where they are located. This in turn means that human beings are conditioned by their external world (Burrell and Morgan, 1979).

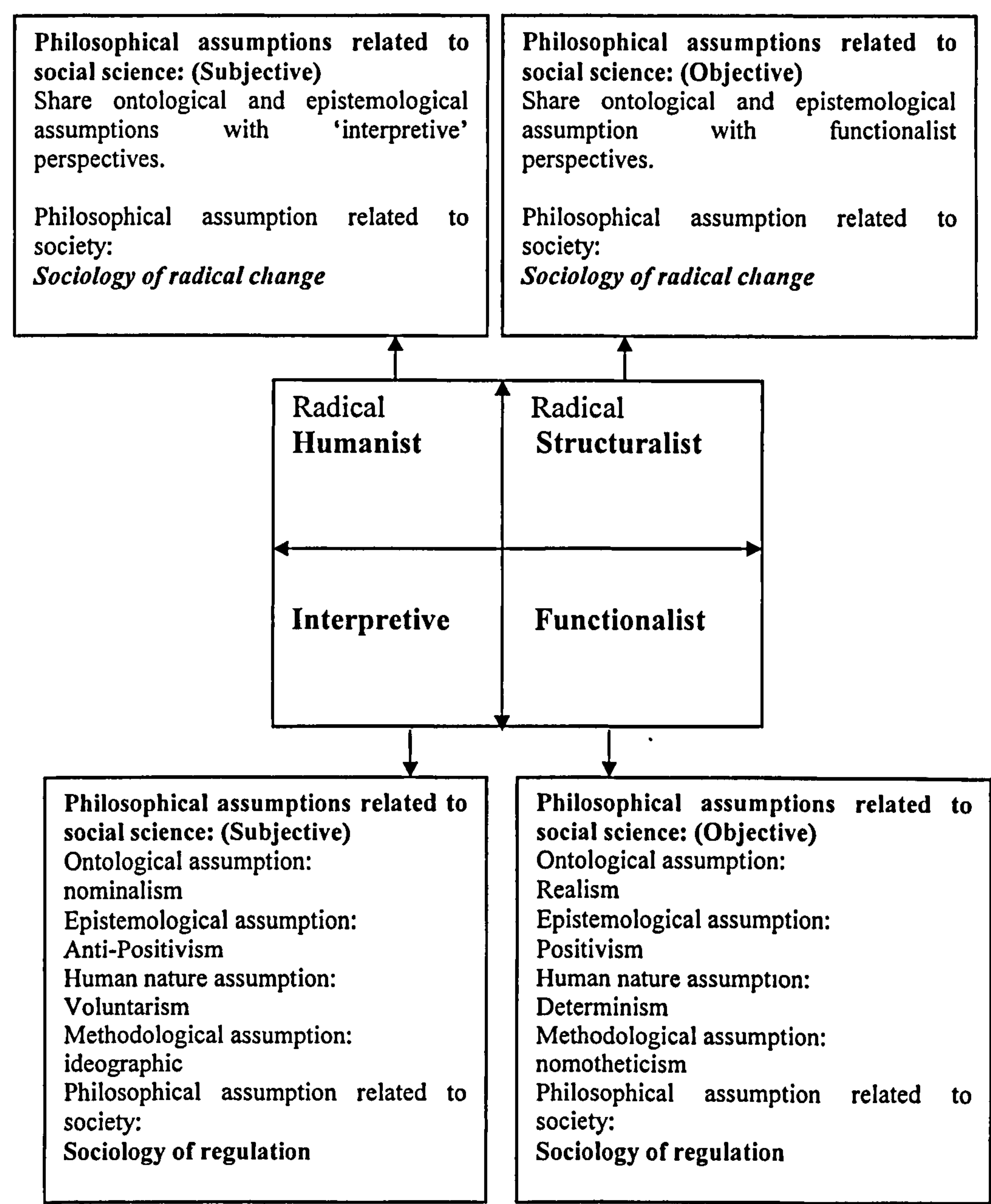
6.1.2 Philosophical assumptions relating to the nature of society

Burrell and Morgan (1979) outline two alternative sets of philosophical assumptions relating to the nature of society. These two alternatives are the sociology of ‘*social regulation*’ and the ‘*radical change*’ dimensions. While the former refers to the assumptions that tend to explain society by emphasising its

underlying unity and cohesiveness, the latter explains society in terms of deeply rooted structural conflict and so advocates radical change (O'Dwyer, 1999).

Burrell and Morgan (1979) put these two dimensions together with philosophical assumptions relating to social science – using both subjective and objective dimensions to formulate a two-by-two matrix. They place two sets of assumptions relating to social science (subjective and objective) at the opposite ends of another continuum. They also place two alternative sets of assumptions relating to the nature of society (sociology of regulation and sociology of radical change) at the very opposite ends of one continuum. By doing this, they provide four mutually exclusive paradigms to offer four alternatives, namely: functionalist, interpretive, radical humanist and radical structuralist. All of these paradigms are based on different ontological, epistemological and human nature assumptions. To Burrell and Morgan (1979), one cannot operate in different paradigms in a single point of time by accepting the assumptions of only one paradigm. This is because by accepting the assumptions of one paradigm, one defies the assumptions of others (Burrell and Morgan, 1979). The different paradigms evolved by Burrell and Morgan's (1979) analysis is shown in figure 6.1. Nevertheless, Chua (1986) criticises Burrell and Morgan's framework, particularly their use of mutually exclusive dichotomies and four paradigms. She also points out that the separation between radical humanist and radical structuralist paradigms is not clear in the sociology.

Figure 6.1
Burrell and Morgan's (1979) classification matrix for the analysis of social theory



Source: Adapted from Burrell and Morgan (1979) and modified with the explanations regarding four paradigms.

Notes: From the diagram, it seems that each of four perspectives sometimes possess communalities in terms of assumptions regarding the nature of social science. However, their assumptions concerning the sociology of society are different; that is, to what extent they accept social regulation is given or to what extent they are motivated by radical change in society. This aspect was later broadly discussed in a study by Laughlin (1995).

6.1.3 Philosophical assumptions taken in Chua's framework for accounting research

Chua (1986) develops a framework for accounting research by taking three sets of assumptions relating to knowledge, social reality and the relationship between theory and practice. Assumptions relating to knowledge are sub-divided into two related sets of epistemological and methodological assumptions³. She depicts three sets of assumptions relating to social reality: ontological, human rationality and societal order. Finally, she makes assumptions relating to the relationship between knowledge and the empirical world. She claims that these assumptions are not mutually exclusive dichotomies and that a researcher need not be "*forced to be locked within the framework*" (Chua, 1986, p.606).

Chua (1986) uses her framework to identify dominant assumptions behind the development of "mainstream accounting" research. According to her, these assumptions are objectivist from an ontology, positivistic from an epistemology and nomothetic from a methodology point-of-view. In contrast, she suggests two alternative sets of assumptions highlighting interpretive and critical perspectives in accounting developments. These two sets of assumptions direct accounting research from the extreme positivist end to the opposite end of the continuum, which is characterised by subjective ontological assumptions, anti-positivism, and the use of an ideographic methodology. However, a *middle-range* perspective in accounting research within the objective and subjective continuum is outlined by Laughlin (1995).

³ Chua (1986) states: "epistemological assumptions decide what is to count as acceptable truth by specifying the criteria and process of assessing truth claims...methodological assumptions indicate the research methods deemed appropriate for the gathering of valid evidence" (Chua, 1986, p.604).

6.1.4 Philosophical assumptions taken in Laughlin's framework

Laughlin (1995) provides a framework suggesting a middle-range approach. He suggests a “skeletal approach” by making his choice at the mid-level of each of three continuums: theory, methodology and change⁴. The first two continuums are related to the nature of social science whereas the ‘change’ dimension is concerned with the nature of society. It specifically means the extent to which the study is directed by the intention to make a change in the observed phenomenon. Laughlin (1995) puts all these dimensions into three scales: high, low and medium. He believes that at different levels different perspectives persist, with different sets of ontological, epistemological and methodological assumptions. He argues for a mid-point on each of the three continuums rather than approaching the extreme ends. He has termed this ‘middle-range thinking’.

This middle-range position is based on the ontological assumption accepting that a ‘reality’ exists separate from our understanding and at the same time recognises the perspective’s bias in modelling such understanding (Laughlin, 1995). His methodological position thus approaches a *skeletal* rule, suggesting a *system of inquiry* which allows use of diverse research methods to flesh out the *skeletal* with empirical detail to make a meaningful, though partial, understanding of reality (see also, Laughlin, 2004). Such methods can include qualitative and quantitative methods. In his recent paper (Laughlin, 2004), Laughlin argues that any perspective in any continuum is an assumption that:

“leads to what is deemed to be ‘understanding’ (a less emotive word than ‘facts’-constructed or otherwise) of an external reality by the community adhering to these assumptions” (Laughlin, 2004, p.264).

⁴ Laughlin's three continuums differ from Chua's which differ from Burrell's.

He argues that all perspectives therefore describe a partial reality, cannot claim a complete truth, and are acceptable only within the assumptions they take. Yet he contends- *“there is no generally valid way of knowing partiality”* (Laughlin, 2004, p.264). To explain the partial understanding of reality he cites an Indian fable about seven blind people describing an elephant. He explains:

“Each of these individuals, as will be recalled, describes a part of the elephant they can touch. Each description is dismissed as partial. The real power of this judgement is the person who has full sight and can judge partiality because of this unique skill. However, such an all-seeing person does not exist in relation to the different understandings that comes from alternative research approaches. We can say the results will be partial but that is all.” (Laughlin, 2004, p.264).

The story suggests that the description of ‘elephant’ provided by each blind person varies and is partial but that there are two things in common: there is a reality that can be investigated or observed, and there are multiple observations of a single reality.

6.2 Implications of philosophical assumptions in this research

This thesis is based on the position outlined in Laughlin’s (1995, 2004) middle-range framework. In term of skeleton framework it assumes present social theories (i.e stakeholder, legitimacy and political economy explanation) as the skeleton which then flesh outs with empirical detail collected through using different methods of inquiry. Such methods include qualitative and quantitative methods. In terms of its ontological viewpoint, this study lies in the mid-range between nominalism and realism. Such a position is very near to a *constructed reality* assumption (Lincoln and Guba, 1985; Morgan and Smircich, 1980). It supports the existence of *‘multiple realities’* (multiple partial reality to Laughlin)

assuming an infinite number of constructions that might be made using some common *referent term* (Lincoln and Guba, 1985). However, common *referent terms* may be understood by individuals differently and so construct a different meaning of reality (see also Laughlin, 2004). This ontological position does not deny the existence of tangible entities nor does it argue:

“that Bobby Knight did not exist, or that the Battle of the Bulge never happened (although there are people who have argued, for instance, that the Holocaust never happened, but was merely a political construction to arouse worldwide sympathy for the Jews). Events, persons, objects are indeed tangible entities. The meanings and wholeness derived from or ascribed to these tangible phenomena in order to make sense of them, organise them, or reorganize a belief system, however, are constructed realities” (Lincoln and Guba, 1985, p. 84).

It does argue that the description of reality relating to tangible entities is multiple in nature and does not exist until it is ‘*constructed*’ by an actor or is created by a *participation*, and thus emphasizes the process and also the role that an individual plays in constructing reality (Lincoln and Guba, 1985; Hines, 1988).

Within this ontological belief, the perspective on social reporting of MNCs has been investigated through interviewing different groups, namely, corporate managers and non-governmental executives. Perspectives of corporate managers are of primary importance as corporate managers are directly related to social reporting and so their perceptions regarding social reporting will provide evidence of motivations behind such CSR practices. The perspectives of NGO executives are also sought as they can provide perceptions regarding CSR practices from outside corporations but within stakeholder groups. A similar middle-range ontological assumption has been taken by O’Dwyer (1999) in social accounting research and by Holland (2001 cited in Kreander, 2002) in finance research. The

present study also takes a middle-range position regarding epistemological assumptions.

The researcher views knowledge gathered at either end of the spectrum (objective and subjective) as being partial and influenced by the perceptions or framework of the individual's mind. In this vein, although this is close to a subjective epistemology of knowledge - of how social reality is created - it also draws on the view of Schumacher (1995) regarding the social construction of knowledge. Schumacher (1995) mentions, "*we do not form reality*" but merely "*formulate a description of reality*" (Schumacher, 1995, cited in Kreander, 2002, p.133).

In formulating a description of reality, both quantitative and qualitative knowledge is important to the researcher (Lewis and Cullis, 1990, cited in Kreander, 2002). Moreover, O'Dwyer (1999) argues that knowledge can also be gained by studying the perception of individuals, rather than only studying an *event* that is external to the individual's perceptions. An example of the middle-range epistemological assumption (between positivism and anti-positivism) is the position taken by the grounded theory approach (Parker and Roffey, 1997).

This study therefore gathers knowledge from two sources. First, it gathers knowledge regarding social reporting emanating from annual reports of sample companies through content analysis. Second, it is gathered through interviews.

This study does not assume that the nature of human beings is totally voluntary or totally deterministic. In other words, it neither supports the idea that humans are always conditioned by external circumstances, nor that they are entirely free to execute their own will. Instead it takes a middle position by assuming that humans have some control over their environment although the

extent of such control may be limited. In this study, the perspectives of managers are explored with the assumption that managers of subsidiaries would be influenced by the internal and external environment of their organisations, although they also have some power to manage and execute their free will.

The study also takes a middle-range methodology (Laughlin, 1995). Its position falls between an ideographic and a nomothetic methodology. From such a position, the study uses both quantitative and qualitative methods. Quantitative content analysis has been used as a part of the study's quantitative method. This quantitative version of content analysis has been used by many social accounting researchers (see, Unerman, 2000). Interviews are undertaken as a part of qualitative inquiry. The use of interviews is also not uncommon. It is used in social and environmental literature to explore motivations behind CSR practices (see, O'Dwyer, 2002, 2003; O'Donovan, 2002). The next section provides details of the quantitative and qualitative methods used in this study.

6.3 Quantitative and Qualitative methods

The quantitative methods often used in social science are drawn from natural science (Morgan and Smircich, 1980). Quantitative methods emphasize the need to capture knowledge by *"..manipulating data through sophisticated quantitative approaches, such as multivariate statistical analysis."* (Morgan and Smircich, 1980' p. 498). This method requires *"The use of standardised measures so that the varying perspectives and experiences of people can be fit into a limited number of predetermined response categories to which numbers are assigned (Patton, 1990, p.14).*

The use of purely quantitative methods in social science has been criticised for its positivist approach (see, Silverman, 1997). It has been treated as “*ad hoc procedures to define, count and analyse its variables*” (Silverman, 1997, p. 13). Morgan and Smircich (1980) recognise the role of quantitative methods in partial analysis but suggest that qualitative methods (Morgan and Smircich, 1980) are often the most appropriate means by which to investigate the questions typically of interest to social scientists.

However, quantitative and qualitative research methods are not polar opposites, even though they are based on different epistemologies and ontological assumptions (Denzin and Lincoln, 1998; Morgan and Smircich, 1980; Patton, 2002; Silverman, 1997). Both methods can be used in a single study, depending on how the researcher chooses to explore his research questions.

Qualitative methods, it is argued, examine naturally occurring events in their settings. It is a method to study things in their natural environment and interpret events in terms of the meanings people bring to them (Denzin and Lincoln, 1998, 2000). It produces descriptive data from “*people’s own written or spoken words and observable behaviour*” (Taylor and Bogdan, 1984, p.5). Moreover, it is a dynamic process that links problems, theories and methods, but is highly dependent upon the researcher (Alderson, 1999).

It has been argued that it is beneficial to use both quantitative and qualitative methods to explore particular research issues. Using both methods can achieve an element of triangulation (Jick, 1979; Alderson, 1999; Leedy, 1997). Moreover, Jick (1979) suggests that qualitative and quantitative methods are complementary and that “*most text books underscore the desirability of mixing methods*” (Jick, 1979, p.602).

While a quantitative study can be helpful to answer ‘*what*’, it is less helpful when answering ‘*how*’ and ‘*why*’ a particular phenomenon exists. Thus while a quantitative study could answer the ‘*what*’ question of CSR practices it is more difficult to assess how the CSR system works internationally and the affect of the sometimes subtle influences of global, parent company and local factors. Since the research question of this study seeks to address these issues in particular, quantitative methods alone are not adequate. To capture these, both quantitative and qualitative research strategies are employed in the present study. Content analysis is adopted as a quantitative method while interviews are taken to gather qualitative data. These methods are now briefly discussed in turn. A full description of these methods is given in later chapters.

6.3.1 Content analysis

In this study, content analysis is used to collect social and environmental information from annual reports. Content analysis is defined as:

“a research technique for making replicable and valid inference from data to their context” (Krippendorff, 1980, p.21).

Abbott and Monsen (1979, p.504 cited in Gray et al, 1995a) define content analysis as:

“a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity”

Content analysis as a research method has been widely used in the behavioural sciences since the late 1960s, particularly in sociology, philosophy and theology (see, Krippendorff, 1980). To date, it has mainly been used to quantify and

analyse the context of printed communications, especially of newspapers, and in sociological and linguistic inquiries for a wide variety of purposes ranging-

“from concerns with political symbols and propaganda to myths, folktales, and riddles” (Krippendorff, 1980, p.13).

Content analysis assumes that the content of any communication is an object of concern. This includes symbols, meaning and volume, all of which are important factors in tracing its social roles and effects (Krippendorff, 1980). In addition, the quantity of symbols also provides evidence of its importance to the sender and receiver in the particular context/period when these are written. Therefore, studying and analysing these symbols from written communication provides evidence of how the phenomenon and its importance have changed over time by changes in the socio-political environment. Studying symbolic phenomena in social science is important as-

“virtually the whole spectrum of the humanities and the social sciences, including efforts to improve the political and social conditions of life, is concerned with symbols, meanings, messages, their functions and effects” (Krippendorff, 1980, p.9).

Thus content analysis contributes to knowledge by studying the meaning and messages provided by symbols, and quantifying and analysing the pattern of any symbols used in a particular text.

An important aspect of content analysis is that in general it involves analysing written communications. Communication in any form has been assumed to be the media by which all social institutions are linked together (Krippendorff, 1980). Messages that have been delivered within a text are an important way to infer the relationship that exists between any particular social institution and other organisations in a society (Buhr, 2001; Krippendorff, 1980). Krippendorf (1980)

suggests four important propositions for conducting content analysis in any institutional context. He suggests-

“Institutional approaches in mass communications research have focused on legal, economic, socio-political, and technical structural conditions that shape media contents and may in turn be inferred from available communications....Communications in institutional contexts, particularly public communications, thus reflect the dominant power configurations of senders and potential receivers....Media of communications, or certain of its properties, are thus seen as the principal agent of social change and of the development of social structure....Content analysis of these media in institutional contexts can lead to inferences regarding competition of communication modes for dominance, which social changes are speeded up or retarded, or how power is distributed in a society.” (Krippendorff, 1980, p.46-47).

So content analysis is useful in exploring the nature of social relationships an organisation creates with others, by studying the symbols and events frequently mentioned in their communications, especially in written communication.

The study by Ernst and Ernst (1976) is probably the first well-established survey of CSR literature using content analysis. Their approach has been further developed by many social researchers, especially by Guthrie and Mathews (1985). It has been most frequently employed to assess the level of and changes in volume of disclosure using both cross-sectional and time-series analysis within a particular country, and for investigating international comparisons and differences (Guthrie and Parker, 1990). Gray et al (1995a) modify Guthrie and Mathews' (1985) approach and extensively employ content analysis to construct a database of social disclosure in the UK from 1979 to 1987. This database has been continuously updated for the top 100 UK companies in each year, following precise decision rules in codifying data so as to ensure a high level of validity and reliability of the data set.

Most of the CSR studies using content analysis have based their analyses on the assumption that the extent of disclosure provides a useful indication of the relative importance of issues to the reporting organisation (Gray et al, 1995a, b; Krippendorff, 1980; Deegan and Rankin, 1996; Neu et al, 1998). The present study, like previous studies, has adopted a content analysis method not only to analyse the amount and quality of CSR at a cross-country level but also at the cross-company level of the MNC's headquarters and at the subsidiary level. Gray et al's (1995a, 1995b) approach is followed extensively in this respect because their approach is well-established in the CSR literature and has also been followed by many other researchers in this area. Moreover, this approach is still the favoured method used to analyse the CSR database maintained by the Centre for Social and Environmental Accounting Research in the UK.

6.3.2 In-depth Interview

Content analysis has been used to collect narratives regarding social and environmental issues from the text of annual reports. The narratives included in these texts are culturally influenced, telling a story within a given context and time (Baal, 1997, cited by Jameson, 2000; Stanton and Stanton, 2002). Collecting social and environmental narratives from annual reports, through content analysis, helps to create a descriptive base, and by determining which issues have been included, and which excluded, a picture begins to emerge (Adams and Harte, 1998; Buhr, 1998).

Further understanding of these issues has been obtained through interviews with managers of the companies whose corporate annual reports were analysed. An interview is seen as a suitable technique due to its ability to explore issues in

depth (Denzin and Lincoln, 1998). It is especially valuable in exploratory research. However, in line with Laughlin’s (1990, p. 94) suggestion that ‘research in accountability needs to complement its theoretical work with a greater exposure to a range of empirical case studies’, more than one interview were undertaken within corporations. Interviews with social and environmental stakeholder groups, with the intention of gathering data from multiple sources were also conducted (Yin, 1994). In addition, knowledge gathered from content analysis, consulting with other researchers in CSEAR summer schools and literature reviews, all helped to design an interview guide with common questions to ask during interviews. Figure 6.2 lists the key interview topics.

Figure 6.2 Key interview topics

<p>A. General part: Corporate responsibility to stakeholders</p> <ol style="list-style-type: none"> 1. Stakeholders - who and from which society (local, home or global) 2. Reasons behind recognition of stakeholders and responsibility to them 3. Recent engagement of company in social and environmental responsibility activities 4. Reasons behind not recognising social and environmental responsibility <p>B. Concern regarding Social Reporting:</p> <ol style="list-style-type: none"> 1. Present social and environmental issues reported in CSR 2. Reasons behind reporting/non-reporting issues 3. Implication of CSR practices within socio-political context of Bangladesh <p>C. Parent company influence: (For subsidiaries of MNCs)</p> <ol style="list-style-type: none"> 1. Management culture of parent company 2. Subsidiary’s pro-active engagement

These are grouped into three broad headings that are linked to the research question. The first group of questions relates to different stakeholders to whom executives felt responsible, the social and environmental activities the company presently engages in, and motivations behind such engagement. This is to collect information related to the notion of ‘social responsibility’ that corporate managers construct or express. The second group of questions specifically explores the CSR of the company and what shapes their CSR practices as a result of global, local and organisational factors. This group also includes questions on the implication

of present CSR practices for the local context. A third group of questions asks specifically about parent company influences in CSR practices of the subsidiaries to shape and operationalise the concept at the subsidiary level as a matter of managerial and strategic consideration.

A small group of executives and experts from major not-for-profit organisations (NGOs), who have a reasonable knowledge of social and environmental issues, were then asked the first and second groups of questions. These executives are not related to any commercial business organisation or any of the multinational corporations, hopefully making them relatively free from institutional influence and giving them a reasonably neutral role in explaining the issues. This is done to see different views of CSR from the stakeholders' point of view. Information gathered from both sets of interviews was then considered and counter-checked within these two groups and with other multiple data sources to increase the reliability and validity of data. A semi-structured questionnaire was used since it provided the freedom to pursue interesting topics. Moreover, its use acknowledges that no fixed sequence of questions and topics is suitable for all respondents. It should be noted that the emphasis is not on standardisation of questions but on the exploration of CSR in its context, its antecedents and outcomes (O'Dwyer, 1999). It can also be noted that interviews were conducted only in Bangladesh and so do not include parent corporations of MNCs operating outside Bangladesh.

6.4 Summary and Conclusion

This chapter has outlined the methodological choices of this research and the research methods undertaken for this study. First, it details philosophical assumptions underlying the study with ontological, epistemological and human nature assumptions entailed in the Burrell and Morgan (1979), Chua (1980) and Laughlin (1995) framework. Based on its ontological, epistemological and methodological stances the researcher has taken the ‘middle-range’ approach and has used quantitative and qualitative methods to explore main research question and sub-research questions (discussed in chapter 1). The researcher describes the method of content analysis as a quantitative method and interview analysis as a qualitative method. The next chapter discusses content analysis in more detail. In particular, it describes how the content analysis was conducted and how the data was recorded, which then will help in examining results from the content analysis of annual reports as presented in chapters 8 and 9. Chapter 10 then discusses interview method in detail. In particular, it describes how the interviews were conducted and managed, which then will help in examining results from the interviews presented in chapter 11, 12 and 13.

Chapter 7

Introduction to content analysis and descriptive data

7.0 Introduction

The previous chapter describes the research methods and the methodological stance of this study. More specifically, the chapter explained the quantitative and qualitative research methods used, based on the methodological stance of the researcher. It provided a brief description of content analysis and interview methods undertaken in this study. This chapter explains content analysis in further detail. Most importantly, it discusses the way in which content analysis is used to collect social and environmental information from annual reports of corporations. The following chapter then records social and environmental data reported by corporations in Bangladesh and the UK using the steps outlined in this chapter. Consequently, this chapter is structured as follows. Section 7.1 details the way content analysis has been conducted. Section 7.2 explains the difficulties faced in using content analysis. Section 7.3 looks at the sample selection in this study. Section 7.4 then summarizes and concludes the chapter.

7.1 Conducting a content analysis

Content analysis involves the identification of particular issues within a text (in this case, an annual report), which can be categorised under headings (such as environmental or social), and then analysed (Guthrie and Parker, 1990). Conducting a content analysis in this study involves at least four important steps: choosing the documents to analyse, selecting the categories or themes of CSR, measuring the themes, and testing the reliability of data. Arguably, the first step in content analysis is to choose the document/documents to be analysed. Ideally, all communications by an organisation that enter the public domain need to be monitored in order to capture the total amount of CSR (Zeghal and Ahmed, 1990; Unerman, 2000). So not only annual reports or employee and environmental reports, but also other reports, such as magazine articles, press notes, and webpage information prepared by the company, will need to be analysed to capture the whole notion of CSR. In fact, some of the previous literature has recognised this fact and highlighted the possibility that an exclusive focus on annual reports may not provide a complete picture of the CSR practices of a company (Unarman, 2000; Zeghal and Ahmed, 1990; Roberts, 1991; Harte and Owen, 1991, Guthrie and Parker, 1989).

7.1.1 Selection of media of disclosures

Most previous studies have applied content analysis only to annual reports (see, Unerman, 2000). Reasons for focusing exclusively on the annual report are numerous (Gray et al, 1995a). One of the main reasons is the impossibility or impracticality of capturing all communications by a number of companies in a given period (Gray et al, 1995a). Indeed, it is virtually impossible to claim that

one has captured all the media of communications and thus it is inevitable that the completeness of CSR analyses will be questionable (Gray et al, 1995a). Nevertheless, the annual report is regarded as a very important document in CSR research due to its high degree of credibility (Tilt, 1994), the frequent use of annual reports by a large number of stakeholders seeking a wide variety of information items (e.g., solvency, financial performance, investment or environmental information), and the regularity of its publication (Deegan and Rankin, 1997; Neimark, 1992, cited in Unerman, 2000). Neimark (1992) mentions that stakeholders probably expect an official (usually, a legal and/or regulated) document at regular (say, annual) intervals of time. An annual report also provides a deadline by which management provides commentary on their stewardship or messages regarding particular themes of CSR (Buhr, 2001, Neimark, 1992, cited in Unerman, 2000). Therefore, the annual report is important both to the manager and to the stakeholders. In particular, it is one of the most important and essential communication media through which managers can articulate their understanding of the relationship between business and society (Neimark, 1992).

Gray et al (1995a) support the use of annual reports which provide financial and social information in a single document. They suggest that through an annual report an organisation has the chance to demonstrate how it reconciles the often conflicting financial and social images of itself. This in turn means that studying an annual report is important to capture both the social and financial image of a company from a single document. Furthermore, Adams and Harte (1998) summarise the justifications of using only annual reports in their study. According to them:

“Our acceptance of the social importance of the annual report stresses its potential (rather than fact) to be influential. Corporate annual reports can therefore be of interest as much for what they do not report, as for their actual content. This focus on the corporate annual report is also consistent with previous social disclosure studies, since the corporate annual report is the main form of corporate communication and particularly in the case of quoted companies, is made widely available” (Adams and Harte, 1998, p.784).

Recognising the strength of these justifications for using annual reports, the present study also considers the annual reports of companies in both the UK and Bangladesh. Another justification for using annual reports in this study is that in Bangladesh companies generally use annual reports rather than any other medium to disclose CSR information (see, Belal, 2001; 2000). The annual report is therefore the common single document used by both UK and Bangladeshi companies exclusively to report CSR information. So the annual report is chosen in this study as the document for content analysis.

7.1.2 Classification of themes: the pilot study

It is now important to classify and identify the themes and issues of CSR that have been considered for content analysis in this study. Several problems arise in categorising such themes over time and also when cross-country analysis is considered. First, new CSR themes are raised over time which may not fall within previous categories. This is due to the fact that changes of time can change the relative importance of issues included in CSR (see, Gray et al, 1995a, b). Second, categories and sub-categories of CSR vary between countries when cross-country CSR is considered. Therefore a pilot study was initially carried out to get an experience over the process of content analysis and also to get an idea about present categories and sub-categories of reporting issues in the UK and in Bangladesh.

The study follows the CSEAR database and specific decision rules in recording and classifying social and environmental themes in the UK for the year 1999 and 2000. By doing so, the researcher gathered experience and became familiar and confident over the whole process of doing content analysis¹. Moreover, the four major themes of CSR suggested by Gray et al (1995b) in constructing the CSEAR database are taken as the starting point². These categories are also consistently found in other CSR studies and are considered common over time periods and over cross-country practices, although the relative importance of these themes might vary (Gray et al, 1995b). These categories are: natural environment; employees; community; and customer information. As well as these categories, the present study considers two further categories: director and corporate governance. These are considered as separate themes due to the recent development of these issues in the UK. For example, corporate governance issues became important in the UK with the emergence of the ‘Combined Code’ in June 1998³. In addition, a ‘general and other category’ also helps to capture other CSR themes which occur over time or are particular to Bangladesh due to the different country context. These main categories are then divided into different sub-categories to capture the whole amount of social information provided within the main categories. Following CSEAR decision rules a ‘decision rule’ defining these categories and sub-categories has been prepared so that another researcher

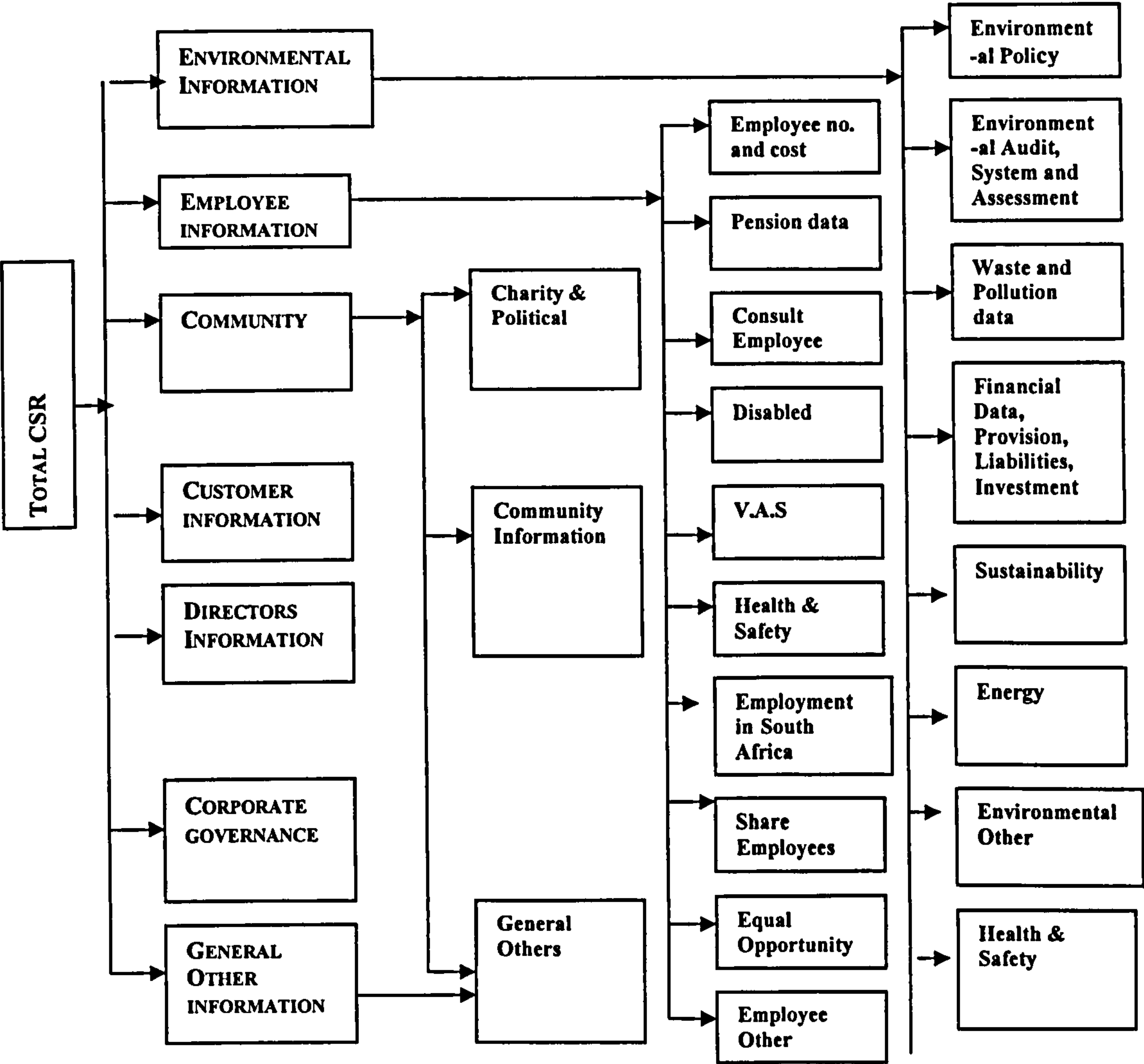
¹ However, this was a painful process and the researcher faces so many difficulties, particularly in measuring the extent of social and environmental disclosure at this stage. Details of the nature of difficulties and the way they are overcome are explained in section 7.2. It can be noted that the researcher did content analysis for UK companies twice to make the data more reliable.

² Please see, Gray et al, (1995b)

³ Indeed, corporate governance became an issue since 1992. Please see, Cadbury code 1992, Greenbury 1995 and Hampel 1998.

can apply the same decision rules and replicate the study results⁴. Figure 7.1 shows the initial categorisation used to study the CSR of UK corporations⁵.

Figure 7.1
Social reporting categories used to capture UK CSR (according to issues)



However, before finalising these categories and sub-categories for Bangladesh it was believed necessary to conduct a further pilot content analysis of Bangladeshi

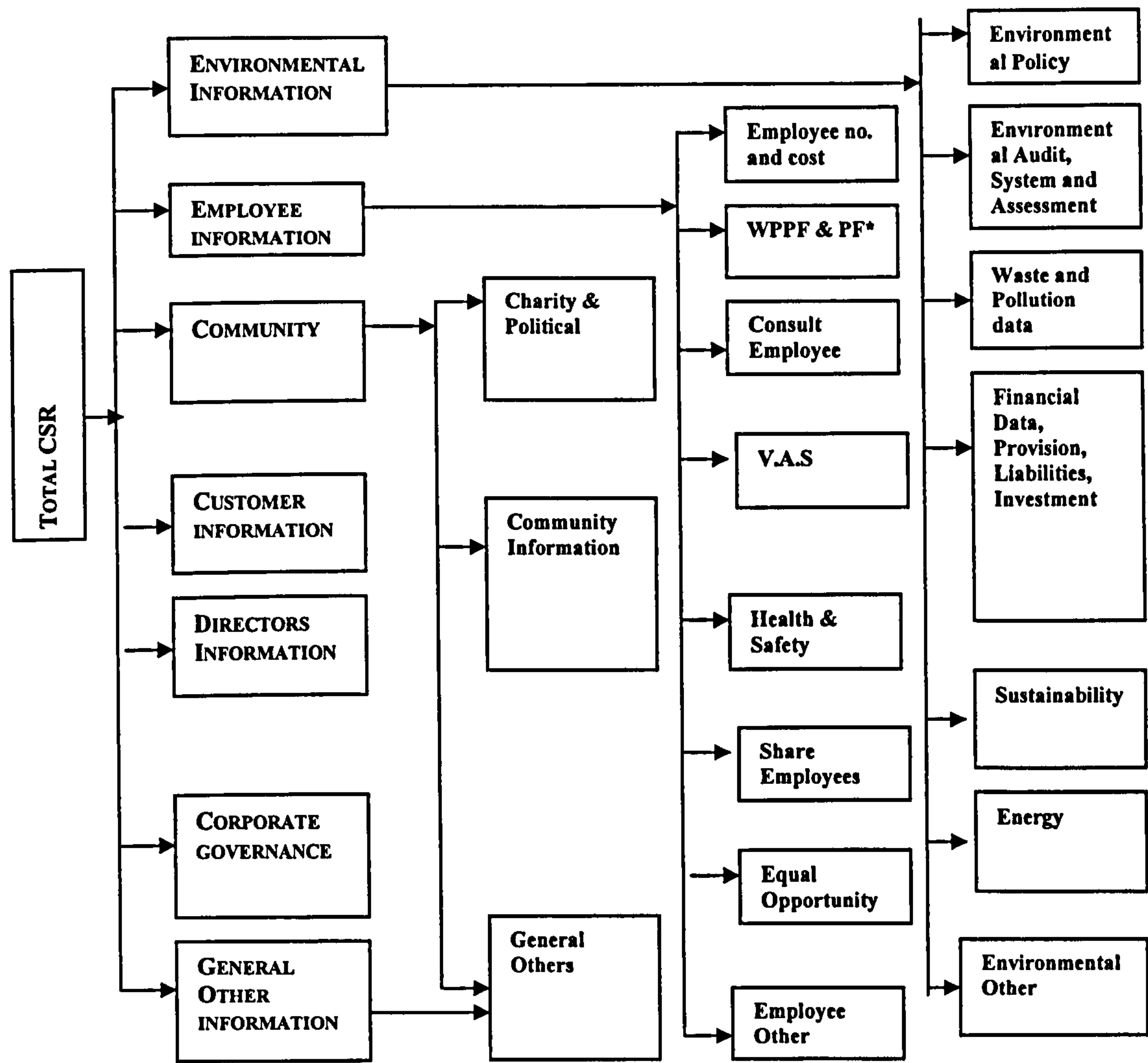
⁴ A detailed description of the decision rules is provided in Appendix 1.
⁵ This categorisation mostly followed Gray et al.’s (1995b) categorisation. In Gray et al.’s (1995b) categorisation, Health and Safety appears twice - once in the employee category and again in the environmental category. Therefore, here as well, it is kept under both employee and environmental disclosure. However, that does not mean that Health and Safety is double counted in calculating the total level of CSR, as this is counted once (i.e. in employee disclosure) while measuring total CSR (please see formula used in calculating the total level of CSR. Moreover, relevance of disclosures relating to South Africa is questionable. However, it was decided to leave the category in the instrument in order to leave the original research instrument as it is.

companies. The pilot study analyses 10 annual reports from 50 companies. The results confirm that CSR disclosure is mostly made within the main themes although not all companies follow all the sub-categories listed by Gray et al (1995b). There are also some additional issues which are relevant to a study of CSR in Bangladesh, requiring further sub-categories.

Some “typical” (to Bangladesh) social issues like ‘contribution to national exchequer’, ‘contribution to employee provident fund’ and ‘workers’ profit participation fund’, are found that are not common in the UK and are thus were not included in any sub-categories of the content analysis. ‘Contribution to national exchequer’ is recorded under the ‘general other’ category while ‘contribution to employee provident fund’ and ‘workers’ profit participation funds’ are listed under ‘employee information’. The issue of ‘industrial relationships’ and a verse from the Holy Quran which translates as ‘*starting in the name of kind god*’ are usually also disclosed in Bangladesh. While ‘industrial relation’ information reflects strong unionism in Bangladesh and thus hints at political disclosure, the verse reflects the cultural aspects of the country and the dominance and use of Islamic philosophy and concepts. Therefore, while the former is included in ‘employee other’ category, the latter is included in the ‘general other category’. The pilot study also shows that information relating to ‘directors’ and ‘corporate governance’ are also disclosed. It is felt that with this addition of a few sub-categories, the general categorisation used by Gray et al. (1995a) is capable of capturing the nature and amount of CSR in Bangladesh.

Figure 7.2 shows the categories that have been slightly modified from Gray et al (1995b) and used for capturing CSR in Bangladesh⁶.

Figure 7.2
Social Reporting categories used to capture Bangladeshi CSR (according to issues)



- Note:
1. WPPF means Worker Profit Participation Fund.
 2. PF means Provident Fund.
 3. ‘General other’ information includes contribution to National Exchequer and a verse from the Holy Quran.
 4. Information about disabled people was not common and not found in Bangladesh, so this category was deleted.
 5. Health and Safety is not included twice here.
 6. Disclosure relating to South Africa is excluded as there is no equal code relating to employment in South Africa in existence in Bangladesh.

⁶ Details of these categories and causes for modifications are provided in Decision rules (Appendix 1).

7.1.3 Measuring Themes

Another important aspect of content analysis is the measurement of these themes. Previous studies suggest that various types of measurement (ie number of words, sentences, pages or page proportion) have both advantages and disadvantages (see, Unerman, 2000). For example, those who use 'word' as a measurement unit argue that it has the advantage of counting a greater amount of detailed description of CSR with more accuracy (Zeghal and Ahmed, 1990). On the other hand, 'sentence' has been preferred by many researchers to infer meaning from the themes disclosed rather than counting isolated words (Hackston and Milne, 1996). However, both 'word' and 'sentence' have the disadvantage of ignoring non-narrative CSR disclosure (i.e. photographs and figures) and thus lower the total amount of disclosure (Unerman, 2000).

Compared to counting words or sentences, measuring page proportions has the advantage of including both narrative and non-narrative CSR disclosure. Recognising the advantage of the 'page proportion' method suggested by Gray et al (1995a, b), the present study uses the method to measure the volume of CSR. However, Milne and Adler (1999) suggest that 'page proportion' measured by a grid sheet (tenths of hundredths) does not convey much meaning and thus the quality of recorded issues may be reduced. Nevertheless, to analyse the quality of CSR and to capture the meaning attached to it, three additional categories are suggested by Gray et al (1995a). These categories are 'evidence', 'news', and 'audit'. 'Evidence' describes whether the information is 'monetary quantitative', 'quantitative only' or 'declarative' in nature. 'Monetary quantitative' information consists of both the amount and type of information, and refers primarily to financial numbers. 'Quantitative only' refers to information solely relating to

quantity. 'Declarative' information refers to qualitative information. 'News' describes whether the information provides a good, bad or neutral meaning to the receiver. 'Audit' describes whether the information provided has any chance of being audited, subject to being given access to the organisation.

A special transparent grid - with four columns and 25 rows that divide a page into a hundred rectangles of similar height and length - is used to measure the page proportion of a particular CSR theme on one page of an annual report. After laying down the grid on a page, the volume of CSR on that page is measured by counting the number of cells which is occupied by a particular disclosure. An adequate allowance for any blank portion of the page is taken when counting cells, assuming that the blank portion is part of the written communication and thus is also part of that particular CSR theme. Figure 7.3 shows a format of the grid used.

Before measuring such disclosure, identification of the disclosure (i.e. whether it is a CSR disclosure at all) is necessary. Reading the report with precise decision rules, and with a researcher's prior knowledge of CSR information, helps the researcher in locating and identifying particular information. Data is first recorded in a complete data sheet, according to their categories and subcategories. Figure 7.4 shows the format of the recording data sheet.

Example of a grid used to measure quantity of social and environmental information

[illegible]

Figure 7.4
Exemplary data recording sheet used to record data

NAME				CODE (Year)	
				TOTLE PAGE/ACPP	
CATEGORY	PP	EVID	AUDIT	NEWS	MEMO
Env. Policy data					
Env. Audit data					
Waste, and pollution data					
Financial data (Liabilities)					
Sustainability					
Energy					
Env. Others					
Consumer/Product related data					
Charity and Political*					
Community					
Employee data					
Pension**/WPPF & PF					
Consult employee					
South Africa***					
Disabled****/Indus trial relations					
V. A. S					
Health and safety					
Share employee					
Equal opportunity					
Employee Other					
Corporate governance					
Directors					
General Other					

- Notes:
1. Env. means Environmental.
 2. PP means page proportion. EVID means whether data is declarative, quantitative or monetary quantitative. NEWS records whether data provides neutral, good or bad information. MEMO means any comments regarding data. ACPP means total number of pages recorded of accounting data.
 3. *Charity and Political data includes political donations. This is a mandatory disclosure in the UK but there is no such mandatory requirement in Bangladesh.
 4. **Pension data is mandatory to report in the UK so is common in UK companies' annual reports but this is neither mandatory nor found in the reports of Bangladeshi companies. On the other hand, contribution to WPPF and PF is a mandatory disclosure in Bangladesh and commonly disclosed by firms. So in recording Bangladeshi CSR, the column showing Pension disclosure is replaced by Contribution to WPPF and PF fund.
 5. *** Relevance of disclosures relating to South Africa is questionable. However, in order to leave original research instrument as it is, it was decided to leave the category in the instrument.
 6. ****As with Pension data, information regarding Disabled data is neither mandatory nor shown in any of the Bangladeshi corporate annual reports in the pilot study. So in recording Bangladeshi CSR, this column is used to record Industrial relations.

After recording data for all companies, the data is transferred to a database created through Microsoft Excel for further statistical analysis. From the database, total CSR recorded for each corporation has been calculated according to the main categories or issues of reporting: environment; employee; community; customer; director; and corporate governance, and the nature of the social and environmental issues reported: voluntary; mandatory; and mandatory plus, following Gray et al (1995b). Simple averages and percentages are then calculated to make data more meaningful. Figure 7.5 shows briefly the formula used to calculate the total volume of CSR according to issues and according to the nature of the information for UK companies.

However, some difficulties arise in identifying mandatory and mandatory plus disclosure issues, as these issues vary among countries⁷. Moreover, mandatory and voluntary distinction in disclosure between countries needs to be considered before measuring the level of mandatory and voluntary disclosure for each country. Figure 7.6 lists the issues which require mandatory disclosure in the UK and Bangladesh, and shows how these vary between the countries.

⁷ The Gray et al. (1995b) study divided the mandatory categories of disclosure into two categories: Mandatory Total and Mandatory plus Total. The first category refers to categories of mandatory disclosure over which companies seem to have some discretion, while the latter, in addition to the former categories, includes those over which companies do not have discretions. Adding these two categories therefore gives the overall volume of mandatory disclosure. There are no equivalent regulations in Bangladesh in any of the more discretionary (Mandatory Total) categories, so such a distinction is not made in recording CSR in Bangladesh.

Figure 7.5
Formula used to calculate level of social and environmental information from annual reports of UK companies.

<p>i) Measuring Total CSR from categories and sub-categories:</p> $\Sigma CSR = \Sigma ENV. + \Sigma EMPL. + \Sigma COMMU. + \Sigma CUST. + \Sigma DIR. + \Sigma CORPGOV.$ <p> $\Sigma ENV.$ = Environmental policy + Environmental audit + Waste + Financial data + Sustainability + Energy + Environmental other. $\Sigma EMPL.$ = Employee data + Pension + Consult employee + Disabled+ V.A.S + Health and Safety + Share employee + Equal opportunity + Employee other. $\Sigma COMMU.$ = Community + Charity + General other $\Sigma CUST.$ = Consumer and product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information </p> <p>Where,</p> <p> ΣCSR = Total volume of Corporate Social and Environmental issues $\Sigma ENV.$ = Total volume of environmental data $\Sigma EMPL.$ = Total volume of employee data $\Sigma COMMU.$ = Total volume of community data $\Sigma CUST.$ = Consumer and Product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information </p>
<p>ii) Measuring Total CSR from the nature of the information.</p> $\Sigma CSR = \Sigma V. CSR + \Sigma M^1. CSR$ <p> $\Sigma V. CSR = \Sigma ENV. + \Sigma V. COMMU. + \Sigma V. EMPL. + \Sigma CUST.$ $\Sigma V. COMMU.$ = Community + General Other $\Sigma V. EMPL.$ = V.A.S + H & S + Equal oops. + Employee other. $\Sigma CUST.$ = All customer information $\Sigma M^1. CSR = \Sigma M. CSR + \text{Employee number \& cost} + \text{Pension} + \text{Directors}$ $\Sigma M. CSR = \text{Charity} + \text{Consultation} + \text{Share Ownership} + \text{Disabled} + \text{C. Governance}$ </p> <p>Where,</p> <p> $\Sigma V.CSR$ means total voluntary corporate social Reporting issues, $V. COMMU$ means, voluntary community information, and $V.EMPL.$ means voluntary employee information, $\Sigma M^1. CSR$ means mandatory plus total where as, $\Sigma M.CSR$ means total mandatory information. </p>

Figure 7.6
Mandatory and voluntary disclosure issues in the UK and Bangladesh

Issues	UK		Bangladesh	
	Mandatory	Voluntary	Mandatory	Voluntary
Energy data	-	Voluntary	Mandatory ⁸	-
Employee cost and number	Mandatory		Mandatory ⁹	-
Charity and political donation	Mandatory	-		Voluntary
Director	Mandatory		Mandatory ¹⁰	
Corporate governance	Mandatory		-	Voluntary
Pension	Mandatory		-	-
Consult employee	Mandatory		-	Voluntary
Health and safety	Voluntary			Voluntary ¹¹
Employee Share ownership	Mandatory			Voluntary
Disabled information	Mandatory			Voluntary
Contribution to WPPF and PF	-	-	Mandatory ¹²	-
Contribution to NE	-	-	Mandatory ¹³	

Note:

Mandatory disclosure issues in the UK and Bangladesh is based on regulatory requirements on disclosure issues in two countries. Regulatory requirements in the UK are not discussed and Mandatory disclosure rules in the UK is taken from Gray et al. (1995b). Regulatory requirements on which Mandatory disclosure is based in Bangladesh is explained in detail in Chapter 5 (please see, section 5.3 - the legal framework for disclosure).

Figure 7.6 shows that many social and environmental issues are indeed voluntary in Bangladesh yet mandatory in the UK. Therefore, an adjustment is deemed to necessary in the formula used to calculate the total volume of CSR according to issues and according to the nature of the information for Bangladeshi companies. Figure 7.7 shows briefly the formula used to calculate the total volume of CSR according to issues and according to the nature of the information for Bangladeshi companies.

⁸ Originated in Companies Act, 1994 and Securities Exchange Rules, 1987.
⁹ Originated in Companies Act, 1994 and Securities Exchange Rules, 1987.
¹⁰ Originated in Companies Act, 1994.
¹¹ Any manufacturing company employing more than ten workers is required to registered under factories act, 1965 which regulate the working conditions to ensure the safety and health issues of labour in the factory. Although this institution requires vital information regarding health and Safety requirements, providing such information is not mandatory by regulation in Bangladesh.
¹² Originated in Workers Profit Participation Act 1968.
¹³ Originated in Companies Act 1994

Figure 7.7
Formula used to calculate level of social and environmental information from annual reports of Bangladeshi companies.

<p>i) Measuring Total CSR from categories and sub-categories:</p> $\Sigma CSR = \Sigma ENV. + \Sigma EMPL. + \Sigma COMMU. + \Sigma CUST. + \Sigma DIR. + \Sigma CORPGOV.$ <p> $\Sigma ENV.$ = Environmental policy + Environmental audit + Waste + Financial data + Sustainability + Energy + Environmental other. $\Sigma EMPL.$ = Employee data + contribution to WPPF and PF + Consult employee + V.A.S + Health and Safety + Share employee + Equal opportunity + Employee other. $\Sigma COMMU.$ = Community + Charity + General other $\Sigma CUST.$ = Consumer and product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information </p> <p>Where,</p> <p> ΣCSR = Total volume of Corporate Social and Environmental issues $\Sigma ENV.$ = Total volume of environmental data $\Sigma EMPL.$ = Total volume of employee data $\Sigma COMMU.$ = Total volume of community data $\Sigma CUST.$ = Consumer and Product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information </p>
<p>ii) Measuring Total CSR from the nature of the information.</p> $\Sigma CSR = \Sigma V. CSR + \Sigma M. CSR$ <p> $\Sigma V CSR = \Sigma V.ENV. + \Sigma COMMU. + \Sigma V. EMPL. + \Sigma CUST + \Sigma C. Governance.$ </p> <p> $\Sigma V. ENV=$ Environmental policy + Environmental audit + Waste + Financial data + Sustainability + Environmental other. $\Sigma COMMU.$ = Community + Charity + General Other $\Sigma V. EMPL.$ = V.A.S + H & S + Consultation + Share Ownership + Equal oops. + Employee other. $\Sigma CUST.$ = consumer and Product information $\Sigma M. CSR$ = Employee number & cost + contribution to WPPF and PF + Contribution to NE + Energy + Directors </p> <p>Where,</p> <p> $\Sigma V.CSR$ means total voluntary corporate social Reporting issues, $V. ENV$ means, voluntary environmental information, and $V.EMPL.$ means voluntary employee information, and $\Sigma M.CSR$ means total mandatory information. </p>

7.1.4 Reliability and validity

The reliability and validity of content analysis is an important issue in this research. Milne and Adler (1999) suggest that the content analysis classification must be reliable in terms of consistency and reproducibility. These are ensured by using specific decision rules in categorisation, sub-categorisation and measurement processes. In this way any researcher using the same decision rules at a different time should produce the same amount of disclosure, thus ensuring reliability and reproducibility (Gray et al, 1995b). Milne and Adler's study (1999) empirically tested the reliability and validity of content analysis by using different coders (people who measure and code) and showed that the method is valid and reliable in capturing the volume of total CSR from the text.

In the present study data has been analysed by the researcher using decision rules designed by Gray et al (1995b). It is expected that any researcher using the same decision rules will obtain similar results to those documented in this study. To confirm this, ten annual reports from each of the sample groups of UK and Bangladeshi companies for each year were checked at different times. This confirmed that the result is replicable, despite some minor variations in the individual level of disclosure. The researcher acknowledges the contribution of two other researchers who also calculated the level of disclosure for the same year (year 1998) for 50 UK companies¹⁴. Initially, variations were found within the level of CSR calculated by two different individuals, including the researcher. The causes of variations are identified at the second stage by an individual researcher who has compared between three data sets by working on her own for 50 UK

¹⁴ The researcher did content analysis of 100 UK companies for the year 1998. Although 1998 data was not part of this thesis but contributed a lot to the researcher's experience in doing final content analysis for the year 1999 and 2000.

corporations. At this stage the researcher reworked the content analysis and the discrepancies and causes of variations were found. These were largely a result of some disclosures having been ignored when counting the level of CSR¹⁵. It was also discovered that in some cases more than one document (the annual report and the annual accounts review of the same company, published as two separate documents) were considered by two coders but not by other. However, these were corrected thereafter. So using a decision rule, checking samples at different stages, using different coders, and doing the content analysis twice, made the researcher confident that the data recorded according to the above mentioned steps and reported in the next chapter were reliable. However, the researcher faced difficulties in recording social and environmental data through content analysis.

7.2 Difficulties experienced in recording social and environmental issues from annual reports

The researcher found that although content analysis is an objective measurement of volume, there are some subjective elements which may affect the volume measured. Such subjective elements include the blank spaces around the issues of disclosure recorded. At first, the researcher included different blank spaces according to his own judgment which varied in different situations. However, after the first few, and with the help of researchers from the Centre for Social and Environmental Accounting Research (CSEAR), recording became more consistent. Most importantly, following Gray et al.'s (1995b) measurement

¹⁵ For an example, the researcher tended to miss disabled, equal opportunities, employee consultations on a few occasions. On some occasion, environmental policy was split up in fewer categories than that was set in the decision rules. Other than this other categories were found ok. Missing out on certain social disclosures as defined by the decision rules as the researcher was not as familiar with their scope as was required. The analysis of 1998 data for UK corporations and the process undertaken to ensure the reliability so enabled to built up.

rule the researcher consistently included blank spaces of pages assuming that such spaces associated with words, pictures, etc. covering the areas of disclosure¹⁶. Moreover, at the second stage, when repeating the content analysis, the researcher was more experienced and more consistent, and thus, overcame the issue. Subjectivity also occurs when deciding how much of the pictorial images, figures and graphs to include. The difficulty arising in this case is not so much the volume but rather which pictures to include and which to omit. This difficulty was also overcome through consultations with a CSEAR researcher who has expertise in content analysis¹⁷. As well as problems of subjectivity, there are difficulties in using a measuring grid designed for an A4 size. Many of the annual reports are not in an A4 size format so the measuring grid does not fit them properly¹⁸. In a few cases, the written text was in a totally different format.

The researcher also faced difficulties in identifying some issues. Issues in some cases overlapped and it was difficult to find a suitable category in which to enter a particular issue. For example, employees and directors' share ownership/ executives' share ownership could be recorded under 'employee' or could just as well be recorded under the category of 'director'. In these cases, the first word was emphasized to categorise this sort of disclosure. There are also disclosures found which do not fit in any particular sub-categories and so are put into the

¹⁶ Gray et al. (1995b) mention that margins and blank areas of pages are to be associated with words, picture, etc. covering the areas of disclosure. However, there is lack of certainty relating to how much of a blank page would be a part of social disclosure. After many round of analysis while working on pilot sample, consistency in the approach to this issue of measurement was obtained.

¹⁷ A measurement rule in inclusion or exclusion of certain photos was deemed necessary. It was decided that a photo which provided environmental awareness or greening vision of a company would fall under environmental other. An executive visiting a community as a participation to community help programme would fall under community disclosure.

¹⁸ In such case measurement rules set by Gray et al.'s (1995b) was followed. Gray et al. (1995b, p.99) mentioned: "Actual physical size of page is to be ignored – thus a "newspaper" – style report could produce more than one standard A4 page of disclosure. (A measure of page size was collected but appeared to convey little information and so, probably, can be ignored.)

‘others’ column. For example, results of a survey on employee satisfaction are mentioned. This disclosure is treated as employee disclosure.

7.3 Selecting the sample annual report

Annual reports of companies were used for content analysis. Annual reports were collected for two particular years from both Bangladeshi and UK companies. Although initially the plan was to collect annual reports for five years from both Bangladesh and the UK, it proved difficult to find annual reports from Bangladesh for the same five years as for the UK companies. The researcher personally wrote to the selected companies requesting such annual reports both in the UK and in Bangladesh. While almost all UK companies provided the annual reports requested, very few annual reports were sent by Bangladeshi companies. Therefore, the researcher, through personal visits to company offices and the Dhaka Stock Exchange, collected many of the annual reports for the years 1999 and 2000. Only annual reports for companies listed in the Dhaka Stock Exchange in Bangladesh were considered, since the major corporations and multinationals operating in Bangladesh are listed there. Annual reports for UK companies were collected from the CSEAR archive and also by personally writing to those companies. One hundred annual reports from the UK and fifty annual reports from Bangladesh for each year were collected. Therefore the number of annual reports over two years totalled 300, being 2 x 100 from the UK and 2 x 50 from Bangladesh.

Annual reports were requested from companies selected according to their size and nature. Market capitalisation was used as the measure of the size of a company since this has been used by many previous researchers in similar studies.

For UK companies, 100 companies from the largest 500 companies listed in the Financial Times Index were selected according to their market capitalisation. A list was prepared for collecting the annual reports of those companies. After preparing the list, those companies belonging purely to the finance industry (i.e. insurance and banks) and listed within the first 100 companies were excluded, and replaced by manufacturing companies from the next 100 largest companies. This was done in order to include large manufacturing industries, excluding the financial businesses, in the sample. Any corporation that did not have an annual report available was also dropped from the list and the next corporation added. Similarly, Bangladeshi companies were selected according to their market capitalisation shown in the Dhaka Stock Exchange Index (DSEI) published by the Dhaka Stock Exchange. A similar process was followed to select the Bangladeshi sample.

The 50 largest Bangladeshi companies were selected out of 185 corporations (excluding purely financial and insurance companies) from the Dhaka Stock Exchange list on 31st December 2000, representing 27% of the population. They represent 79% and 80% of the total market capitalisation in the years 1999 and 2000 respectively. These corporations are categorised in six industrial groups according to the Dhaka Stock Exchange schedule. Figure 7.8 and 7.9 show the industrial classification of these corporations and the number of industries according to their size. It should be noted that size categorisation was made intuitively by taking an approximate size interval.

Figure 7.8
Industrial classification of sample corporations in Bangladesh.

Number	Nature of industries
1.	Engineering
2.	Food Allied and Tobacco
3.	Fuel and Power
4.	Jute and Textile
5.	Pharmaceuticals
6.	Paper and Printing
7.	Service and Real Estate
8.	Cement
9.	Leather and Tanneries

Figure 7.9
Classification of sample according to size in Bangladesh

Size interval (in million Taka)	Nature of size	Number of corporations within the size interval	
		1999	2000
0-200	Small	7	7
200-400	Medium	11	11
400-700	Large	32	32

7.4 Conclusion and summary

This chapter introduces content analysis. Particularly, it explains how content analysis is undertaken in this study. It explains four vital steps in the process: selecting documents to be studied; classifying themes through a pilot study; measuring themes through a measuring grid; and testing the reliability and validity of the data. Following the practice of previous studies and noting the suitability of the annual report as a common medium in the UK and Bangladesh, this study investigates CSR in annual reports. A pilot study was carried out to ensure that the classification of issues followed by Gray et al (1995b) is equally applicable in Bangladesh. As a result, some sub-categories were modified.

The extent of the reliability and validity of the data was then discussed. Reliability and validity of data has been maintained by using a decision rule followed strictly in measuring and recording data. Data has been checked and the whole content analysis has been done twice to ensure data reliability. In addition, several data coders worked on the data to check reliability. Although variations were found between different data coders, these were rectified before proceeding to the final recording of data. Data was then entered into a Microsoft Excel database and presented in different forms, resulting in tables which are analysed in the next chapter (chapter 8). It seems that content analysis has the flexibility and can be modified to catch CSR in any context. More importantly, if content analysis of the issues of CSR had not been undertaken, we could not know what was or was not disclosed. Therefore, content analysis is still the important first step in a study of CSR, rather than going directly to collect qualitative data through interview.

After explaining the process rigorously, this chapter also explains the difficulties the researcher has faced in doing content analysis and how those difficulties were overcome. It then explained how the sample of annual reports were collected from the UK and Bangladesh and illustrated descriptive data regarding sample Bangladesh corporations. The next chapter reports content analysis data, following the process mentioned in this chapter.

Chapter 8

Corporate Social reporting practices in UK and

Bangladesh: A general description

8.0 Introduction

In line with social accounting literature relating to CSR practices as documented in chapter 3, this chapter examines actual CSR practice of companies in the UK and Bangladesh over two years (the study period) using content analysis as described in the previous chapter. The data gathered in this chapter will then provide a foundation to explore CSR practices of subsidiaries of MNCs (mainly from UK) and domestic corporations in Bangladesh. This will also give a foundation from where we can start looking at UK MNCs' CSR practices and those of their Bangladeshi subsidiaries. These are described in detail in the next chapter. Chapter 11, 12 and 13 then will make the insights from the interviews, explaining the practice, which is more central to the thesis as a whole.

A comparison between two countries' CSR practices needs to be interpreted with caution. This is in part due to the different size of samples used, the different sizes of corporations, and the different industrial characteristics of each country, all of which make comparison unreliable (Adams and Kuasirikin, 2000). Moreover, there is still little explanation in CSR theory regarding the extent of the influence of country contextual variables: culture; the extent of regulation; and the influence of political pressure in social reporting (Adams, 2002). More importantly, in a country where contextual variables such as culture, the extent of regulation and influence of political pressure in social reporting is very minimal or absent, companies may not necessarily produce CSR voluntarily. Even in the case

of subsidiaries of MNCs which – because of their size and the influence of their Western parent corporations’ practice – could reasonably be expected to produce a higher level of CSR compared to domestic corporations in an LDC, there is no obvious empirical evidence to suggest this. While accepting these limitations, as in previous comparative studies, this chapter compares the volume and the issues of disclosure between the UK and Bangladeshi samples, given that they are, at least, representative of most of the top corporations from both countries.

However, neither this chapter nor the next investigate the actual social and environmental involvement of corporations. The focus instead is on what has been reported in the annual reports of selected corporations in the two countries regarding social and environmental issues. The aim of this chapter is not to explore the differences in CSR level between these two countries in terms of corporate characteristics (i.e. size or industry). Rather, the chapter makes a descriptive analysis of the similarities and differences between CSR practices in the UK and Bangladesh.

This chapter has been organised as follows. Section 8.1 examines the general trend of CSR disclosure in both the UK and Bangladesh. Section 8.2 looks at social and environmental issues reported in the UK and Bangladesh in detail. Section 8.3 interprets CSR practices and Section 8.4 concludes the chapter.

8.1 General trend of CSR in Bangladeshi and UK companies

8.1.1 General trend in disclosing social issues (by number of companies)

Tables 8.1, 8.2 and 8.3 provide information related to the number of companies disclosing social responsibility issues in the years 1999 and 2000 in Bangladesh and the UK. Table 8.1 shows the percentage of companies which

report social and environmental issues in their annual report. Tables 8.2 and 8.3 then give more detail of social and environmental information, classifying issues under mandatory disclosure and voluntary disclosure issues.

Table 8.1
Disclosure of social and environmental issues in UK and Bangladeshi
company annual reports for the years 1999 and 2000
 (Percentage of companies)

Particular/Years	1999		2000		AVG	AVG
	UK	BD	UK	BD	UK	BD
Environment	87%	78%	90%	84%	89%	81%
Consumer	28%	14%	25%	16%	27%	15%
Community	99%	90%	94%	86%	97%	88%
Employee	100%	100%	100%	100%	100%	100%
Directors	100%	90%	100%	94%	100%	92%
Corporate Governance	100%	0	100%	8%	100%	4%
General Other	16%	72%	26%	78%	21%	75%
Voluntary	100%	98%	100%	100%	100%	100%
Mandatory	100%	100%	100%	100%	100%	100%
Total Companies	100	50	100	50	100	50

Note: Average means average over two years.

Table 8.1 shows that almost 100% of companies both in the UK and Bangladesh disclose employee information in both years. In the case of Bangladesh, apart from employee disclosure, information regarding directors, community disclosure and environmental disclosure are the most popular area of disclosure, being disclosed on average by 92%, 88% and 81% respectively of the sample companies over the two years. The least popular area of disclosure is corporate governance followed by consumer information, the latter being reported by 14% and 16% of companies respectively. In the UK, all companies disclose director and corporate governance issues. Community information and environmental information is disclosed by 97% and 89% of the companies in the UK, which shows that these are the next popular areas of social and environmental reporting in annual reports.

Table 8.2 shows the percentage of companies disclosing mandatory information in Bangladesh and the UK in detail. It should be noted that mandatory

disclosure varies between the UK and Bangladesh, and this is described in the previous chapter. In short, in Bangladesh, ‘energy information’, ‘employee numbers and cost’, ‘the contribution to workers’ profit participation fund’, and information regarding ‘contribution to the Government Exchequer’, are all mandatory information. On the other hand, information relating to ‘employee numbers and cost’, ‘charity and political donations’, ‘pension fund’, ‘consulting employee’, ‘disabled employee’, ‘employee share’, and ‘director information’ are mandatory in the UK.

Table 8.2

Mandatory disclosure of social and environmental issues in UK and Bangladeshi company annual reports for the years 1999 and 2000

(Percentage of companies)

Particular/Years	1999		2000		AVG (%)	AVG (%)
Countries	UK	BD	UK	BD	UK	BD
Energy Consumption	***	74%	***	82%	***	78%
Employee No & Cost	100%	100%	100%	100%	100%	100%
Contribution to W P P & P F	***	90%	***	92%	***	91%
Charity and Political Donation	84%	***	94%	***	89%	***
Pension Fund	98%	***	96%	***	97%	***
Consult Employee	91%	***	93%	***	92%	***
Disabled Employee Data	72%	***	85%	***	79%	***
Share Employee	90%	***	91%	***	91%	***
Directors	100%	90%	100%	94%	100%	92%
Corporate Governance	100%	***	100	***	100%	***
Contribution to National Exchequer	***	28%	***	30%	***	29%
Total Companies	100	50	100	50	100%	100%

Notes: ‘***’ means not mandatory for the particular country.

1. W P P F means Workers’ Profit Participation Fund; P F means Provident fund.

Table 8.2 shows that the majority of companies comply with the minimum requirement of regulatory or mandatory disclosure, with all companies on average disclosing employee numbers and cost information in both the UK and Bangladesh. In the case of Bangladesh all other areas of mandatory disclosure show some non-compliance, with the lowest disclosure being on ‘contribution to the national exchequer’ (29% of companies on average). In the UK, the lowest

level of mandatory disclosure is information regarding ‘disabled people’ (79% of companies on average over two years).

Table 8.3 gives details of voluntary disclosure in Bangladesh and the UK. It shows that there are differences in voluntary social and environmental issues in terms of disclosure issues themselves and in terms of the level at which these are reported between Bangladesh and the UK. For example, many companies report ‘value-added information’ in Bangladesh, however, with the exception of one company, this is not reported in the UK. Table 8.3 shows that ‘employee other’ accounts for the highest voluntary disclosure in Bangladesh, being reported by 94% of companies. On the other hand, ‘environmental policy’ accounts for the highest voluntary disclosure in the UK. In Bangladesh, this is followed by ‘charity’ and information related to ‘value-added statements, with 46% and 40% of the companies providing such information respectively.

Table 8.3
Voluntary disclosure of information in UK and Bangladeshi company annual reports for the years 1999 and 2000

Particular/Years	(Number of companies)					
	1999		2000		AVG (%)	AVG (%)
Countries	UK	BD	UK	BD	UK	BD
Environmental policy	83%	4%	80%	4%	82%	4%
Environmental Audit	61%	2%	76%	0	69%	1%
Waste	72%	10%	75%	18%	73%	14%
Financial data	9%	0	10%	2%	10%	-
Sustainability	15%	4%	12%	2%	14%	3%
Energy	11%	***	15%	***	13%	***
Environmental other	50%	8%	65%	10%	58%	9%
Consumer	28%	14%	25%	16%	27%	15%
Community	81%	10%	81%	10%	81%	10%
Charity	***	46%	***	46%	-	46%
V A S	1%	40%	1%	40%	1%	40%
Health and Safety	67%	8%	69%	8%	68%	8%
Equal opportunity	65%	-	81%	-	73%	-
Employee other	73%	94%	72%	94%	72%	94%
General other	14%	60%	26%	70%	20%	65%
Total company	100	50	100	50	100%	100%

- Notes:
1. ‘***’ means that the issue is mandatory for the particular country so not recorded.
 2. ‘-’ means insignificant amount

It should be mentioned that charity and political donation is shown under mandatory information in UK annual reports but under voluntary information in Bangladeshi annual reports.

On the other hand, in the UK, ‘community information’, ‘equal opportunity’ and ‘waste’ data are found to be a popular area of voluntary reporting, with 81 and 73 per cent of companies shown to report such information.

8.1.2 General trend in the volume of disclosure by proportion of page

Table 8.4 shows the issues of disclosure and the page proportions devoted to such issues by companies in different areas of social and environmental disclosure in Bangladesh and in the UK. As expected, the total volume of social and environmental issues reported in Bangladesh is very low compared to the UK. Table 8.4 shows that while on average 1.96 pages are devoted to social and environmental issues in Bangladeshi annual reports, this compares with an average of 11.76 pages in UK annual reports.

Table 8.4
Amount of page proportion devoted to each issue in UK and Bangladeshi company annual reports for the years 1999 and 2000

Particular/Years	By proportion of pages					
	1999		2000		AVG	AVG
	UK	BD	UK	BD	UK	BD
Environment	0.84	0.08	0.95	0.1	0.86	0.1
Consumer	0.1	0.04	0.04	0.01	0.07	0.03
Community	0.5	0.31	0.6	0.3	0.55	0.31
Employee	2.64	1.1	2.74	1.2	2.69	1.15
Directors	4.3	0.32	5.00	0.30	4.69	0.31
Corporate Governance	3.00	-	2.80	0.17	2.90	0.1
Voluntary	1.88	0.97	2.03	1.14	1.94	1.05
Mandatory Plus	9.5	.89	10.1	0.94	9.80	0.91
Total CSR	11.38	1.85	12.13	2.08	11.76	1.96

Note: Average means average of two years.

Table 8.4 shows the dominance of employee information both in Bangladesh and UK annual reports in terms of page proportion devoted to this issue. It shows that

an average of 1.15 pages are devoted to this issue in Bangladesh and 2.69 pages in the UK. In both UK and Bangladeshi annual reports, the lowest disclosure is made of consumer issues; only 0.03 of a page in Bangladesh and 0.07 of a page in the UK. In the case of Bangladesh, information on community issues and director issues are the second and third most popular area of disclosure in terms of page proportions (in both cases 0.31 of a page are devoted to the issue).

Table 8.4 shows that in the UK information regarding directors accounts for the highest volume of information, with 4.69 pages devoted to this issue. This is followed by corporate governance and employee issues, with 2.9 and 2.69 pages respectively. It can be noted that while environmental and community issues were popular areas of disclosure in terms of page proportion throughout the 1990s (Gray et al, 1995), data from these years clearly suggests the increasing trend of disclosure of director and corporate governance issues in the UK partly as a result of increased regulation. The level of disclosure of environmental issues in the UK suggests that, while environmental pollution is getting more world-wide attention, such disclosure is of secondary importance to the companies compared to disclosure of directors and corporate governance issues. Surprisingly, even in developing countries like Bangladesh, corporate governance issues are disclosed at the same level as environmental issues (both occupying 10% of a page), even though corporate governance issues are a very recent phenomenon in Bangladesh.

It is generally accepted that the size and industrial nature of a company has an effect on the volume and nature of disclosure. Usually, bigger corporations disclose more than smaller corporations. It should be noted that the average size of the top 100 UK corporations in the sample is much bigger than the top 50 corporations in Bangladesh. Therefore, it is to be expected that top UK

corporations will report a much higher level of CSR than Bangladeshi corporations. Therefore, the concern here is not a strict comparison between the volume of CSR in the UK and Bangladesh; rather, it is to look at the issues of CSR and the pattern that emerges from them in these two countries. This can help to explain parent corporations’ CSR practices in the UK and their subsidiaries in Bangladesh later on.

8.1.3 General trend in volume of disclosure according to industrial groups in Bangladesh

Subsidiaries of MNCs, although listed within the top 50 corporations in Bangladesh, fall into different industrial groups in Bangladesh. Therefore, it is important to look at the overall CSR trend according to industrial classification in Bangladesh. It should be noted that on the whole CSR in the UK is not analysed according to industrial classification. Table 8.5 shows the industry average of CSR in Bangladesh for the years 1999 and 2000.

Table 8.5
Industry average of CSR for the year 1999 and 2000 in Bangladesh
(By proportion of pages in company annual)

Industrial groups / Years	1999	2000	Average
Engineering	1.84	1.36	1.6
Food Allied and Tobacco	.72	1.42	1.07
Jute and Textile	1.95	2.41	2.18
Pharmaceuticals and chemicals	2.38	2.59	2.48
Paper and Printing	1.47	0	0.73
Service and Real State	1.26	1.21	1.23
Cements	0.47	3.57	2.02
Leather and Tanneries	1.39	1.53	1.46

Note: Average means average over two years.

Table 8.5 shows that the average volume of CSR is highest in Pharmaceutical and Chemical corporations in Bangladesh. This is followed by the Jute and Textile, Cements, Engineering, and Leather and Tanneries industries. This suggests that

these industries disclosed a higher volume of CSR compared to other industrial groups such as the Paper and Printing industry in Bangladesh. Moreover, this also indicates that the volume of CSR varies according to the industrial nature of the company. As most of the subsidiaries fall within these industrial groups, the next chapter examines their CSR according to their industrial average CSR found in Bangladesh.

8.2 Details of social and environmental issues reported in the UK and Bangladesh

This section examines in more detail the major issues of CSR reported in both Bangladesh and the UK. The issues of social and environmental disclosure are common in both countries: employee information, director information, environmental information, community information and customer information. While corporate governance information is the most reported issue in the UK, value-added information is the most reported in Bangladesh. Details of social and environmental issues disclosed in annual reports are discussed below.

8.2.1 Employee disclosure

8.2.1.1 Value-added information

One of the many explanations for preparing a value-added statement refers to recognition that the stakeholders who are involved in a company create a value and thus are entitled to be informed how that value has been distributed among the stakeholders (Roberts et al, 1997). Value-added statements can be used to recognise the contribution of stakeholders and it can be used by the company to

keep employees satisfied by showing that the company is taking their interests into account (Roberts et al, 1997).

There is no real consensus about the specific format of value-added statements, due to the lack of legislative requirements in this regard. The most common format is a full statement showing how value has been calculated and how it is distributed among different stakeholders, especially to the government, lenders of capital, employees and the company itself. Another format for value-added statements is a revenue distribution statement showing how revenue is distributed to material, labour, government and capital (Roberts, 1990). While the latter is popular in Germany, the former is popular in the UK (Roberts, 1990). Table 8.6 shows that in Bangladesh almost 50% of companies voluntarily produce value-added information in their annual report, using both formats.

Table 8.6
Companies publishing value-added statements in annual reports in Bangladesh and the UK for the year 1999 and 2000

Particulars/Years	(Percentage of companies)			
	1999		2000	
	UK	BD	UK	BD
Countries				
Full statement	1%	38%	1%	34%
Revenue distribution		2%		14%
Total percentage of companies published V.A.S	1%	40%	1%	48%

Note: Figures in the bracket showed the percentage of total companies.

Table 8.6 shows that 40% of the sample companies in the year 1999 and 48% of the companies in the year 2000 provided such information in Bangladesh. Among these, 38% of the companies provided full statements of value-added information in 1999 and 34% of the companies provided full statements in 2000. On the other hand, 2% and 18% of the sample companies in the respective years provided such information in the format of revenue distribution. Compared to Bangladeshi companies, only one company in the UK provided value-added information.

Table 8.7 shows items that have been disclosed in value-added statements. Calculating the value-added figure is particularly problematic, especially taking into account depreciation, extraordinary items, non-operating income and various taxes (Gray and Maunders, 1980; Roberts, 1990). In particular, calculation of gross value-added or net value-added figures depends on how the company treats depreciation. For example, depreciation can be treated as a distribution of value-added, thus considering depreciation as retention. Alternatively, it can be treated as a cost and so is deducted from the revenues to calculate net value-added. In any case, it is expected that a company would show in its notes how depreciation has been treated to calculate gross value or net value-added figures. It is expected that the company will explain how the figures are calculated to make value-added disclosure more effective (Roberts, 1990). In other words, stakeholders can expect that the company will provide detailed information about the items included in the calculation. Table 8.7 shows items disclosed in calculating value-added figures and their distribution.

Table 8.7 about here

Table 8.7 shows that disclosing a gross value-added figure is more common in Bangladesh; 60% and 50% of the companies disclosed this figure in 1999 and 2000. On the other hand, only two companies disclosed a net value-added figure in the year 2000. In the case of the UK, the company also reported a gross value-added figure.

Table 8.7

Items disclosed in value-added statement by Bangladeshi and UK companies in the year 1999 and 2000

Particulars/Years	1999		2000	
Countries	UK	BD	UK	BD
No. of companies published V.A.S	1	20	1	24
Calculation of value-added:				
Gross of depreciation (Gross value-added)	1 (1.00)	12 (.60)	1 (1.00)	12 (.50)
Net of depreciation (net value-added)	(0)	(0)	(0)	2 (.10)
Not specified	(0)	8 (.40)	(0)	10 (.40)
Disclosed treatment of:				
Extraordinary items	0	0	0	0
Sundry items	(0)	6 (.30)	(0)	4 (.17)
Employee costs	1 (1.00)	20 (1.00)	1 (1.00)	24 (1.00)
Capital suppliers	1 (1.00)	20 (1.00)	1 (1.00)	24 (1.00)
Reserve and retention	1 (1.00)	20 (1.00)	1 (1.00)	24 (1.00)
Payment to government (including all tax)	0	20 (1.00)	1 (1.00)	24 (1.00)

Note: Figures in the bracket showed the percentage of total companies.

The striking fact is that 40% and 42% of the companies did not disclose the treatment of depreciation during the years 1999 and 2000 in Bangladesh. It is disappointing, as depreciation is a major item which shows retention of surplus from the revenue for the company itself through a depreciation fund. Not disclosing the amount of depreciation may assist the company to hide the actual retention amount of a company's share in the statement, and so reduce the usefulness of the value-added statement (Roberts, 1990). In such a case it can also become difficult to read such a statement with the audited financial statements provided by the companies. The level of disclosing the treatment of extra-ordinary items and sundry income is also very poor. No Bangladeshi company reports on extra-ordinary items, while 30% and 17% of the companies report sundry income in their statements. Only one company shows the treatment of sundry income

separately after the value-added figure calculated from its trading account. In the UK, companies show both extra-ordinary items and sundry income in their statements. Almost every company, however, discloses value distribution in terms of value distributed to employees, capital providers, the government and the company itself.

8.2.1.2 Employee number and wage information

Disclosure of employee number and cost is mandatory in both Bangladesh and the UK. Such disclosure does not only show the total or average number of employees but also shows the categories of employees. For example, in addition to the legislative requirement, employee information is disclosed according to gender, the line of business, geographical region, overseas employees, minorities, and disabled employees. Table 8.8 and Table 8. 9 show ‘employee number and cost information’ in Bangladesh and the UK.

Table 8.8
Companies disclosing employee number and cost in Bangladesh and UK
companies in the year 1999 and 2000 **(Percentage of companies)**

Particulars/Years	1999		2000	
Countries	UK	BD	UK	BD
Statement made related to:				
Total number of employee		100%		100%
Average number of employee	100%		100%	
Breakdown of employee number:				
Line of business	30%		34%	
Geographical area	62%		66%	
Overseas employee	8%		9%	
Function	12%		12%	
Gander	2%		2%	
Range of salary		96%		98%
Total number of companies	100	50	100	50

Note: Figures in the bracket showed the percentage of total companies.

Table 8.8 shows that almost every company in Bangladesh discloses the total number of employees at the end of the accounting period. By contrast, in the UK, where the common way to present employee numbers is average number of employees, the table shows that almost all companies report such information. Ninety-six per cent and 98% of companies in Bangladesh classified employees according to the range of salary/by salary range. This is a mandatory requirement provided by the Company Act of 1994. According to this act, every company has to disclose employee numbers according to the annual salary drawn above/below Taka¹ 36, 000 per year. Table 8.8 shows that two companies in 1999 and four companies in 2000 failed to comply with this regulation. In addition, two companies classified employee number according to part-time and full-time employment. However, not one company classified employee number according to gender. In contrast, UK companies classified employees by line of business and geographical area. Table 8.8 shows that 62% and 66% of companies in the year 1999 and 2000 classified their employee number according to geographical region. Very few companies also reported employee number by gender and not one company mentioned the number of disabled people they employed in the employee and wage section. In both countries, employee number data is mostly presented in the financial notes and accounts section. Table 8. 9 shows the composition of employee cost information.

¹ Taka is the currency of Bangladesh.

Table 8.9

Companies disclosing employee cost data by Bangladeshi and UK companies in the year 1999 and 2000
(Percentage of companies)

Particulars/Years	1999		2000		AVG	AVG
Countries	UK	BD	UK	BD	UK	BD
Statement made related to:						
Total cost	100%	100%	100%	100%	100%	100%
Employee welfare expenses		64%		58%		61%
Employee share option	90%	2%	91%	6%	91%	4%
Pension	100%		100%		100%	
Contribution to W P F fund		90%		92%		91%
Total number of companies	100	50	100	50		

Note: W P F means Workers Provident Fund

Table 8.9 shows that 100% of companies in Bangladesh and the UK disclosed total costs of salaries and wages. It also shows that in Bangladesh 90% and 92% of companies in the years 1999 and 2000 respectively disclosed ‘contribution to workers provident or profit participation fund’. This is a mandatory disclosure. It also shows that ‘employee welfare expense’, which is a voluntary disclosure, was disclosed by 64% of companies in the year 1999 and 58% of companies in the year 2000. Such disclosure includes ‘medical benefits’, ‘housing benefits’, ‘canteen expenses’ and ‘costs of uniforms’ provided to the employee. Information provided in this category is often found to be financial in nature and reported within the financial statements.

A pension is not common in Bangladesh in the private sector. Therefore, disclosure of ‘pension’ data is hardly present in Bangladesh. Table 8.9 shows that in the UK, 100% of all companies in both years disclosed pension information. This is because disclosure of ‘pension data’ is mandatory in the UK. Employee share option information is rarely observed in the case of Bangladesh, while it is a common and mandatory disclosure in the UK. Table 8.9 shows that while 2% of companies in 1999 and 6% of companies in 2000 reported such information in

Bangladesh, in the UK 90% of companies reported such information in the year 1999 and 91% of companies reported it in the year 2000.

8.2.1.3 Employment policy information

Disclosure of employment policy related issues is mostly voluntary in both countries and differs between the countries. Disclosure of employment policy issues includes ‘policy related to equal opportunity’, ‘policy related to the disabled’, ‘policy related to employee consultation’, ‘policy related to health and safety issues’, ‘policy related to labour relations or strike’, and ‘policy related to human resource/employee training or development’ (Roberts, 1990). Disclosure of all such policy issues is voluntary in Bangladesh while disclosure related to ‘disabled’ and ‘employee consultation’ is mandatory in the UK. In both countries these policy issues are disclosed in the section “Directors’ Report”. Table 8.10 shows recent disclosure of these policy issues by number of companies for the year 1999 and 2000 in the UK and Bangladesh.

Table 8.10
Companies disclosing employee policy issues in annual reports in Bangladesh and the UK in the years 1999 and 2000 (Percentage of companies)

Particulars/Years	1999		2000		AVG	AVG
Countries	UK	BD	UK	BD	UK	BD
Policy providing equal opportunity	65%	0	81%	0	73%	0
Policy related with disabled people	72%	0	85%	0	79%	0
Policy of consultation with employee	91%	0	93%	2%	92%	1%
Policy of health and safety	67%	8%	69%	8%	68%	8%
Training and human resources development policy	39%	54%	41%	50%	40%	52%
Policy of labour relation and strike	1%	24%	0	24%	-	24%

Table 8.10 shows that not one of the Bangladeshi companies in either year disclosed any policy statements relating to ‘equal opportunities’, ‘disabled information’ and ‘employee consultation’. Eight per cent of companies in both

periods disclosed information on ‘health and safety policy’ with only 2% reporting policy statements relating to ‘consultation with their employees’. In Bangladesh, the only common disclosure is made in ‘training and human resource development’ issues with 54% of companies in 1999 and 50% of companies in 2000 providing such information.

Compared to Bangladeshi companies, UK companies disclose employment policy in greater detail in all respects except for policy related to ‘industrial relations or strike data’. Table 8.10 shows that statements related to ‘employee consultation’ are a prevalent area of disclosure in the UK, with 91% and 93% of companies disclosing these issues in the year 1999 and 2000 respectively. This is followed by disclosure related to disabled people’ with 72% of companies in 1999 and 85% of companies in the year 2000 disclosing such information. The least important policy issue in the UK in 1999 is ‘industrial relations and strike data’, with only one company disclosing such information.

8.2.1.4 Employee appreciation disclosure

Employee other disclosure in both the UK and Bangladesh is dominated by ‘employee appreciation’ information which is voluntary in nature. Table 8.11 shows the number of companies that disclose employee appreciation’ in the UK and Bangladesh.

Table 8.11
Companies which disclose employee appreciation in the UK and Bangladesh for the years 1999 and 2000

Particulars/Years	(Percentage of companies)					
	1999		2000		AVG	AVG
	UK	BD	UK	BD	UK	BD
Appreciation made by Directors & Chairman	88%	82%	94%	84%	91%	83%
No statement	12%	18%	6%	16%	9%	17%
Average pages devoted to: Appreciation	.06	.03	.06	.03	.06	.03

Table 8.11 shows that 82% of companies in the year 1999 and 84% of companies in the year 2000 disclosed such information in Bangladesh. Such an appreciation is common in the UK, being disclosed by 88% and 94% in the year 1999 and 2000. In Bangladesh, ‘employee appreciation’ disclosure occupies 3% of a page compare to 6% of page in the UK. In both countries, this is often one or two sentences disclosed at the end of the Chairman’s Report. Table 8.12 shows the volume of overall employee disclosure by page proportion in both the UK and Bangladesh for the years 1999 and 2000.

Table 8.12

Proportion of pages devoted to employee disclosure in both the UK and Bangladesh for the years 1999 and 2000 (By page proportion)

Particulars/Years	1999		2000		AVG	
Countries	UK	BD	UK	BD	UK	BD
Average discloser made on employee issues:						
Cost and number information	0.5	0.31	0.5	0.36	0.5	0.34
Pension	0.8	-	1.0	-	0.9	-
Workers Profit Participation & Provident Fund	-	0.16	-	0.18		0.17
Consult employee	0.1	**	0.1	**	0.1	**
Disabled	0.05	-	0.05	-	.05	-
V A S	0.01	0.44	0.01	0.46	.01	0.45
Health and Safety	0.2	**	0.2	**	0.2	**
Share employee	0.68	**	0.7	**	0.69	**
Equal opportunity	0.1	-	0.1	-	0.1	-
Employee other	0.2	0.2	0.1	0.2	0.2	0.2
Total employee	2.64	1.12	2.74	1.2	2.69	1.16
Total CSR discloser	11.38	1.85	12.10	2.08	11.72	1.96
Total employee as a % of Total CSR discloser	.23	.60	.23	.57	.23	.59

Note: ‘***’ means very negligible amount of disclosure

As the value-added statement has been discussed separately already, this is not repeated in this analysis. Other than value-added disclosure, Table 8.12 shows that the highest disclosure is made in ‘employee cost and numbers’: 0.31 and 0.36 proportion of a page is devoted to this during the period 1999 and 2000 in Bangladesh. This is followed by disclosure of the ‘workers fund’ with 0.16 and

0.18 proportion of a page devoted to the issue in 1999 and 2000 respectively. Not one company in Bangladesh disclosed 'disabled information' or 'equal opportunity information'. Table 8.12 shows that 'employee other' data takes up an average of 0.20 of a page proportion in both years. Although a few companies report 'health and safety issues' and 'employee share ownership issues', the amount is insignificant when an average is calculated.

In the case of the UK, Table 8.12 shows that the highest disclosure is made under mandatory disclosure but in the areas of 'pension data', 'employee number and cost' data and 'share employee' data. Table 8.12 shows that these areas of disclosure occupy 0.8, 0.5 and 0.68 proportion of a page respectively in 1999 and 1.0, 0.5, and 0.7 proportion of a page respectively in the year 2000. Although 'consulting employee' and information about 'disabled people' are another two areas of mandatory disclosure, it seems that volume of disclosure in these areas are low (0.1 and 0.05 proportion of a page) compared to other previously mentioned mandatory areas. It may be that 'employee cost and number', 'pension' and 'share employee' information provide a good impression of employees' share in the business and thus companies are happy to provide such data. Table 8.12 also shows that 0.2 proportion of a page on average is devoted to disclose employee other information in the UK.

Nevertheless, the ratio of total disclosure of employee issues to total CSR is high in Bangladesh compared to the UK. Table 8.12 shows that the ratio of employee disclosure to total social disclosure is nearly 60% in Bangladesh while it is not quite 25% in the UK. This means that there are more dominant issues reported in the UK compared to employee centred disclosure in Bangladesh.

8.2.2 Environmental disclosure

This section deals with environmental information provided by companies in the UK and Bangladesh for the years 1999 and 2000. Table 8.13 shows the percentage of companies disclosing environmental information and Table 8.13 shows the volume of environmental disclosure in both the UK and Bangladesh in terms of page proportions.

Table 8.13
Companies providing environmental information in Bangladesh and the UK
(Percentage of companies)

Particulars/Years	1999		2000		AVG	
Countries	UK	BD	UK	BD	UK	UK
Environmental policy	95%	5%	95%	5%	95%	5%
Environmental audit and management	70%	2%	84%	0	77%	1%
Waste	83%	13%	83%	21%	83%	17%
Financial data	10%	0	11%	2%	11%	1%
Sustainability	17%	5%	17%	2%	17%	3%
Energy	13%	95%	17%	98%	15%	97%
Environmental other	57%	10%	72%	12%	65%	11%
Total companies disclose environmental information	87	39	90	42		

Table 8.13 shows that environmental disclosure in Bangladesh is mostly influenced by ‘energy data’, with 95% of companies in the year 1999 and 98% of companies in the year 2000 providing such information. It is a mandatory disclosure in Bangladesh. According to the Companies Act of 1994, companies should provide information on ‘energy consumption’, ‘usage and cost’ in their financial accounts or in their notes. Other than this mandatory disclosure, environmental disclosure is very low for Bangladeshi companies. Table 8.13 shows that ‘waste disposal and pollution’ is the next most common area of disclosure, being disclosed by only 13% and 21% of companies in the years 1999 and 2000 in Bangladesh. This is followed by environmental other data being disclosed by 11% of companies on average over the two years.

On the other hand, in the case of the UK, Table 8.13 shows that 95% of companies report environmental policy information in both years. It also shows that disclosure in ‘waste and pollution’, ‘environmental other and ‘environmental audit and management’ information became other popular areas of disclosure, with 83% of companies, 77% of companies and 65% of companies respectively disclosing such information on average. This means that companies are disclosing diverse issues compared to focusing on a single issue such as ‘energy’ disclosure in Bangladesh. Table 8.14 shows the volume of disclosure of environmental issues both by UK and Bangladeshi companies in the years 1999 and 2000.

Table 8.14
Volume of environmental disclosure in Bangladesh and the UK for the years 1999 and 2000
(By page proportions)

Particulars/Years	1999		2000		AVG	AVG
Countries	UK	BD	UK	BD	UK	BD
Environmental policy	0.2	0	0.1	0.01	0.2	**
Environmental audit and management	0.1	0	0.2	0	0.2	-
Waste	0.3	.01	0.3	0.01	0.3	0.01
Financial data	0.03	0	0.03	0	0.03	-
Sustainability	0.1	0	0.1	0	0.1	-
Energy	0.01	.04	0.02	0.04	0.02	0.04
Environmental other	0.1	.02	.2	0.02	0.2	0.02
Total environmental	0.84	0.1	0.95	0.1	0.9	0.1

Note: Average means average of two years
 ‘***’ to mean very negligible amount

Table 8.14 shows that only 0.10 proportion of a page is devoted to environmental information in Bangladesh while it is 0.9 proportion of a page in the UK. It also shows that while the highest volume of disclosure in environmental issues in Bangladesh is found in energy issues - with an average of .04 proportion of a page - in the UK the highest level of disclosure is made in waste and pollution data, with 0.3 proportion of a page devoted to it. It can be noted that 0.2 proportion of a page is devoted to disclosing environmental policy and environmental audit and management in the UK. This shows that UK companies report environmental

policy, environmental audit and management issues in equal amounts, second only to their disclosures relating to waste and pollution. Such issues are only disclosed in Bangladesh in a very few instances.

8.2.3 Community information

Tables 8.15 and 8.16 provide details of community information reported by companies in the UK and Bangladesh in the years 1999 and 2000. Table 8.15 shows the percentage of companies that disclosed community information.

Table 8.15
Companies providing community information in Bangladesh and the UK for the years 1999 and 2000
(Percentage of companies)

Particulars/Years	1999		2000	
Countries	UK	BD	UK	BD
Charity and political donations	89%	51%	95%	52%
Community (purely community information)	86%	11%	89%	11%
General other	15%	93%	26%	93%
Total companies report community information	94	45	99	44

Note: Purely community information is disclosure of company involvement in the community

Table 8.15 shows that 45 companies (88%) on average disclosed community information in Bangladesh. It shows that in Bangladesh, community disclosure largely consists of ‘charity’, ‘involvement in community activities’ (purely community information) and ‘general other information’. General other information includes information that is not directly related to community development activities of a business but is related to its commitment to the local society. For example, many of the companies reported their accountability to the community of Bangladesh in an accountability statement without specific details of their community involvement. Table 8.15 shows that 93% of companies in both years provided general other information’, not purely in terms of community

activities. In contrast, only 11% of companies disclosed ‘purely community involvement’ information in both years in Bangladesh. Fifty-two per cent of companies reported ‘charity and donation’ information in Bangladesh. It should be noted that in Bangladesh disclosure of ‘charity information’ is not mandatory and it is hard to find out whether companies are making any political donations as none of the companies provide such information.

Table 8.15 shows that in the UK more than 94% of the companies provided community information. In the UK, total community information is dominated by ‘charity and political donations’, with 89% of companies providing such information in the year 1999 and 95% of companies providing such disclosure in the year 2000. However, disclosure of ‘charity and political donation’ is mandatory in the UK and voluntary in Bangladesh. Table 8.15 also shows that 86% of companies disclosed information that denotes purely community involvement in the year 1999 and 89% of companies report such information in the year 2000.

Table 8.16 shows the volume of community information provided by UK and Bangladeshi companies in the years 1999 and 2000 in terms of page proportion.

Table 8.16
Volume of community disclosure in Bangladesh and the UK for the years 1999 and 2000
(Page proportion)

Particulars/Years	1999		2000		AVG	AVG
Countries	UK	BD	UK	BD	UK	BD
Charity and political donation	0.1	0.02	0.1	.03	0.1	.03
Community (purely community information)	0.3	0.01	0.4	.03	0.4	.02
General other	0.1	0.45	0.1	.41	0.1	0.43
Total community	0.5	0.48	0.6	0.47	0.6	0.48

Note: Purely community information is disclosure of company involvement in the community
 AVG: average of two years

The table shows that in Bangladesh, community disclosure occupied 0.48 proportion of a page on average, of which on average 0.43 proportion of a page was devoted to 'general other information'. This means that community disclosure is not dominated by purely community information or charity and donation information. Indeed the volume of disclosure of purely community information and charity information is very low; on average 0.02 and 0.03 of a page proportion was devoted to these issues. This denotes a very poor quantity of community disclosure in terms of the issues that are directly related to community involvement.

Table 8.16 shows that in the UK on average 0.6 proportion of a page is devoted to community disclosure. It also shows that overall community disclosure in the UK is largely taken up by community information with an average 0.4 proportion of a page devoted to purely community issues and 0.1 proportion of a page devoted to charity and political donation issues. This highlights the fact that although the majority of the companies disclosed charity and donation information, more page space was used when reporting community involvement than when reporting charity and donation information.

8.2.4 Other typical issues of Social Reporting in Bangladesh

After comparing social and environmental issues in Bangladesh and the UK, it is seen that there are other some issues that are disclosed in Bangladesh but are not very common in the UK. These issues are listed under 'general other issues'. Although, these issues are not very significant in terms of their volume and the number of corporations reporting them, they are nevertheless a part of CSR in Bangladesh. Therefore it is important to see, at least, what corporations are

reporting within ‘general other’ issues in Bangladesh. In particular, it is important to ascertain whether both subsidiaries of MNCs and local corporations are reporting such issues, given that these issues are not common in the reporting of the parent corporations in the UK. Two such issues – namely, accountability statement and contribution to national exchequer – can be identified. While the first of these can be found in CSR in the UK in ‘general other category’ although not very common, the latter – ‘contribution to the national exchequer’ – cannot. Details of these two issues are provided next. It should be noted that the analysis does not include discussion on the UK. Table 8.17 shows the number of companies that disclosed any other types of social issues in Bangladesh.

Table 8.17
Number of companies which disclosed general other information in Bangladesh for the years 1999 and 2000. (Percentage of companies)

Particulars/years	1999	2000
Country	BD	BD
Accountability and mission statement	48%	35%
Contribution to national exchequer	51%	52%

Notes: Contribution to national exchequer means any contribution by the companies to a national fund (i.e. tax paid to government).

Table 8.17 shows that contribution to national exchequer and disclosure of accountability and mission statement are the most common issues of disclosure in ‘general other disclosure’. It shows that 52% of companies on average disclosed information related to ‘contribution to national exchequer’. On the other hand, 42% of companies included ‘accountability to society’ in their mission statements. This indicates that at least a few companies are recognising the concept of broader accountability towards society and the need to disclose this. Table 8.18 shows the volume of such disclosure.

Table 8.18
Volume of general other issue disclosure in Bangladesh for the years 1999 and 2000
(Page proportion)

Particulars/Years	1999	2000	AVG
Country	BD	BD	BD
Accountability and mission statement	.16	.15	.16
Contribution to national exchequer	.06	.07	.07

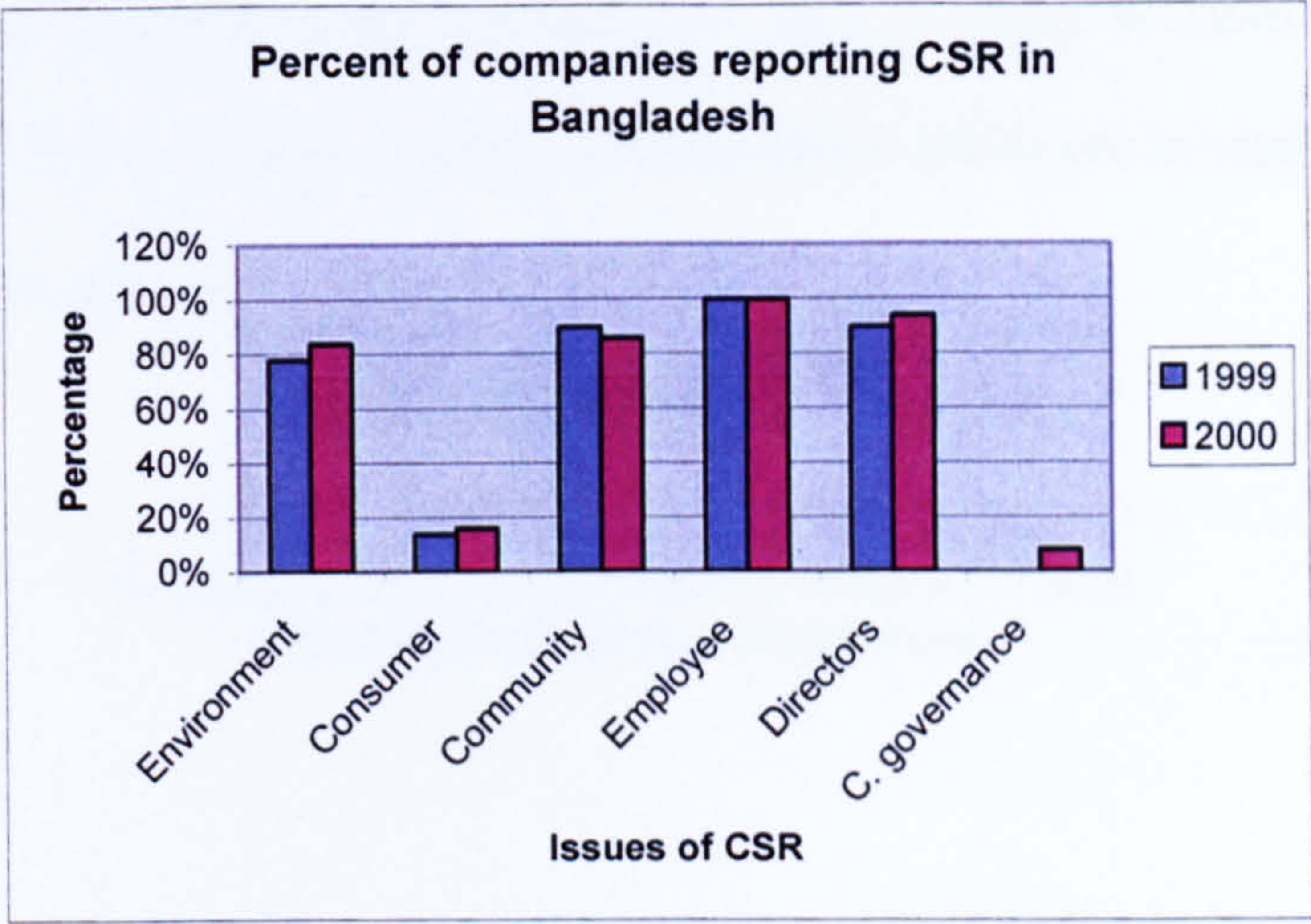
Table 8.18 shows that companies are disclosing accountability statements, with an average of 0.16 proportion of a page devoted to this issue. The volume of disclosure in ‘contribution to national exchequer’ is low, with an average of 0.07 proportion of a page devoted to this.

8.3 Interpretation of CSR in Bangladesh

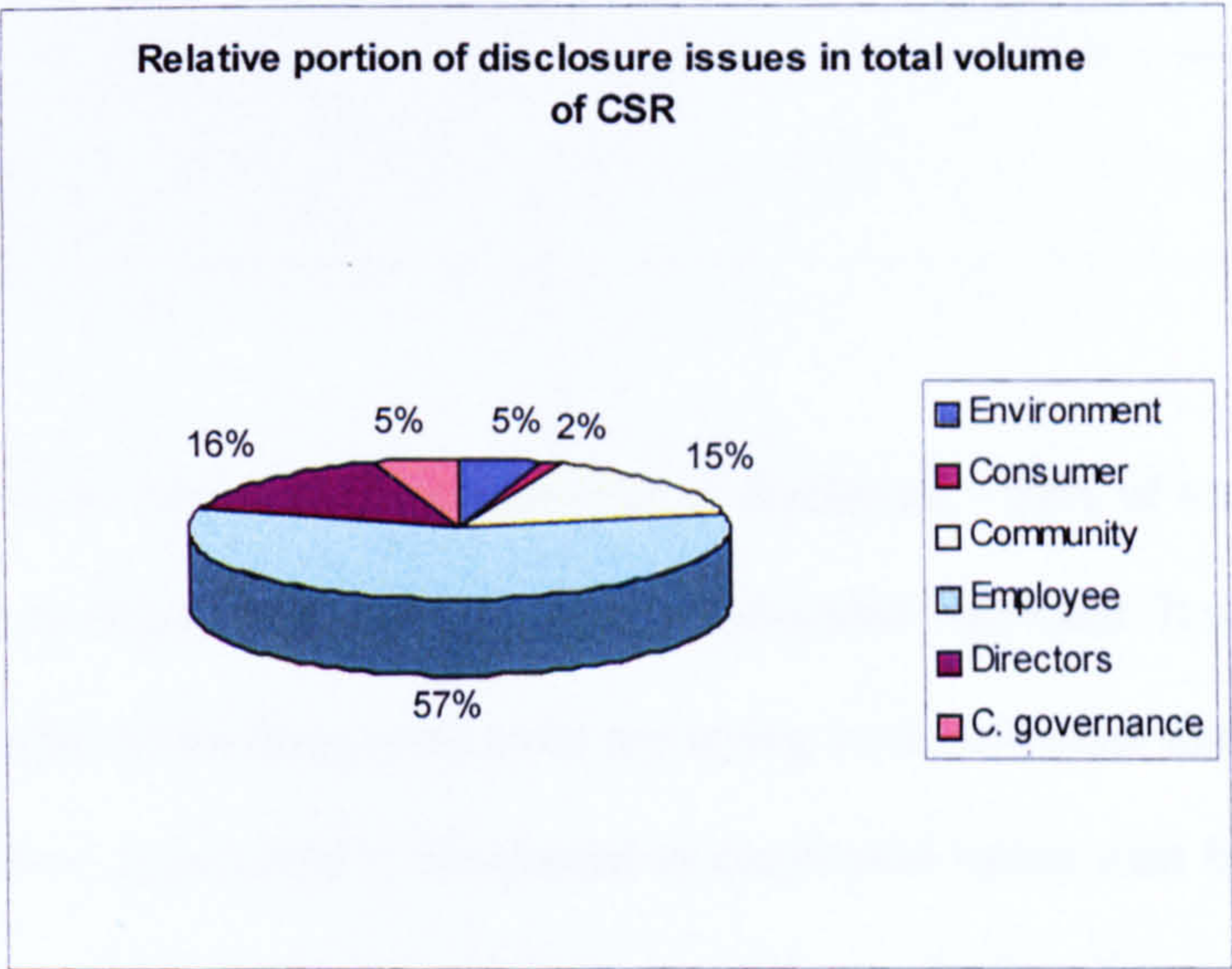
8.3.1 Overall CSR trend in Bangladesh

It can be seen that the greatest amount of disclosure in Bangladesh is concerned with employee disclosure. Other popular areas of disclosure are community, environment and directors’ issues in terms of proportion of pages occupied by such disclosures. Graph 8.1 shows the trend of main disclosure issues for two years in Bangladesh and Graph 8.2 shows the relative position of disclosure issues to total volume of CSR. Graph 8.1 shows that 100% of corporations disclosed employee information in both years. On the other hand, more than 80% of companies, in both years, disclosed community and director information and nearly 80% of companies disclosed environmental information. Graph 8.2 shows that employee issue disclosure occupies the highest proportion of disclosure (57%) in total volume of CSR in Bangladesh, although many corporations disclosed in the areas of employee, community, director and environmental issues as shown in Graph 8.1.

Graph 8.1



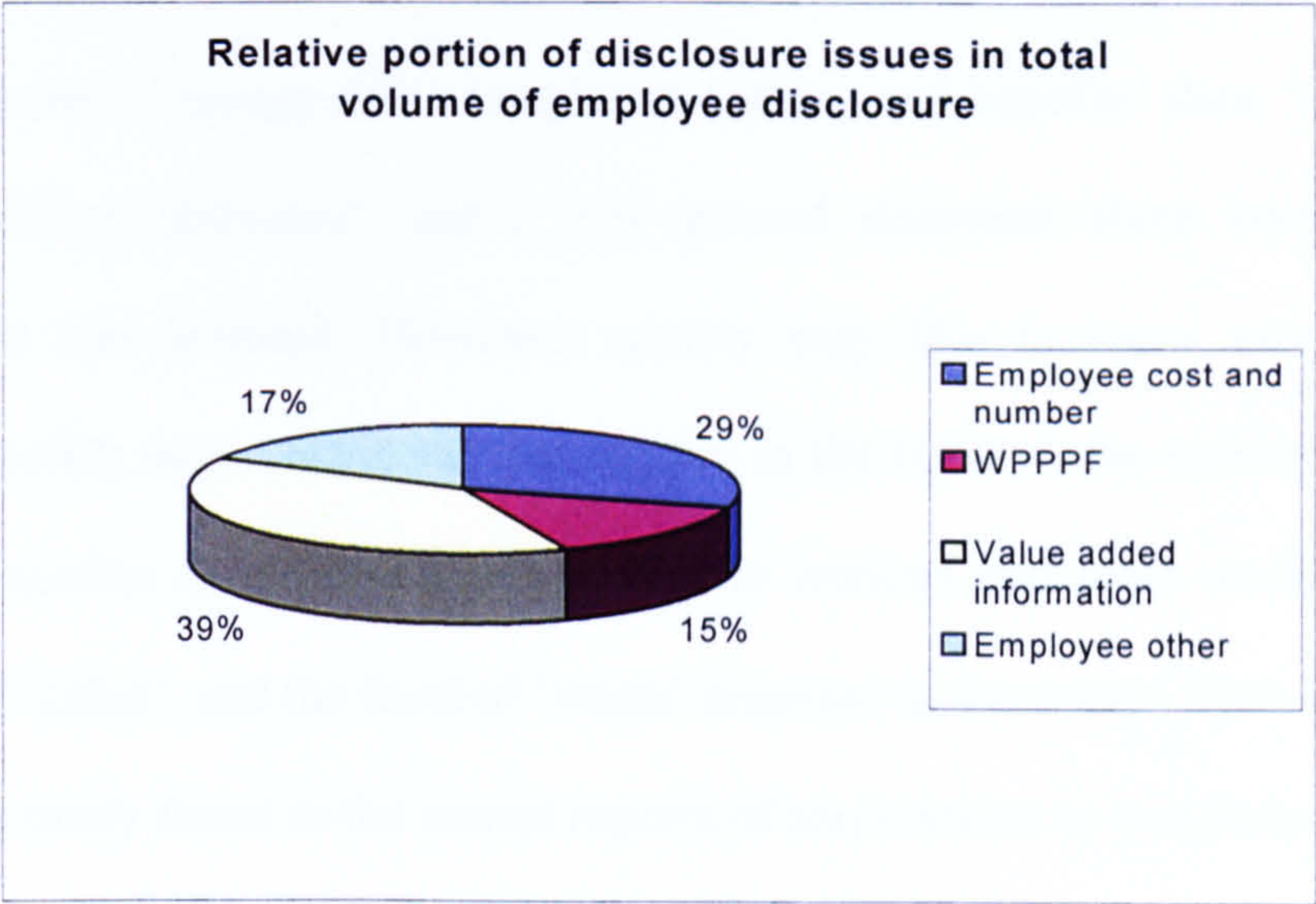
Graph 8.2



Although the data presented here – averaged out over a period of two years – is not sufficient to establish a trend, it is important to look at the issues of disclosure in order to explore further why, in Bangladesh, some of these issues are reported to a greater extent than others. Most importantly, value-added information, which

occupies a major portion of CSR in Bangladesh, is voluntarily disclosed by corporations in Bangladesh and not presently seen in many Western countries' CSR. Graph 8.3 shows the proportion of value-added disclosure in total employee disclosure in Bangladesh.

Graph 8.3



Graph 8.3 shows that the greatest amount of disclosure - 39% of total employee disclosure - in Bangladesh concerned the value-added statement. It seems that by reporting value-added data, companies are trying to demonstrate that as much of the share value as possible is distributed to employees rather than being kept by the company, with the intention of keeping employees happy. For example, while most companies did not specify the way value-added is calculated, all companies disclosed the way value is distributed to employees and the government. Moreover, information provided in a value-added statement is not very useful to the stakeholders, particularly to the employees, except to give an impression of how much value is distributed to them. This is because of the absence of

information on depreciation, extra-ordinary items and sundry income. Indeed, the main purpose of this statement may be political, to provide a good impression to employees and the government.

Other than value-added data, the overall CSR found in Bangladesh is limited to some very general issues. For example, companies often report 'employee cost and number data', 'energy data', 'employee training and benefits' data, 'donation and philanthropy activities', and a very general statement about keeping the environment less polluted. However, society may like to know more about 'employee safety data', 'accidents that happen in the factory', the extent of 'child labour/the number of child workers or female workers and male workers', the payment of 'Zakat', and the level of 'waste' disposed in the water. Such issues of concern are rarely found in the annual reports of corporations in Bangladesh.

The overall trend of CSR in Bangladesh found in this study is similar to that found by Belal (1999) and Imam (2000), with a few exceptions. For example, both studies showed that 'employee disclosure' dominated CSR in Bangladesh and that disclosure is made on some common issues such as 'environmental' , 'community' and 'director information'. This is consistent with the findings of the present study. However, the findings of the present study also differ from Belal's (1999) and Imam's (2000) in terms of the level of total CSR. This is partly due to the different measurement unit used in this study compared to the two previous studies. While they measured by number of words, this study uses page proportion as its measurement.

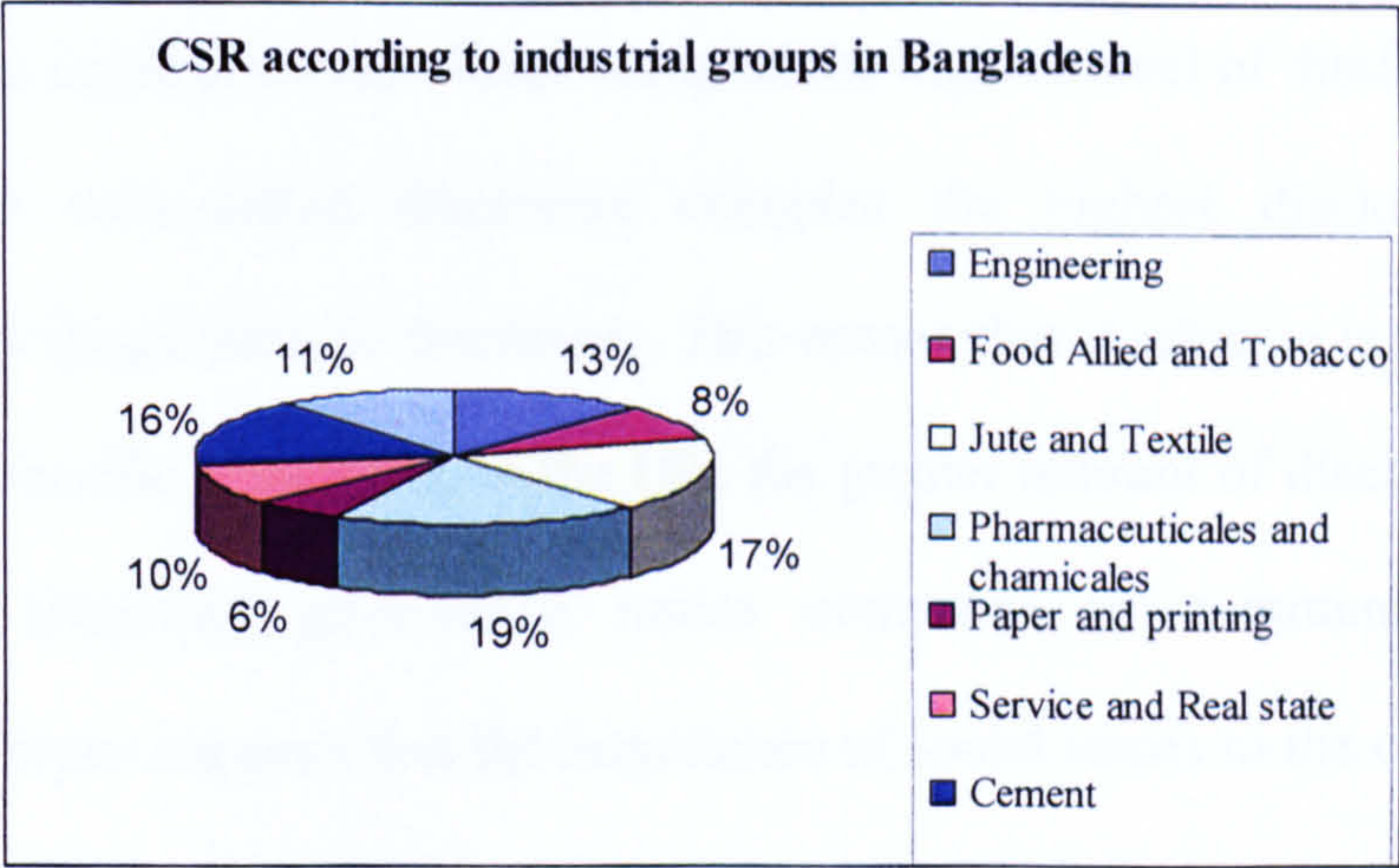
Previous studies did not include pictures and graphs in their measurements, and so may have missed many pictorial images of businesses' attitudes towards the greening of the environment, community help programmes and, most

importantly, graphical presentation of value-added information. These are included when measuring page proportion. Moreover, previous studies do not focus very much on value-added data that can be disclosed in different forms such as full statement and revenue distribution forms (Roberts, 1990). The results of the present study are therefore an improvement on previous studies in that this study incorporates picture and graphs which capture social and environmental image of corporations in Bangladesh.

8.3.2 CRS trends in Bangladesh according to industry

It is important to look at the overall trend of CSR according to industrial classification. This is because subsidiaries of MNCs are in different industrial groups and previous CSR literature suggests an industry-wide pattern of CSR. Therefore, overall CSR found in Bangladesh is shown according to the industrial groups described in chapter 7. Graph 8.4 provides industry-wide CSR in Bangladesh.

Graph 8.4

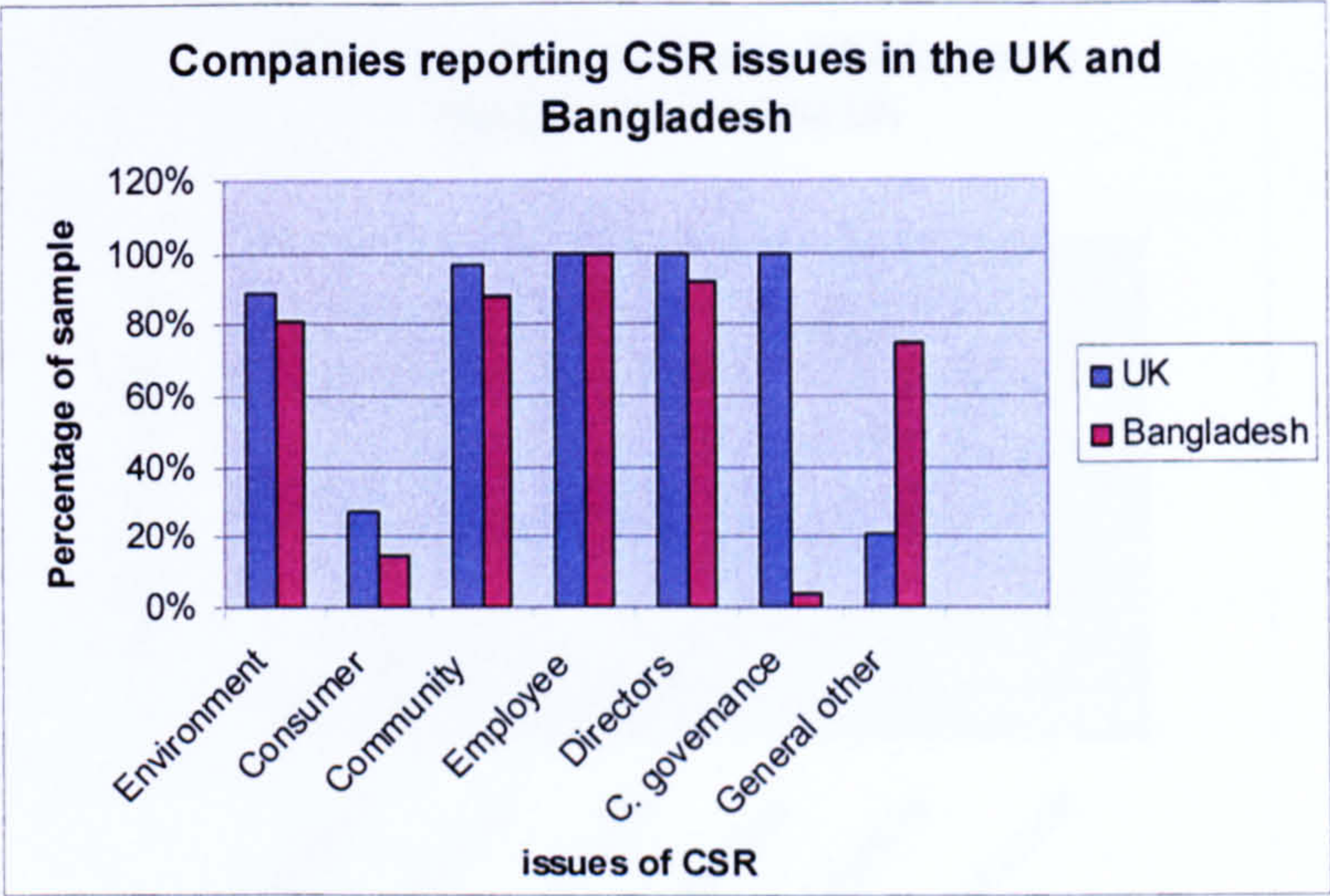


Graph 8.4 shows that the Pharmaceutical and Chemical industries disclose the highest amount of CSR (19%) in Bangladesh. The next industries are Jute and Textile, Cement, Engineering and Food and Allied according to the volume of CSR they report in their annual reports. It is worth noting that these five industry groups, along with Leather and Tanneries, are known for their poor environmental performance and labour exploitation (particularly the Textile and Jute industries) as is described in chapter 5. In addition, Pharmaceuticals and Chemicals is the sector where most subsidiaries of MNCs operate in Bangladesh.

8.3.3 CSR in Bangladesh compared to CSR in UK

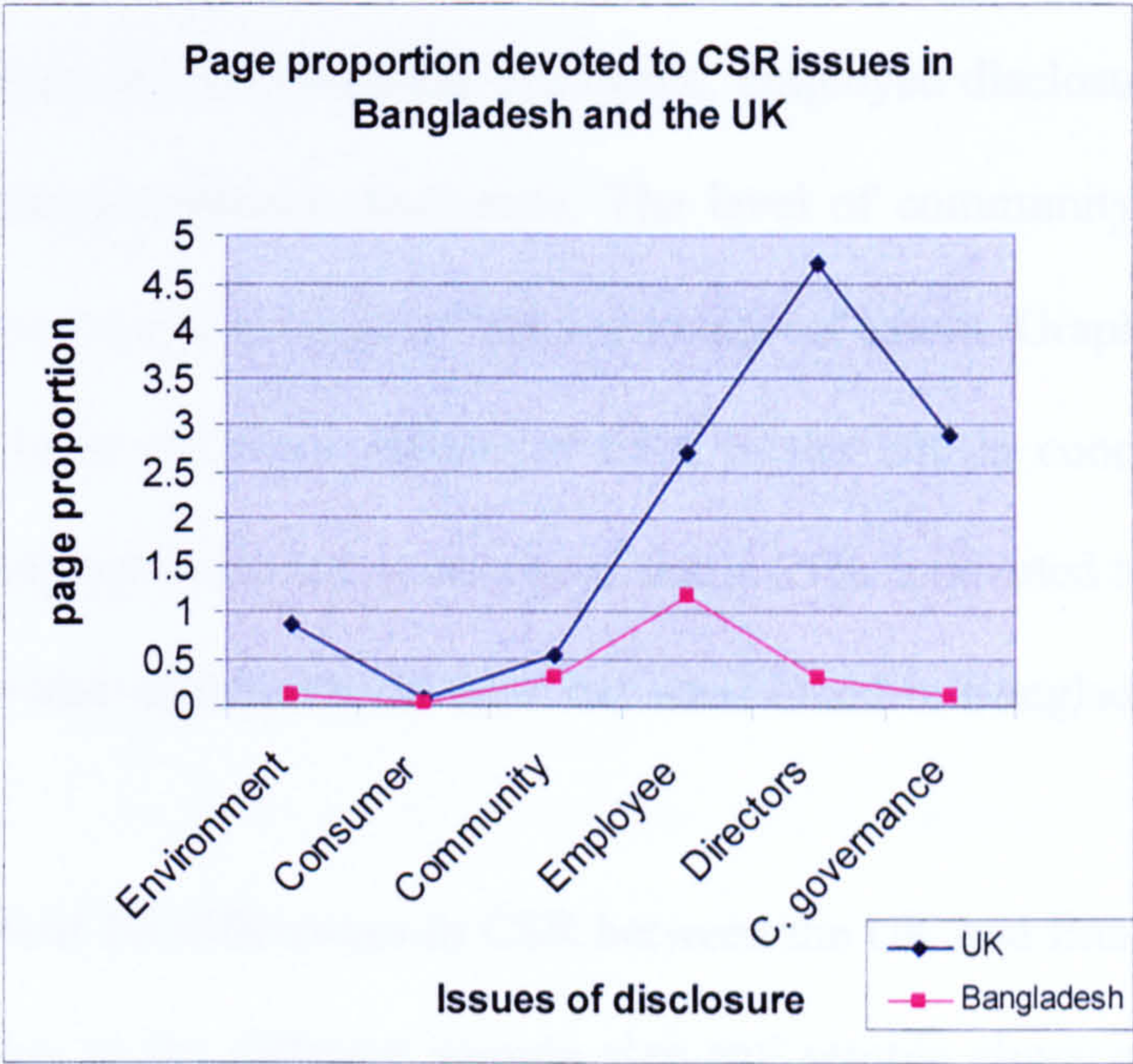
A comparison between social reporting issues in the UK and Bangladesh provides interesting observations. First, in both countries employee-related disclosure (considering director information as employee related disclosure) dominates social disclosure issues, followed by community and environmental related issues, although the level of disclosure varies. Second, director information as a single disclosure issue occupies the highest level of disclosure in the UK, while value-added disclosure occupies the highest disclosure in Bangladesh as a single issue of disclosure. This means that disclosure is to some extent country specific. Moreover, in the UK, the greater amount of disclosure in directors and corporate governance issues compared to community and environmental issues suggests that the importance of social issues to the company is changing over time. Companies devote more pages to information related to remuneration and other benefits that have been offered to directors than to health, safety and other issues that directly relate to labour. Graph 8.5 shows a comparative picture of CSR issues disclosed in the UK and Bangladesh.

Graph 8.5

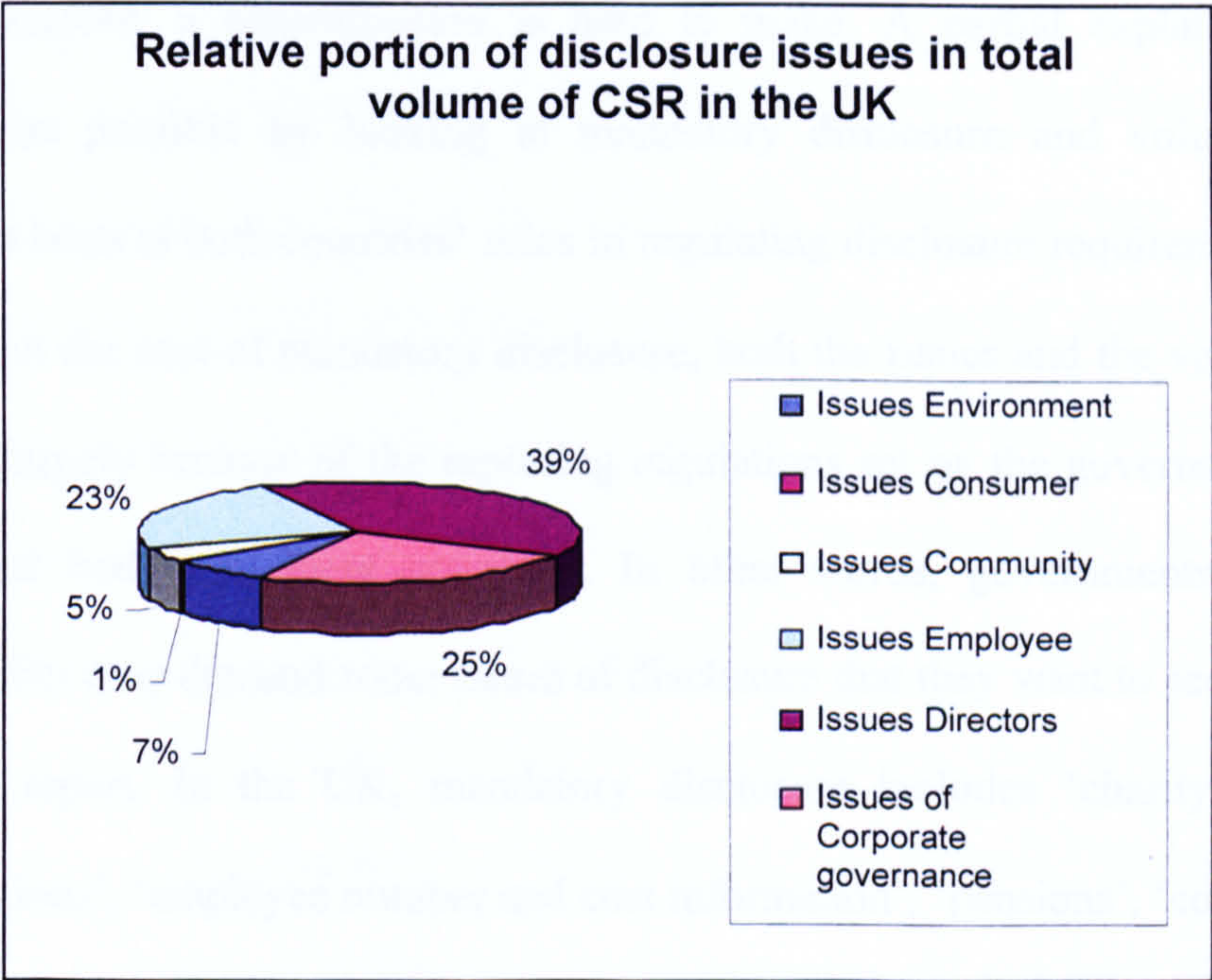


Graph 8.6 shows that, in both countries, all companies disclosed employee-related data. This is because all companies complied with the minimum requirement of disclosure in employee related issues such as employee numbers and cost. This is a mandatory disclosure requirement in both countries. Moreover, all companies in the UK also disclosed corporate governance issues, which are very uncommon in Bangladesh. However, the volume of employee disclosure and the percentage of employee disclosure to total disclosure vary between the countries. Graphs 6 and 7 show the volume of each disclosure issue and the proportion of their total disclosure level. The proportion of disclosure issues in the total volume of CSR in Bangladesh has already been shown in Graph 8.2.

Graph 8.6



Graph 8.7



Graph 8.6 shows that the level of disclosure between the UK and Bangladesh varies most on issues of environmental disclosure, employee disclosure, director issues and corporate governance disclosure. The level of community disclosure also varies between these two countries but not to a great extent. Graph 8.7 shows that 39% and 25% of the total volume of CSR in the UK is concerned with director information and corporate governance, while 23% is devoted to employee disclosure. This is also different from what has been found in Bangladesh (Graph 8.2).

The explanations for differences in CSR between the UK and Bangladesh are complex, partly due to the different sample size and sample characteristics and partly due to different country contextual factors that may influence/motivate an organisation to make different types of disclosure at different levels in these countries. Therefore, a generalisation is hard to make. A partial explanation though may be possible by looking at mandatory disclosure and voluntary disclosure that hints at both countries' roles in regulating disclosure requirements. For example, in the case of mandatory disclosure, both the issues and the volume of CSR vary largely because of the reporting regulations set by the governments or professional bodies in these countries. In other words, governments and regulatory bodies may demand some issues of disclosure that they want to see in a corporation's report. In the UK, mandatory disclosure includes 'charity and political donations', 'employee number and cost information', 'pensions', 'consult employee', 'information on disabled employees', 'share employees', 'directors' and 'corporate governance issues'. In Bangladesh, all these issues remain ones of voluntary disclosure except 'employee number and cost information' and 'directors' information'. On the other hand, information like 'energy

consumption’ and ‘expenditure made on energy’, any ‘contribution to workers fund’, and ‘contribution to national exchequer’, are mandatory disclosures in Bangladesh.

As with mandatory disclosure, voluntary disclosure also varies between the two countries. While information provided in terms of employee other, value-added statement, charity, community and environmental information are popular areas of voluntary disclosure in Bangladesh, the UK’s voluntary disclosure is dominated by environmental, employee other and community information, followed by health and safety, and equal opportunity data. This means that indeed CSR, in Bangladesh, shows a different emphasis on reporting issues compared to CSR in the UK.

8.4 Summary and Conclusions

The basic fundamental concern of this study is Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports? Making the insights from interview is central to such an investigation. However, before going for such interview it is rather necessary to explore the present status of CSR practices in Bangladesh. This chapter provides an overview of present CSR practices in Bangladesh and in the UK as first step of this exploration. Next chapter will look at CSR issues of all subsidiaries of MNCs in line with general CSR trend in Bangladesh that is described in this chapter. Next chapter will also look at CSR practices of particular UK subsidiaries in line of their parent corporation’s practice in UK.

This chapter finds that in two years (1999-2000), listed companies (subsidiaries of MNCs and large corporations) do voluntarily disclose social and environmental information in their annual reports in Bangladesh. More importantly, there is an increase in the level of information voluntarily disclosed by these companies.

Overall, the level of social disclosure found in Bangladesh is low compared to social disclosures in a developed country like the UK. This is not unexpected. The issue of disclosure, in terms of voluntary and mandatory disclosure, also varies between Bangladesh and the UK. Moreover, CSR focuses only on some select common issues such as value-added data, directors and philanthropy issues, rather than being concerned with some serious social and environmental issues presently prevalent in Bangladesh, such as the use of child labour, the number of accidents occurring in the work place, and other health and safety issues of workers. Indeed, looking at what issues are disclosed this study suggests an absence of genuine concern for social and environmental issues, which the public may be concerned about, in the reporting process of corporations. It therefore gives a basis from which we can explore further why an organisation chooses to report – or not to report – social and environmental issues in their annual report. With such a background - noting different trends in CSR issues in the UK and Bangladesh and a different industry wide average volume of CSR found in Bangladesh - the next step is to explore in detail the CSR practices of subsidiaries of UK MNCs in Bangladesh. Most importantly, to investigate whether subsidiaries of UK MNCs are practising CSR similar to that found in their home country - the UK - or whether they are similar to CSR practices found in Bangladesh. The next chapter explores this issue by first describing subsidiaries'

and domestic corporations' CSR practices in Bangladesh and then looking at particular UK subsidiaries and their parent corporations' CSR practices in Bangladesh and the UK.

Chapter 9

Social reporting practices of multinational corporations in Bangladesh: The findings from content analysis

9.0 Introduction

The previous chapter gave a general description of CSR in the UK and Bangladesh. Moreover, prior literature depicted in Chapter 2, 3 and 4 provided us with alternative possibilities that subsidiaries' reporting would be more or less like large companies in Bangladesh or more or less like their parent companies in the UK¹. This chapter explores these possibilities further by investigating CSR of UK subsidiaries in Bangladesh in more detail². This chapter does this by focusing on two particular issues. First, it describes CSR of all subsidiaries of MNCs that are included in the sample of the top 50 corporations in Bangladesh. Second, it examines CSR practices of particular UK subsidiaries and their parent

¹ For reference, Ahrens (1996) suggests that accountability reflects the environment in which it takes place (Chapter 2, page, 50). Moreover, the corporate responsive literature (CSR2) suggests that corporations actually rationalize responsibility into responsiveness and take strategies according to the contexts (Frederick, 1986; Carroll, 1979). Besides, a number of international comparative studies on CSR have tended to focus on the difference between the practices according to country context (e.g. Roberts et al. 1995; Adams et al., 1998; Adams and Kuasirikun, 2000; Gamble et al., 1996; Guthrie and Parker, 1990; Roberts, 1990). More importantly, UN studies (1991a; 1995) suggest that subsidiaries of MNCs disclose differently from their parents. However, Teoh and Thong (1984) suggest differently. They suggest that the environmental and social awareness of the parent company appeared to have a direct or indirect influence on the social disclosure of their subsidiaries operating in developing countries and so they are likely to disclose more than domestic corporations do.

² There are seven subsidiaries found listed in the Dhaka Stock Exchange of which four are from the UK. This investigation follows the case details of these subsidiaries, particularly in the area of their management structure, their operation, and the social and environmental reporting they

corporations in Bangladesh and the UK. Subsequently, the CSR of seven subsidiaries of MNCs from the top 50 corporations are examined. They represent four industrial groups out of the nine industrial groups taken from the total sample (please see, figure 7.7 of chapter 7). Their CSR practices are illustrated and compared to the general CSR trend in Bangladesh that was described in the previous chapter. Their CSR practices are also compared to domestic companies within similar industrial groups. It should be noted that a one-to-one comparison between a subsidiary and a domestic corporation was not possible as it was difficult to find a pair which matched in terms of size. CSR of UK subsidiaries and their parent corporations is further examined after looking at the CSR of all subsidiaries listed on the Dhaka Stock Exchange. Figure 9.1 lists the subsidiaries and domestic corporations of the sample according to their industrial group.

Figure 9.1
List of subsidiaries and domestic corporations according to industrial groups

Industrial groups	Subsidiaries of MNCs	Domestic corporations
A. Pharmaceuticals and chemicals	1. Glaxo Wellcome Limited (Glaxo SmithKline) 2. British Oxygen Corporation (BOC) 3. Reckitt Benckiser	1. Beximco Pharmaceuticals 2. Squire Pharmaceuticals 3. ACI
B. Food Allied and Tobacco	4. British American Tobacco (BATB) 5. Fu-Wang-Food	4. Alfa tobacco 5. Bionic Seafood / Meghna vegetable oil
C. Service	6. Singer	6. IDLC
D. Leather and shoe industry	7. BATA shoes	7. Apex leather and shoes ³

produce other than their annual reports. Chapters 11 and 12 then depicts interview data collected from these seven subsidiaries along with five domestic corporations.

³ The annual report of Apex Leather and Shoes for 1999 was not available to the researcher when content analysis was being done. Therefore, the number of domestic companies was actually six for the year 1999 and seven for the year 2000, as shown in Table 9.1 and Table 9.3.

This chapter is therefore structured as follows. Section 9.1 looks at background information of sample subsidiaries according to industrial classification⁴. Section 9.2 illustrates the CSR of all subsidiaries of MNCs. Section 9.3 explains the CSR of specific UK subsidiaries. Section 9.4 concludes the chapter.

9.1 Background information of sample corporations

9.1.1 Pharmaceutical and Chemical Corporations

9.1.1.1 Glaxo SmithKline Bangladesh Limited

Glaxo Smithkline Bangladesh Limited (hereafter GSKB), formerly known as Glaxo Wellcome Bangladesh Limited, is a subsidiary of the UK pharmaceutical multinational, Glaxo SmithKline Plc. It produces pharmaceutical products in Bangladesh. Their paid-up capital is Tk. 120 million, of which the parent company owns an 82% share and the rest lies with local ownership. They started in Bangladesh in 1967 by building their own manufacturing factory in Chittagong and a head office in Dhaka (Glaxo SmithKline Bangladesh Limited, 2001).

GSKB is an independent production unit. A major portion of their revenue is earned by selling to the local market rather than selling to foreign markets or to any other subsidiaries of their own. There is no mandatory requirement from parent corporations or pressure for harmonisation or standardisation of health, safety or environmental practices with other subsidiaries or even with the parent corporation⁵. Their managing board comprises five members of whom only one is

⁴ The researcher collected and compiled background information from different documents and sources such as annual reports of companies, company environment, health and safety reviews, newsletters, any other reports that contain social and environmental information collected by the researcher during the interview, and from the interview notes.

⁵ While interviewing a director, it was revealed that although the parent company had its own policy of health and safety there was no pressure for harmonisation or standardisation of such practices from parent corporations.

a foreign national. This foreign member, although nominated by the parent company, is selected from the regional office most of the time rather than from any functional areas of the head office. They have no foreign nationals or expatriates working on a permanent basis in the company (Glaxo SmithKline Bangladesh Limited, 2001).

GSKB has a total of 706 permanent employees in Bangladesh of whom 346 are unionised (Glaxo SmithKline Bangladesh Limited, 2001). By law, those who have no supervisory capacity can be union members. In Glaxo, the bottom nine grades of employees are unionised. In addition to this, they have another 30 casual employees who work in a support capacity rather than in the production works.

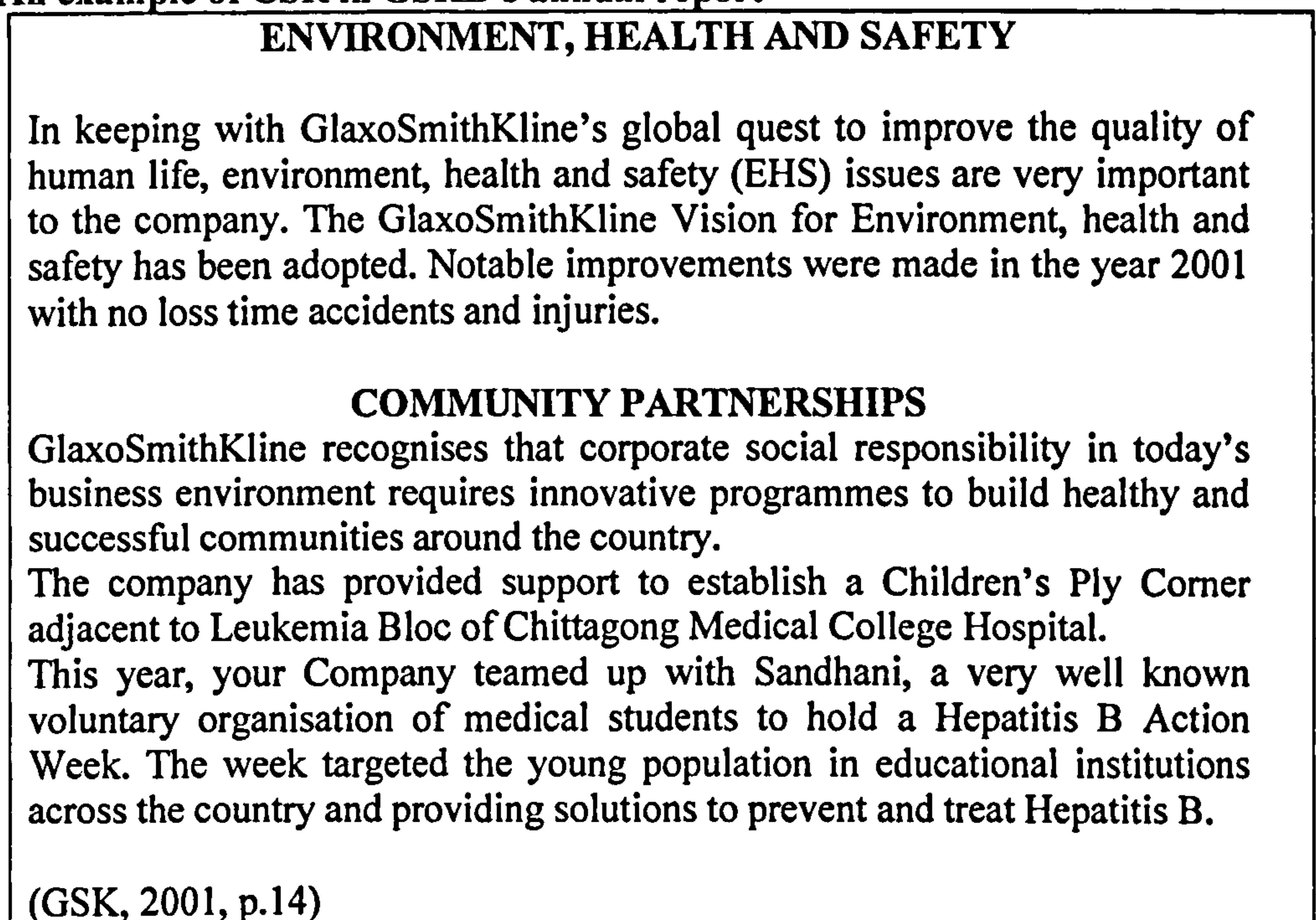
The business strategy of the company is a combination of quality control and cost minimisation, although their annual report states that quality of product is their highest concern. This is because many of the local companies are now producing drugs at a lower cost and in some cases sacrificing quality (Reza, 1995). Moreover, The Drug Act, 1984 has had an impact on the production of medicines by local corporations for the local market (Reza, 1995). New companies are coming into the market, competition has become fierce, and GSKB is aware of the need for cost minimisation. Although the financial performance of GSKB indicates that sales increased over the period 1997-2001, their employee numbers were reduced from 834 to 706 over the same period in order to save costs. This policy endangers employees' job security and shows social responsibility to be secondary to the maximisation of shareholders' returns.

GSKB do, however, mention in their mission statement their responsibility towards employees and other stakeholders and not only shareholders. Such responsibilities include –

- “ - *the health and safety of employees, contractors, visitors*
- *the protection of the environment and our communities*
- *compliance with laws and GlaxoSmithKline EHS statement” (Annual report 2001, page 2, GlaxoSmithKline)*

They also show the importance they attach to communicating their social responsibility by reporting three particular issues, namely value-added data, environmental, health and safety data, and community data. They also provide pictorial images of their community help programme (Glaxo SmithKline Bangladesh Limited, 2001, pp. 20-22) highlighting their executives’ involvement. Figure 9.2 is an example of CSR taken from the annual report of GSKB.

Figure 9.2
An example of CSR in GSKB’s annual report



GSKB also produce a separate Environment, Health and Safety Review. The researcher, while interviewing a director, collected a copy of such a review. The

director said that such a report was made available to all employees to make them aware of environmental, health and safety concerns. He believes that the report will also enhance motivations of their employee to behave in an environmentally responsible way. Moreover, an environmental auditor sent by the parent corporation is also a factor behind maintaining environmental, health and safety standards. Going through the report, however, the researcher did not find *anything* about GSKB's environmental performance in Bangladesh.

9.1.1.2 BOC (Bangladesh) Ltd

BOC Bangladesh Limited (hereafter BOCB) is a subsidiary of the BOC Group PLC whose headquarters are in the UK. Its paid-up capital is Tk. 152 million of which the parent company owns a 60% share and the rest lies with local ownership (BOCB, 2001). The company started their business in 1951 by establishing a factory in Chittagong. Later on they established factories in Dhaka, Chittagong, Rupgang and Khulna (BOCB, 20001). While the business started by producing liquid gases only, they now produce medical gases, equipment and other related products such as electrodes, entonox, nebulizers, etc. BOCB now operates in the chemical sector. The development of this sector is quite new to Bangladesh (Reza, 1995). Earlier, BOCB enjoyed monopolistic opportunities. Now with the expansion of the market, local companies are entering the sector and they are facing new competition. Now local companies are supplying some products cheaper than BOC to clinic owners. However, although competition has increased recently, the main business advantage for BOCB in Bangladesh is still the limited competition it faces.

The level of industrialisation and quality of life has expanded BOCB's business in Bangladesh. Now their business share is about 70 percent of the total market (BOCB, 2001). Their growth rate is 13 percent compared to the sector's growth rate of 11 percent (BOCB, 2001). Due to the nature of the product, the subsidiary works as an independent production unit to supply the local market.

The structural characteristics of BOCB were that it was running independently and always reporting to head office through the regional office. However, now, their activities are co-ordinated between different subsidiaries rather than only from the regional office. Even their human resources activities have been standardised, with employees recruited from different subsidiaries and being trained in different specialised subsidiaries (BOCB, 2001)⁶. This clearly shows the transnational orientation of BOCB.

However, it seems that such transnationalisation adds little in terms of importing the parent corporation's CSR practices or responsibility to wider groups of local stakeholders. The only area of responsibility that BOCB mentions in their vision statement is their customers. As for issues of CSR, their main emphasis is on reporting value-added data and safety information. Figure 9.3 provides an example of their vision statement and the safety information provided in their annual report.

⁶ One interviewee also mentioned this while talking about their employee training and developments.

Figure 9.3

An example of CSR in BOCB's annual report

<p style="text-align: center;">CORPORATE VISION</p> <p>We shall be recognised as the leader in all the business sectors in which we compete in Bangladesh.</p> <p>Our success will be built on our absolute dedication to the satisfaction of our customers, through constant innovation, operational efficiency, cost effectiveness and the talents of our people.</p> <p>We shall always apply high standards of integrity and responsibility in our activities. (BOC Annual Report, 2001, p.1)</p> <p style="text-align: center;">SAFETY MATTERS</p> <p>The safety record of the company continued to be untarnished. There were no 'lose time' accidents nor any avoidable vehicle accidents in the year. Shitalpur site had been upgraded to a 3 star NOSA site from 2 star.</p> <p>The Company adopted a new tool called IMSS (Integrated Management System and Standard) developed and sponsored by the Group mainly to address Safety, Environmental and Quality issues related to operational process. It is a rigorous and holistic approach towards managing gases business at a superior standard of operation and conduct. The scheme has been rolled out in a partial form at Rupganaj to cover the ASU site. Gradually it would be extended to other major sites. Extensive engineering audits had taken place during the year at various customer sites in addition to the company's own sites. (BOCB, 2001, p.9)</p>

9.1.1.3 Reckitt Benckiser (Bangladesh) Limited

Reckitt Benckiser (Bangladesh) Limited (hereafter RBB) is a subsidiary of Reckitt Benckiser, UK. Its paid-up capital is Tk. 47 million of which the parent company owns a 55.45% share and the rest lies with local ownership (Reckitt Benckiser Bangladesh limited, 2001a). The company started their business in 1961 with the manufacturing and marketing of household goods and toiletries, pharmaceuticals and food products. While they started business producing mainly household and toiletry products, they have recently started producing coil and pesticides and are marketing these locally. These products have a good market in Bangladesh and were previously served by small-scale industries. The main

business attraction for RBB is the nature of their product and the local market for these products in Bangladesh. Their revenue is growing by an average of 8% each year (Reckitt Benckiser Bangladesh limited, 2001a). Corporate management of RBB includes directors who are nominees of Reckitt Benckiser Plc and also includes the Bangladesh government’s nominees (Reckitt Benckiser Bangladesh limited, 2001a) . This means that the corporate board is representative of different groups and integrated with the parent corporation and other subsidiaries of Reckitt Benckiser Plc. This represents the transnational structure of RBB.

However, looking at their annual report, RBB’s vision focuses more on shareholders than any wider stakeholders. Their annual report mentions very few issues (of CSR) apart from revenue distribution, which is a form of value-added data, and some other mandatory disclosures related to employees and directors. Figure 9.4 gives an example of CSR taken from RBB’s annual report.

Figure 9.4
An example of CSR in RBB’s annual report

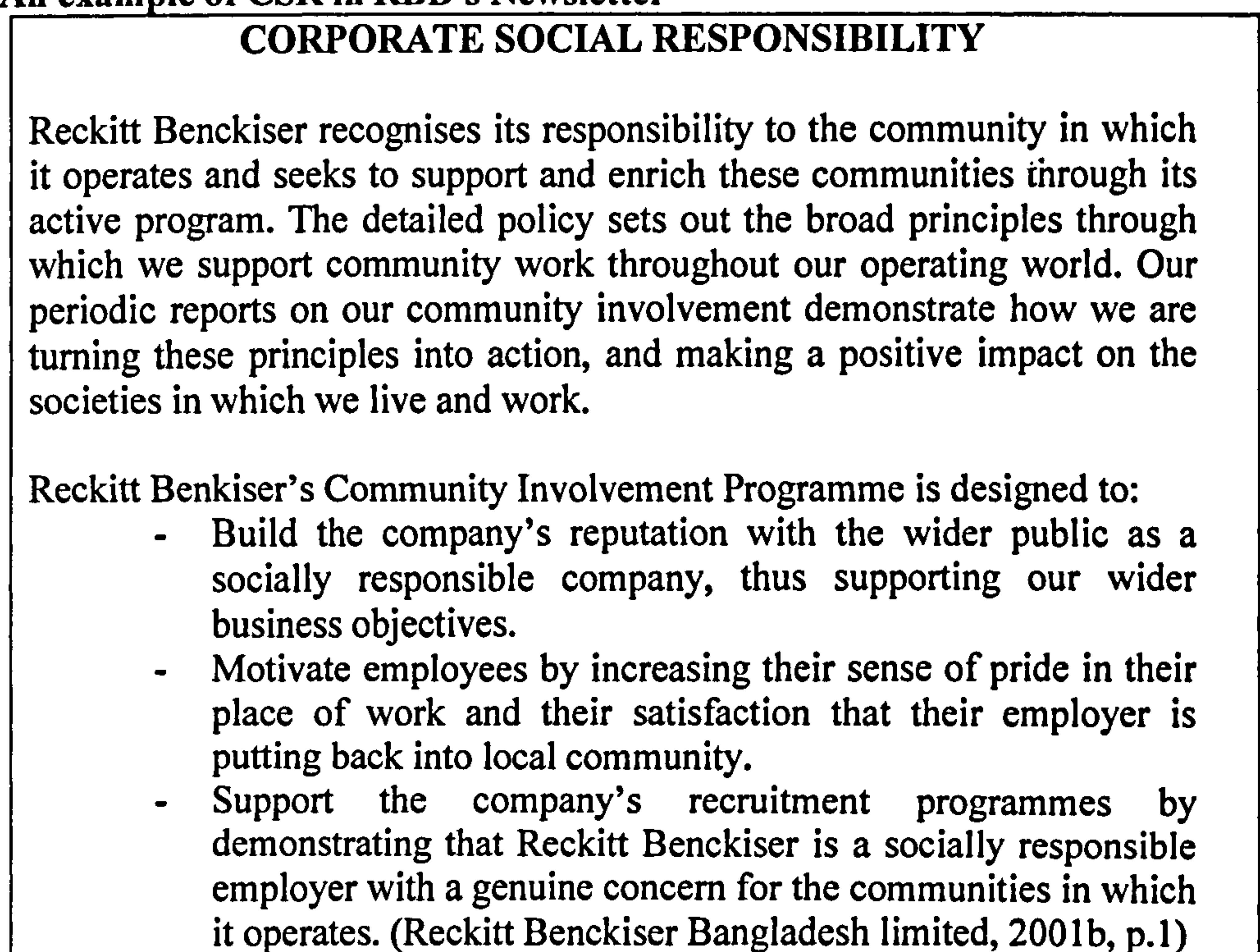
RBB’S MISSION

Reckitt Benckiser is about passionately delivering better solutions in household and health and personal care to customers and consumers, wherever they may be, for the ultimate purpose of creating shareholder value (Reckitt Benckiser Bangladesh limited , 2001a, p. 37).

RBB produces a community involvement newsletter that reports their social responsibility towards other stakeholders such as the community. This newsletter is directed at their employees to improve their motivation for working for RBB, and is also published on the web. The newsletter for the year 2001 was collected by the researcher from one of the directors he interviewed. This newsletter gives details of reports on community activities that RBB is involved with in different

countries such as South Africa, Sri Lanka, India, Poland, Thailand, Australia, Brazil, Colombia, North America, Germany, Spain, Italy, the United Kingdom and China. This indicates that RBB considers the world-wide community as a stakeholder when defining its social responsibility. The researcher, reading the newsletter, however, has not found *anything* reported about RBB's involvement in the Bangladeshi community. Figure 9.5 gives an example of RBB's reporting on their social responsibility in their newsletter.

Figure 9.5
An example of CSR in RBB's Newsletter



9.1.2 Food, Allied and Tobacco Corporations

9.1.2.1 British American Tobacco

British American Tobacco Bangladesh (hereafter BATB) is a public limited company incorporated in Bangladesh and a subsidiary of the world's leading British American Tobacco Company. It manufactures and markets cigarette brands such as Benson & Hedges, State Express 555, John Player Gold Leaf and London. Their paid-up capital is Tk. 600 million of which the parent company owns a 65.91% share and the rest lies with local ownership (British American Tobacco Bangladesh Limited, 2000).

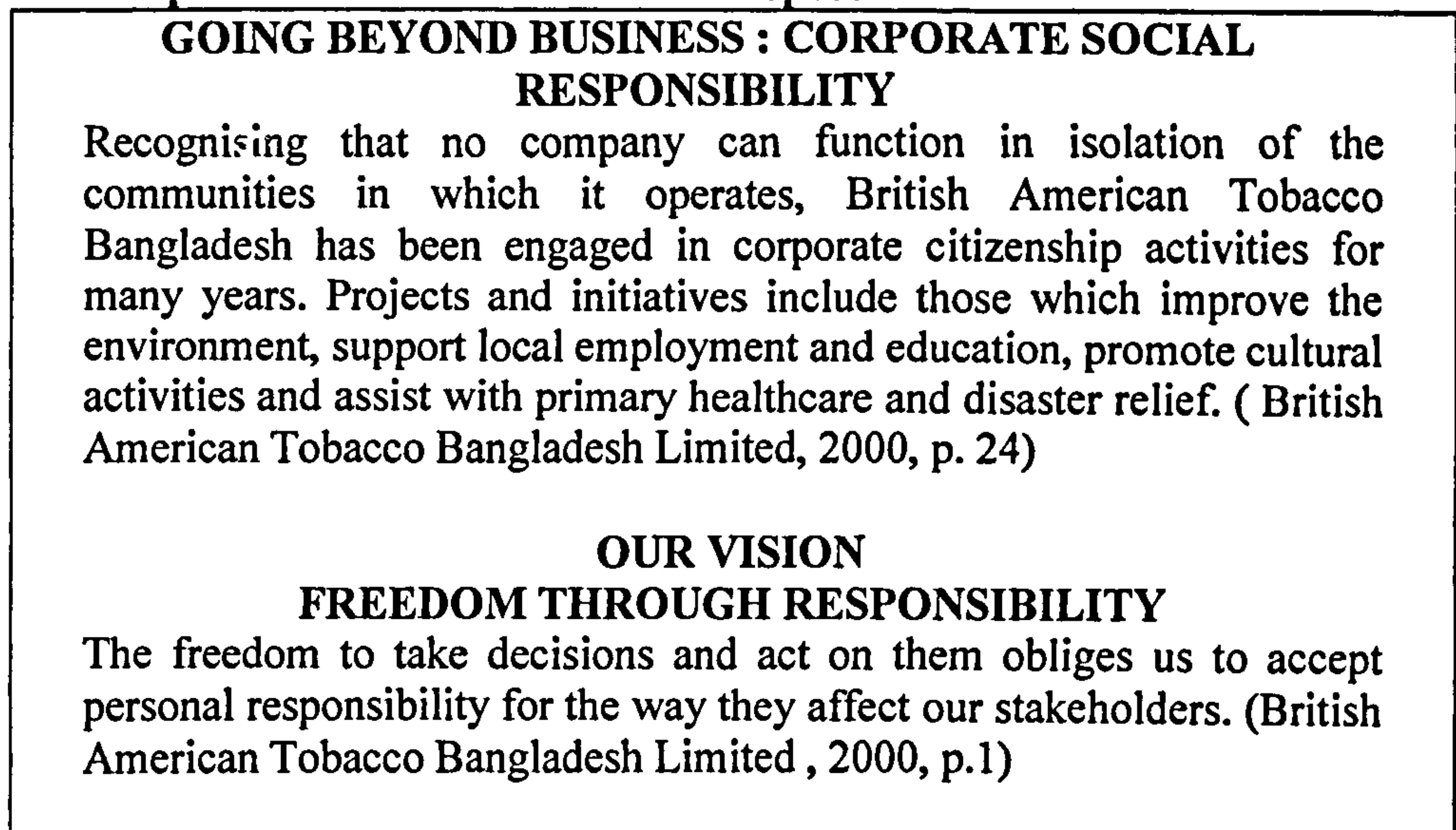
BATB is an independent production unit. A major portion of their revenue is earned by selling cigarettes to the local market. A very minor portion of their revenue is earned by exporting raw leaf tobacco. The board of management in BATB consists of nine executive and non-executive directors. The managing director, who is mainly responsible for implementing the company's strategy, is a foreigner, nominated by the parent company (British American Tobacco Bangladesh Limited, 2000). The business strategy of the company is to expand the market for tobacco and cigarettes in the Asian region and also locally in Bangladesh, because in the West, the market for tobacco products has been threatened recently by increasing pressure from NGOs and other civil organisations. Companies are therefore looking increasingly at markets in Asia or other regions where there is less awareness of the dangers of tobacco. However, there are some NGOs in Bangladesh involved in this issue. Moreover, recently, Bangladesh has become the first country in Asia to ban smoking in public places. Therefore, it seems that BATB with their tobacco products may face more of a legitimacy threat in Bangladeshi society.

Given the increasing public concern over their main product, and awareness of the danger to the natural environment and to workers, the researcher assumed that BATB would have more interaction with their stakeholders, particularly the local community, the environment, and tobacco farmers.

BATB produces a report titled 'Focus', which is distributed to its employees and includes an account of their community involvement and other social responsibility programmes. The researcher collected a copy of this report from a director while interviewing him. It should be mentioned that BATB is the only corporation which publishes such a large document, which amount to 18 pages in both Bengali and English. Other than this newsletter BATB publishes social responsibility information in their annual report, although very briefly. Figure 9.6 cites some statements made by BATB in their annual report about their social responsibility.

Figure 9.6

An example of CSR in BATB's annual report



9.1.2.2 Fu-Wang foods Limited

Fu-Wang Foods Limited (hereafter FWB) is a public limited company incorporated in Bangladesh and a subsidiary of the Fu-Wang group. It manufactures and markets food products in Bangladesh. They started their operation in 1997 although their commercial production started in July 2000. Their paid-up capital is Tk. 16 million of which the parent organisation owns a 62.5% share and the rest lies with local ownership. Their sales have been rising recently and they have a considerable share of the market in the food business.

At present, the company does not report social and environmental information apart from some mandatory disclosures such as employee information. Their target is to expand the market of their products and to protect the interests of their shareholders as stated in their annual reports.

9.1.3 Service Corporations

9.1.3.1 Singer Bangladesh

Singer Bangladesh (hereafter SB) is a public limited company incorporated in Bangladesh and a subsidiary of the world-leading company, Singer USA. It manufactures and markets sewing machines, consumer electronics and household appliances. Singer began its operation in Bangladesh many decades ago, when Bangladesh was part of British India. After the independence of Bangladesh, Singer Bangladesh Limited was incorporated as a private limited company in 1979 and was converted to a public limited company in 1983. Their paid-up capital is Tk. 400 million of which the parent company owns a 60% share and the rest lies with local ownership (Singer Bangladesh Limited, 2001). Their management board consists of seven directors of whom two are foreign nationals (Singer Bangladesh Limited, 2001). Their

growth in Bangladesh depended on market diversification and their network comprised of Singer showroom-cum-sales centres strategically placed all over Bangladesh (Singer Bangladesh Limited, 2001). In 1990 SB acquired a 31% share of M/s Electrical and Systems Services Company Limited, a private limited company manufacturing a wide range of decorative and other electrical fans (Singer Bangladesh Limited, 2001). Later, in 1993 they diversified their product range by adding audio and video products. Their hire purchase scheme is one of their key marketing strategies and accounts for much of their success; indeed, they were perhaps the first company to introduce such a scheme in Bangladesh (Singer Bangladesh Limited, 2001). This scheme is innovative and appropriate for Bangladesh considering the socio-economic conditions of the country. Their revenue earnings rely completely on the local market and their earnings grew by 18.48% in the year 1999–2000 (Singer Bangladesh Limited, 2001).

SB's value statement includes an awareness of their responsibility to their employees rather than just their shareholders. The only issues they include in their social and environmental reporting are employee issues, although the company secretary told the researcher that they are seriously thinking of publishing more social and environmental information. Figure 9.7 shows the value statement contained in their annual report.

Figure 9.7

An example of CSR in the SB annual report

<p style="text-align: center;">MISSION</p> <p>Our mission is to improve the quality of life of people by providing comforts and conveniences at affordable prices. (Singer Bangladesh Annual Report, 2001, p.2)</p> <p style="text-align: center;">VALUE STATEMENT</p> <p>We will continue to treat our employees with respect, in recognition of their contributions, as they are assets of the company. We will ensure that high standards and quality are maintained in everything we do. We will continue to honour and maintain high ethical standards. (Singer Bangladesh Limited 2001, p.3)</p>
--

9.1.4 The leather and shoe industry

9.1.4.1 BATA shoes

BATA Shoes Bangladesh (hereafter BATAB) is a public limited company incorporated in Bangladesh and a subsidiary of BATA, Holland. It is mainly engaged in the manufacturing and marketing of leather, rubber, plastic and canvas footwear as well as finished leather in Bangladesh. BATAB's manufacturing plants are situated in Tongi and Dhamrai. Their paid-up capital is Tk. 136 million of which the parent company owns a 70% share and the rest is held by local shareholders (BATA Shoes Bangladesh Limited, 2000). Their management board consists of six directors of whom two are foreign nationals. Their sales revenue is mainly earned from local sales although they also have earnings from exporting leather and shoes. Their earnings grew by 34% in the year 1999-2000 (BATA Shoes Bangladesh Limited, 2000).

BATAB reports on their social and environmental activities although they do not include a value and mission statement in their annual report. Apart from activities purely to do with business or human resource development, the company is also involved in community activities and an environmental programme. Figure 9.8 provides an example of CSR taken from their annual report.

Figure 9.8
An example of CSR in BATAB's annual report

ENVIRONMENT
Your company remains firmly committed to improving the environment. As part of this effort, 1200 trees were planted in the year 2000 within our Tongi and Dhamrai locations. (BATAB, 2000, p.6)
EMPLOYEES
As at 31 st December 2000, 1500 people were employed by your company. To promote team sprit, integrity and harmonious industrial relations, your company organised an annual picnic, inter-departmental soccer and volleyball competitions and a badminton contest during the year 2000. (BATAB,2000, p.6)
COMMUNITY
Your company continued to support national sports events through the promotion of the BATA School Boys and Girls Handball competition and 2 nd South Asia Handball Tournament. (BATA Shoes Bangladesh Limited 2000, p.6)

9.2 CSR of subsidiaries of MNCs

9.2.1 CSR in subsidiaries and selected domestic corporations

Table 9.1 gives information of companies which disclosed social and environmental issues in the year 1999 and 2000. It shows the percentage of companies from the study's sample – both subsidiaries and domestic corporations – that reported these issues in their annual report.

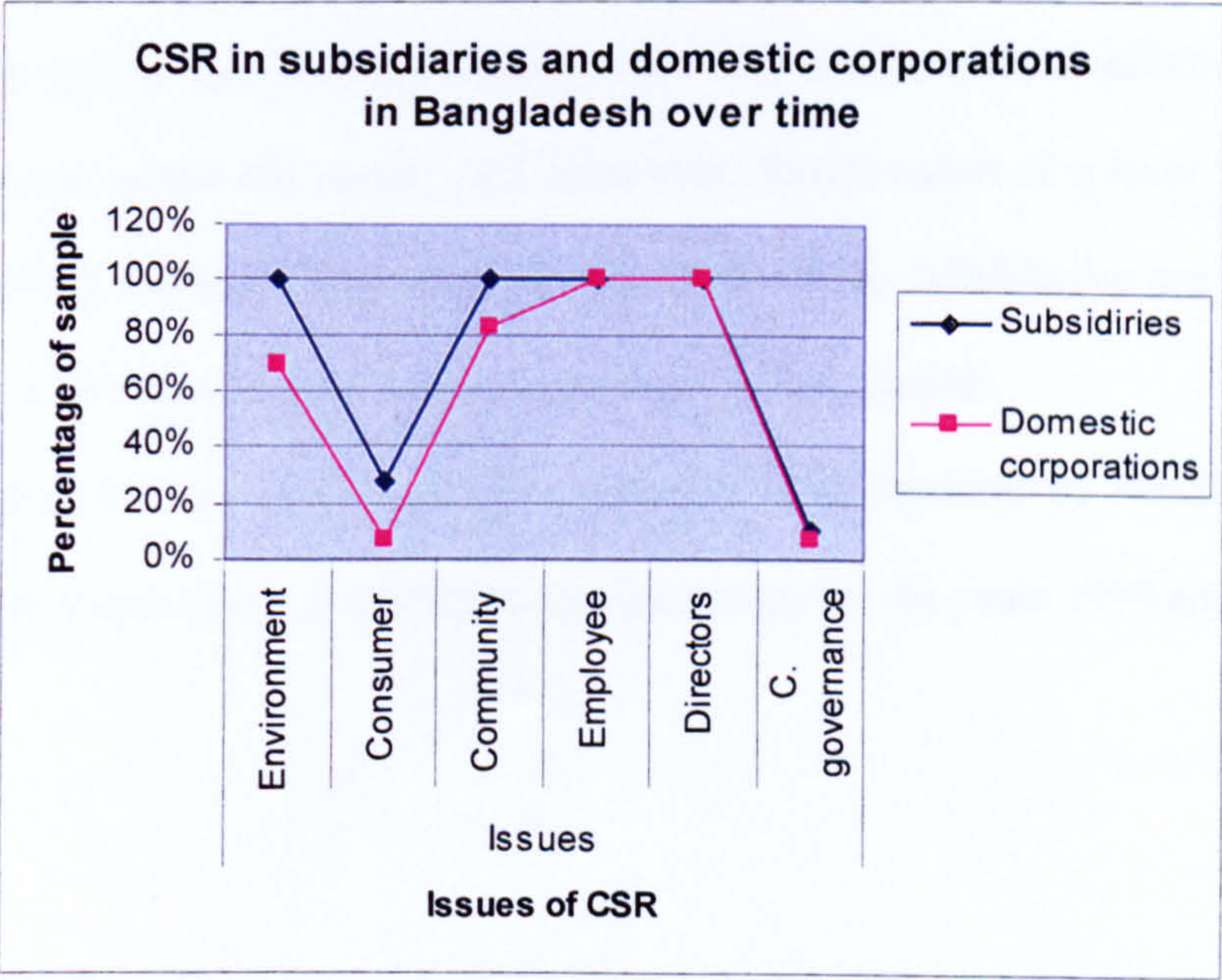
Table 9.1
Companies disclosing social and environmental in the annual report for the year 1999 and 2000.
(Percentage of companies)

Particulars/ Year	1999		2000		AVG	AVG
	SUB	DOM	SUB	DOM	SUB	DOM
Environment	100%	66%	100%	71%	100%	69%
Consumer	28%	0%	28%	14%	28%	7%
Community	100%	66%	100%	100%	100%	83%
Employment	100%	100%	100%	100%	100%	100%
Directors	100%	100%	100%	100%	100%	100%
Corporate governance	-	-	14%	14%	10%	7%
Total company	7	6	7	7		

- Note:
1. AVG means average of two years.
 2. SUB includes seven subsidiaries of MNCs operating in Bangladesh (descriptions are provided in section 9.1).
 3. DOM includes domestic corporations mentioned in figure 9.1 (section 9.1).

The above table shows that all companies - both subsidiaries and domestic corporations - disclose employee information in both years. Apart from employee disclosure, information regarding directors, community disclosure and environmental disclosure are the issues most commonly disclosed in annual reports. The least popular area of disclosure is customer information. This is similar to the general trend of CSR in Bangladesh, as illustrated in the previous chapter. Table 9.1 also shows that one out of seven domestic corporations (14%) reported issues relating to corporate governance, like as one subsidiary reported on this issue in the year 2000. Graph 9.1, below, illustrates the CSR overtime in subsidiaries and selected domestic corporations. It shows that there is no major difference between these two groups in terms of companies reporting social and environmental issues over an average of two years. However, it shows that a higher percentage of subsidiaries than domestic corporations report environmental and community information.

Graph 9.1



9.2.2 CSR issues and volume of disclosure by page proportion

Table 9.2 shows issues of disclosure and the total page proportion devoted to CSR by each subsidiary for the years 1999 and 2000.

Table 9.2
Amount of page proportion devoted to CSR by subsidiaries for the years 1999 and 2000.

Name of subsidiaries	1999	2000	AVG of two years	Industrial average
BOCB	1.68	1.61	1.64	2.48
BATAB	1.39	1.21	1.3	1.46
BATB	1.42	3.06	2.24	1.07
GSKB	5.02	6.44	5.73	2.48
FWFB	.94	1.0	.97	1.07
SB	1.11	.67	.89	1.23
RBB	1.90	2.02	1.96	2.48

Note: Industrial average is taken from the previous chapter (section8.1.3).

Table 9.2 shows that GSKB reports the highest volume of social and environmental information in their annual reports; this is above the industrial average of the pharmaceutical sector in Bangladesh. Other subsidiaries in the pharmaceutical and chemical sector such as BOCB and RBB report social and environmental information below the industrial average. In the Food, Allied and Tobacco group, BATB reports more social and environmental information than the average across the sector. All other subsidiaries report at a level lower than the sector’s average. This suggests that most of the subsidiaries are producing CSR at a level below their industrial average in Bangladesh.

Table 9.3 shows the average volume of CSR reported by subsidiaries and domestic corporations in similar industrial groups for the years 1999 and 2000.

Table 9.3

Average page proportion devoted to CSR by subsidiaries and domestic companies for the years 1999 and 2000

Particulars / years	1999		2000	
	Subsidiaries	Domestic	Subsidiaries	Domestic
Number of sample	7	6	7	7
Total volume of CSR	13.46	10.9	16.05	14.53
Average volume of CSR	1.92	1.81	2.29	2.07

This table shows that, in both years, the average volume of CSR reported by subsidiaries is slightly higher than that of domestic corporations. This difference is, however, not very considerable, being only 0.11 in 1999 and 0.22 in the year 2000. However, there may be more difference between the corporations on the issues of CSR which they report.

Table 9.4 shows the average volume of information devoted to social and environmental issues by subsidiaries and domestic corporations in the years 1999 and 2000. It also shows the average volume of CSR recorded in Bangladesh overall.

Table 9.4

Amount of page proportion devoted to each issue by subsidiaries and domestic companies for the years 1999 and 2000

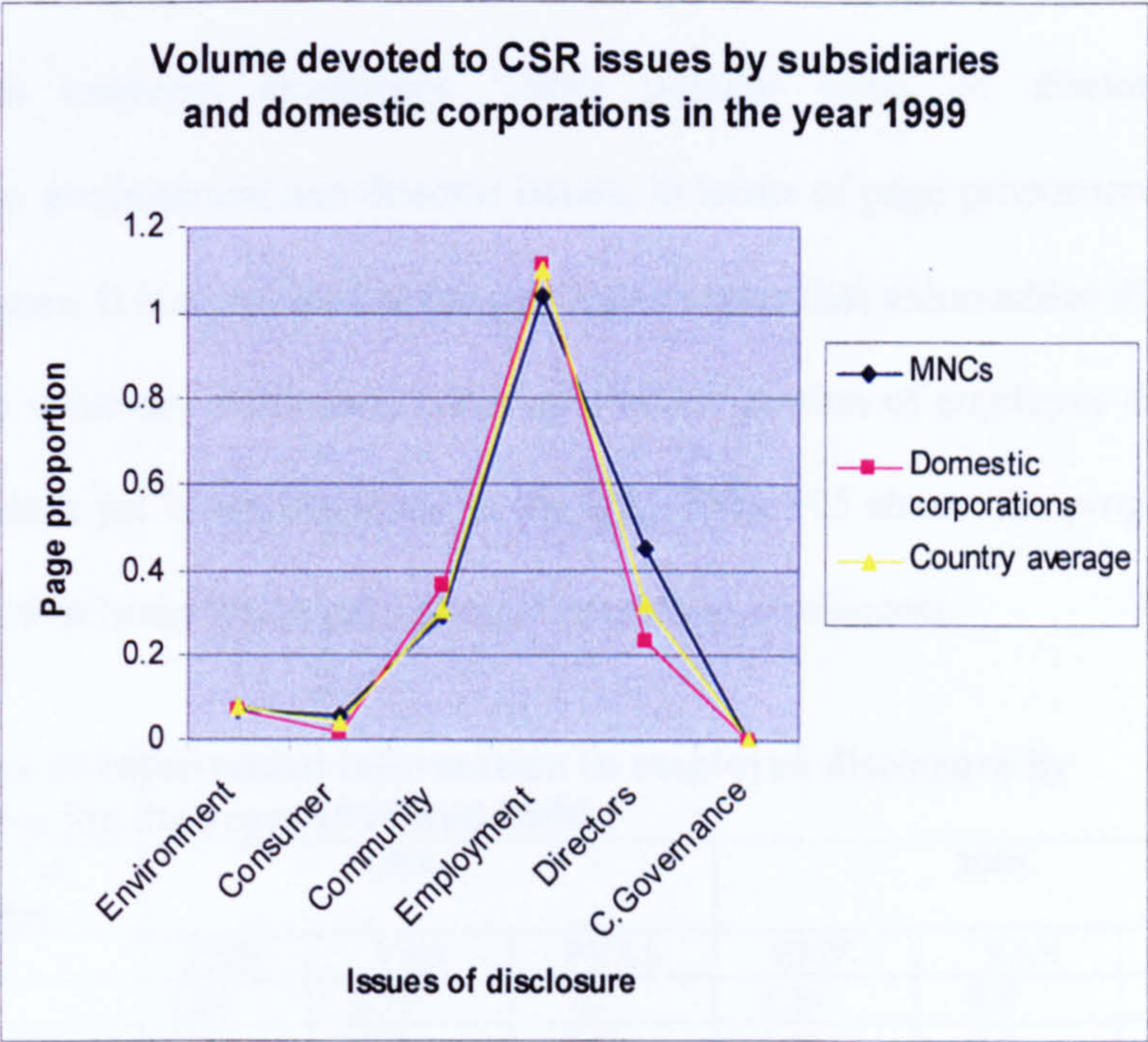
(By proportion of pages)

Particulars/years	1999			2000		
	MNEs	DOM	Country average	MNEs	DOM	Country average
Environment	0.07	.07	.08	.05	.2	0.1
Consumer	0.06	0.02	.04	.02	0.0	0.01
Community	0.3	0.37	.31	.41	.27	0.3
Employment	1.04	1.11	1.1	1.23	1.29	1.2
Directors	0.45	0.24	.32	0.29	0.27	.3
C. Governance	0.0	0.0	0.0	0.28	0.04	.17
Average volume of CSR	1.92	1.81	1.85	2.29	2.07	2.08

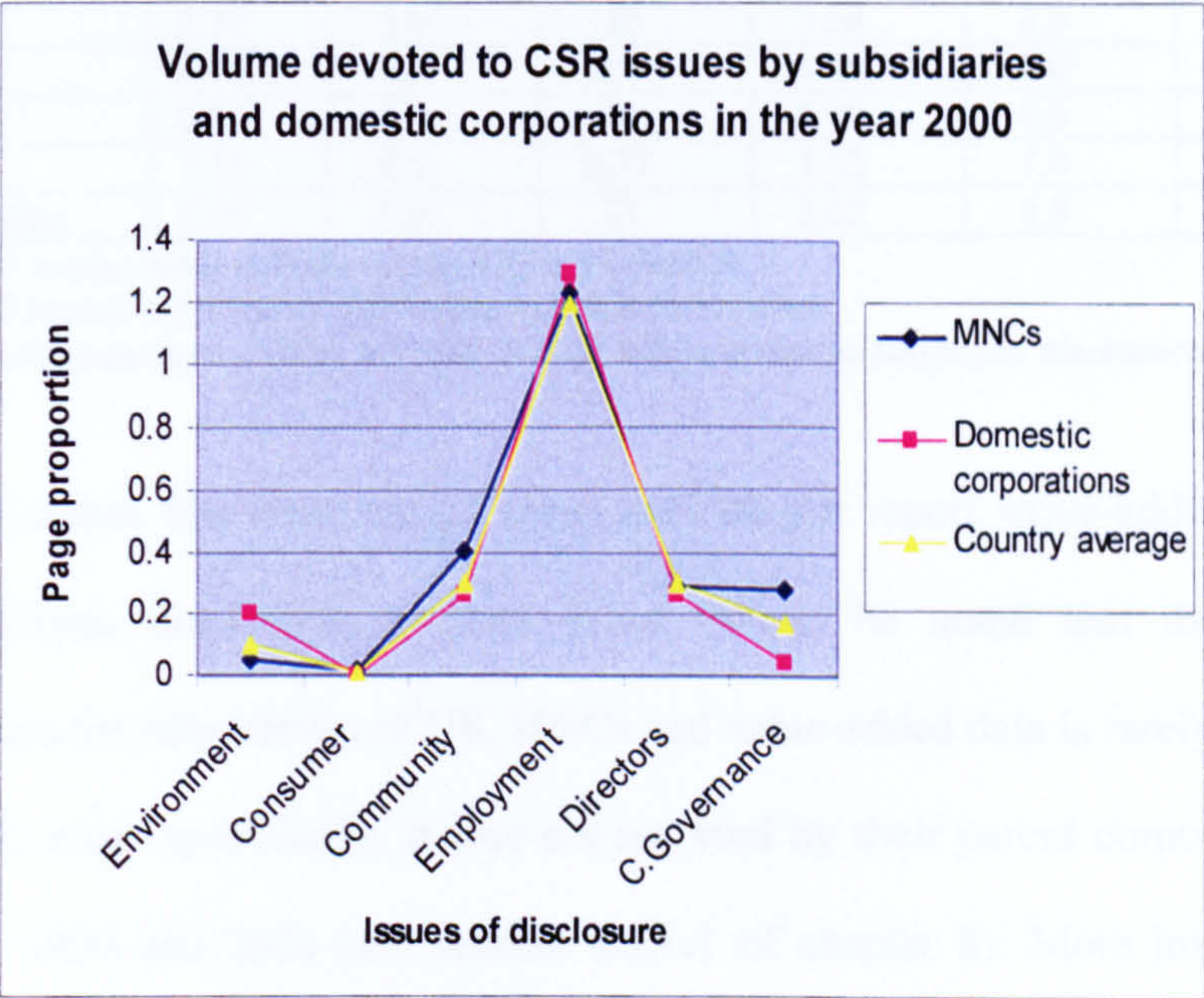
Note: Country average means average volume of CSR recorded in Bangladesh for the years 1999 and 2000. This is taken from the previous chapter (section 8.1.3).

Table 9.4 shows that the volume of social and environmental issues reported by subsidiaries is in line with that of domestic corporations. The average volume of CSR by subsidiaries (1.92 and 2.29 of a page) is, however, slightly higher than the average volume of CSR by domestic corporations (1.81 and 2.07) in the years 1999 and 2000. In both groups, the highest disclosure is made of employee issues: 1.04 of a page in subsidiaries and 1.11 of a page in domestic corporations in the year 1999. The trend is similar in the year 2000. In both groups, community, director information and environmental information are the second, third and fourth most popular/common areas of disclosure in terms of page proportions. It shows that in both groups, the lowest disclosure is made of consumer issues: only 0.06 of a page was made by subsidiaries in the year 1999 and 0.02 was made by subsidiaries in the year 2000. Table 9.4 also shows that subsidiaries reported social and environmental issues in line with the average volume of CSR recorded in Bangladesh. It shows that subsidiaries disclosed a slightly higher volume of director information (0.45 portion of a page) compared to the average volume of disclosure (0.32 portion of a page) found in Bangladesh overall for the year 1999. In the year 2000, subsidiaries also reported community issues (0.41 portion of a page) at a level above the country average (0.27 portion of a page). Graphs 9.2 and 9.3 illustrate the trend of average volume devoted to social and environmental issues by subsidiaries and domestic corporations in comparison with the pattern of CSR in Bangladesh overall.

Graph 9.2



Graph 9.3



These graphs show that subsidiaries disclose social and environmental information in line with domestic corporations in similar industrial groups. Their social and environmental disclosure is also in line with disclosure issues observed

overall in Bangladesh. For example, the greatest amount of disclosure in Bangladesh concerns employees. Other popular areas of disclosure are community, environment and director issues, in terms of page proportion devoted to these issues. It is mentioned in the previous chapter that value-added disclosure, although a voluntary disclosure, takes up a major portion of employee disclosure in Bangladesh yet is not disclosed in the UK. Table 9.5 shows the proportion of value-added information in subsidiaries' employee disclosures.

Table 9.5
Proportion of value-added information in employee disclosure by subsidiaries for the years 1999 and 2000.

Name of subsidiaries	1999			2000		
	EMP	VAS	PVAS	EMP.	VAS	PVAS
BOCB	1.24	0.76	.61	1.33	0.8	.60
BATAB	0.85	0.0	0.0	0.64	0.0	0.0
BATB	0.52	0.0	0.0	0.5	0.0	0.0
GSKB	2.36	1.0	.42	3.68	2.0	0.54
FWFB	0.15	0.0	0.0	0.56	0.0	0.0
SB	0.81	0.0	0.0	0.39	0.0	0.0
RBB	1.36	0.5	0.37	1.52	1.0	0.66
Total volume	7.29	2.26	.31	8.62	3.8	0.44

Note: EMP means total volume of employee disclosure
VAS means total volume of value-added information
PVAS means proportion of value-added information in employee disclosure

Table 9.5 shows that three out of seven subsidiaries report value-added data in their employee disclosures in both years. It can be noted that these three corporations are subsidiaries of UK MNCs and value-added data is rarely reported in the UK; more specifically, it was not reported by their parent corporations in the years 1999 and 2000 (see section 8.2.1.1 of chapter 8). More importantly, overall value-added data occupies 0.31 and 0.44 of the total volume of employee disclosures in the years 1999 and 2000 in Bangladesh. This suggests that subsidiaries are reporting social and environmental issues in line with issues reported in Bangladesh. More specifically, subsidiaries, in the same way as

domestic corporations, devote the highest proportion of their CSR to value-added data in their employee reporting.

Table 9.6 shows the proportion of value-added information in domestic corporations’ employee disclosures.

Table 9.6
Proportion of value-added information in employee disclosures by selected domestic corporations for the years 1999 and 2000

Name of domestic corporations	1999			2000		
	EMP	VAS	PVAS	EMP	VAS	PVAS
Beximoco Pharma.	3.02	1.0	.33	1.80	1.0	.56
Bionic Sea Food	0.41	0.0	0.0	-	-	-
Meghna Vegetable	-	-	-	1.13	0.0	0.0
IDLC	0.16	0.0	0.0	0.21	0.0	0.0
ACI	0.5	0.0	0.0	1.42	1.0	.70
Alpha Tobacco	1.12	0.0	0.0	0.64	0.0	0.0
Squire Pharma.	1.47	1.0	.68	1.62	1.0	.62
Apex Tanneries	-	-	-	1.6	1.0	.63
Total Volume	6.18	2.0	.32	8.42	4	.48

Note: EMP means total volume of employee disclosure
VAS means total volume of value-added information
PVAS means proportion of value-added information in employee disclosure
“ - ” means not included in the sample in respective year.

Table 9.6 shows that overall value-added data accounts for the highest portion of employee disclosure in both years (0.32 and 0.48 of a page respectively). This suggests that both selected domestic corporations and subsidiaries’ CSR (shown in Table 9.5), in a similar industrial group is alike and follows the general trend in CSR observed in Bangladesh overall. As has been noted before, two years of data is not sufficient for establishing a trend. It is argued that the trend in subsidiaries’ CSR in Bangladesh can be explained more through the industrial nature of the country where they report, than the subsidiaries’ affiliation to their parent corporations or the country of their origin. The next section examines particular UK subsidiaries’ CSR and their parent corporations’ CSR for the years 1999 and 2000.

9.3 CSR of UK subsidiaries and parent corporations

This section examines CSR disclosure by the UK subsidiaries and their parent corporations in two different countries, namely, the UK and Bangladesh. Out of seven subsidiaries, four subsidiaries - BOCB, BATB, RBB, and GSKB - are subsidiaries of UK MNCs. Their CSR - compared to their parent corporations – is now examined.

Table 9.7 and Table 9.8 show issues of CSR and the volume devoted to these issues under employee, director, corporate governance, environmental, consumer and community issues, by subsidiaries and their parent corporations in the UK and Bangladesh for the years 1999 and 2000. It should be noted that the concern here is not to compare the volume of disclosure by parent corporations in the UK and their subsidiaries in Bangladesh, because it was shown in the previous chapter that the volume of CSR varies greatly between these two countries. The main focus is on the issues of CSR and how they are disclosed differently by a parent corporation and its subsidiary according to the country context. Therefore, figures shown in Tables 9.7 and 9.8 are only important in showing that a particular issue has been disclosed. Table 9.7 shows issues disclosed under employee, director and corporate governance and Table 9.8 shows issues disclosed under environment, consumer and community disclosure, both in the parent corporation and the subsidiary's annual report.

Table 9.7

Issues disclosed and volume devoted to employee, director and corporate governance issues by subsidiaries and their parent corporations for the years 1999 and 2000
(By page proportion)

Disclosure issues / Years	1999										2000									
	BOC		BAT		GSK		RB		BOC		BAT		GSK		RB					
MNCs																				
Parent / subsidiaries	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S				
Issues disclosed																				
Cost and number information	1.16	0.12	0.66	0.16	2.0	0.4	0.42	0.22	0.84	0.16	0.56	0.14	0.64	0.3	0.52	0.16				
Pension	3.10	-	1.10	-	2.0	-	0.64	-	3.14	-	0.24	-	1.48	-	1.14	-				
Workers Profit Participation & Provident Fund	-	.08	-	0.43	-	0.48	-	.4	-	0.09	-	0.08	-	.72	-	0.16				
Consult employee	0.36	-	.08	-	.08	-	0.06	-	0.26	-	0.09	-	.08	-	0.06	-				
Disabled	0.12		-		.06		-		.08	-	0.04		.04		-	-				
V A S	-	0.76	-		-	1.0	-	0.5	-	0.8	-	-	-	2	-	1.0				
Health and Safety	1.45	.12	0.12	0.08	1.0	.04	-		1.80	-	-		.16	.06	0.20	-				
Share employee	2.12	-	1.14	-	0.24	-	0.84	-	2.16	-	0.09	-	4.00	-	1.0	-				
Equal opportunity	0.16	-	0.10	-	0.12	-	-	-	0.16	-	0.08	-	.08	-	0.06	-				
Employee other	0.52	.16	0.04	0.18	0.26	0.44	0.46	0.24	0.92	0.14	0.04		.18	0.6	-	0.2				
Director issues	5.0	.28	5.3	0.16	4.0	1.04	4.0	0.5	5.0	0.16	6.81	0.16	10.0	0.68	4.0	0.5				
Corporate governance	4.5	-	4.0	-	4.0	-	2.24	-	6.55	-	3.28	2.0	5.0	-	3.26	-				

Note: 'P' means parent corporations and 'S' means subsidiaries

Table 9.7 shows that while director information, employee number and cost, pension data and share of employee data accounts for the highest level of disclosure (in that order) in parent companies' annual reports, value-added information, director information, and *contribution to provident fund information* account for the highest volume of disclosure respectively in their subsidiaries' reports.

It also shows that while subsidiaries devote a greater amount of reporting to value-added information within employee information in Bangladesh, none of their parent companies report such information in the UK. Moreover, while parent companies disclose issues such as 'consult with employees' and information regarding disabled people and equal opportunity, none of these issues are reported by their subsidiaries in Bangladesh. Overall, this confirms that in issues of employee disclosure, subsidiaries do not report information in the same way as do their parent companies, and that there is a different emphasis on which issues are reported.

This is partly due to the different requirements for mandatory disclosure in Bangladesh and the UK. For example, disclosure of information regarding pensions is mandatory in the UK but not in Bangladesh. Voluntary disclosure also varies between parent corporation and subsidiary within an MNC. For example, while parent corporations report health and safety information in the UK, these issues are not reported so much by their subsidiaries in Bangladesh. This is particularly relevant as many of their manufacturing units are also located in Bangladesh. Indeed, if the reason for CSR is to discharge their accountability, it is important to examine why subsidiaries are not providing accounts of health, safety and other employee issues which their parent corporations provide.

Table 9.8

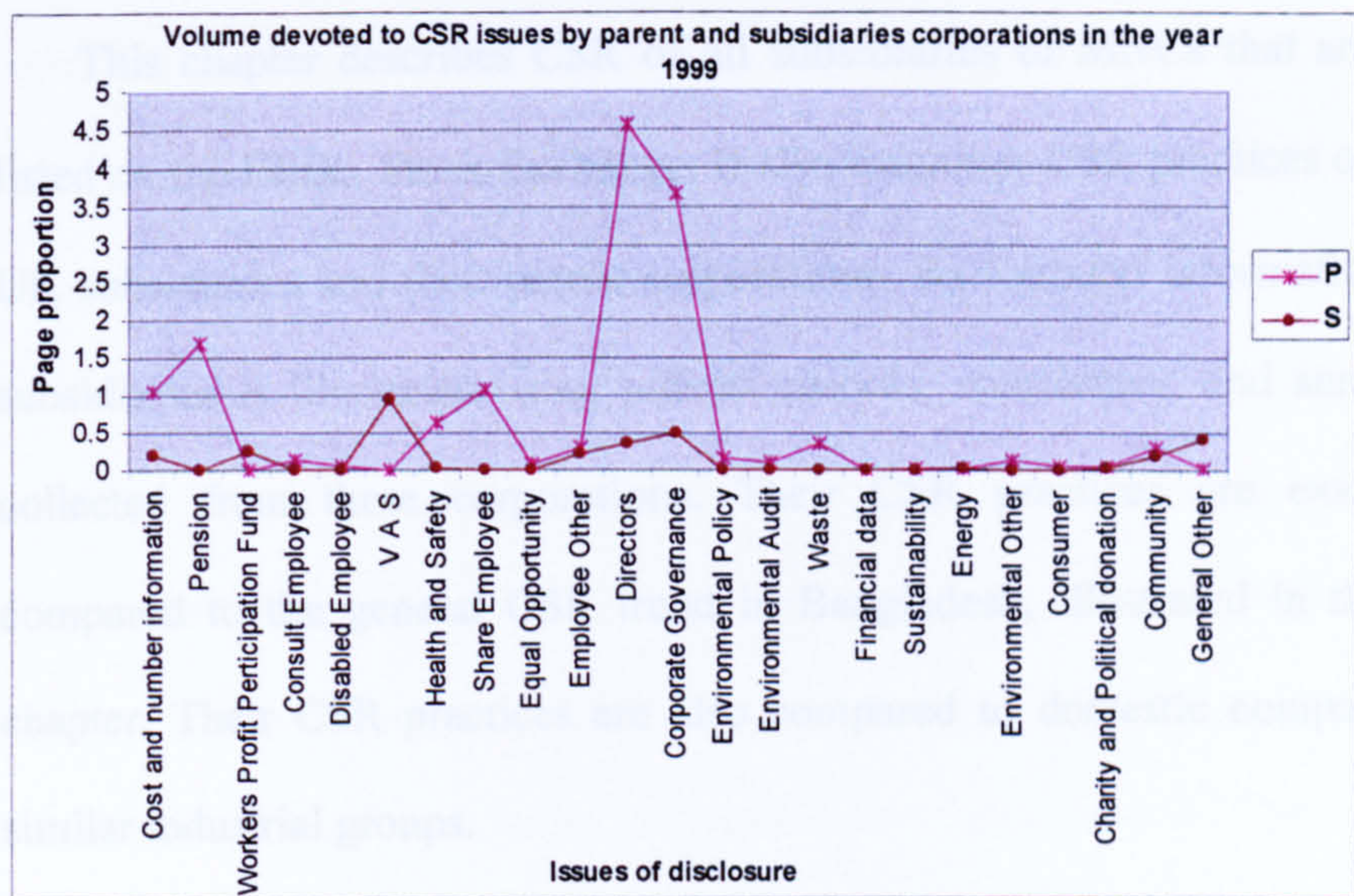
Issues disclosed and volume devoted to environmental, consumer and community issues by subsidiaries and their parent corporations for the years 1999 and 2000
(By page proportion)

Disclosure issues / Years MNCs	1999										2000									
	BOC		BAT		GSK		RB		BOC		BAT		GSK		RB		BOC		BAT	
	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S
Parent / subsidiaries																				
Issues disclosed																				
Environmental:							-													
Environmental policy	0.12	-	0.4	-	0.18	-	-	-	0.16	-	0.4	-	0.14	-	-	-	0.16	-	0.4	-
Environmental Audit and management	0.10	-	0.16	0.04	0.16	-	-	-	0.16	-	0.08	-	0.20	-	-	-	0.16	-	0.08	-
Waste	0.73	-	0.48	-	0.24	-	-	-	0.76	-	0.36	-	.5	-	-	-	0.76	-	0.36	-
Financial data	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Sustainability	0.06	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Energy	0.16	0.04	-	0.08	-	0.04	-	0.04	0.36	.04	-	0.04	-	0.04	-	-	0.36	.04	-	0.04
Environmental other	0.18	0.04	0.16	-	0.2	-	-	-	0.12	-	0.2	-	.18	-	-	-	0.12	-	0.2	-
Consumer:	-	-	-	-	0.08	0.5	0.18	-	-	-	0.1	-	.32	-	-	-	-	-	0.1	-
Community:			-																	
Charity and political donation	0.08	0.08	0.10	0.04	0.08	0.04	0.06	-	0.06		0.04	-	.16	0.08	-	-	0.06		0.04	-
Community (purely community information)	0.48	0.48	0.16	0.02	0.5	-	0.10	-	0.74	-	0.24	0.16	2.84	0.6	-	-	0.74	-	0.24	0.16
General other	-	-	2.06	0.2	-	1.04	-	-	-	.08	-	0.2	1.76	1.4	-	-	-	.08	-	0.2

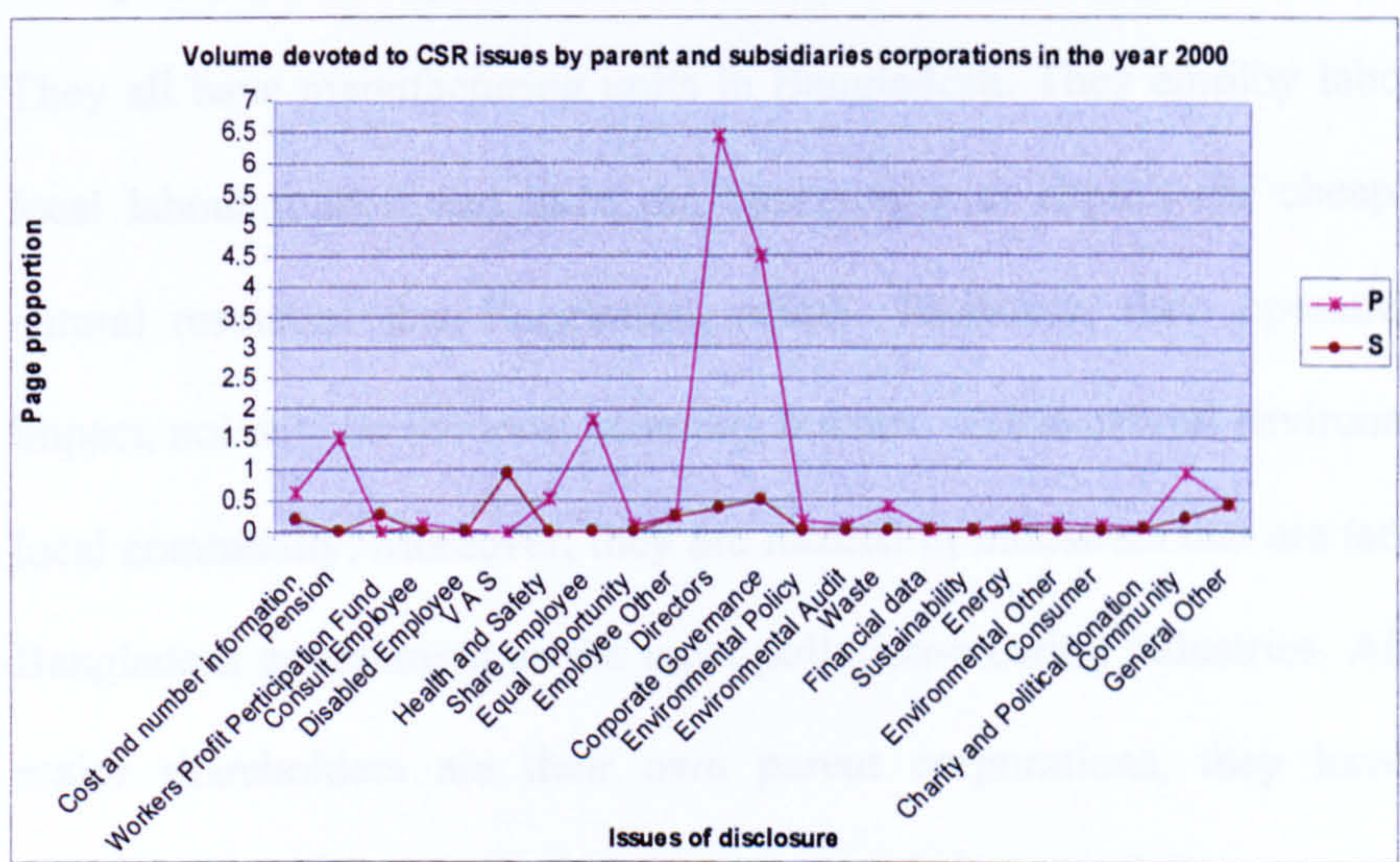
Note: 'P' means parent corporation and 'S' means subsidiary

Table 9.8 gives details of environmental, consumer and community information reported by parent corporations and subsidiaries in the UK and Bangladesh in the years 1999 and 2000. It shows that while parent companies cover many issues in their environmental disclosure - such as disclosing environmental policy, environmental audit, waste, sustainability, energy and environmental other data - their subsidiaries' environmental disclosure in Bangladesh is very poor and only covers energy data and very general environmental other information. Such environmental other data usually includes only a very general statement, such as showing care to the environment and an intention to reduce environmental pollution. This also suggests that subsidiaries do not report on their parent company's environmental policy even if their parent corporations have their own environmental policy. Table 9.8 also shows that while in parent companies community disclosure is dominated by charity and purely community information, their subsidiaries disclose much less in purely community issues or charity and donation information. Community disclosure at the subsidiary level does not purely reflect the community activities that subsidiaries are involved with. Rather, it includes very general disclosure like mission statements or an accountability statement that implies in a more general sense that the company is responsible to the community or society. Graph 9.3 and 9.4 illustrate the average volume devoted to CSR issues by subsidiaries in comparison with pattern of CSR in their parent corporations.

Graph 9.4



Graph 9.5



These graphs show that subsidiaries do not disclose social and environmental information in line with their parent corporations’ disclosure practice. Most importantly, their practices vary both in issues they disclosed and the level of discloser they made.

9.4 Summary and Conclusions

This chapter describes CSR of all subsidiaries of MNCs that are presently listed on the Dhaka Stock Exchange. It also examines CSR practices of particular UK subsidiaries and their parent corporations. Background information of seven subsidiaries is illustrated using official records, newsletters, and annual reports collected from these corporations. Their CSR practices are examined and compared to the general CSR trend in Bangladesh, illustrated in the previous chapter. Their CSR practices are also compared to domestic companies within similar industrial groups.

The overall historical background of these subsidiaries suggests that they mostly market their products in Bangladesh where they are the market leader. They all have manufacturing units in Bangladesh. They employ labour from the local labour market and have the opportunity to exploit the cheap labour and natural resources that Bangladesh offers. Therefore, their operations have an impact, not only on the local economy but also on the natural environment and the local community. Moreover, they are located in industries that are targeted by the Bangladesh government as the most pollution-creating industries. Although their major shareholders are their own parent corporations, they have also local shareholders. This means that they are not only potentially accountable to their parent corporations and local shareholders, if only in a limited sense, but to the government and local community of Bangladesh as well. In effect, they are responsible to the government for abiding by the rules and regulations set by the government. However, this does not mean that they are not responsible to the local people for the social and environmental impact of their operations. Their background information suggests that the management of these organisations

recognises their social and environmental responsibility. They are at least admitting that, as well as shareholders, they have a wider responsibility to other groups in society. It is, however, not clear to whom in particular these corporations are responsible, and whether such responsibility brings accountability. Most importantly, it should be asked: what is the underlying rationale behind accepting responsibility towards social groups and do these corporations provide, or intend to provide, accounts of their social and environmental impact on these other groups through CSR? An in-depth interview has therefore been undertaken to explore this issue further. The next chapter discusses the interview process in detail.

This chapter then examines the CSR of these subsidiaries in more detail. It is observed that CSR of subsidiaries represents the general trend of CSR in Bangladesh, as illustrated in the previous chapter. Moreover, it reveals that there is no major difference between the CSR of subsidiaries and selected domestic corporations in terms of volume and issues of reporting although the average volume of CSR reported by subsidiaries is slightly higher than that of domestic corporations (Table 9.3). Most specifically, value-added disclosure - which is a voluntary disclosure and a particular issue reported in Bangladesh and not common in Western countries such as the UK - accounts for a major portion of employee disclosure in subsidiaries' CSR (Table 9.5). In particular, all subsidiaries of UK MNCs report value-added information while their parent corporations do not report any in the UK. Examining particular UK subsidiaries' CSR and their parent corporations' CSR for the years 1999 and 2000, the chapter concludes by finding that subsidiaries do not report many of the same issues as their parent corporations, and that they have a different emphasis in terms of the

social and environmental issues which they do report. Indeed, the same MNC will report different CSR issues and to a different extent, depending on the country in which they operate/are based. Mandatory disclosure regulation is only a partial explanation for this. The overall trend in subsidiaries' CSR in Bangladesh suggests that their CSR can be explained best by the nature of the industry and the characteristics/features of the country, rather than by the character of the MNC or the country of its origin. The next focus of the study is to explore qualitative data from managers of these subsidiaries and domestic corporations regarding what they report and why they report it, by using in-depth interviews. Therefore, the next chapter explains the interview method and the following chapters analyse the interview data.

Chapter 10

Introduction to interview analysis and descriptive data

10.0 Introduction

Previous chapters (chapters 8 and 9) provide an analysis of CSR recorded in Bangladesh and the UK using the method of content analysis explained in chapter 7. Specifically, chapter 8 explains CSR issues in Bangladesh, which are found to be in line with the previous LDC literature, notably with research carried out by Belal (1999). Chapter 9 then looks at CSR issues observed particularly in subsidiaries of MNCs, the major concern of the study, which have not been studied in-depth before. It explains that subsidiaries report social and environmental issues more in line with local CSR practices those reported in chapter 8. Exploring more closely the practices of UK subsidiaries and parent corporations, Chapter 9 also shows that UK subsidiaries do not report social and environmental issues in Bangladesh to the same level as their parent corporations in terms of the volume. They also report different issues than their parent corporations do, although the issue of corporate governance disclosure is an exception to this. Neither do parent corporations in the UK report any social or environmental issues relating to their subsidiary's operation in Bangladesh. Exploring managers' views and some social stakeholders' views on the CSR observed in chapters 8 and 9 is the next concern. Therefore, interviews are conducted with managers in those corporations in which CSR has been recorded,

and with some social stakeholders those are involved with social and environmental issues in Bangladesh.

This chapter is designed to explain the interview method. The particular focus is on explaining the interview process followed in this study and how the interview data was compiled. The following chapters then report interview results in line with their major investigations. Consequently the chapter is structured as follows. Section 10.1 explains the process of taking interviews. Section 10.2 describes the organisation of interview data and Section 10.3 concludes the chapter.

10.1 The interview process.

An interview is seen as a suitable technique due to its ability to provide the researcher with an opportunity to explore issues in depth (Silverman, 1997). It is especially valuable in exploratory research. Following O'Dwyer (2002, 2003), this study recognises four important steps in the process of conducting an interview: designing an interview guide, selecting sample interviewees, contacting interviewees, and going for interviews. Then, the interview data is sorted, also in distinct stages.

10.1.1 Designing an interview guide

Before initiating the interviews, an interview guide was prepared to limit the issues of interest and to ensure consistency of questions between interviews. Knowledge gathered from content analysis, consulting with other researchers at CSEAR summer schools, a literature review and to some extent consultations with the supervisor of this project and other researchers of Glasgow University, all

helped to design an interview guide which included the common questions to ask in the interview. These are grouped under three broad headings that are linked to the research questions¹. These are discussed in chapter 6 (see figure 6.2).

In the first instance, four pilot interviews were carried out in a large domestic company and in a subsidiary of a multinational, between October and November 2002 in Bangladesh. Qualitative designs are normally specific to a study and will often be revised during its course (Huberman and Miles, 1994). The pilot led to some additions to the list of issues discussed such as, questions regarding personal influences of top-level managers in subsidiaries and large domestic companies were added.

10.1.2 Selecting sample interviewees

Senior managers from subsidiaries in MNCs and large domestic companies on the one hand, and senior executives from NGOs on the other, were targeted for interviews. There are different reasons for selecting two sets of interviews. First, senior executives from subsidiaries and large domestic companies were selected for three reasons. It is expected that senior level management in the organisation may have a broader perspective on their organisation's practices and policies and would thus be able to address accountability and social reporting practices of the organisation. Moreover, all interviewees within the firm had "*some input into the formulation of the corporate annual report and it is perceived that this may have exposed them to the issue of CSR at some stage*" (O'Dwyer, 2000, p.243). Lastly,

¹ The three broad headings are corporate responsibility to stakeholders, concern regarding social reporting and parent company influences.

interviewees were selected from the sample of companies established in the content analysis.

Executives from NGOs were selected for three different reasons. First, senior executives from NGOs are expected to have a broader perspective of the social and environmental issues due to the nature of their organisations and the social work they are involved with. Views from experienced groups were also taken by Kreander (2002) in analysing the performance and rationale of European ethical funds. Second, all interviewees from NGOs have some interaction with commercial business due to their social and environmental agenda. Therefore, it is believed that when compared with other groups, they may have more of an interest in the social and environmental performance of corporations and look for information reported by the commercial organisation. Third, many NGOs have had a very long-term operation in Bangladesh and have close associations with the community. They have a greater understanding of the socio-political and cultural context of Bangladesh. So it is believed that the interviewees might be able to provide ideas and clues as to how the CSR practices of a commercial company are viewed from the local society's point-of-view. More importantly, an exploration of how accountability might be perceived in Bangladesh by a group of social stakeholders would help to explore the main research question of this study (see, section 1.3). Moreover, data from multiple sources, especially from these two sets of interviews, can be checked against each other to help assess the reliability and validity of information provided by interviewees. However, it should be noted that selection of interviewees from corporations and NGOs is highly dependent on getting access to the organisations and the agreement of interviewees to provide an interview.

Initially, all 50 corporations that had had their annual reports content analysed were targeted for interview. While it was possible to interview all subsidiaries covered under content analysis, few domestic corporations in similar industrial groups agreed to be interviewed. Subsequently, access to only 12 corporations was given, including all seven subsidiaries and five domestic corporations. It seems on the basis of this to the researcher that subsidiaries of MNCs are more open to discuss accountability issues than domestic corporations. The sample of interviewees from corporations and NGOs is discussed below.

10.1.2.1 Sample of interviewees from corporations

Interviews were conducted at multiple levels within corporations, with the intention of gathering data from multiple sources, thus enriching the information gathered (Yin, 1984)². Moreover, to get an overall picture, it is worth interviewing personnel at different levels, rather than only conducting one interview to represent the company view. It should be noted that this study is concerned with clearly understanding the story that can emerge from multiple evidences, rather than looking into the differences and similarities between interviewees' points of view. The studies by Bansal and Roth (2000) and Ahrens (1996) also use more than one interview from each company.

Accordingly, 49 senior managers from subsidiaries in MNCs, and large domestic companies were interviewed. Thirty-nine interviews were conducted with seven subsidiaries of MNCs and 10 interviews were undertaken with five

² Moreover, Laughlin (1990, p. 94) suggests that '*research in accountability needs to complement its theoretical work with a greater exposure to a range of empirical case studies*'. Although, this study is not a case study, the analysis is enriched by gathering data at multiple levels within corporations and makes a series of mini-cases.

domestic corporations. Table 10.1 shows the sample of interviewees according to their managerial status.

Table 10.1
Sample of interviewees

Corporations	MNCs	Domestic	Total
Interviewee groups			
Directors	14	2	16
Chairman	1	-	1
Managers-	13	5	18
Chief Executive Officers	9	1	10
Company Secretary	2	2	4
Total	39	10	49

These interviewees represent all subsidiaries whose content analysis was done and details presented in previous chapter. Figure 10.2 and Figure 10.3 provides information relating to industrial group and corporations these interviewee represent³.

Figure 10.2
Sample of interviewees according to industrial groups in subsidiaries

Code of company	Number of Interviewees
A. Pharmaceuticals and chemicals	-
1. A	7
2. B	6
3. C	5
Total number of interviews with pharmaceutical and chemical industries	18
B. Food, Allied and Tobacco	-
4. D	8
5. E	4
Total number of interviewees with food, allied and tobacco industries	12
C. Service	-
6. F	5
Total number of interviewees with service industries	5
D. Leather and shoe industry	-
7. G	4
Total number of interviewees from subsidiaries of MNCs	39

³ However, to ensure complete anonymity name of corporations and interviewee are not mentioned. Corporations are rather provided a code using letters.

Figure 10.3
Sample of interviewees according to industrial groups in domestic corporations

Code of companies in different industrial groupings	Number of Interviewees
A. Pharmaceuticals and chemicals	-
1.H	2
2. I	2
3. J	2
Total number of interviews with pharmaceutical and chemical industries	6
B. Food Allied and Tobacco	-
4. K	2
Total number of interviewees with food, allied and tobacco	2
C. Shoe and Leather	-
5. L	2
Total number of interviewees from domestic corporations	10

10.1.2.2 Sample of interviewees from societal stakeholders

Nine participants from six different NGOs were interviewed. The organisations included international and national NGOs which are concerned with, inter alia, human rights, children’s rights and environmental issues. A list of social and environmental NGOs from the NGO Affairs Bureau⁴ was consulted for these. Theoretical sampling rather than a random sampling technique was used. The emphasis is not whether the interviewees’ views are representative of all NGOs operating in Bangladesh. Rather the emphasis is on selecting interviewees from those social and environmental organisations who have expert knowledge

⁴ The NGO Affairs Bureau is a government organisation involved with registering, supporting and assisting NGO activities in Bangladesh. According to the NGO Affairs Bureau, 136 NGOs are of purely foreign origin and are involved in development activities. They mainly carry out social and environmental activities, although seven NGOs are presently concentrating their activities on the natural environment (NGO Affairs Bureau, 1994). Other than purely foreign NGOs, there are around 680 local NGOs who are also getting financial and technical supports from foreign countries and are also registered with the NGO Affairs Bureau (NGO Affairs Bureau, 1994). These NGOs are run by local staff and management, some of whom generate their own income through commercial ventures. The vast number of international and national NGOs and their activities suggests that they have a good knowledge of social and environmental issues and business activities in Bangladesh.

regarding the social and environmental practices of their organisations, and who also have knowledge regarding socio-political and cultural issues. Selecting social and environmental NGOs is also limited by the need to obtain permission to interview. Figure 10.4 shows the sample of interviewees in different social and environmental NGOs⁵.

Figure 10.4
Sample of interviewees in different social and environmental NGOs

Code of different social and environmental NGOs	Nature of NGOs	Number of interviewees
S	International organisation dealing with Children’s rights	1
O	International organisation dealing with community issues	2
S	National organisation dealing with children and female workers’ rights	2
F	National organisation dealing with environmental issues	2
B	National organisation dealing with environmental issues	1
A	International organisation dealing with environmental issue	1
Total		9

⁵ To ensure complete anonymity name of corporations and interviewee are not mentioned. Corporations are rather provided a code following the first alphabet of their name.

10.1.3 The process of contacting the interviewees

Subsidiaries of MNCs and large domestic companies from the content analysis sample were selected for interviewing. A list of FDI from the Board of Investment of Bangladesh was also consulted to locate the offices of those subsidiaries in Bangladesh. Similarly, a list of social and environmental NGOs operating in Bangladesh was consulted to select interviewees from these groups.

A list of interviewees from these organisations and their addresses was then prepared, targeting chairpersons and managing directors. Interviewees' names and addresses were collected from a list of executives from professional bodies, such as the Members List of Cost and Management Accountants, the Members List of Chartered Accountants, and the Members List of Masters of Business Administration (MBA) professionals. Initially, fifty names and addresses were recorded for communication.

To begin with, a personal phone call was made to the head of the organisation, usually a managing director or anyone within the director group, or the company secretary who most often holds the above mentioned professional degrees. It should be mentioned that the researcher is a professional Cost and Management Accountant, which helped him to contact these personnel. It should also be noted that many top level executives in Bangladesh are either from the cost and management profession or from the chartered accountancy profession, qualified with degrees offered by professional bodies in Bangladesh. In addition, the researcher is also a graduate of Dhaka University, which is very well known to top managers for its business faculty.

Initially, 25 top personnel were telephoned and their names kept as key contact people with whom further communication was maintained. Following a short discussion about the research and the researcher himself, if the manager made a positive commitment to help it was agreed that a formal letter would be sent. This would include details of the researcher's biography, his research projects, what was expected from the interview, and a letter from his supervisor. This enabled each interviewee to consider the areas being addressed prior to the interview. A request was also made to consider the letter as a formal acceptance from the head of the company where necessary. As a second step, the formal letter was sent to all interviewees (68 interviewees). All interviewees were guaranteed confidentiality and assured that neither they, nor their company, would be individually identified in the research. The letter also mentioned that the interview would be tape-recorded only if the interviewee permitted.

These steps were followed as the researcher found it much more effective to talk directly to top executives of the company, rather than approach them solely by letters, as for other interviewees. This approach had two advantages. First, it reduced the risk of a letter being thrown in the bin, and it encouraged top management to agree to an interview. Second, the personal motivation of the top management personnel perhaps positively influenced other mid-level managers to give an interview. It seems that they felt more confident when their boss agreed to be interviewed first. Personal conversations with senior executives, empathy with fellow professionals and the use of some personal networks helped the researcher to conduct a good number of interviews. As a third step, all interviewees to whom a letter was sent were followed up by another telephone call, both immediately after sending the letter and again before the actual interview was held.

Some interviewees sought more detailed clarification about the topics mentioned when the follow-up call was made. In the end, ten interviewees in total refused to give an interview, citing time constraints, lack of interest in the issues, or a company policy of supporting researchers only if they had a strong link to the firm (such as being a former vocational trainee or being personally known to any of the top level management). However, such responses were all from commercial organisations rather than from NGOs. The researcher finally collected 58 interviewees from both interview groups in total.

10.1.4 The interviews

Interviews were carried out between October and February 2003. They were all face-to-face interviews. Nine interviews were with NGO experts who provided valuable information on CSR from the local society's point of view. Since the majority of the interviewees objected to tape recording, the researcher refrained from taping most conversations and instead took extensive interview notes. However, eight interviews were recorded with the permission of the interviewees. Generally, all interviews were carried out at the subsidiary's or domestic company's head office.

Before commencing an interview, the researcher felt it necessary to guarantee confidentiality as outlined in the letter, in order to get free and open responses. He also emphasised that there was no 'right' or 'wrong' answer for each question, and no skill or special knowledge was required to answer the questions. This was to boost the confidence of the interviewee and to avoid the feeling that he may give a wrong answer. This led to a more relaxed atmosphere throughout each interview and established a rapport between the interviewee and the researcher. In

addition, at the commencement of each interview the interviewee was asked if he would permit the use of a tape-recorder. It was explained to the interviewee that the tape-recording would only be used to facilitate further note-taking and that they would get the written transcript if they wanted. It was stressed that at any stage of the interview the interviewee could ask to stop the recording if he/she preferred not to record sensitive statements. Some interviews were disturbed by telephone calls received by the interviewee or by a third person and the recorder was then switched off. In some cases, the interviewee himself asked to switch off the recorder while he was making statements he did not want recorded. So, intensive notes were taken at the same time as tape-recording.

During the interview, an interview guide was used to allow the researcher to explore the major themes and issues. The interview guide was prepared to make sure the same information was obtained within the three basic themes. It also ensured the systematic and comprehensive collection of issues/themes across a number of interviewees (O'Dwyer, 2000). In relation to major themes, a question on a broader issue was asked first, then followed up by further related questions to illuminate particular perspectives relating to particular issues. The sequence in which questions were asked varied between interviews, although the sequence of themes presented to the interviewees and the broader questions remained the same for each. The phrasing and words used in the questions also varied between interviews. Interview themes and main issue questions helped the researcher to decide how to phrase the next question and at what stage to ask them. The questions in the guide and the spontaneous wording depended on the interviewees' responses, and helped to build a conversational style rather than oppressing the interviewees with sophisticated words and terms. The researcher

emphasised the issues or perspectives which the interviewee brought up, and encouraged him to talk without interruption by not asking too many questions at one time. Extensive notes were taken in front of the interviewees. The researcher noted down points which could not be elaborated on at the time or if the researcher thought the point needed more attention or elaboration. Further clarification was requested from the interviewees on each note before shifting the discussion to another theme. This approach led to a more relaxed and uninterrupted conversation. After the interview was officially concluded, the researcher often took some time to elaborate on his notes or add details to his notes if they were missed while talking. Then the researcher summarised the issues as he understood them and invited the interviewee to make any further comments. This was done to increase the effectiveness of the notes during further analysis. It also contributed to the reliability and validity of the data collected in the intensive note-taking process.

The language of the interview is an influential factor that should be mentioned. The first language of the interviewees was not English even though English is the second official language of the country. At the beginning, interviewees were therefore asked whether they preferred to be interviewed in English or Bengali, the mother language of the country. The majority of the interviewees started in English as they thought the researcher would prefer it. Despite the reasonable quality of communication in English, the researcher is aware of common English words that can cause misunderstanding. If any confusion arose, the researcher immediately shifted the conversation into Bengali. To facilitate discussion in Bengali, the researcher prepared a Bengali version of the interview guide and questions before the interview was held and followed it

where necessary. In most cases, the interviewee started in English and ended up in Bengali, mixing up English and Bengali languages in conversation. However, this did not make the conversation difficult; instead, it made it more understandable to the researcher.

10.1.5 Difficulties faced during interviews

Conducting an interview in Bangladesh is painstaking rather than fun. The initial problem was trying to get access to the company, which required making telephone calls repeatedly, or finding some form of contact through which the researcher could be introduced, such as a middle man or some personal affiliation with a member of the senior executives. In one case, the researcher had to make at least seven telephone calls to make contact/gain access/secure a meeting. Thanks to his professional background, he was able to gain access to many corporations, but he also took gifts to those executives who agreed to interviews.

The second problem was in catching executives during their free time. This was a real challenge. For example, the researcher visited one office of a reputed subsidiary five times, at times previously scheduled, but each time the meeting was postponed for various excuses. Although annoying, there was nothing the researcher could do, as it was essential to conduct the interview, and particularly important as the company was a subsidiary.

The third problem concerned the topic and focus of the study itself. Executives did not seem very willing to talk about issues of responsibility and accountability. They seemed afraid to talk about these issues openly. However, by reassuring them that their words would not be tape-recorded and that their name and status would not appear in the thesis or other documents, they became

more willing to talk. The fourth difficulty was during the interview itself. Interviews were occasionally interrupted when other members of the company came into the room to talk to the interviewee. This disrupted the conversation and affected the flow of information. To ensure a smooth continuation, the researcher restarted from the notes taken before the interruption.

However, the most difficult part of the whole interview process was making sense of the huge amount of data. In some cases, managers were talking normatively, discussing what they thought *should* happen rather than what was currently happening in practice. An example of this is that they spoke about many stakeholders to whom they felt they should report, yet in practice little evidence was found to suggest they were actually reporting to all those stakeholders. It also became clear that managers were more interested in talking about other corporations than their own corporation. Of most concern was that they seemed to make conflicting statements. For example, many started the interview showing/implying a sense of social responsibility, but by the end they contradicted this attitude by emphasising financial benefits and the need to maintain a good reputation.

10.2 Analysing interview data

This section details the process of analysing interview data, mainly replicating the process undertaken by O'Dwyer in his thesis (O'Dwyer, 2000) and thereafter in his papers (O'Dwyer, 2002, 2003). This section in particular acknowledges O'Dwyer's contribution to the analysis of interview data. His method of interview analysis is followed with some modifications by the researcher. The process is replicable in any study that requires in depth analysis of

interview data. However, as Jones' (1985) study recognises, analysis of qualitative data involves a process of interpretation and creativity by the researcher to make the data more meaningful rather than keeping it in '*extreme mystification*'. So the aim has been to keep the process of analysis simple but creative.

10.2.1 Data recording

An extensive number of field notes were taken in front of the interviewee or within one hour of the interview to record accounts (Scott and Lyman, 1968) or recurring themes (Patton, 2002). An account is "*a linguistic device employed whenever an action is subjected to evaluative inquiry*" (Scott and Lyman, 1968, p.46). Garfinkel (1967, p.1 cited in Miller and Dingwell, 1997) states "*What the world is, is the way we call it into existence through talk. But this is not just any talk. It is talk that shapes a world that others will recognise and for which they will hold us responsible.*" According to Miller and Dingwell (1997), "*The research interview is, above all, an occasion for the elicitation of account*". So it is believed that explaining the nature of accounts from the interview talk will provide an understanding of the motives of an actor behind a particular action. This process has been employed in an ethnomethodological context by Harold Garfinkel (1967), later on developed by Scott and Lyman (1968) and widely used in sociology (see, Miller and Dingwell, 1997). It is rarely used in traditional accounting and finance literature or in social accounting (Cragg and Greenbaum, 2002). Cragg and Greenbaum (2002) explored the reasoning behind accepting social responsibility by eliciting 'accounts' provided by the interviewees within the interview.

All field notes and tape-recorded interviews (eight only) were then translated and transcribed and initially recorded in two diaries. The transcribed notes were then fed back to the interviewees to ensure their accuracy and to invite additional comments (Woodward et al, 2001). These two diaries helped the researcher to record the first observations. Such 'initial recorded data' were then read one by one, and also five at one go, noting potential 'recurring themes' or 'accounts' recorded in each interview and giving a code name and number for each. This created a large database of interview data with accounts explicitly derived from the interviews or implicitly expressed during the interview period and written in the scripts (Cragg and Greenbaum, 2002). This database was created twice using the same procedure, and compared and checked to ensure that 'accounts' or 'themes' from the transcripts and field notes (recorded in initial recording) had not been missed or dropped. This completed the first stage of recording the interview data.

The second stage started by reading again each coded sheet of interviews in-depth, following the reading process detailed at the first stage. At this stage a very big spreadsheet was prepared, first by recording 58 code names (e.g. MD1 is the code for managing director number one) in 58 columns. Rows were used to record a set of codes derived intuitively by the researcher while reading the transcripts⁶. When a code emanated from a transcript it was immediately recorded in the rows of the big sheet and ticked under the relevant code name. If the same theme or code was repeated in another transcript, then that was simply ticked in front of the theme or code name recorded previously, reducing the time and effort involved in

⁶ Miles and Huberman (1994, p.56) describe codes as "tags or labels for assigning units of meaning to the descriptive... information compiled during a study. Codes are usually attached to 'chunks' of varying size - words, phrases, sentences or whole paragraphs, connected or unconnected to a specific setting".

writing. In this vein, accounts that appeared relevant and needed further development were recorded on the big sheet, corresponding to their transcript's code name. This provided the researcher with a very big picture of the research with different codes or accounts that would need further development and also those which would be needed to establish links between those codes to see a complete pattern. Figure 10.5 shows an example of this and the format of the data recording sheet.

Figure 10.5
Format of data recording sheet

Code or accounts	Code name and number of transcripts where accounts have been emanated			
	DM1	DM2	DM3	DM4
Responsibility to Community-recognised as stakeholders (RC1)		√	√	√
Responsibility to employee-recognised as stakeholders (RE1)		√		√

Note: codes within brackets (eg RC1) follows intuitive open coding that in the end helps to link with similar codes.

At this stage the researcher felt it important to look again at the codes to see whether anything had been missed. So a second 'big sheet' was prepared, leaving a time gap of at least one month between preparing the two sheets. This second big sheet helped the researcher in two ways. First, codes found in the first sheet which were subsequently found and recorded in the second sheet as well, gave confidence to the researcher about his coding. Second, some codes were initially found linked to other codes. These were arranged by putting them in a logical order by noting the main code in front of them to which they could be linked later on. This also helped the researcher to reduce data from the transcripts and

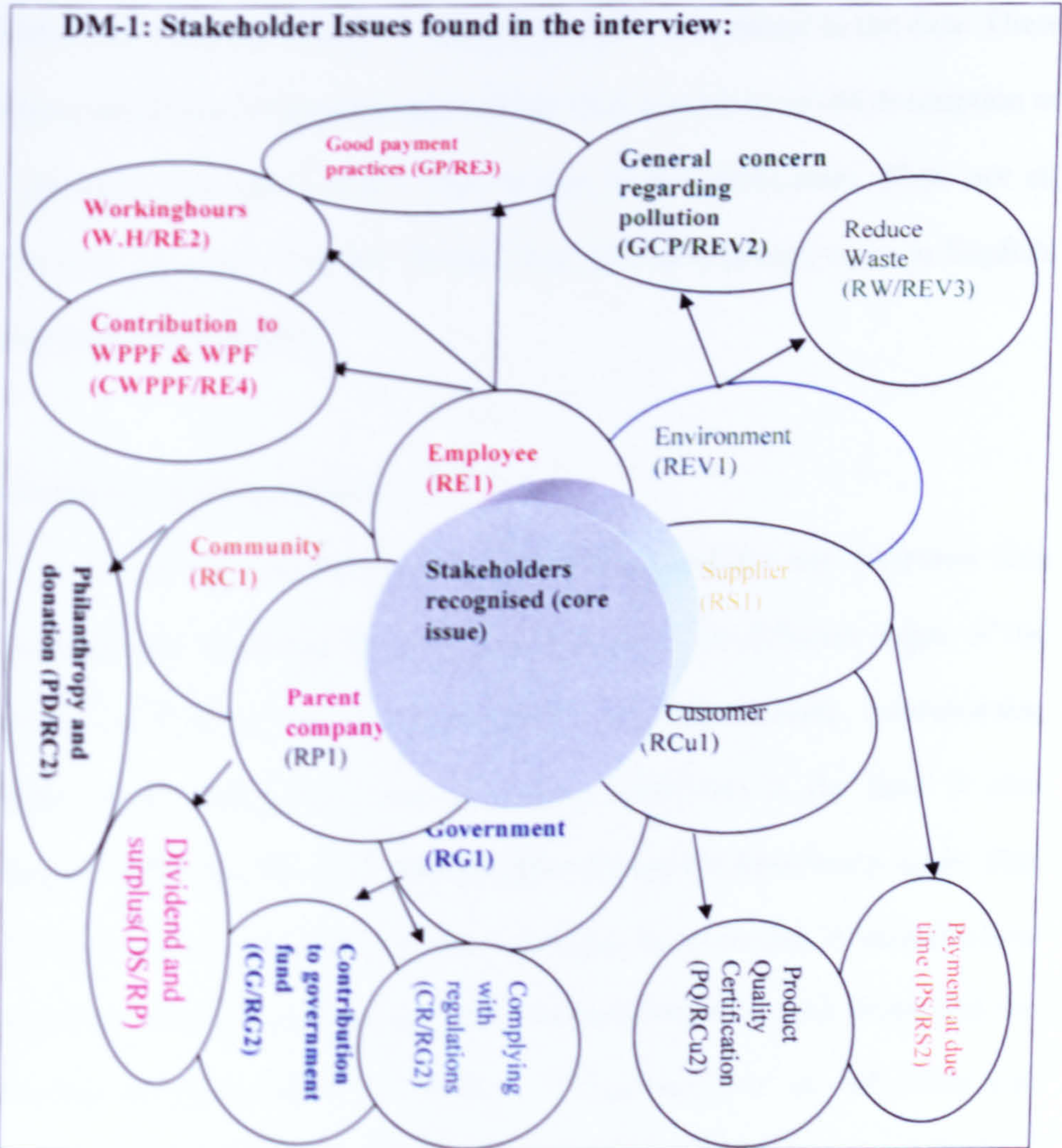
provided him with a clearer view of the pattern that was beginning to emerge from the data.

10.2.2 Data coding and establishing link

However, at this stage the researcher still had two problems. First, the codes written on the big sheets needed further development and explanation. Second, a network or link between the main codes or accounts to their explanatory codes was required. To view the link between the main codes and sub-codes in the second big sheet the researcher used network mapping between the interrelated codes. To develop such a network a mental map was prepared with diagrams for each interviewee, providing at least some evidence of a link between different codes offered by individual interviewees to explain his/her perceptions relating to the issues discussed. Subsequently, 58 mental maps were constructed with each of the main issues discussed within the interview. All these 'mental maps' were saved in a Word file, each being given a code name. Comparing the two big sheets with these mental maps gave some added advantages to the researcher. First, those codes found in the big sheets were rearranged according to the interviewee's code name, and thus reduced the issues involved. More importantly, it provided a link between the codes emanating from the interview and the issues of research, and it exposed a clearer pattern emerging from each interview (Steger, 1998). The network of themes and codes found with individual interviewees were then incorporated in a single page diagram devoted to a single issue of research, each showing the single issue and link between different codes. This formed the basis of the analysis. In essence, the process of coding, reducing and network mapping enabled the researcher to flesh out a skeleton with empirical

data gained from the interview. Figure 10.6 shows an example of a mental map constructed from an interview.

Figure 10.6
Example of mental map



Note: Codes are shown within the bracket in front of each theme (e.g. RG1). These provide a clue to link sub-codes (CG/RG2) with the main code or categories or themes. So in the end, main categories are found as shown (e.g. RG1, RP1, RCu1, RS1, REV1, RE1, RC1) and linked with their sub-categories found by exploring the themes from the data recording sheet.

The relevant part of the data was then transferred from manual notes to Excel or a Microsoft Word data file. To display the data, several matrices were prepared (Miles and Huberman, 1994) showing the core codes and open codes. Several quotations were selected in order to support the core code found in the data. These quotations are in fact an approximation rather than a word-for-word description of what has been said and/or heard. This is due to two difficulties. First, not all interviewees were tape-recorded. Second, not all conversations were in English, so much had to be translated.

10.3 Summary and Conclusion

This chapter has outlined the interview process and the way interview data was managed and organised. In particular, it explains the different stages of the interview: constructing an interview guide; selecting sample interviewees; contacting those interviewees; and conducting interviews in the field. It also explains the difficulties faced by the researcher during the interview process. This chapter then explains the way data was managed. In particular, it explains how accounts were elicited from the transcripts through data recording sheets and the construction of mental maps. In addition, it illustrates how the reliability and validity within the data recording and eliciting of accounts has been maintained by repeating these stages at different times.

The next chapter analyses managers' perceptions regarding their responsibility, and the following chapters (chapters 12 and 13) present an analysis of managers' and stakeholders' perceptions regarding CSR practices.

Chapter 11

Introduction to corporate responsibility: The findings from descriptive interview data

11.0 Introduction

Previous chapters (chapter 8 and 9) examine actual CSR practices. Chapter 8 provides descriptive data regarding social and environmental reporting in Bangladesh, while chapter 9 illustrates the social and environmental practices of subsidiaries in Bangladesh in more detail. This chapter and the next chapter detail the descriptive data from fieldwork gathered through interview mainly from all subsidiaries and large corporations whose content analysis of annual report is made. This is the most important part of this research which explores the main concern of the study: Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports? While this chapter and the next chapter (chapter 12) gather evidence from managers, chapter 13 collects evidence from social groups - namely, social and environmental NGOs. In particular, this chapter details the interview results relating to recognition by company management of responsibility to wider groups of stakeholders and the influence of the parent company towards a subsidiary's management in recognition of this responsibility. It focuses on the responses of company executives to those questions included in the interview schedule regarding responsibility and CSR (see Appendix- 4).

Forty-nine senior managers from subsidiaries in MNCs and large domestic companies were interviewed (see chapter 6 for details of interview analysis). Thirty-nine interviews were conducted with 10 subsidiaries of MNCs and 10 interviews were conducted with five domestic corporations (please see chapter 10).

Interviews mostly lasted between half an hour to one and a half hours. All interviews were collected on site, particularly in the head office of organisations in Bangladesh. Detailed notes were taken during interviews, rather than tape-recording as discussed in chapter 10.

Implicit or explicit statements of value, either elicited by direct questions about values or which arose naturally in the context of providing ‘accounts’ by the interviewees when discussing issues of broader social responsibility, were collected (Cragg and Greenbaum, 2002; Scott and Lyman, 1968; Miller and Dingwell, 1997). These value statements – *Accounts* – were analysed and grouped into final core values – Principles - that would help to understand the motivations behind recognising social responsibility by the interviewees (Cragg and Greenbaum, 2002). These principle values were then shown in different matrices which were put in appendix 5. Different tables were produced (i.e. Table 11.1, 11.2) from these key matrices and have been included in the main text, showing cross references of matrices below each table.

This chapter is structured as follows. Section 11.1 outlines responsibility recognised by interviewees towards groups other than shareholders. It also illustrates ‘accounts’ explicitly or implicitly suggested by the interviewees while discussing their broader accountability to stakeholders. Section 11.2 looks at rationales offered by the interviewees in assuming broader accountability to

different groups of society. Section 11.3 looks at a particular rationale offered by interviewees from subsidiaries. Section 11.4 then looks at other rationales offered by the interviewees and section 11.5 summarises and concludes the chapter.

11.1 The recognition of responsibility

Most of the interviewees mention some of the groups to whom they believe they have responsibility. These groups fall mainly into four categories: employees, community, environment and the government. A small number of interviewees also mention their responsibility towards suppliers, customers and disadvantaged groups (like child labour). These are shown in Table 11.2.

Many of the explanations of responsibility tended to be very generalised and brief. Many of the executives started speaking from a personal and normative perspective and had difficulty in answering why they believe the company might have a responsibility towards these groups. Many of the managers admitted that they had not given any deep thought to the issues surrounding corporate social responsibility before this interview. Some gave the impression that they wanted to show responsibility purely for the purposes of the interview, rather than appear irresponsible during the discussion. Each of the six categories - employee, community, environment, government, customer and supplier - to whom managers implicitly or explicitly expressed their responsibility.

11.1.1 Responsibility to employees

Most of the interviewees express a view suggesting accountability to employees. Seventy-nine per cent of interviewees indicate that they believe they have responsibilities towards their employees. This is shown in Table 11.1¹.

Typical responses of interviewees include:

I would certainly feel that every organisation has an obligation to its employee. It may be a mandatory obligation imposed by the local government or, in our case an obligation imposed by the parent company (ie health and safety standard). Other than mandatory obligations, I also firmly believe that every company has a voluntary obligation to look after their employees. If an employee gets better job satisfaction he will contribute more to the wealth of the company (Managing director, Multinational company -DM1)

Looking after our workforce is our voluntary duty. After all it is our biggest asset.....employees make money for us (Deputy managing director, domestic company, DD-16)

Employees are the most important asset of the company. We are obliged to provide a healthy and safe environment for the employee....in the short run it may involve a greater cost but in the long run it will provide benefit to the company (Chief executive Officer, Multinational company, CEOM-2)

¹ Table 11.1 is prepared from core accounts gathered in Matrix 1 D which is shown in Appendix 5.

Table 11.1

Primary social responsibility recognised by the interviewees to different groups

Interview Group	Number of interviewees in each group	Number of interviewees within each group who identified the following as a group to whom responsibility is owed					
		employee	community	environment	government	customers	supplier
Interviewees	49	12	12	10	10	04	06
Directors-Multinationals	14						
Chairman-Multinational	01	01	01	01	01	01	
Managers-Multinationals	13	11	11	10	06	04	01
CEO's-Multinationals	09	06	05	04	03	02	
Company Secretary-Multinationals	02	01		01		01	
Total number of interviewees from Multinationals	39 (100%)	31 (79%)	29 (74%)	26 (67%)	20 (51%)	12 (30%)	07 (17%)
Directors-Domestic corporations	02	02	02	01	02	02	
Managers-Domestic corporations	05	05	05	03	02		
CEO's-Domestic corporations	01	01			01		
Company Secretary-Domestic corporations	02			01	02		
Total number of interviewees from domestic corporations	10 (100%)	08 (80%)	07 (70%)	05 (50%)	07 (70%)	02 (20%)	-
Grand Total	49 (100%)	39 (79%)	36 (73%)	31 (63%)	27 (55%)	14 (29%)	07 (14%)

These views highlight how employees are recognised as an asset to the organisation. Interviewees recognise that their obligation flows from regulation, a moral (or perhaps enlightened self-interest) concern and from their parent company's strategies regarding employees' welfare. Such obligations appear to be limited to health and safety issues. Interviewees also recognise a voluntary duty which is mainly expressed with respect to employee training and welfare activities. However, managers from both multinational and domestic companies accept that the economic interest of the company is behind the treating of employees as an asset. It can also be noted that none of the interviewees mentions 'employees rights in collective bargaining issues' or the right to join a trade union. Rather, 'employee welfare issues' are cited to explain further their obligations to employees. An executive from a multinational states:

"It is our duty to fulfil the regulatory obligation relating to an employee first.....then I would say that our parent company policies on hiring, providing employee benefits in term of salary, bonus and others, and providing a healthy and safe environment at work, provide employee job satisfaction. ..We know job satisfaction is the key issue of our economic success" (Managing director, multinational company, DM-5)

There is not much detail from the executives regarding what obligations they have towards their employees. The main issues they identify are employee training, good pay, providing free medical facilities, or other facilities and appreciation of employee roles. Table 11.2 lists the issues which were brought up during interviews².

² Table 11.2 is prepared from Matrix 1 H which is shown in Appendix 5.

Table 11.2
Obligations to employees

Issues	Number of responses	Percentage of total Reponses	Rank according to the percent of responses
Mandatory obligations:			
Health and Safety at work	36	73%	1
Contribution to Workers Profit Participation fund	31	63%	2
Working hours	03	06%	
Voluntary obligations:			
Employee training and development activities	27	55%	3
Good pay	26	53%	4
Providing free-medical and other benefits	24	49%	5
Appreciation at work	19	38%	6

One Director of Finance from a multinational states:

“ We provide free medical facilities to our employees, offer a very good salary package and try to ensure that our employees are happy enough and also have a good chance of career development through training within and/or outside the organisation” (Director Finance, Multinational company, DM-9)

One Company Secretary from a multinational company also mentions:

“I certainly believe that an employee has the right to get a good salary package to live comfortably and also the right to proper training to enhance his career....and we are obliged to provide that”(Company Secretary, Multinational company, SM-1)

However one Managing Director from a multinational is very critical of domestic companies’ general treatment of employees. He refers to the textile and garments industry, mentioning:

“Although in Bangladesh there is ample supply of unskilled labour, it is not very good to exploit thisI am sorry to say that workers and employees are paid very poorly and left with unhygienic and totally miserable working conditions which I can not explain properly..their companies are just making big money” (Managing Director, Multinational company, DM-1)

11.1.2 Responsibility to the Community

Thirty-six interviewees (73%) identify community related responsibilities as a broader responsibility (Table 11.1). However, specific examples of community issues are limited to a few instances of a single donation to a community-based activity. Some interviewees recognise their involvement in community help programmes and community development programmes pro-actively. Table 11.3 shows a list of issues raised concerning community responsibilities³.

Table 11.3
Community responsibilities

Issues	Number of responses	Percent of total Responses	Rank according to the percent of responses
Philanthropy and donations	34	69%	1
Sponsoring recreational T.V programme	9	18%	2
Community help programme	5	10%	3
Sponsoring national games for the development of sports.	4	8%	4
Community development programme	5	10%	3

A Marketing Director of a multinational states:

I feel, charity and donation is the easiest and most appropriate way for business to demonstrate social responsibility. It is a good and quick way to build the reputation of the business. (Marketing Director, Multinational-DM2)

In addition to making donations and occasionally engaging in charitable events, an Executive Director of Finance from a domestic company refers to sponsoring recreational programmes by the company as a way to discharge their social responsibilities.

³ Table 11.3 is prepared from Matrix 1 L which is shown in Appendix 5.

He remarks:

...the community in general in Bangladesh does not have much scope for recreational activities, either because these are expensive or are not available outside the city...business is sponsoring a number of recreational programmes in T. V. and people get the chance to enjoy this.. business has a better chance to communicate its image and discharge its social responsibility through sponsoring these programmes (Executive Director Finance, Domestic company, DD-15)

However, five interviewees see their responsibility towards the community in terms of being involved in community help programs rather than to more general descriptions of donations and sponsoring activities. An example of this is the comment by a Corporate Affairs Manager of a multinational:

The whole sense of responsibility towards the community will become limited if it is treated as philanthropic activities such as making donations or sponsoring events. I feel today society expects more from business....business could be involved directly with a responsible community care programme. I would certainly include primary education, health and hygiene, and disaster relief programmes in Bangladesh (Corporate IT Manager, multinational corporation, MM-2)

Despite mentioning social responsibility towards the community throughout the interview, little specific detail is provided by the interviewee regarding the involvement of his company in the community help and community development programmes. Whenever these community help and community development programme came into the discussion, they are mentioned in the context of “...business can involve..” or, “...business may be involved...” , a form of words which indicates that the interviewee is expressing from a normative position rather than attempting to explain what the business is presently involved with. However, one Managing Director from a multinational describes the community help programmes his company is presently engaged in. He explains:

Our community help programme includes diverse issues. We concentrate on what the community really wants from us and we know we have a very good image of helping the community..Our community programmes include an afforestation programme and social initiatives programmes for our registered tobacco farmers. These include health and hygiene advice, education awareness, computer training...relief distribution in cases of natural disaster, and support to national community welfare programmes such as blood donation, immunisations. We also provide training opportunities for the graduating students of the local university and we are actively taking part in local talent development through our 'Star Search' programme. We are totally supported by our parent company in these activities....They are certainly not cost-free but we believe it will enhance our reputation throughout the world to show us as acting as a good citizen (Managing director, multinational corporation, DM-5)

Although most interviewees discuss community responsibility in terms of donations and sponsorship, a few mention community help and development programmes. The reasons for accepting responsibility towards the community seems, however, to be motivated primarily by the image-building concerns of the company rather than stemming from any obviously altruistic rationale. Corporations' involvement in community activities is rarely justified in terms of the duties of the company or the rights of community, nor in terms of public welfare (however understood), but in terms of creating and maintaining brand image. A typical opinion is that of a Marketing Director of a MNC who remarks:

It is a good and a quick way to build the reputation of the business through making donations. (Marketing Director, Multinational, DM-2)

An Executive Director of Finance of a domestic corporation comments that it gives the corporation:

a better chance to communicate its image and discharge its social responsibility. (Executive Director Finance, DD-15)

A Managing Director of a multinational corporation mentions:

we know we have a very good image in the community and that is important to us.. (Managing Director, Multinational, DM-5).

All these statements implicitly or explicitly reflect that the interviewees may be influenced by the image-building or ‘reputation maintaining activities’ of large corporations including subsidiaries and domestic corporations. This is also illustrated by the view expressed by a chairperson of a multinational corporation that:

If you build a subsidiary in a less-developed country to take advantage of low labour costs and other business opportunities and you do so much damage to your public reputation, that damage will be associated with your name and your parent company will be in a difficult situation to build another subsidiary anywhere in the world...It will cost you and your company by pulling down its image globally..to maintain a good citizenship image the thing you can do is to become involving in social activities . (Chairperson, Multinational,CM-1)

11.1.3 Responsibility to the natural environment

Thirty-one interviewees (63%) identify responsibility to the natural environment (Table 11.1). Such responsibility is mentioned by the interviewees in a very general form as ‘taking care of the natural environment’ without further detail of environmental policy, environmental management and actual performance of the company. The most common attitude regarding environmental responsibility found throughout the interviews are along with the lines of:

Our goal is to protect our people...and..our natural environment in order to help sustain human development and to work within the legal framework (Deputy Managing Director, Domestic company, DD-16)

If a company maximizes its profit at the expense of environmental pollution it is no good..I mean a company has to meet all the environmental standards (Chief Executive Officer, Multinational company, CEOM-3)

Almost all interviewees from multinationals who defined corporate responsibility as an environmental responsibility issue see it as a matter of maintaining their head-office or the group’s environmental policies and standards. More specifically, interviewees from multinationals explain their environmental

responsibility in terms of their head office health, safety and environmental standards and their policy of adopting environmental friendly technology to keep pollution to a minimum. A Managing Director of a multinational pharmaceuticals company emphasises:

Look, if you don't do the environmental aspect right you will be targeted as a nasty industry and will lose your reputation globally and that is not what a global industry wants... we take care of the environment by adopting our own parent company's health, safety and environmental standards which are more stringent than local standards set by the government agencies. We adopt pollution free technology, like effluent treatment machinery in particular to treat industrial waste disposed in water to reduce water pollution. (Managing Director, Multinational company, DM-1)

Another Financial Manager from a pharmaceutical multinational also describes the same view. He remarks:

We want to be a leader in health, safety and Environmental protection. Environment is in our priority list which is directly affected by our activities..we are striving to minimize the environmental impact of our activities and our products over their life cycle through introducing new technology and an assessment process. (Financial Manager, Multinational company MM-1)

However, interviewees also cite government regulation and activities of environmental NGOs as a factor behind their concern of taking care of the environment. Such as an example of this is a comment by a Cost and Management Accountant manager that:

We are aware of our responsibilities to keep our earth clean...we care greatly about protecting and sustaining a pollution free environment. We use technology that is pollution-free and comply with all environmental standards set by the regulatory bodies. We have employed appropriate processes that can naturally recycle the effluent and keep the environmental effect at a minimum level (Cost and Management Accountant Manager, Domestic company, MD-14)

Another Deputy General Manager of Finance from a different domestic pharmaceutical company illustrates this:

“A pollution-free society is the key issue for our survival in the future. We continuously emphasize the need to dispose of effluents after proper treatment so that Mother Nature is safe. We comply with the pollution standards set by the government.” (Manager Accounts, Domestic company MD-17)

Table 11.4 shows a list of issues brought up in interviews regarding environmental responsibilities⁴..

Table 11.4
Environmental responsibilities

Issues	Number of responses	Percent of total Reponses	Rank (according to the percent of responses)
General concern regarding environmental pollution and care.	31	63%	1
Compliance with legal standards in environmental pollution set by the environmental authority of Bangladesh.	31	63%	1
Adoption of parent company’s environmental policy and standards and compliance with it in addition to local standard.	20	40%	3
Establishment and/or plan to establish waste treatment plant (ie Waste Water treatment, Air treatment plant) to control environmental pollution	28	57%	2
Afforestation programme (i.e. plantation of trees) to control environmental pollution.	09	18%	4
Recycling of effluent	06	12%	5

⁴ Table 11.4 is prepared from Matrix 1 P which is shown in Appendix 5.

A Company Secretary from a multinational corporation discusses the environmental responsibility of his company in more detail. He asserts:

"We believe in sustainable development. We recognise that everything we handle- tobacco, paper and board- grows from the natural environment and so we need to take care of it. We follow our parent company's environment, health and safety standards and we are in the process of adopting ISO 14001. We continue to reduce the impact of our operations on the environment through employing pollution-reducing technology. We are also maintaining ambitious afforestation programmes to offset carbon dioxide emissions." (Company Secretary, Multinational company, SM-1)

Another Chief Executive from a multinational mentions:

"We maintain a strict policy of preserving the environment within our factory and also outside the factory. We have an effluent treatment plant in our factory to treat harmful agents in the waste and raw materials. We have an afforestation programme to benefit our community and the environment generally." (Chief Executive Officer, Multinational company, CEOM-9)

However, one Company Secretary of a multinational corporation explains that his company does not recognise any environmental responsibility since it is not involved in environmentally sensitive work. Environmental issues therefore were of little importance to them. He states:

I think it is good to care about the natural environment and I believe it is a personal commitment that I have regarding the issue... as a company management we are less concerned about it as we are not employing any environmentally polluting technology and our production process is not a threat to the environment... we try our best to keep within the regulations set by local government. I believe that companies, whose production process produce a lot of chemical waste, should take more responsibility to clean up the environment. (Company Secretary, Multinational company, SM-2)

It can be noted that companies in the pharmaceutical, tanneries and tobacco industries all see their environmental performance as an increasing concern of regulatory control, either from environmental standards of local government or their parent companies. Many of the interviewees from the domestic companies expressed the view that environmental regulation - particularly in the form of legislation (Environmental Act 1995) - was becoming more stringent in terms of

waste disposal and polluting of air and water than before. They anticipate that these regulations will become tighter as government agencies increasingly show concern for environmental pollution issues, such as banning poly-bags to reduce pollution.

The motivation of domestic companies is thus reactive rather than pro-active and attention is devoted to improving the company's performance in terms of local legislation through meeting pollution standards. However, in the case of multinationals, the majority of the interviewees recognise environmental responsibility beyond local legislative requirements, with more stringent environmental standards set by their own parent company. Interviewees clearly mention that health, safety and environmental standards are the priority in the social agenda of their parent companies. Parent companies have a particular concern regarding the health, safety and environmental performance of their subsidiaries. There is a feeling that parent companies do not wish to see something like the 'Bhopal accident' in their subsidiaries which would negatively impact on the global company's reputation. So they (the parent company's management) monitor their subsidiary's health, safety and environmental performance with the group standards and policies where there is no such local legislation policy and standards or where these are at a bare minimum. In many cases, subsidiaries have to send health, safety and environmental information quarterly or yearly to the head office.

11.1.4 Responsibility to the government

Twenty-seven interviewees (55%) report their responsibility to the government (Table 11.1). Responsibility to the government is recognised within two main areas: contributing to the National Exchequer through tax or other contributions, and complying with legislation. While interviewees see contribution to the National Exchequer as their prime responsibility to the government, almost all interviewees also saw the obligation to abide by local government regulations as a responsibility of business. The following table shows these responses⁵.

Table 11.5
Responsibility to government

Issues	Responses	Percent of total Reponses	Rank according to the percent of responses
Contribution to National Exchequer	20	40%	2
Complying with regulations	27	55%	1

An example of responsibility to government is the comments made by one Chairperson from a multinational that:

It is our prime duty and responsibility to pay taxes and contribute to the national exchequer exactly as the regulation allows and permits. We need to consider that if we contribute money properly to the government fund, then the government can use it properly for development purposes..this could bring social welfare. (Chairperson, Multinational company, CM-1)

Another Chief Executive Officer agrees:

I strongly feel that government is an influential stakeholder for business for at least two reasons. Firstly, the government has a direct stake in business through different taxes..Secondly, the government has the capability to influence business by imposing further regulations to enhance community welfare. (Chief Executive Officer, Multinational, CEOM-2)

⁵ Table 11.5 is prepared from Matrix I T which is shown in Appendix 5.

However, ten interviewees, all from multinationals, feel that compliance with the local legislation is not enough and needs to go beyond legislation.

I mean, a company has to meet all the environmental standards set by the government and that is at a very minimal level compared to the standards of our parent company...A responsible company should do more than that (Chief Executive Officer, Multinational company, CEOM-9)

11.1.5 Responsibility to customers

Fourteen interviewees (29%) recognise responsibilities towards customers (Table 11.1). Interviewees, mainly from multinationals and not many from domestic corporations, note their responsibility towards customers (Table 11.1). It seems that multinationals are more sensitive to their customers' rights than domestic companies. However, references to customer responsibility are very brief and remain limited to their attitudes in relation to providing and delivering a quality product. This is illustrated by the view of a Managing Director from a multinational corporation who remarks:

We value our customers as they are those to whom we offer our product...providing them the best quality of product is our prime responsibility (Managing Director, Multinational company, DM-1)

Another interviewee similarly points out that:

We have the responsibility to our customer to provide the best quality of product or services (Human Resources Director, Multinational, DM-4)

11.1.6 Responsibility to supplier

Only seven interviewees (14%) recognise their responsibility towards their suppliers (Table 11.1). None of these are from domestic companies. The responsibility recognised towards suppliers is minimal and does not go any further than mentioning a general obligation to pay the supplier at the right time. An example of this is the comment by a Director of Finance of a multinational corporation that:

It is not good if a supplier has to chase us for getting their payment, Of course it is their right to get the payment at the due time (Director Finance, Multinational company DM-9).

11.2 Rationales offered behind recognising accountability to the stakeholders

11.2.1 An overview of rationales

The previous sections have identified the broader responsibility to different groups of stakeholders recognised by the interviewees and also look at some of the social and environmental activities that interviewees mention their companies presently undertake to illustrate their responsibility to these groups. This section looks at rationales offered by the interviewees behind recognising responsibility to these broader stakeholder groups. When interviewees explained that they have responsibilities towards different groups of stakeholders, they were asked to explain why they thought so. Interviewees provided multiple reasons or motivations, and in fact some of these seemed to conflict with each other. For example, some interviewees started normatively that they think business does have responsibilities other than making money, however, by the end concluded that recognising responsibilities to some of the groups (i.e. employees) helps to increase productivity which is related to increasing profit. In fact, it seems that

interviewees do not give much further thought as to whether the profit goal and accepting responsibility to wider groups may be in conflict.

The goal at this stage of the interview has been identifying and isolating a meaningful set of dominating motivations, so that the link between these motivations and actual CSR practices can be further analysed⁶. It is seen as important, therefore, to collect and then identify a set of core motivations which are repeatedly mentioned, internally consistent, robust and distinct.

Four core groups of rationales dominate⁷. First, recognising responsibility to different groups of stakeholders is found as a pro-active response of the company to maintain their reputation and image for their self-interest. Second, broader responsibility is recognised from a reactive stance assuming pressure from international society, parent company and internal context of the country where subsidiaries are operating. There does, however, seem to very little internal pressure of this sort in Bangladesh. The third and fourth rationales - namely, obligations and accountability to society and the influence of chief executives and chairpersons - are limited. Table 11.6 shows the four core groups and the number of interviewees who offer accounts within these four groups⁸. These four core rationales are now looked at in turn.

⁶ In chapter 2, it is depicted from literature that accountability rationalizes responsibility and there are, indeed, business and moral arguments behind accepting social and environmental responsibility by corporations. Although, accountability framework, as suggested by Gray et al. (1996) in a democratic setting, assumes a relationship between responsibility and accountability, such a relationship is less-than-obvious in an LDC setting in general, and in Bangladesh in particular. More importantly, it is not clear whether responsibility of a thing can be used to explain reporting on a thing in Bangladesh. Next chapter, so, examines evidence relating to reporting from managers gathered through interview.

⁷ These major four groups of rationales are derived from interview data – reflexively – through the interview data analysis process as mentioned in chapter 10.

⁸ Table 11.6 is prepared from Matrix 2 D which is shown in Appendix 5.

Table 11.6**Various rationales behind accepting responsibility and examples of views**

Rationales	Total number of interviewees who provided accounts	Exemplary views
1. Pro-active recognition. Company pro-actively involved with social activities to continue its self-interest	39 interviewees out of 49	<i>Voluntarily engaged with CSR, economic interest, image maintaining, enhance bottom line, reputation</i>
2. Reactive recognition. Recognised broader responsibility by the executives assuming pressure from external party. Company recognised such responsibility to enhance self-interest	27 interviewees out of 49	<i>CSR voluntary activities but assumes pressure from the society, different groups other than shareholders, pressure within the host country, pressure originating from international environment, pressure originating from parent company. Maintain profitability, reputation of the company, image building and maintaining global image, subsidiaries operation may threat to global image of the company</i>
3. Obligations to the society. Company assumes accountability to the society	7 interviewees out of 49	<i>Assumes some obligation, general obligation, giving something back to the society, moral and ethical consideration, driven by human intention</i>
4. Executives' personal motivation. Recognised social responsibility as the chairperson desires to run the company in socially responsible way	9 interviewees out of 49	<i>Executives personal motivation, personal image maintaining, maintaining public profile</i>

Note: parent company influence has been shown within the reactive recognition

11.2.2 Pro-active recognition of responsibility

The first group of 'accounts' (shown in Table 11.6) provided by managers involve a pro-active recognition of social responsibility to broader groups of stakeholders supported by self-interested motivations. Interviewees recognise their pro-active involvement in employee and community activities and provide 'accounts' with comments such as *'being socially responsible will enhance the profitability.. image and reputation, ..bottom line of their company'*. Thirty-nine

interviewees out of 49 recognise pro-active involvement in social and environmental activities. This is shown in Table 11.7⁹.

Interviewees explicitly and implicitly linked their pro-active involvement with their image-creating and/or maintaining intentions and with their purely profit-earning motives. Table 11.8 illustrates this¹⁰.

Table 11.8 shows that 29 interviewees illustrate their responsibility to broader groups (mainly to the community and employees) as it will enhance their reputation in the community and also increase their profit. Here, a typical view is that of a Marketing Director of an MNC, who remarks:

If [the project is] earning profit, then the next thing which is absolutely essential is to assume social responsibility...the prime responsibility of management is to earn profit first...assuming social responsibility is complementary to our profit motive goal.. It will enhance our reputation in society (Marketing Director, Pharmaceutical Multinationals-DM2)

Another example of this is the comment by a Manager of Accounts of a domestic pharmaceutical company that:

Maximizing shareholders' value is our prime goal but not the only goal.. we like to operate our business in a socially responsible way ..engaging with social activities do have a cost but will definitely enhance the image of the company in the long run (Manager Accounts, domestic pharmaceuticals- MD15)

⁹ Table 11.7 is prepared from core accounts gathered in Matrix 2 D which is shown in Appendix 5.

¹⁰ Table 11.8 is prepared from core accounts gathered in Matrix 5 D which is shown in Appendix 5.

Table 11.7
Number of interviewees within interview groups who provided different rationales behind accepting broader responsibility

Interview Group	Number of interviewees in each group	Number of interviewees within that groups who identified the following rationales behind assuming accountability to stakeholders			
Interviewees	49	Proactive involvement (R1)	Reactive involvement (R2)	Assuming Accountability (R3)	Personal influence of CEO (R4)
Directors-Multinationals (DM)	14	12	11	03	01
Chairman-Multinational (CM)	01	01	01		
Managers-Multinationals (MM)	13	09	09	01	03
CEO's –Multinationals (CEOM)	09	06	03	01	02
Company Secretary-Multinationals (SM)	02	01	01		01
Total number of interviewees from Multinationals	39 (100%)	29 (74%)	25 (64%)	05 (13%)	07 (18%)
Directors-Domestic corporations (DD)	02	02		01	02
Managers-Domestic corporations (MD)	05	05		01	
CEO's-Domestic corporations (CEOD)	01	01	01		
Company Secretary-Domestic corporations (SD)	02	02	01	01	
Total number of interviewees from domestic corporations	10 (100%)	10 (100%)	02 (20%)	02 (20%)	02 (20%)
Grand Total	49 (100%)	39 (80%)	27 (55%)	07 (14%)	09 (18%)

Table 11.8

Number of interviewees within interview groups who identified corporate self-interest behind pro-active involvement

Interview Group	Number of interviewees in each group	Number of interviewees within the groups who identified corporate self-interest in recognising responsibility to stakeholders			
Interviewees	Proactive self-interested involvement	Interest in profit maximisation (M1)	Interest of parent company (M2)	Maintaining reputation (M3)	Corporation is only increasingly getting focus (M4)
Directors-Multinationals (DM)	12	07	08	08	03
Chairman-Multinational (CM)	01	-	01	01	-
Managers-Multinationals (MM)	09	07	08	09	01
CEO's -Multinationals (CEOM)	06	04	04	06	01
Company Secretary-Multinationals (SM)	01	01	01	01	-
Total number of interviewees from Multinationals	29 (100%)	19 (65%)	22 (76%)	25 (86%)	05 (17%)
Directors-Domestic corporations (DD)	02	02	-	-	02
Managers-Domestic corporations (MD)	05	04	-	03	01
CEO's-Domestic corporations (CEOD)	01	-	-	-	01
Company Secretary-Domestic corporations (SD)	02	01	-	01	02
Total number of interviewees from domestic corporations	10 (100%)	07 (70%)	-	04 (40%)	06 (60%)
Grand Total	39 (100%)	26 (66%)	22 (56%)	29 (74%)	11 (28%)

Interviewees emphasize the powerful obstacle that is created by the market in practice, and view such obstacles as a fact of corporate life. These obstacles are mainly related to pressure exerted on companies to produce short-term profit for shareholders and to maintain the reputation or image of the groups (Table 11.7). These obstacles curb any attempts to recognise broader responsibility by the interviewees or influence them to recognise social responsibility in a way which ultimately helps to enhance corporate interest. A typical opinion is that given by a Manager of a domestic corporation, who remarks:

You know, they [shareholders] in any general meeting are interested in pointing their finger at the bottom of your profit and loss statement..they always want to know how much dividend has been paid out of the profit made in this year.. rather than how many social activities you did in this year (Manager, Domestic Pharmaceuticals, MD-14)

There is evidence that investors and parent companies of MNCs do not encourage subsidiaries to be socially responsible beyond activities that might be in the corporation's economic interest or enhance its reputation. This is illustrated by the view of a Manager of an MNC that:

Okay, the parent company does always monitor the economic performance of its subsidiary..we are assigned to obtain the economic goal.. it [the subsidiary] is formed here to do business..to make a profit, anything else we do [social activities] is in addition to that (Managers, Multinational pharmaceuticals, MM-1)

Another Chief Executive agrees:

Certainly our first priority is economic survival..if you do not perform well in economic terms, the parent company may close the unit or sell it to others and withdraw all their support (Chief Executive, Multinational Pharmaceutical and Toiletries, CEOM-4)

It is apparent from the interviews that socially responsible activities which are geared to building or maintaining the image of the company are guided by at least two basic principles. First is the need to reduce - or at least be able to claim to

reduce - any detrimental effects resulting from the economic activities of the business. If the company does not bother with this, it may in the long run face more public scrutiny, government intervention through legislation or intervention from the global society in the long run. Second is the need to do something positive for society in order to keep it satisfied, whether that is the global or local society. Both these principles appear to be guided by market forces rather than by moral principles. A typical opinion is that of a Marketing Manager of a domestic tanneries and leather company, who remarks:

I took the view that it is extremely important to get the community on our side when doing business, because I know that doing social activities will build our image of our company in society..you know in the end we have to go back to the society as that is where our market is (Marketing Manager, Domestic Tanneries and Leather company, MD-18)

Another interviewee illustrates this, pointing to the natural environment. He states:

If you do not do the environmental aspects right, you are not going to get the thing approved by them (government and society) in future.. (Managing Director, Multinational Pharmaceuticals company, DM-1)

11.2.3 Reactive recognition of responsibility

Twenty-five out of 39 interviewees at the multinational level and two out of 10 interviewees from domestic corporations recognise such pressure (Table 11.7). Accounts gathered in this group suggest that the rationale for engaging in broader accountability voluntarily stems largely from socio-political pressures internal to the host country as well as external to it. For example, 'accounts' offered by interviewees suggest that pressures to behave in socially responsible ways are increasing, both in the host less-developed country and the home country of multinationals, and these pressures originally originated from international media

and agencies. To a subsidiary such pressure is mostly felt from their parent corporation. Table 11.9 illustrates this¹¹.

Table 11.9 shows that the influence of internal constituencies of Bangladesh includes increased social awareness, legislation, and a fear of internal media coverage. On the other hand, pressure from external constituencies comes from the parent company and from international agencies and international media coverage. Table 8.10 also shows that in discussing their broader responsibility, 20 interviewees recognised increased social awareness, 17 interviewees felt the necessity to respond to legislation, 23 interviewees recognised pressure that originates from the fear of media, and 11 interviewees recognised increasing attention from NGOs. On the other hand, 23 interviewees (all of them multinationals) recognised their parent company's influence and 13 interviewees recognised pressure from international agencies such as consumer groups, ethical groups, and social groups as external pressure.

Reasons for taking a reactive approach are motivated by strategic considerations to avoid potential damage to the economic interest and reputation of the company. This rationale echoes throughout the 27 interviewees: that they had to do it rather than that they really wanted to do it. One Manager from a MNC states:

"There are global NGOs and they have a strong network with their parent organisation. What happens in Bangladesh could be collected and broadcast by these people easily throughout the world and our image could be threatened" (Manager, Multinational Pharmaceutical, MM-3).

¹¹ Table 11.9 is prepared from Matrix 4 D which is shown in Appendix 5.

Table 11.9

Number of interviewees within interview groups who identified following factors within reactive recognition of resposibility

Interview Group	Number of interviewees in each group	Number of interviewees within that groups who identified following factors that bring pressure for recognising responsibility to stakeholders				Factors represent external context of Bangladesh			
Interviewees	Reactive self-interested involvement	Social awareness (S1)	Host country legislation (S2)	Fear of media (S3)	Civil society (S4)	Parent company (S5)	International agencies and media (S6)		
Directors-Multinationals (DM)	11	08	08	07	03	09	07		
Chairman-Multinational (CM)	01	01	-	01	01	01	-		
Managers-Multinationals (MM)	09	07	06	09	04	09	04		
CEO's-Multinationals (CEOM)	03	02	02	03	02	03	02		
Company Secretary-Multinationals (SM)	01	01	-	01	-	01	-		
Total number of interviewees from Multinationals	25 (100%)	19 (76%)	16 (64%)	21 (84%)	10 (4%)	23 (92%)	13 (52%)		
Directors-Domestic corporations (DD)		-	-	-	-	-	-		
Managers-Domestic corporations (MD)		-	-	-	-	-	-		
CEO's-Domestic corporations (CEOD)	01	-	-	01	01		-		
Company Secretary-domestic corporations (SD)	01	01	01	01	-	-	-		
Total number of interviewees from domestic corporations	02 (100%)	01 (50%)	01 (50%)	02 (100%)	01 (50%)	-	-		
Grand Total	27 (100%)	20 (74%)	17 (63%)	23 (85%)	11 (41%)	23 (85%)	13 (48%)		

Another interviewee comments:

“I think firms can no longer hide bad practices.. it will be criticised by the media or will be exposed to society” (Deputy Managing Director, Tobacco Multinational company, DM-7)

11.2.4 Obligation to society

A third group of ‘accounts’ provides a different motivation behind accepting broader accountability to different stakeholders (Table 11.6). The implicit and explicit value of these ‘accounts’ suggests that interviewees at least recognise some responsibility to society or different groups of society other than shareholders. Table 11.10 gives details of such obligations¹².

Five interviewees from multinationals and two interviewees from domestic companies recognise such obligations in general (Table 11.11). An obligation or duty to ‘give something back to society’, particularly to the local communities, is acknowledged by four interviewees (Table 11.10). Only one interviewee suggests that such an obligation came from humane intentions. He points out:

You are making a profit out of the community..You have an obligation to pay something back to the society so that society can prosper (Human Resources Director, Multinational Pharmaceuticals, DM-4)

¹² Table 11.10 is prepared from core accounts gathered in Matrix 6 D which is shown in Appendix 5.

Table 11.10

Number of interviewees within interview groups who identified obligation to the society

Interview Group	Number of interviewees in each group	Number of interviewees within the groups who identified obligations to society behind recognising responsibility to stakeholder	An obligation for giving something back (O2)	Obligations driven by humane intention (O3)
Interviewees	Assuming Accountability	Very general senses of obligation (O1)		
Directors-Multinationals (DM)	03	03	01	-
Chairman-Multinational (CM)		-	-	-
Managers-Multinationals (MM)	01	01	-	-
CEO's-Multinationals (CEOM)	01	01	01	-
Company Secretary-Multinationals (SM)		-	-	-
Total number of interviewees from Multinationals	05 (100%)	05 (100%)	02 (40%)	01 (20%)
Directors-Domestic corporations (DD)	01	01	01	-
Managers-Domestic corporations (MD)	01	01	01	-
CEO's-Domestic corporations (CEOD)		-	-	-
Company Secretary-Domestic corporations (SD)	01	-	-	-
Total number of interviewees from domestic corporations	02 (100%)	02 (100%)	02 (100%)	-
Grand Total	07 (100%)	07 (100%)	04 (57%)	01 (14%)

Many of these obligations are only mentioned briefly by the interviewees and not expanded upon in further detail. Interviewees only expended such obligations by engaging in philanthropic activities mainly through charitable donations. Interviewees provide little idea of the present nature of the engagement of their business in community involvement or in charitable donations. Rather it is noticed that interviewees talked from a very normative and personal perspective, using ‘*should*’ while explaining their obligations and discharging their duty. It is not clear whether these obligations would only accrue to a large organisation or whether it will only be done if the financial performance of the company is good. However, five interviewees viewed that this obligation is felt by large companies rather than small companies. This is illustrated by the opinion of the following interviewees, who suggest:

It seems to me like this: a large institution has better capabilities, better resources and a greater network than a small company to get things done, so it has a responsibility to do something for society (Manager, Domestic Pharmaceuticals and Toiletries, MD-15)

The more a corporation can make money, the more it can invest in the community...You can not run a social project without having money for it (Deputy Managing Director, Multinational Pharmaceuticals, DM-7)

11.2.5 Executives’ personal motivations

The fourth group of ‘accounts’ suggests that the recognition of a broader responsibility to stakeholders is influenced and/or determined by the personal desires/concerns of the Chief Executive Officer (CEO) and other top management members of the organisation. The motivation in this group is not perceived as stemming from corporate self-interest, but rather, the self-interest of the organisation’s CEO. For example, it is mentioned that responsibility is recognised

as the CEO's desire to run social activities and arose from 'personal motivations' such as enhancing their 'personal image' and 'maintaining a high 'public profile'.

Nine interviewees recognise the influence of the chief executive or the person at the top (Table 11.7). This influence directly spreads through the management and administrative structure and ultimately becomes company practice. A typical view is that of an Executive Director of Finance of a domestic corporation, who comments:

If you have someone at the top of your company who is socially conscious, who is interested in getting involved in community activities, it will spread right down through the company..If somebody at the top only thinks of making money, that too will spread right down through the whole company (Executive Director Finance, Domestic pharmaceuticals, DD-15)

According to three interviewees, chairpersons and executives derive these values from their family background. They argue that a company with a long family history will recognise social responsibility more than those who have only recently become involved in the business. A Managing Director of a pharmaceutical company states:

I think you will find that the older companies, which have a long history of being run by the same family, show greater concern regarding social activities..the reason is that very often many of these firms have a family origin.. the first, second and third generation from the same family is involved with the business and they recognise social responsibility more than the first generation business man (Managing Director, Multinational Pharmaceuticals, DM-1)

Another interviewee, however, disagrees. He argues that it is corporate culture that influences the decision to act in a socially responsible way. He believes that whatever ethos or philosophy one personally believes may not be displayed within the structure of corporate culture.

One interviewee pointed out that the manager's attitude towards stakeholders is vital and is influenced by the stage of organisational life cycle. With a new

business, the management concentrates more on short-term profit and takes strategies to achieve the economic goal. Engaging in social activities is less important to them. On the other hand, a well-established business which is economically sound may decide to get involved in social activities to help maintain its success. One interviewee mentions:

You know someone who has just started up a business may not concentrate on social responsibility..their main goal at this stage is economic, to make the business profitable..when the business is flourishing and there is less economic threat, management has time to think about its social responsibility (Finance Director, Multinational Pharmaceuticals, DM-3)

Four interviewees perceive the social involvement of their business being mainly a way for the chief executives or chairpersons to pursue their own personal interest. An example of this is the comment by a Deputy Director of a domestic shoe company that:

There could be the personal interest of the chairman behind involving business in certain social issues rather than the wish to run business in a socially responsible way..for example, when the chairperson of a company [name of the company] became a candidate in the national election, he wished his company [name of the company] and/or other groups of his company to be seen to be involved in community activities and apparently they started reporting on those community involvements in the annual report and also started advertising their community activities..this was perhaps about raising his public profile for his own interest (Deputy Director, Domestic Shoe company, DD-16)

Another interviewee agrees. He comments:

CEO and Chairpersons have their own status and reputation in the community. ..they may persuade the business to engage in some social activities in order to raise their own profile, rather than to help the business...CEO and Chairpersons often choose the social activities that a firm could be involved with.(Executive Director, Domestic Pharmaceuticals, DD-15)

11.3 Influence of the parent company

Previous sections deal with core rationales offered by interviewees in general from both subsidiaries and large domestic corporations as to their engagement with stakeholders. This section looks in more detail at a particular rationale offered by managers of subsidiaries for recognising broader groups of stakeholders. More specifically, this section deals with the influence of the parent company towards a subsidiary's management – a rationale found in the core group of reactive rationales.

Twenty-three interviewees (all multinationals) recognise their parent company's influence in accepting broader responsibility (Table 11.9). Its influence is seen in three ways. First, it is recognised as part of the top-down management practice of the parent company. Subsidiaries follow their parent company's strategy of recognising stakeholders, rather than only shareholders, as a matter of good management practice. The vision and mission of a subsidiary is directly influenced by the vision and mission set by the top management of the parent company, and spreads from the parent company to the subsidiary. Second, the parent company's own standards and its monitoring of social environmental performance as part of its group strategy has a direct influence on getting the subsidiary's management to recognise their responsibility to some stakeholders. Third, subsidiaries follow the legal requirements of the host country and only recognise those stakeholders who are important to them. All these are in one way or another a strategic or managerial response of multinationals towards global concern regarding social and environmental issues, rather than evidence of any motivation to discharge accountability. The responses of the interviewees that

provide implicit and explicit opinions regarding these three strategies were along the following lines.

Our parent company recognises social responsibility as a broader part of management..that is good management practice..it trickles down to subsidiary's management..we feel it is right to apply our parent company standards regarding social and environmental responsibilities (Financial controller, Multinational Chemical and Toiletries, DM-13)

..the parent company does influence from the outside through policy and standards that should be maintained..at least they are the major shareholder and retain control of the subsidiary..through their employee policy they control employees' benefits and welfare..that will spread right down to their subsidiary's management ..the same goes for environmental policy..so social responsibility will trickle down from the parent company to its subsidiary (Managing director, Pharmaceutical multinational, DM-1)

It is our [parent company] policy to comply with local regulations regarding social and environmental issues first.. then we aim to engage with social and environmental issues which have particular local relevance..I think we need to take the opinion of local people seriously and to be more socially responsible where we operate (Company Secretary, Multinational, SM-1)

Table 11.11 shows details of parent company influences¹³. Each of these influences will now be discussed in turn.

11.3.1 Good management practice of the parent company

Seventeen interviewees recognise the fact that a subsidiary's engagement in social and environmental issues is to some extent driven by the parent company's good management practices (Table 11.11). The motivation for engaging in such activities comes from the top management (parent company management) and spreads down to subsidiaries. The parent company encourages subsidiaries to be aware of social and environmental issues.

¹³ Table 11.11 is prepared from core accounts gathered in Matrix 7 D which is shown in Appendix 5.

Table 11.11
Number of interviewees within interview groups who identified parent company influence

Interview Group	Number of interviewees in each group	Number of interviewees within the groups who identified parent company influence		
Interviewees	Parent company influence	Good management practice (P1)	Mentioned host country influence (P2)	Influence through parent company's health, safety and environmental standard (P3)
Directors-Multinationals (DM)	09	05	03	08
Chairman-Multinational (CM)	01	01	-	01
Managers-Multinationals (MM)	09	05	03	09
CEO's-Multinationals (CEOM)	03	05	02	03
Company Secretary-Multinationals (SM)	01	01	-	01
Total number of interviewees from Multinationals	23 (100%)	17 (74%)	08 (35%)	22 (96%)

These are, in particular, health safety and environmental issues. Subsidiaries follow their parent company's practices in these two areas whereas engagement in community activities is pro-actively decided by the top management at the subsidiary level in consultation with the parent company. A typical view is that of a Manager of an MNC, who remarks:

Our head-quarters does not impose any strict regulation regarding social activities...It does however, emphasise the need to maintain health and safety and environmental performances..we follow it as a good management practice, to engage with community activities that we think appropriate to be engaged with (Manager, Multinational Pharmaceuticals, MM-13)

Five interviewees observe that, even though they are not directly obliged they need to follow the suggestions of their parent company. As one put it: *'The parent company's wish is their instruction to do that'* (DM-1). Since the survival of the subsidiary depends on support from the parent, to follow their suggestions gives them the internal legitimacy which comes from the acceptance and approval of the unit by the parent company. This is illustrated by the opinion of a manager of an MNC that:

You know, although independent in our operation, we have a great dependency on our parent company for its support... we need to follow every strategy and policy of our parent company for the continuing acceptance and approval of our parent company.. this is the case with social issues, especially health, safety and environmental issues (Manager, Multinational Pharmaceuticals, MM-13)

11.3.2 Direct policy influence of parent company

Twenty-two interviewees recognise the influence of the parent company through the policy and monitoring activities of the parent company in certain social and environmental issues (Table 11.12). Such issues are limited to only health, safety and environmental issues.

One interviewee comments:

We do social and environmental activities. Our parent company is very strict on health, safety and environmental issues. We have a group policy and standards and we have to maintain these strictly in our premises..our performance in these issues is monitored by our regional office or head-office (Managing Director, Pharmaceuticals Multinational, DM-1)

Another interviewee agrees. He remarks:

We do follow our parent company standard and policy in maintaining health, safety and environmental issues..we need to send information quarterly to our head-office..Head-office send quality auditors who monitor our performance and report back..so we have to maintain the social and environmental performance of our company and routinely send information to our head-office. (Finance Director, Multinational Tobacco, DM-6)

Ten interviewees assert that such monitoring and common standards in certain social and environmental issues are found in large multinationals and those who use environmentally sensitive production processes as they are exposed globally for their production process. A typical opinion is that of a Manager of an MNC, who remarks:

I think you will find that large multinationals - in terms of different subsidiaries operating in different countries and engaged with manufacturing - tend to have a high level of health, safety and environmental awareness.. that flows top to bottom, parent company to subsidiary and through a specific policy and standard and monitoring system..the reason is that the larger the number of countries these multinational are involved in the larger the threat to their global image.(Manager, Multinational Chemicals, MM-9)

Another example of this is the comment by a Chairman that:

Multinationals which have many subsidiaries and employ environmental sensitive production processes are more exposed to the global society..the parent company needs to monitor strictly certain environmental and social issues in their subsidiaries to protect their global image..so they have designed group policies and standards and we are complying with these.(Chairman, Multinational Chemicals, CM-1)

Five interviewees mention that the parent company strictly monitors health, safety and environmental issues in the subsidiary because of its concern for the

company's reputation. They recognise that the image of a subsidiary is not independent from the global or parent company. An example of this is the comment by a Human Resources Director of an MNC that:

A parent company monitors subsidiaries' social and environmental performance to retain its global image..it does not matter whether local regulations or even the local community is not very strict on that...bad social performance of the subsidiary will hamper the reputation of the whole company..anybody can speak from any corner of the world by saying, 'see what that nasty industry did in China, Indonesia or in Bangladesh...(Human Resources Director, Multinational pharmaceuticals, DM-12)

11.3.3 Compliance with legal requirements

Eight interviewees recognise that parent companies do not directly influence their social activities (Table 11.12). Subsidiaries comply with local laws and regulations of the host country and are held accountable under local regulations. In the absence of regulation in any particular area, a subsidiary will practice their group policy even though that is not a mandatory requirement. The most a subsidiary will do will be to consult with their parent company management before engaging in any social and environmental activities. Such recognition is limited to employees, the government and to some extent to the natural environment and the community. This is illustrated by the view of a Company Secretary of an MNC that:

Head office does not impose any regulation regarding social and environmental activities. It does however, stress the need to comply with local legislation...subsidiary management is responsible for any involvement in social activities and we seek funds and permission from our parent company to do that. (Company Secretary, Multinational company, SM-2)

Another interviewee agrees. He remarks:

You know, as a separate entity we have our own stakeholders. We need to manage them for continuing our operation.. we need to maintain legitimacy towards our parent company as well..whatever we do especially about social and environmental things, we take into consideration both our stakeholders and parent company, and we do it through consultation. (Director Finance, Multinational Chemicals, DM-9)

11.4 Other views regarding responsibility to stakeholders

Eleven interviewees recognise the fact that in Bangladesh the responsibility of a firm may be over-emphasized (Table 11.8). They are happy if a company truly feels responsibility while many other sectors in Bangladesh do not bother with it. Typical views of interviewees supporting this are as follows:

The whole Internal context of Bangladesh is very weak in terms of discharging social responsibility..I mean, change is very much needed in the whole socio-political structure to ensure it..any wish of acting in a socially responsible way may be an idealistic thought (Manager, Domestic Pharmaceuticals, MD-14)

You can not expect accountability or socially responsible acts from the business, when the whole outer context where that business is operating produces very little responsibility...I mean, it may be overemphasising the business responsibility towards the environment when it already has to work in such a polluted city (Marketing Director, Pharmaceuticals, DM-2)

One interviewee showed his anger with the whole concept of accountability of business in Bangladesh. He referred to it as a 'fake' agenda which may hide real social concerns. It is important to fight the social pollution developing in these countries - particularly with government, bureaucrats, politicians and businessmen - rather than concentrating on a particular area like the community and environmental activities of business, he argued. He considered that it is neither right to pay too much attention to the social responsibility of business, without looking at government, politicians or bureaucrats, nor is it right to concentrate on selective issues such as the environment, human resources, health or safety as the

social agenda in a developing country. One typical opinion is that of a Chief Executive Officer of a domestic corporation, who comments:

I feel it is not right to emphasize the social responsibility of business in our context with its present form.. social pollution in terms of increasing hijack, killing, drug-taking, child-trafficking, social frustrations and others is increasing at a greater rate than environmental pollution and polluting the whole society..Does anybody care? And what implication does engaging with certain CSR issues really have in this context? (Chief Executive Officer, Domestic pharmaceuticals company, CEOD-10)

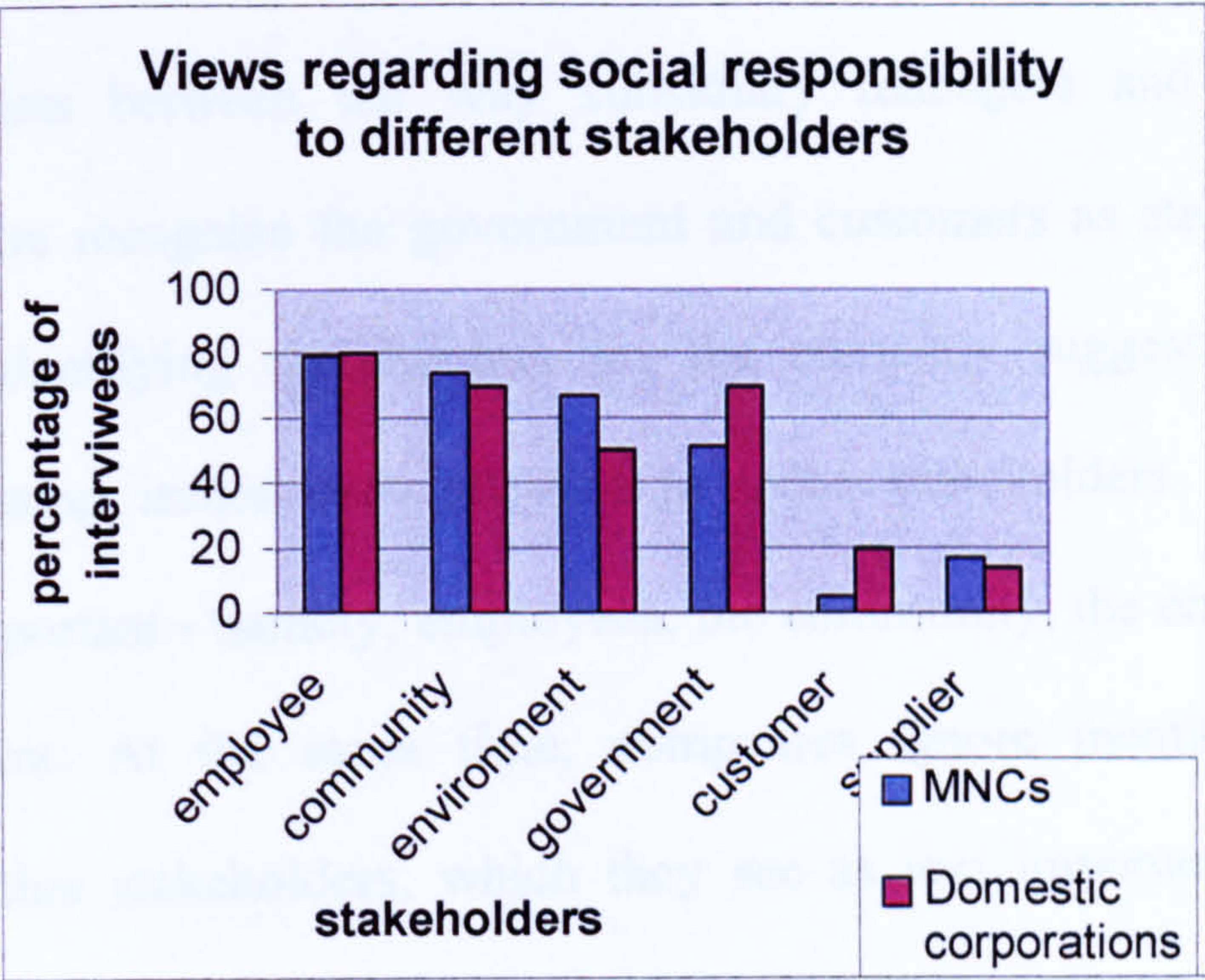
11.5 Interpretations and conclusions

This chapter basically illustrates two points. First, it states how subsidiaries and domestic corporations' managers articulate responsibility to broader groups of stakeholders and how they demonstrate it within their corporate activities. Second, it explores motivations that lead or hinder them to recognising such broader responsibilities in Bangladesh. Therefore, this section concludes on the following points.

11.5.1 Responsibility recognised to broader groups of stakeholders

It has been seen that most of the interviewees, both from subsidiary and domestic corporations, recognise employees, the community, the environment and government as their stakeholders to a significant extent¹⁴. Less evidence is found in favour of customers and suppliers. Subsidiary and domestic corporation managers hold similar views regarding employees and the community, yet differ significantly in recognising the environment, the government and customers as their stakeholders. This is shown in Graph 11.1.

Graph 11.1



Graph 11.1 suggests that interviewees from subsidiaries recognise environmental responsibility more than interviewees from domestic corporations do. This can be explained by the fact that interviewees from subsidiaries mainly see corporate responsibility as an environmental responsibility issue, as a matter of maintaining their head office or the group’s environmental policies and standards, whereas interviewees from domestic corporations see it merely as a matter of complying with local regulations (see section 11.1.3). The pressure on subsidiaries to recognise employees and the environment as important mostly comes from outside the country - their parent company through their global employee, health, training and safety policies and pollution standards which they wish to maintain perhaps as a response to international stakeholders. On the other hand, managers from domestic corporations do not feel such pressure, other than

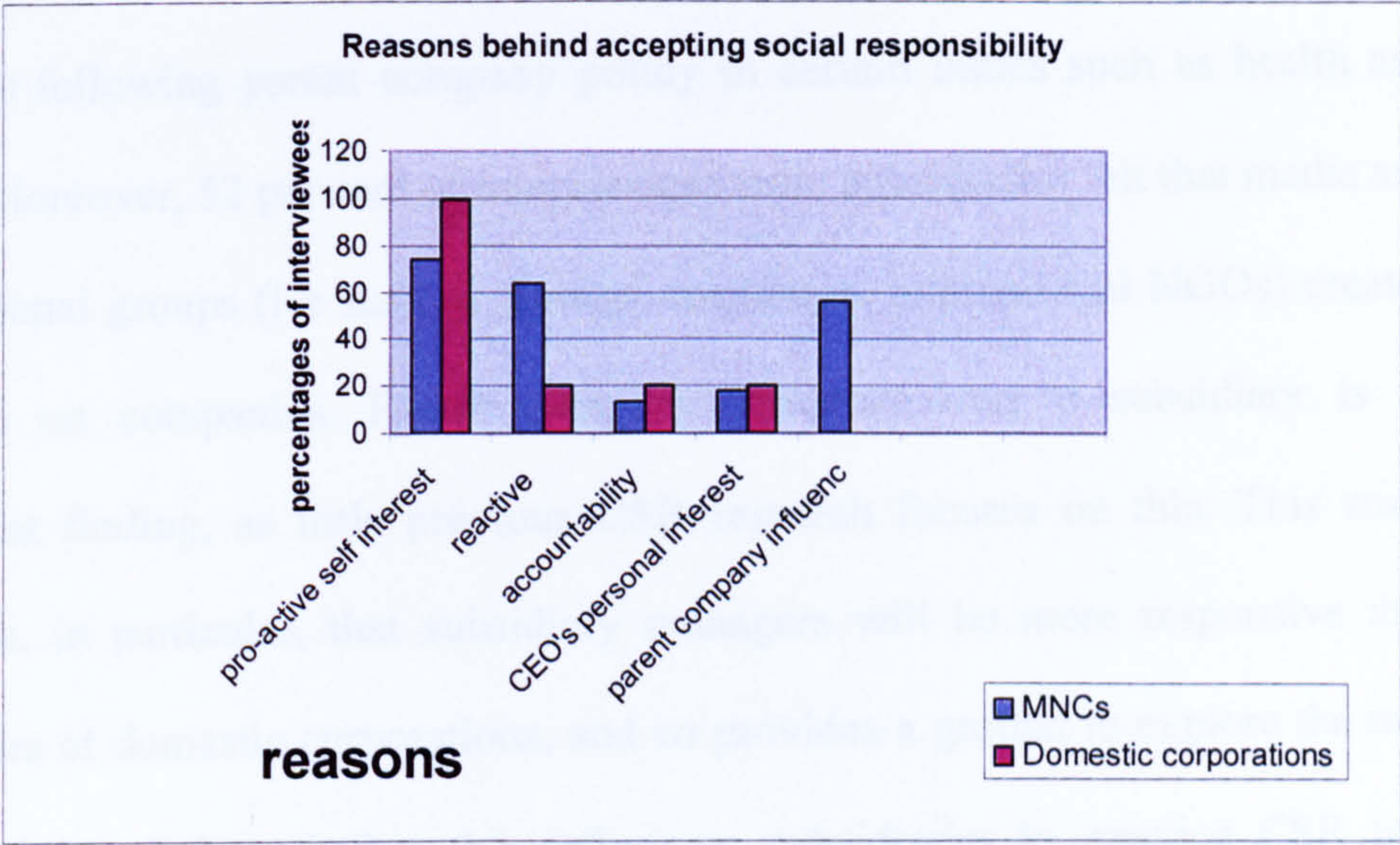
¹⁴ It can be noted that almost all subsidiaries’ managers describe their parent corporation as their influential stakeholder. However, this has not been included in stakeholder analysis, as their parent corporations are treated like a shareholder.

seeing employees as important assets to their corporations. A significant difference also exists between the way subsidiary managers and domestic corporation managers recognise the government and customers as stakeholders. The evidence of identifying stakeholders for the company suggests that the company is addressing issues only relevant to those stakeholders whom the company thinks important - namely, employees, the community, the environment and the government. At the same time, companies ignore mentioning any responsibility to other stakeholders, which they see as less important, such as child labour, customers, and suppliers.

11.5.2 Core motivations behind recognising broader responsibility towards stakeholders

Four different rationales are found in general behind any engagement in social and environmental activities and recognising responsibility to stakeholders. These are: pro-active, reactive recognition, feeling obligation and chief executives' personal influences or principles. The influence of the parent company is seen as a dominant factor within the reactive rationale. Graph 11.2 shows similarities and differences of view between subsidiary and domestic corporation managers regarding assuming responsibility.

Graph 11.2



Graph 11.2 shows that the majority of the interviewees, both in subsidiary and domestic corporations, recognise pro-active and reactive self-interested motives behind recognising stakeholders. However, interviewees within these two groups differ in terms of their pro-active and reactive involvement. The graph shows that while domestic corporations place much emphasis on pro-active involvement compared to subsidiary managers, interviewees from subsidiaries emphasize reactive involvement. Indeed, interviewees from subsidiaries of multinationals feel more pressure than interviewees from domestic companies, with 64 per cent of the interviewees from multinational subsidiaries mentioning such pressure, compared to only 20 per cent from domestic companies. To the subsidiary, the main source of pressure is felt from the parent corporation. Seventy four per cent of interviewees believed that they recognise broader groups of stakeholders and undertook social and environmental activities following the managerial practices of their parent company, while 96 per cent felt that they have

to recognise broader stakeholders and are doing social and environmental activities following parent company policy in certain issues such as health and safety. Moreover, 52 per cent of interviewees from subsidiaries felt that media and international groups (i.e. such as foreign customers, international NGOs) created pressure on companies. Parent company influence over a subsidiary is an important finding, as little previous CSR research focuses on this. This study suggests, in particular, that subsidiary managers will be more responsive than managers of domestic corporations, and so provides a ground to explore the next stage of the study: whether this influences subsidiaries to practice CSR to a greater extent than domestic corporations. In other words, whether subsidiaries practice CSR more compared with domestic corporations in Bangladesh as well.

Aside from these two core motivations, influence of CEOs is seen as a motivating factor. The influence of chief executives is found to be strategic rather than altruistic. Eighteen per cent of interviewees feel that the personal belief of chief executives influences the company attitude regarding social and environmental activities. If this influences CSR practices, then CSR will vary when the chief executive changes. Indeed, Campbell's study (2000) suggests this. However, many of these interviewees believe that such personal motivation for engaging in some social issues has more to do with maintaining the personal profile of the chief of the organisation in society, rather than coming from a sense of obligation that a company deems due to society.

Only 14 per cent of interviewees recognised some responsibility towards society, showing an altruistic reason for recognising responsibility rather than strategic posture. It is hard for interviewees to explain the nature of these responsibilities. Many of the interviewees felt such responsibility from a moral

point-of-view, as a general obligation to society, and stated it normatively. It is very difficult to judge whether their recognition of responsibility to broader stakeholders is really guided by a principle of responsibility, as many of them included self-interested rationales along with a principle of responsibility. It seems that the personal belief of executives regarding social responsibility may in some cases conflict with the corporate perspective. It also appears that an executive as an individual talks in a more moralistic tone explaining his own responsibility, rather than explaining responsibility from the perspective of the corporation.

Nevertheless, it appears that managers from both corporations aim to address their social responsibility with self-interested motives. It appears that interviewees from both subsidiaries and domestic corporations proactively recognise their responsibility to the community with the view that the community is treated as a market for the company. Issues affecting the community need to be managed because the company needs support from the community for continuing its operation unopposed. Responsibility to employees in terms of training and a good environment is also recognised as directly benefiting the company in terms of increased productivity. Responsibility to the environment in terms of reducing pollution is seen as a means to maintain a positive image and as having a positive effect on employee health. It seems that interviewees consider these issues, as they believe it is good for the business to consider these issues. Business interest is equated either with maximization of shareholders' wealth, or with maintaining the reputation of the company, or both.

It should be noted that the domination of strategic attitudes and maintaining self-interest as mentioned above mostly reflects the fact that recognition of

responsibility is constrained by business reality (economic self-interest and image maintaining), which seems to conflict with the principles of responsibility. Economic self-interest and image-maintaining activities of business are found to create powerful obstacles towards recognising responsibility in its true sense in the business community in practice. These obstacles are primarily related to pressure exerted on management to produce or maximise profit for shareholders and thereby restrict responsibility to a business case. Maximising shareholders' value explicitly, or implicitly, is mentioned as the end to the corporate goal, while responsibility or accountability recognised to other stakeholders is justified as the means to reach that end.

While many managers identified various constituents to whom they felt they owed responsibility, it was observed that managers were describing such responsibility from their personal normative stance using words such as 'we should be responsible' rather than 'we are responsible'. A narrower perspective on social responsibility is apparent when managers talk from their own company's perspective. There is a sense that managers' perceptions both from subsidiaries and domestic corporations are governed by the need to serve the economic goal of the company, and recognising responsibility to broader stakeholders is secondary to this. In most cases interviewed managers started normatively, recognising their companies have accountability to stakeholders, and by the end tended to contradict their idea of primary responsibility by emphasising the interests of their shareholders. It seems that economic concern overrides social responsibility. It also suggests that although managers can use their own discretion to work voluntarily in a socially responsible way, they are constrained in this by the free market economic system in which managers actually work under a controlled

organisational system designed to achieve a particular goal: maximising wealth of a particular group.

In such a global economy, the strong control by the head office means that managers of subsidiaries are required to achieve a particular profit target, leaving them with little choice in social responsibility to wider groups of society. They are therefore unlikely to meet normative motivations for social responsibility. Tracing managerial perspectives on social responsibility, the next chapter will gather evidence regarding motivations behind the CSR practices of corporations.

Chapter 12

Introduction to Corporate Social Reporting: The findings from descriptive interview data

12.0 Introduction

Previous chapters have looked at corporate social responsibility in terms of recognising responsibility to multiple constituencies, both inside and outside the organisation. It is evident that subsidiaries engage in activities such as philanthropic programmes, health and safety, and employee training programmes. For the most part, such activities are a way to show responsibility in a very general way and do not appear to be motivated by an explicit and dominating moral principle. In chapters 1 and 2, it is depicted from the literature that accountability includes responsibility and CSR is often perceived as the manifestation of social and environmental responsibility (Gray et al., 1996; O'Dwyer, 1999)¹. However, it is not clear whether responsibility of a thing can be used to explain reporting on a thing in Bangladesh. This chapter investigates the reasons behind social and environmental reporting in the annual report provided by managers from domestic corporations and subsidiaries². This chapter therefore examines interview data collected from 49 interviewees of which 80% are from multinational corporations. The interviewees worked in different industrial

¹ Moreover, social and environmental responsibility, one assumes, may affect a manager's decision to provide social and environmental accounts (O'Dwyer, 1999).

² The main reason of selecting the annual report is that this is the common single document used by both UK and Bangladeshi companies exclusively to report CSR information (see, section 7.1.1 of Chapter 7). It was also evident to the researcher when requesting any other documents during interviews that very few number of companies actually produced CSR in any other documents in the year 1999 and 2000 (see, section 9.1.1 of chapter 9).

groups-namely, Pharmaceuticals and Chemicals, Tobacco, Leather and Tanneries, Textile and Service industries (for detail please see, chapter 10).

The remainder of the chapter is organised as follows. Section 12.1 provides an overview of the self-interested presentation of CSR issues and the underlying principles behind the practices. Section 12.2 provides the interviewees' perspectives on the reasons for an absence of CSR practices. These are then interpreted in section 12.3. Section 12.4 concludes the chapter.

12.1 CSR issues and rationales recognised behind reporting such issues

12.1.1 Issues of reporting

Interviewees were first asked about their company's reporting practices to external groups in general. All interviewees responded positively that they produce annual reports to report both financial and non-financial information, mostly to inform shareholders about the financial performance of their company. Other than shareholders, they also mention the government and others to whom they think they are obliged to provide relevant information. The others, however, mostly include financial stakeholders such as creditors and investors. Interviewees recognise those, in most cases, who can legally claim an account from the corporation. Many of the interviewees, although recognising their responsibility to some social groups (as has been discussed in the previous chapter), fail to recognise that they are obliged to report to those groups - namely, the community and society as a whole.

While some of their voluntary reporting issues - such as employee training and development – were mentioned in the discussion, interviewees began by speaking normatively. They did, however, have difficulty explaining why they

believed that the company should report³. Many managers had difficulties giving clear reasons for such practice although to some extent they were reporting. Some interviewees even gave the impression that they reported these issues because other successful companies, (they usually referred to subsidiaries of MNCs as successful companies), did so⁴. Before going on to an in-depth discussion as to why, indeed, they reported such information, it was important first to ask the interviewees what issues they actually *did report*, or felt they *should report*⁵.

Most of the interviewees maintain that they do report social and environmental activities in their annual report, at least in regard to incorporating information in the areas of employee, community, and environmental issues (see, Table 12.1). Almost all interviewees (42 out of 49) assert that they report employee information in Bangladesh (Table 12.1).

³ In fact, managers gave many reasons, which in the end tended to contradict each other. For example, one manager starts normatively by saying it is their duty to inform the community about how they care for it. However, he also recognises the fact that reporting donations and their community help program actually helps the company to portray a good image in local society.

⁴ This is an impression repeatedly mentioned by interviewees from domestic corporations. Most importantly, it is seen particularly when interviewees seemed confused as to why they were actually making these voluntary reports!

⁵ Interviewees seemed to find it more difficult when they were asked directly what issues they report. They seemed more comfortable when they were asked, instead, what issues they felt were important to report.

Table 12.1

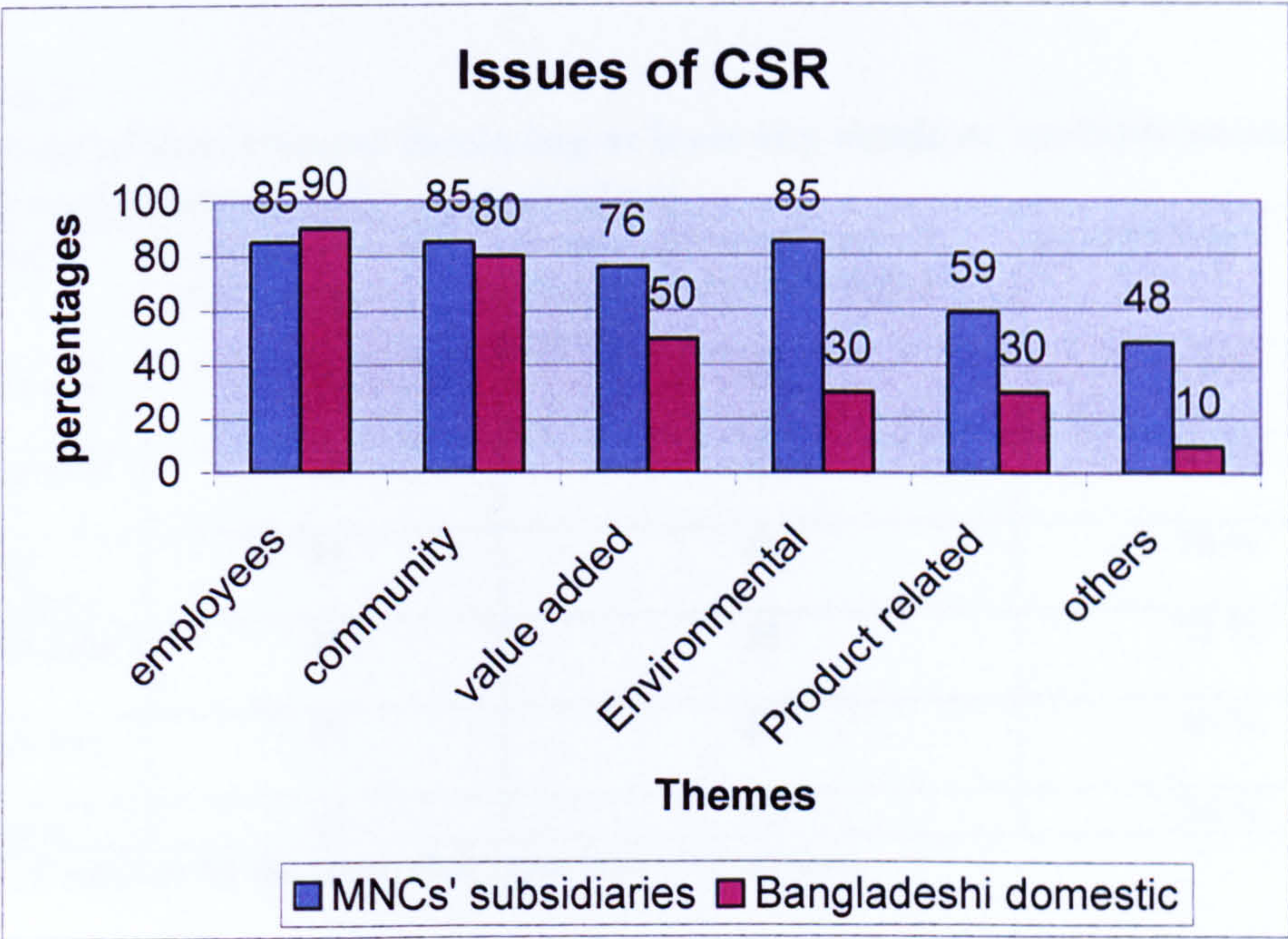
Number of interviewes within interview groups who identified following issues reported in CSR

Interview Group	No. of interviewes in each group	Number of interviewes within that groups who identified the following issues of reporting					
		Interviewes	Employee information	Community information	Value added information	Environmental information	Product related information
		14	13	13	11	12	10
Directors-Multinationals (DM)		01	01	01	01	01	01
Chairman-Multinational (CM)		13	11	11	11	11	08
Managers-Multinationals (MM)		09	06	07	06	07	03
CEO's-Multinationals (CEOM)		02	02	02	01	02	01
Company Secretary-Multinationals (SM)		39	33	34	30	33	23
Total number of interviewes from Multinationals	(100%)	01	01	01	01	00	01
Directors-Domestic corporations (DD)		05	05	05	03	03	02
Managers-Domestic corporations (MD)		01	01	-	-	00	-
CEO's-Domestic corporations (CEOD)		02	02	02	01	00	-
Company Secretary-Domestic corporations (SD)		10	09	08	05	03	01
Total number of interviewes from domestic corporations	(100%)	42	42	42	35	32	26
Grand Total							20

Sources: Compiled by the researcher from Matrix 8 D
Note: Employee information and value-added information here are reported separately as interviewes mentioned them separately.

Other than employee information, a number of interviewees from both multinationals and domestic companies say they report mostly some community and environmental issues in their annual report, for whatever reasons or at whatever form and level⁶. Graph 12.1 shows the issues they say their corporation report in its annual reports. It should be noted that, examining the actual annual reports of these companies (described in chapter 7 and 8) shows that very few corporations actually report *all* of these issues in their annual report, even though there is evidence of reporting of *some* of the issues. Graph 12.1 shows that 85% of interviewees from multinational corporations state that they report employee information in the form of CSR, while 90% of interviewees from domestic corporations state that they report employee information.

Graph 12.1



⁶ In fact, it seems that many interviewees actually recognise some selective employee disclosure issues (e.g., value added, employee training, human resources development programme) as a form of CSR, rather than identifying other broader issues, such as environmental management, and employee consultations.

The second common reporting issue between interviewees from multinational and domestic corporations is community issues. Graph 12.1 shows that interviewees both from multinational corporations (85%) and domestic corporations (80%) maintain that their corporation provides some form of community information. On the other hand, the major differences in views are observed in the cases of environmental issues and value added information. While 85% of interviewees from MNCs say that environmental issues are reported by their corporations, only 30% of interviewees from domestic corporations report environmental issues. However, a majority of the interviewees overall (95%) feel that they report more than one issue concerning social and environmental matters among the issues mentioned in the annual report of the company (Table 12.2).

Table 12.2
Percentage of interviewees disclosing at least any single or multiple social and environmental issues in the annual report

Number of Issues	Total number of Interviewees	Number of Interviewees that say their corporation reports	In percentage
At least one issue	49	47	95 %
At least two issues	49	43	88 %
At least three issues	49	38	78 %
At least four issues	49	35	71 %
At least five issues	49	22	45 %
Six issues	49	12	24 %

Sources: Compiled by the researcher from interview scripts.

12.1.2 Rationales recognised behind reporting social and environmental issues

12.1.2.1 A brief introduction to rationales

Table 12.3 lists different core principles provided by the interviewees behind reporting social and environmental issues in an annual report. These are grouped into six core principles or explanations of CSR that emanated from interviews⁷. First, the interviewees suggest that such reporting practices could enhance the reputation and image of the company they work for. They construct an identity and convey that identity to external constituencies who they see as important for continuing their operation. As such, CSR is in the self-interest of the business. This explanation is particularly prevalent among the interviewees from multinationals, who see the maintenance of a global branded image and identity of the parent company as a strategic task of top management. For example, interviewees feel that CSR is required to “*maintain our global reputation.., To protect our image and to maintain it.., Successful multinationals need to influence perceptions to create its own image..*”, and that this is particularly important for subsidiaries operating in a developing country in order to “*protect negative feelings in the community [about us].. to answer the myths that we [multinationals] are all just about making profit*” It is also felt that this could enhance the bottom line of the company through increasing sales.

⁷ These six core rationales are derived from interview data – reflexively – through the interview data analysis process as mentioned in chapter 10.

Table 12.3

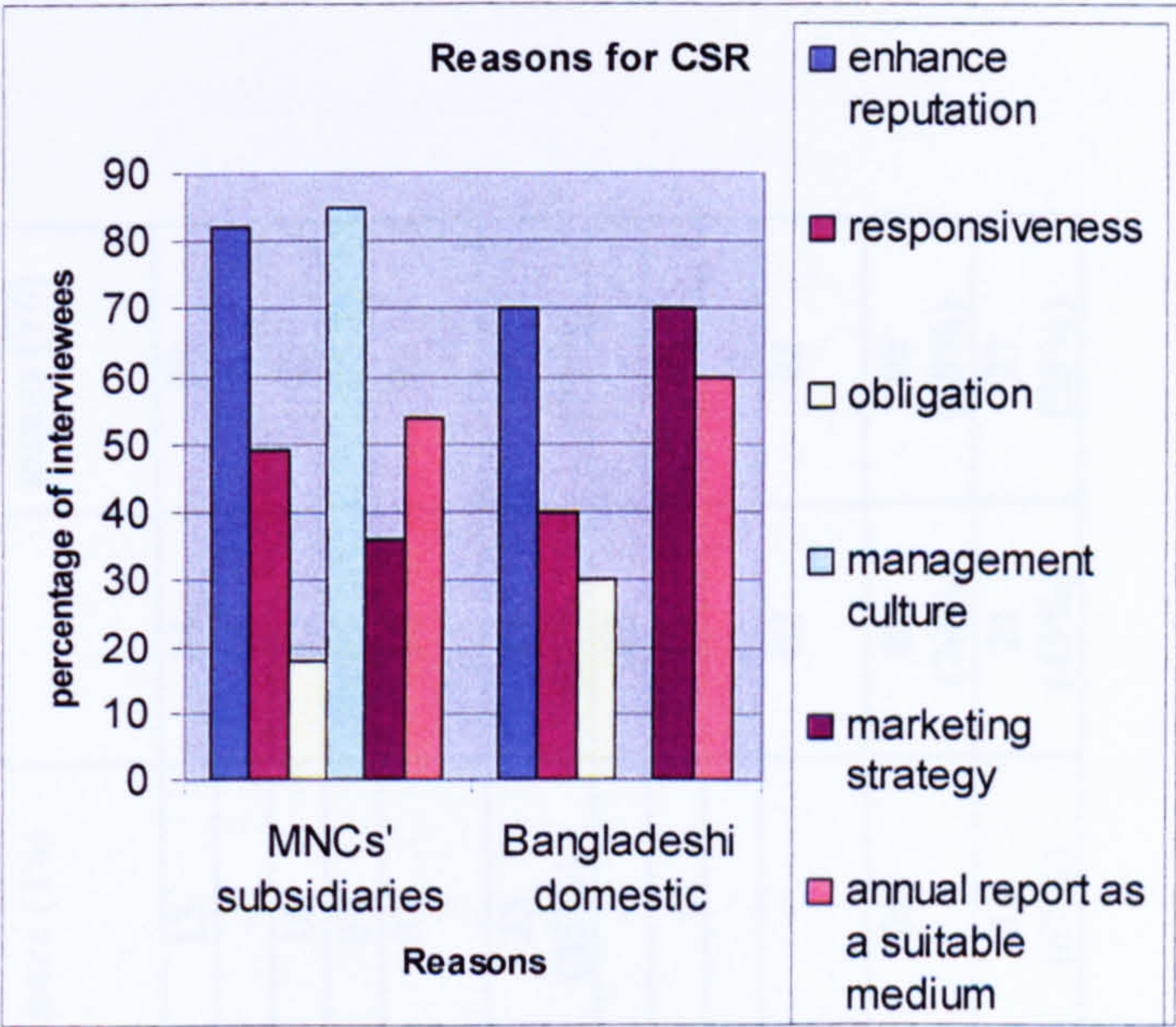
List of different accounts provided by the interviewees to explain their motivation for CSR

Reasons given for engaging with CSR	Number of interviewees who raised these views	Examples of views
1. Enhancement of corporate image	39 out of 49 interviews	<i>To be seen as a good citizen,... Let everybody know,... To protect negative feelings in the community [about us], To maintain our global reputation, To protect our image and to maintain it, Through investing in community development programmes, portray a socially responsible image, Image building in society is necessary, It definitely will raise your bottom line, Can increase your sales,</i>
2. Response to increasing industry and social awareness	23 out of 49 interviewees	<i>Increasing awareness in the industry to report, Global concern is rising regarding environmental, health and safety issues that could involve subsidiaries, Much concern has already been shown about the operation of subsidiaries of big companies, Interest is growing globally regarding the negative consequences of economic activities of subsidiaries, To keep happy our community by keeping them informed of what we really are doing, Environmental concern increased in last ten years in Bangladesh,</i>
3. An obligation to society.	10 out of 49 interviewees	<i>Right to know the total amount they added in the process and the amount of value that has gone to different parties, Right to know what company do for their welfare,</i>
4. Management culture of parent company	33 out of 39 interviewees	<i>Subsidiaries follow their parent company's CSR practices as good management practice, Parent company desire to put information in the annual report of the subsidiary regarding CSR issues, Better to inform CSR issues locally,</i>
5. A strategy to win over competitors	21 out of 49 interviewees	<i>Could increase your market share, You might win over your competitor, This spills over to other competitors... to other domestic companies</i>
6. Annual report is the appropriate vehicle for CSR	27 out of 49 interviewees	<i>Widely accepted document..., Simplest and easiest among all other corporate communication methods, Annual report can establish a proper channel of providing information as so many informal channels in this country</i>

Source: Compiled by the researcher from the interviewee materials (see Matrix 9 D)

The second motivation uncovered in the interviews suggests that CSR is a response to increasing social awareness and global concern. According to a study by Maignan and Ralston (2002), taking the first and second principles together suggests that CSR can be practised to manage an impression of a company. A third motivation given by interviewees is that CSR fulfils the obligation of a company to report to the community. This explanation centre on the idea of social responsibility examined in chapter 2. The fourth and fifth explanations see CSR as a reporting strategy or a marketing strategy of MNCs. These explanations centre on the idea of corporate responsiveness (CSR2) depicted on chapter 2. This means the company has responded to pressure to report social issues, but does not necessarily mean it is discharging its accountability. Finally, the sixth rationale holds that the annual report is used because it is the most appropriate vehicle to report social and environmental information to the public. It may not, however, be the most appropriate method for developing countries, with their particular socio-economic, cultural and political issues. Section 12.3.5 of this chapter and chapter 13 are devoted to this issue. These six different rationales, with the percentage of interviewees who provided such views, are shown on the following graph and then discussed in detail.

Graph 12.2



12.1.2.2 Enhancement of corporate image

Thirty-nine interviewees (80%) feel that CSR could enhance their image or their economic interest (Table 12.4). This view is widely held by the interviewees in both multinationals and large domestic corporations. Eighty per cent of interviewees from MNCs and 70% of domestic corporations hold this view.

A typical opinion is that of a Managing Director of an MNC, who remarks:

We incorporate [CSR information] in the annual report because we want to be seen as a good citizen..to let everybody know that we are engaged with community activities. (Managing Director, Multinational Pharmaceuticals, DM-1)

Table 12.4

Number of interviewees within interview groups who identified following reasons for Corporate Social Reporting

Interview Group	Number of interviewees in each group	Number of interviewees within that groups who identified the following issues of reporting					
Total number of interviewees	49	Enhance reputation (T1)	Increased social awareness (T2)	Obligation to society (T3)	Parent company's management culture (T4)	Marketing strategy (T5)	Annual report as an appropriate means (T6)
Directors-Multinationals (DM)	14	11	08	03	13	04	09
Chairman-Multinational (CM)	01	01	01	-	-	01	-
Managers-Multinationals (MM)	13	11	04	01	10	02	05
CEO's –Multinationals (CEOM)	09	02	05	03	07	05	05
Company Secretary-Multinationals (SM)	02	02	01	-	03	02	02
Total number of interviewees from Multinationals	39 (100%)	32 (82%)	19 (49%)	07 (18%)	33 (85%)	14 (36%)	21 (54%)
Directors-Domestic corporations (DD)	02	02	01	01	-	02	-
Managers-Domestic corporations (MD)	05	03	02	01	-	03	04
CEO's-Domestic corporations (CEOD)	01	01	-	-	-	-	-
Company Secretary-Domestic corporations (SD)	02	01	01	01	-	02	02
Total number of interviewees from domestic corporations	10 (100%)	07 (70%)	04 (40%)	03 (30%)	00	07 (70%)	06 (60%)
Grand Total	49	39 (80%)	23 (47%)	10 (20%)	33 (67%)	21 (43%)	27 (55%)

Sources: Compiled by the researcher from Matrix 9 D

Another interviewee agrees. He comments:

We, as an established multinational, have a good image and reputation in the local community and our group also has an world-wide image..I feel it is our duty to inform the local community about our CSR activities..so that they can understand that we care for the local natural environment and our employees, we are not only vehicles to repatriate profit to the West, we also do social things. (Marketing Director, Multinational pharmaceuticals, DM-2)

Ten interviewees (26%) from multinationals point out that such image-maintaining is particularly important in Bangladesh, where the public tends to have a negative attitude towards MNCs. Moreover, recent global interest that has been growing in the West regarding the negative consequences of subsidiaries operating in developing counties, has motivated subsidiaries to inform outsiders of their performance concerning specific issues. There is a view that subsidiaries of MNCs are engaged in CSR in order to keep global stakeholders happy about the performance of the company, which is thought to be important in doing business. An example of this is the comment by a Company Secretary of an MNC that:

You know, putting CSR information in the annual report is nothing new and the motivation is not even complex. We try to keep our community happy by keeping them informed about what we are really doing..We also try to justify our actions to those global stakeholders who are critical about our social and environmental performance (Company Secretary, Multinational Tobacco, SM-1)

Two other interviewees feel that CSR could serve the economic interest of the company by keeping society happy. One interviewee mentions:

I feel that CSR [reporting] obviously has some impact on our image building in society..society means your customer, your employee and your neighbour..if they all recognise that you are a good company it will definitely raise your bottom line (Chairman, Multinational Chemical, CM-1)

However, five interviewees (50%), all from domestic companies, treat CSR as a public relations document that may not reflect actual social responsibility.

They feel that the company might hide its actual performance underneath CSR practices. A typical view is that of an Executive Director of a domestic corporation, who remarks:

Nice words and sentences do not necessarily equate to good social performance at work. I doubt whether it actually changes anything in terms of a company's actual operation, other than including nice words in their annual report to influence the audience's perception (Executive Director, Domestic Pharmaceuticals, DD-15)

Another agrees. He comments:

It is becoming fashionable to speak about good deeds..I think CSR should be concerned with the negative rather than positive things generated from a business operation...I really mean bad things we did should be covered by CSR in lieu of good things we did for the community (Chief Executive Officer, Domestic Pharmaceuticals, CEOD-10)

12.2.2.3 Response to increasing industry and social awareness

Twenty-three interviewees (47%) recognise that increasing concern for health, safety and environmental issues globally in MNCs, as well as increasing concern for environmental issues in Bangladesh, leads some of the companies to report environmental information in their annual report (Table 12.4). These are found in both domestic and multinationals operating in environmentally sensitive industries. Typical comments include:

Global concern is increasing regarding environmental, health and safety issues..and as a subsidiary of a global company we need to respond to these issues (Managing Director, Multinational Pharmaceutical, DM-1)

There are many international organisations, NGOs, who are enquiring about health, safety issues of employees, and environmental matters..much concern has been shown about the operation of subsidiaries of big companies..Our company needs to respond to these issues..(Manager, Multinational Pharmaceutical, MM-3)

You know communication technology has developed tremendously.. Growing concern relating to social and environmental issues is now easily transmitted from West to East, North to South.. that is driving local community consciousness as well..ten years ago you would not have imagined an Environment Ministry, and recent initiatives taken by the government in Bangladesh..everywhere awareness is growing..It has spread to us..we have to do it tomorrow if we do not do it now..(Deputy Managing Director, Multinational Pharmaceutical, DM-7)

Environmental issues have become far more significant over the last ten years in Bangladesh..now-a-days you need a certificate from the Environments Ministry every year..you have to make sure that your company's waste disposal complies to the standard set by law..with increased concern in the environment, environmental reporting is also growing (Deputy Managing Director, Domestic Shoe company, DD-16)

Companies operating in environmentally sensitive industries include a paragraph on how well they are managing or trying to manage their waste disposal and other environmental issues in their annual report. (Company Secretary, Multinational Service Company, SM-2)

12.1.2.4 An obligation to society

Ten interviewees (20%) recognise that CSR might be reported for more positive reasons (Table 9.4). They feel that certain groups other than shareholders also have the right to hear from the company. However, the groups they mentioned are limited to employees, government and other financial stakeholders.

Some typical views include:

We always recognise the contribution of our employees..such recognition should not be made only by paying a good salary..I like to show my appreciation of employees' dedication with at least a few sentences in a paragraph and I think they deserve it (Human Resources Director, Multinational Pharmaceutical, DM-4)

Our appreciation to our employees, training and other programmes to develop our employees and all activities we do for our employees need to be publicised.. To make them feel that we do care for them and we have responsibility..I think they have the right to know it (Deputy Managing Director, Multinational Pharmaceuticals, DM-7)

There is a view that employees have the right to know their value to the company, and therefore managers have a responsibility to let them know what that value is.

Some interviewees mention:

They have the right to know the total amount they added to the process and the extent to which party is valued...we report it in our annual report to keep them happy and we think this is our responsibility (Chief Executive Officer, Multinational Pharmaceuticals and Chemicals, CEOM-9)

It [value added statement] might make employees feel more a part of the company..motivate employees to work as a group..employees may be pleased to see that their value has been recognised" (Chief Executive Officer, Multinational Pharmaceutical, CEOM-1)

However, a few interviewees see reporting value-added information as being politically motivated rather than showing any intention to discharge responsibility. They also feel that appreciation of employees is just 'gentleness' and does not actually reflect much real responsibility. They say, for example:

I feel that value added information is political rather than moral.. by it, the company is trying to show that maximum value has been distributed, not kept.. to satisfy those stakeholders who have a direct stake in the business, like trade unions, the government, creditors and investors (Company Secretary, Domestic Tanneries and Lather, SD-4)

It's just courtesy to appreciate the workers and employees but it does not necessarily mean anything in terms of fulfilment of social responsibility to the worker..It's a token remark only (Chief Executive Officer, Multinational Pharmaceutical, CEOM-2)

Two interviewees also disagree with the fact that CSR is prepared to provide information to the employee. They feel that CSR reporting becomes a 'product of reporting style' which large corporations and multinationals have started to practice, and that other companies are merely copying this. One interviewee comments:

I feel that as large organisations and multinationals change their way of presentation in the annual report by including some social activities, we too find it may be an acceptable and nice way to prepare an annual report these days (Company Secretary, Domestic Tanneries and Lather, SD-4)

12.1.2.5 Management culture of parent company

Thirty-three (85%) interviewees from subsidiaries of multinationals state that they disclose CSR information voluntarily in the annual report as a part of the overall management culture of their parent company (Table 12.4). Interviewees mention that top management of the parent company - usually from head office or the regional office - demand such information is reported internally to the parent company on a regular basis, and also encourage the subsidiary's management to report externally through their own annual report. The reporting practices of the head office influences the CSR reporting of the subsidiary, which ultimately becomes a part of the overall management culture of the parent company. As one manager explains:

We disclose [CSR] information in our annual report as it is the practice of our parent company and we are encouraged to follow a similar practice. We feel it is a good management practice of our parent company to inform the local community about our social engagement and so we disclose social information in our annual report (Managing Director, Multinational Pharmaceutical, DM-1)

Another agrees. He comments:

As a general policy of our group we report all health, safety and environmental information to head office in the form of internal reporting..in the annual report CSR information is also published..we also prepare newsletters, booklets and other publications to communicate CSR information of the subsidiary.. I think this practice of disclosure has now become part of our management culture, having spread through the group from the parent company to the subsidiary..(Company Secretary, Multinational Tobacco, SM-1)

Ten interviewees mention that all CSR activities of the subsidiary should be disclosed by the subsidiary itself in their annual report, irrespective of sending them to their regional or head office. They point out that not all CSR information that subsidiaries send to the parent company is disclosed by the parent company in its annual report. They are unclear as to the reason for this. They suggest that the

annual report of the parent company may already be too big and so it may not be possible to include all the subsidiary's social and environmental information. One explanation is offered by the manager of a pharmaceutical company:

The parent company may not put all CSR information we provide in their annual report..the reason, I guess, is that the annual report of the parent company is already too big and if did include all CSR information of all its subsidiaries, its annual report would be so long and in some cases it could not accommodate all information..so it is better to report in the annual report of the subsidiary (Manager, Multinational pharmaceutical, MM-1)

However, ten interviewees feel that putting CSR information of all subsidiaries in a single annual report of the parent company may raise the global expectations regarding subsidiaries' social and environmental engagement. They also feel that such a practice would put the parent company under more scrutiny from Western and global society. This is illustrated by the following view of an interviewee:

It can raise global criticism against the parent company..home country citizen and interested groups in the West may find the CSR activities very minimal compared to their expectations..they may become critical of the parent company (Finance Director, Chemicals Multinational, DM-10)

12.1.2.6 A strategy to win over competitors

Twenty-one interviewees (43%) mention that CSR is undertaken as a strategy to beat competitors in their market (Table 12.4). They feel that if CSR information is provided by the company, it gives a good impression about the company to the society (local and global) where their customers live. The market share could increase if society becomes happy. Examples of this are the following comments by interviewees that:

If you put something in your annual report about your CSR activities, your customers and community could think that you are wonderful people compared to your competitors and that could increase your market share (Manager, Multinational pharmaceutical, MM-4)

The market is becoming more competitive in nature..if you provide information through CSR reporting in the annual report to show that your company pays its employees more than its competitor, treats employees better, provides good opportunities for training, takes good care of the environment and community, I guess you might win over your competitors (Marketing Director, Multinational Pharmaceutical, DM-2)

Four interviewees feel that CSR through the annual report is a practice of the large domestic and multinationals and has spilled over to other competitors. One interviewee comments:

if you look at the multinationals or successful companies you will find they have already started providing CSR information in their annual report..this has spilled over to other competitors to other domestic companies (Financial Controller, Multinational Chemicals and Toiletries, DM-13)

12.1.2.7 Annual report as the appropriate vehicle for CSR

Twenty-seven (55%) interviewees recognise the annual report as a suitable document for providing CSR as it is a formal document which is widely accepted (Table 12.4). It is the simplest and easiest way of corporate communication. This motivates companies to provide CSR information in the annual report. Typical comments include:

It [annual report] is the formal document of the company and a widely accepted document..to shareholders, investors, creditors, institutions and the public at large..so it is a good way to address all about the company and its social involvement (Manager, Multinational Pharmaceutical, MM-4)

It is the simplest and easiest way among all other corporate communication documents, and also has continuous and regular publication (Manager, Multinational Tobacco, MM-6)

It is a legal document..it has to be prepared within a certain period..company performance may not mean only economic performance..it also includes social performance..so it is the right vehicle to disseminate social information as well (Manager, Multinational Pharmaceutical and Chemical, MM-13)

12.2 Reasons for an absence of CSR

12.2.1 Brief review of reasons for an absence of CSR

Interviewees offer different ‘accounts’ which provide some perspectives on the absence of ⁸CSR, particularly in the annual report, within the socio-political and cultural context of Bangladesh. Accounts offered by the interviewees within such perspectives are grouped into five core reasons (Table 12.5).

First, interviewees state that CSR is often seen as counterproductive to a company’s economic interest due to certain cultural traits of Bangladesh. Second, presenting social and environmental information could hamper the economic interest of the company by raising demand for such information locally. Third, it could also raise local expectation for social and environmental involvement of the company which may not be realised. Fourth, the demand for such information in the annual report is very low from its external local constituencies. The first three rationales are actually phrased by interviewees in such a manner to suggest that they have already bothered enough with the economic operations of the company and do not intend to go further, while the fourth explanation suggests that they do not bother as they think there is no such demand for it in Bangladesh.

Finally, interviewees believe that the company annual report presently used to provide CSR information is not an appropriate medium to communicate such information to relevant local constituencies. This view differs from the previous view regarding annual reports and seems to contradict it. The reasons for this is that many interviewees view annual reports first from the corporation’s perspective, which sees the annual report as an appropriate medium for reporting.

⁸ These five groups of rationales are derived from interview data – reflexively – through the interview data analysis process as mentioned in chapter 10.

However, when the discussion has turned to a societal perspective (whether an annual report is even read by the majority of people in Bangladesh) the alternative view dominates: that annual reports may not be the appropriate medium to focus on because of broader issues - namely, education and culture. The discussion then moves to broader issues, and discusses cultural traits and difficulties about annual reports. Table 12.5 lists these reasons and gives examples of ‘accounts’ offered by the interviewees in their discussions. These are explained now in detail.

Table 12.5
List of reasons behind absence of CSR provided by the interviewees

Reasons for absence of CSR	Number of interviewees who raised these views	Examples of views
1. Socio-cultural traits	34 out of 49 interviewees	<i>CSR viewed negatively by general public, Not favourably viewed by shareholders or its targeted groups, Certain cultural traits from Islamic religion do not allow self presentation of good deeds, raises doubt behind real motivation, Don't necessarily expect to take laudatory praise, Could create further distrust,</i>
2. Increased demand for reporting social and environmental issues	24 out of 49 interviewees	<i>If you start it you are going to raise the demand for such information, Shareholders will not approve if CSR does not provide any value to them It will increase further inquiry into the matter, Parent company will be in much media focus if any negative information is provided</i>
3. Increased real expectation of the general public.	16 out of 49 interviewees	<i>It can increase the expectations of some groups in real terms</i>
4. Very low demand for social and environmental information	30 out of 49 interviewees	<i>No external demand for such information, How much dividend has been paid is the real question</i>
5. Annual report is not an appropriate means of CSR	35 out of 49 interviewees	<i>Annual report is to communicate with financial stakeholders only, Not a public relations document, Compliance with Company Act and other international standards of reporting, Can lose its legal exposure, Annual report is no longer widely read, Annual report not read page by page, Most of these are kept un-opened or go into the bin, Very few people interested in looking at it page by page,</i>

Source: Compiled by the researcher from the interviewee data.

12.2.2 Socio-cultural traits and counter-productive nature of CSR

Thirty-four interviewees (69%) claim that CSR could prove counter-productive for a company because of certain socio-cultural traits of the Bangladeshi culture (see Table 12.6).

This view is prevalent among the interviewees from multinationals and domestic companies. They consider that CSR may not be viewed favourably by its targeted groups, namely the general public, pressure groups or shareholders. Certain cultural traits, particularly Islamic values, see self-disclosure of good deeds in a negative light. Islam, it should be noted, is the main religion in Bangladesh⁹. Publicising donations or community activities is viewed negatively, as it is seen as taking credit or boasting about something. This is contrary to Islamic philosophy and not encouraged in Bangladesh society. Many interviewees mention this aspect and claim that because of it Bangladeshi people do not seek credit for their good deeds. There is a general view that politicians may do this for propaganda purposes but that it is not widely appreciated by the general people. Thus, people may be sceptical of companies who broadcast their good deeds and question the real motivation behind their disclosure. Typical views of interviewees in this are as follows:

“I feel our culture is dominated by Islam.. Islam encourages you to do a lot of community activities, to care for your employees and to care about the whole society.. you should not publicise any donation even made voluntarily..It’s just the culture does not encourage you to do that”(Executive Director, Domestic Pharmaceutical, DD-15)

⁹ More than 80 per cent of the present population is Muslim.

Table 12.6

Number of interviewees within interview groups who identified following reasons behind absence of CSR

Interview Group	Number of interviewees in each group	Number of interviewees within that groups who identified the following issues of				
Interviewees		Socio-cultural traits (N1)	Increases demand for information (N2)	Increases social expectations (N3)	Low demand for information (N4)	Annual report is not appropriate means (N5)
Directors-Multinationals (DM)	14	11	08	04	12	09
Chairman-Multinational (CM)	01	01	-	-	-	01
Managers-Multinationals (MM)	13	09	07	05	07	12
CEO's-Multinationals (CEOM)	09	06	05	04	05	08
Company Secretary-Multinationals (SM)	02	01	01	01	01	02
Total number of interviewees from Multinationals	39	28	21	14	25	32
Directors-Domestic corporations (DD)	02	02	01	-	-	02
Managers-Domestic corporations (MD)	05	03	-	-	02	-
CEO's-Domestic corporations (CEOD)	01	-	-	-	01	01
Company Secretary-Domestic corporations (SD)	02	01	02	02	02	-
Total number of interviewees from domestic corporations	10	06	03	02	05	03
Grand Total	49	34	24	16	30	35

Sources: Compiled by the researcher from Matrix 10 D

Two interviewees refer to the general business culture prevailing in Bangladesh. They mention that business culture itself is not as developed in an LDC, so resulting in less encouragement to provide information. One interviewee comments:

You know we have always had a limited view on providing information [whether financial and non-financial] and putting it into the public domain, It [CSR] still remains a voluntarily activity.. .management is not encouraged to do that (Executive Officer, Multinational Pharmaceutical, CEOM-9)

12.2.3 Increases demand for reporting social and environmental issues

Twenty-four interviewees (49%) feel that CSR could raise the demand for social and environment information further (Table 12.6). It would increase the risk of further scrutiny especially from the media, about the issue reported, they argue. They also argue that people would not end up . In turn, this might increase the demand for further information about the company. Examples of this are comments by interviewees that:

Self-reporting [CSR] activities in Bangladesh may leave people with the impression that there is more of an issue than has actually been reported..and that goes surely in a negative sense..people may be interested to know what the company is hiding rather than what the company is reporting (Marketing Director, Multinational Pharmaceutical, DM-2)

I suppose [CSR] reporting would increase the demand for such information in the public domain.. it is something like the economic law, 'Supply creates its own demand'.. If you start it you are going to raise the expectation for such demand (Company Secretary, Domestic Tanneries and Leather, SD-4)

Ten interviewees, all from multinationals, feel that CSR reporting would expose the parent company to the public more and would draw media attention and attention of the international agencies to the company's activities. They could use a story and could give a negative image of the company that could affect the reputation of the whole company.

Typical opinions are as follows:

The parent company will be put in much media focus and they [international stakeholders, citizen of developed country, international media] will look further into it if certain negative information has been published (Financial Controller, Chemicals and Toiletries, DM-13)

We don't want a media focus, good or bad..You know, good reports won't affect anything, but one bad report could be very detrimental..the media could expose it throughout the world (Executive Director Finance, Multinational Pharmaceutical and Chemical, DM-14)

12.2.4 Increased expectation of the general public

Sixteen interviewees (33%) feel that CSR would not only increase the demand for information, it would also increase the expectations of society. The company could not meet every expectation on it. One interviewee states:

The thing is that if you publicize [through CSR] the donations you made..then everybody will start to come to you..[for example] you see, before the yearly festival-day, some rich people declare that cloths and other stuffs would be distributed. You will have noticed in the newspaper that several people died or were injured while collecting those stuffs because of rushing and mis-management...CSR could bring such pressure which you may not handle and that's not a good idea (Director Finance, Multinational Pharmaceutical, DM-9)

Another explains:

We need to be careful about voluntarily reporting such social information..it can raise the expectations of different stakeholder in real term..you will get so many request to do more..you never know, where it will stop..(Chief Executive Officer, Multinational Chemical and Pharmaceutical, CEOM-5)

12.2.5 Very low demand for social and environmental information

Thirty interviewees (61%) believe there is very little demand for CSR information from the external local parties of Bangladesh (Table 9.6). Interviewees feel that the annual report is mainly prepared for shareholders and investors who are interested in financial information only. They claim these groups in Bangladesh often do not demand CSR information. Typical comments include:

The prime purpose of the annual report is to communicate with its shareholders..so it should focus on financial and economic performance..shareholders are more interested to know about that (Executive Director, Multinational Pharmaceutical and Chemical, DM-14)

Our target audience for the annual report is our shareholders and investors ..they want to know where their money has been invested and how much profit has been made out of such investment. CSR information is not demanded by them at all in Bangladesh (Managing Director, Multinational Pharmaceutical, DM-1)

There is a very little demand for such [CSR information] in the annual report..lenders, creditors or investors do not want CSR information in the annual report..they want financial information..Not even other groups look for such information in the annual report (Financial Controller, Chemicals and Toiletries, DM-13)

12.2.6 Annual report is not an appropriate media to communicate CSR information in Bangladesh

Thirty-six interviewees (73%) feel that annual report is not the appropriate media to communicate CSR information to the local people of Bangladesh. They mention that an annual report is neither read by the general public fully or by any interested groups. The length of the report, the habit of not reading it page by page, low social awareness, low level of interest and low level of education are the reasons cited by the interviewees.

Interviewees made the following comments:

I am in real doubt how many people actually read this document [annual report] page by page (Marketing Director, Multinational Pharmaceutical, DM-2)

Frankly speaking...I am pretty sure that annual reports of companies are not widely read by different groups in Bangladesh..Even shareholders just look at the page which shows the net profit earned by the company in a year..legislative bodies have some queries like tax paid.. security exchange commission and some analysts or financial people enquire about financial information..I would guess different social groups rarely read a company's annual report, or those who read it do not really read it in-depth (Financial Manager, Multinational Pharmaceutical, MM-1)

Five interviewees illustrate that it is not a matter of time but a matter of interest and awareness that one could devote to reading social information in the annual report. Typical opinions of interviewees are as follows:

It is not basically about the time that the reader has to read it [annual report] at least in Bangladesh. I guess it's matter of interest..very few people are interested enough to look at it page by page (Executive Director Finance, Multinational Pharmaceutical, DM-14)

Most annual reports are not read very closely..the level of interest and awareness of social issues are two basic reasons (Executive Director Finance, Domestic Pharmaceutical, DD-15)

Many people in our community are not very educated or socially aware of the impact of business on society and the natural environment..They concentrate on financial information and how much dividend has been paid to them (Deputy Managing Director, Domestic Tanneries and Shoe, DD-16)

Five interviewees feel that the annual report is already a costly document and that the cost will be increased further if it includes CSR information. Shareholders may not agree to bear the cost. One interviewee states:

It [corporate annual report] is a costly document, to adequately address all of a company's CSR activities in the annual report will increase its volume and put the cost up further..as there is no demand for such information we need not bear such financial cost or approach our shareholder to bear the extra cost (Finance Director, Multinational Pharmaceutical, DM-3)

Four interviewees feel that an annual report is a legal document and it is not necessary to make it a public relations exercise by including voluntary and non-audited social information. The following comments made by interviewees are an example of this:

We see our annual report as a legal document..reporting to our shareholders and investors..It is not a public relations document (Chief Executive Officer, Multinational Tobacco, CEOM-2)

It is a legal document prepared in compliance with the Company Act and other international standards of reporting..there is no room for public relations exercise explaining CSR issues (Company Secretary, Multinational Tobacco, SM-1)

12.3 Interpretations of key findings

This chapter basically covers three points. First, it lists the issues of CSR that interviewees maintain they report in their annual report and/or that they see as important to report in general. Second, it suggests some factors that may have led to this practice in Bangladesh. Third, it explores reasons for the absence of CSR practices. The evidence used was collected mainly through interviewees from organisations who are directly or indirectly related to the policy and process of such reporting. This therefore only provides views from corporations. The next chapter therefore illustrates societal views on such practices. This is done as many managers allude to societal stakeholders to whom they report (or not report).

This chapter investigates CSR issues and the different perspectives of interviewees on CSR, particularly from subsidiaries of multinationals and large domestic corporations in Bangladesh. Interviewees mainly see the reporting of employee information, followed by community information, as a major part of social responsibility reporting (CSR). A majority of the interviewees agree to the

importance of reporting at least four issues - namely, employees, community, value-added and environmental information - through their annual report. From the perceptions of interviewees regarding issues of CSR, it seems that CSR in Bangladesh is perceived mostly as a matter of employee disclosure. This is equally prevalent among interviewees, both from multinational and domestic corporations (see, Graph 12.1). Interviewees from both subsidiary and domestic corporations (85% and 90% respectively) see employee disclosure as part of their CSR. This perception is anchored in the actual practices of subsidiaries and domestic corporations. Table 12.7 shows actual disclosure issues found in the annual reports of sample corporations (chapter 8 and 9) and perceptions of managers regarding issues of social and environmental disclosure in Bangladesh.

It was observed that ethical issues, such as using child labour, employment conditions, and trade unionism were not disclosed or mentioned by managers as important issues that need to be reported. It seems that managers were reluctant to speak on ethical issues, and would not even permit the researcher to visit any trade union leaders or workers. Interestingly, while interviewing a top executive of a very reputable company, the researcher observed that while happily speaking about their company's policy of providing employee benefits, the executive was at the same time taking a phone call from the production unit regarding workers organising a strike to call for a bonus for working over Eid (national Muslim festival).

Table 12.7
Comparison between actual CSR issues and managers’ perceptions about issues to disclose in annual reports

Actual issues reported	Managers’ perceptions about issues reported
A. Employee issues Value-added information Employee training and development Employee benefits Employee health and safety	A. Employee disclosure Value-added information Employee training and benefits Employee health and safety
B. Environmental issues Waste disposal and pollution Environmental policy (a very general statement)	B. Environmental issues Waste and disposal Good intentions to reduce pollution Certification
C. Community issues: Donations and philanthropic activities Sponsoring sports and recreational programme Community help programmes	C. Community issues: Donations and Philanthropic activities Different community help programmes
D. Consumer Product related information	D. Consumer: Product quality certification
D. Corporate governance issues	-

However, it seems to the researcher that there is a similarity between issues reported in the annual reports and those social and environmental issues managers think important to report.

It is seen that the greatest amount of disclosure in Bangladesh is of employee issues particularly regarding value-added information, employee training and development. It can be noted that reporting value-added information is seen as important by both subsidiaries’ and domestic corporations’ managers (76% and 50% respectively) in Bangladesh, although many MNCs, particularly those from the UK presently do not report value-added information. This highlights the fact that CSR reporting by MNCs depends on the country in which they are reporting.

The perceptions regarding other dominant issues suggest that interviewees like to report some community and environmental issues, and this is also reflected in their actual practice of CSR (see, chapter 8). In the case of environmental disclosures, it seems that subsidiary managers place more importance on reporting

these than interviewees from domestic corporations (chapter 9). One of the reasons for this is that subsidiary managers see environmental disclosure in line with their parent corporation's good practice and thus are more concerned about maintaining their group's environmental policy and standards. Domestic corporations, on the other hand, are not so concerned about environmental issues (although they are becoming aware of environmental pollution).

It seems that different managers perceive CSR and the reasons for its presence and absence in actual practice differently. It was very difficult to say one single motivation works as the reason for presence or absence. Indeed, each interviewee gave evidence of multiple reasons behind such reporting. However, it is possible to provide evidence of the main motivations, and how such motivations vary according to the ends, means, and constituencies (Bansal and Roth, 2000).

First, it is felt by 80% of interviewees that such reporting practices could enhance the reputation and image of the company they work for, and thus construct an identity and convey that identity to those external constituencies whom they think important for continuing their operation. Reputation-building activities in general end with profitability - long term or short term - are usually done through public relation exercises, and are mainly focused on customers and investors. In such a case, CSR can be viewed merely as a public relations exercise. It seems that there is a conception prevalent among the interviewees, particularly from the multinationals, that the main purpose of CSR is to maintain a global brand image. It is also felt that doing social and environmental activities could provide a good image in the local community where their market is, and thus increase sales (see chapter 11).

Second, 47% of interviewees suggest that the growth of social and environmental awareness has given encouragement to managers to use such practices. This in turn indicates that corporations that are not responsive will not be able to survive and therefore corporations will comply with regulations and standards. Their CSR is therefore directed at the government, the local community, and most importantly, their parent corporation in the case of a subsidiary. It has been illustrated that subsidiary managers see their parent corporations particularly important to them (chapter 11) and explain that their parent corporations' practices have a definite impact on them. As such, disclosing their social and environmental performance in accordance to the standard set by their parent corporations is an important part of corporate culture.

Third, 20% of the interviewees feel that corporations have a social obligation. CSR practices are driven by the altruistic motivation of discharging such obligation by providing information to society, accepting that stakeholders have the right to know about the corporation in more detail.

The main reasons identified behind CSR seem to be similar for interviewees from subsidiaries and domestic corporations (see Graph 12.3). Both groups of interviewees see CSR as a reputation maintaining activity. Responsiveness is the second main motivation for interviewees from both subsidiaries and domestic corporations, while discharging accountability is the least cited reason. However, it is in the case of responsiveness that the views differ the most between interviewees from domestic corporations and subsidiaries. For example, almost all interviewees from a subsidiary admit that they need to be responsive to international groups such as consumer groups and most importantly to their parent corporations. This view is not widely held by interviewees from domestic

corporations. The reason may be that domestic corporations do not really care about their international reputations, nor are they influenced by a parent corporation.

The fact is that CSR is presently seen by interviewees as being less encouraged by local society due to the socio-cultural traits of Bangladesh. Thirty-four interviewees (69%) believe that certain Bangladeshi cultural traits create a negative attitude towards such self-disclosure. Interviewees claim that Bangladeshi people, influenced by Islam, do not appreciate credit-seeking activities for their good deeds. This is the main reason for non-disclosure of social and environmental issues or the very low level of CSR in Bangladesh. This highlights the fact that disclosure or non-disclosure is not only an organisational issue but also a cultural issue.

Interviewees see CSR in Bangladesh as counterproductive to the interests of the organisation due to the fact that it increases expectations for such information and also increases demands on the corporation for more involvement in social and environmental activities. It is felt that the annual report may not be an appropriate communicating vehicle for providing CSR information when cultural factors are taken into consideration, and is thus not appropriate for discharging accountability in Bangladesh.

Twenty-three interviewees (46%) feel that CSR could raise the demand for social and environment information further and also increase the risk of further scrutiny of the issue. Once it starts, a company needs to continue CSR reporting and people may like more information. Ten interviewees (25%, all from multinationals) feel that CSR reporting could expose a parent company to the public more and will draw attention from the media and international agencies.

Sixteen interviewees (32%) believe that CSR would not only increase the demand for information, it would also increase expectations of society. Society would expect more involvement of business in social and environmental activities. This, they believe, is particularly due to the mass poverty and poor quality of state governance in Bangladesh. A company could not meet all and every expectation imposed on it by society.

Thirty-six interviewees (73%) believe that the annual report is not the appropriate means to communicate CSR information to the local people of Bangladesh. They claim that it is neither fully read by the general people or by any interested groups. This in turn suggests that the annual report becomes an instrument to give social and environmental information, rather than communicating information, to the local stakeholder. CSR is therefore not encouraged by society or organisations as a way of discharging accountability in Bangladesh. This evidence explains the low level of actual CSR practices in Bangladesh revealed in chapter 8.

12.4 Conclusions

These findings suggest that while CSR practices depend on the motivations of managers, managers' motivations are very much influenced by the context in which an organisation works. Corporate policy on reporting is determined very much by the profit goal, which limits the reporting activities of managers to the interests of the corporation. As such, subsidiary managers are particular constrained by the financial control of their parent corporations. On the other hand, it is seen that this alone does not explain the very low level of CSR in Bangladesh. There are, indeed, factors external to the organisation which also play

an important role. As has been seen from the interview results, the cultural and socio-political context of Bangladesh is also a matter for development of such a practice.

Looking at the main motivations behind CSR from a managerial perspective only gives less of an insight into the discharge of accountability through reporting. Reasons given for the non-disclosure of social and environmental issues also raise questions about the appropriateness of the annual report as a medium for such practices. This overall suggests that the aim of CSR – that is, that it involves not only responsibility for actions, but also responsibility for reporting those actions – is not realised in Bangladesh, even in subsidiaries operating in Bangladesh. Most importantly, it casts doubt that responsibility for a thing can be used to explain reporting on a thing in Bangladesh. It seems that a study of CSR in Bangladesh requires much more than an examination of the amount and the issues involved and reported by managers; it also requires further investigation into how accountability might be perceived through reporting in Bangladesh by community groups.

The next chapter therefore looks at perception of social stakeholders regarding accountability, CSR issues in more detail, focusing on the community view, by interviewing officials from non-governmental organisation (NGOs).

Chapter 13

Discharging corporate accountability: The view of NGOs

13.0 Introduction

The interview findings presented in the previous chapters look at broad issues of responsibility and CSR in Bangladesh, together with rationales offered by interviewees for such practices or lack of practices. CSR emerges in Chapter 12 largely as a voluntary and strategic activity, basically motivated by the self-interest of businesses, directed and initiated by managers to manage the reputation and image of the corporation and, more generally, the global reputation of multinationals. Chapter 12 also suggests that CSR as a voluntary practice depends on various motivations of managers who are involved with the disclosure practice and policy of corporations. It is possible to categorise those motivations into a few dominant motivations, already depicted in the CSR literature.

The dominant motivations, however, mostly give a managerial perspective and provide less of an insight into non-managerial stakeholders' view that may encourage a manager's motivation for reporting or not reporting social and environmental issues (O'Dwyer, 2005) in a particular set of socio-political context of Bangladesh. Most importantly, managers highlighted reporting social and environmental information to some selected stakeholders and also highlighted some socio-cultural factors that hinder CSR practices in Bangladesh. Indeed, it becomes obvious from discussion about the CSR in Bangladesh that the country's particular cultural and socio-political traits are factors influencing the practice of voluntary CSR, for managers of both subsidiaries and domestic corporations alike.

In particular, it seems that although MNCs pass down their social and environmental policies to their subsidiaries (chapter 11), subsidiaries are indeed disclosing social and environmental issues in a similar way to their counterpart domestic corporations in Bangladesh (chapter 9). This leads us to believe that accountability reflects the environment in which it takes place¹. Therefore, there is a need to explore how accountability might be perceived in Bangladesh by non-managerial or social stakeholders which would help to focus the main question of this study better². More importantly, there is a need to explore stakeholders perspective and contextual issues surrounding CSR practices in Bangladesh. Moreover, it was evident that managers repeatedly mentioned their responsibility to social stakeholders – namely, community and different social groups. Therefore, it is also important to see how these social groups perceive the CSR practices of an organisation in Bangladesh.

This chapter explores this issue further and provides evidence gathered from different groups of interviewees: social and environmental stakeholders. This chapter therefore looks at stakeholder's perspective regarding CSR and socio-political and cultural factors surrounding CSR in more detail, by interviewing a different group of society - officials from non-governmental social and environmental organisations (social and environmental NGOs).

Evidence in this chapter is gathered from nine interviewees from seven different NGOs (a detail of interviewees has been provided in chapter 10). These organisations include international and national NGOs which are concerned with,

¹ It is, indeed, depicted in chapter 1 and 2 that although the notion of accountability, a duty to provide account, is universal the necessary practice or mode of discharging accountability could be different according to the context (Ahrens, 1996).

inter alia, human rights, children's rights and environmental issues. A list of social and environmental NGOs from the NGO Affairs Bureau³ was consulted to select social and environmental NGOs. A theoretical sampling rather than a random sampling technique was used. The concern is not whether the views of these interviewees are representative of all NGOs operating in Bangladesh. Rather, the concern was to select interviewees who have expert knowledge regarding the social and environmental practice of organisations and also have knowledge regarding socio-political and cultural issues in Bangladesh. So the interviewees' views discussed in this chapter cannot be generalised. Selecting social and environmental NGOs was also restricted by the need for permission to interview employees of these organisations.

The chapter has been organised as follows. Section 13.1 first examines the perceptions of interviewees regarding voluntary CSR practices of corporations. This examines how external groups of stakeholders, mainly social and environmental activists in Bangladesh, view the social and environmental reporting of large corporations in general and of subsidiaries in particular. Section 13.2 looks at interviewees' perceptions regarding the absence or low level of CSR, with particular reference to the socio-cultural, political and economic

² The main research question: "Why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports?" is to be explored within the framework of accountability literature and the Bangladesh context.

³ The NGO Affairs Bureau is a government organisation involved with registering, supporting and assisting NGOs' activities in Bangladesh. According to the NGO Affairs Bureau, 136 NGOs are of a purely foreign origin and involved in development activities. They mainly operate to carry out social and environmental activities although seven NGOs are presently concentrating their activities in the natural environment (NGO Affairs Bureau, 1994). Other than purely foreign NGOs, there are around 680 local NGOs who are also getting financial and technical support from foreign countries and who are also registered with the NGO Affairs Bureau (NGO Affairs Bureau, 1994). These NGOs are run by local staff and management, and some generate their own source of income through commercial ventures. The vast number of international and national NGOs and their activities suggests that they have a good knowledge of social and environmental issues as well as knowledge about business activities in Bangladesh.

context of Bangladesh, in more detail. This examines the reasons for the absence of such disclosure practices in Bangladesh mentioned by managers of corporations in chapter 9. Section 13.3 concludes the findings.

13.1 Corporate Social Reporting: the view of NGOs

Interviewees were initially requested to provide their general views regarding social and environmental news provided by corporations in their annual reports⁴. Their responses indicated that they view the presentation of CSR in annual reports as full of nice words which are used to provide a social image of the company. They believe that CSR helps corporations to define the company's own view on certain social and environmental issues and thus CSR is actually an image management activity by the management of large domestic companies and subsidiaries of multinationals. This, they suggest, is largely because the social image of a company may keep its customers happy, enhance its sales and so increase the bottom-line, which is the main goal of managers. In addition, interviewees feel that while corporate managers report community and human resources issues, they doubt whether responsibility is really carried out in practice. They feel that corporate social reporting is merely a public relations exercise in Bangladesh and therefore is more impressive on paper than in practice. Most importantly, these interviewees believe that the annual report is not an appropriate communication vehicle, even though it does provide some social and environmental information. The reasons given by NGO interviewees are similar to

⁴ Interviews were carried out between October and February 2003. They were all face-to-face interviews. Nine interviews from six different social and environmental NGOs were conducted (see, chapter 10). Selecting social and environmental NGOs was limited by the need to obtain permission to interview. Views provided by interviewees were grouped into three major groups

those of company managers (discussed in chapter 9), but also differ in certain respects. In particular, although they mention the influence of certain socio-political and cultural traits, to them it is the non-availability of such information in the public domain which is the main reason for its ineffectiveness in Bangladesh. Table 13.1 shows the major views provided by interviewees regarding CSR⁵. These assertions by the NGO interviewees are then discussed in turn.

Table 13.1
List of different views provided by NGO interviewees

Views on CSR	Number of interviewees who provided such views	Example of views provided by the interviewees
i) CSR frames company's own view on certain issue.	5	<i>CSR reporting actually frames a company view on the issue, CSR is full of nice words, reporting often ignores critical issues like employees' rights for trade unions, Fashionable to speak about good things.</i>
ii) CSR serves interest of business.	9	<i>CSR has some impact on image building in society, If all recognise that they are a good company, it will definitely raise their bottom line, If it can influence society it will help sales.</i>
iii) Annual report is not an appropriate medium for communicating CSR information.	7	<i>Annual report is not made available to public. Obtaining information from business is very difficult, Reluctant to communicate these annual reports publicly.</i>

13.1.1 Framing company's own view on certain issues

One particular assertion by the interviewees from NGOs is that CSR reporting is used by managers to express their own views regarding certain social and environmental issues (Table 13.1). Interviewees believe that the reason for this is to keep some groups happy (e.g. employees, government). One interviewee comments:

shown in Table 13.1. These three main groups are derived from interview data – reflexively – through the interview data analysis process as mentioned in chapter 10

CSR can be seen as framing a company's own view.. company provides information that is mostly non-audited and there is a very little chance to verify such statements by other groups of the community..it gives company's view rather than considering the stakeholders' view on social and environmental issues (Executive Assistant Communication Officer, International NGO, I-2)

Three interviewees point out that such self-presentation of CSR issues often lacks important local community issues. They feel that managers might address the favourable issues to help the reputation of their business while ignoring other social issues. They describe much of the social and environmental information in the annual report as *ad hoc*, piecemeal and not properly managed by the organisation⁶. They comment:

Corporate self-reporting initiatives are typically ad hoc and piecemeal. Reporting often ignores critical issues like employees rights for trades union, employee consultation, women labour deprivation, factory accidents, very poor working conditions, child labour...[CSR] reporting is influenced by issues that the parent company or subsidiary thinks is important to address to manage their reputation (Head of Finance and Administration, International NGO, I-3)

"CSR [reporting] is full of nice words..for example, you will often find corporations address issues like labour or employee training issues rather than labour rights.. issues such as freedom of association and collective bargaining are never addressed by the companies" (Chairman, Local Environmental NGO, I-6)

Two interviewees are critical of such CSR development in Bangladesh. They feel that it has become fashionable to disclose some social and environmental issues in a way that appears positive for the company's reputation. They believe that in the context of Bangladesh it is essential to report all the bad things a company does rather than reporting only good things. This would allow the community to become more aware of all the consequences they really bear for the economic operation of such large corporations. One interviewee states:

⁵ Table 13.1 is constructed from Matrix 11 A which is shown in Appendix 5.

⁶ However, it was noticed that many of the interviewees did not actually read the annual report of the company in depth. Besides, they do not intend to use the annual report for collecting social and environmental information as collecting annual reports is a real hassle in Bangladesh.

"It is becoming fashionable to speak about good deeds..I think CSR should be concerned with the negative rather than positive things generated from a business operation...I really mean bad things done, should be covered by CSR in lieu of good things done for the community" (Chairman, International NGO, I-9)

13.1.2 CSR serves the interests of business

All interviewees (Table 13.1) assert that businesses report social and environmental activities as this serves their own interests. They see CSR as an advertisement document. Six interviewees mention that such an advertisement could have a direct impact on the commercial benefit of the companies. One interview remarks:

It [CSR reporting], like an [advertisement], can promote your sales..if it can influence society it will help sales (Regional Finance Coordinator, International NGO, I-1)

Six interviewees claim that this is particularly important for foreign subsidiaries, as there is a perception in the community that they are making money and taking it out from local society. They also mention that increasing global concern regarding the operation of subsidiaries may also influence subsidiaries' management to advertise their social and community activities.

Typical comments include:

Successful multinationals in general want to give the impression that they are a benign company, that they are not making so much money, rather that they are investing in community development programmes and protecting the natural local environment. (Executive Assistant Communication Officer, International NGO, I-2)

Multinationals may like to portray a socially responsible image as they may be seen as exploiting cheap labour and the natural resources of a less-developed country (Director Administration, local NGO, I-4)

you will generally notice that concerns are getting increasingly voiced from different parts of the world, and multinationals need to influence the perception..providing CSR [information] in the annual report is a good way of doing this (Chairman, International NGO, I-5)

Eight interviewees feel that CSR information is mainly presented through qualitative statements by internal management and there is no chance of, or provision for, external verification of these in Bangladesh. Besides, there are not many social stakeholders who are concerned about such reporting. This, they claim, makes CSR more like an advertisement for the company. One interviewee in particular claims:

there was indeed a large gap between what existed in the report and what happened in practice” (Director Administration, local NGO, I-4)

Seven interviewees assert in particular that it might be good to disclose social and environmental information in the annual report of the subsidiary as well as in the parent company report. They argue that social and environmental information is less demanded and so less scrutinized by different groups in a developing country compared to a developed country. If a parent company disclosed their subsidiary’s social and environmental performance in their annual report, or in any report, global community and consumer groups would be more informed about the operation of these companies. Typical comments include:

Subsidiaries who only report CSR issues in their annual report in the less-developed country may be keeping information within the less-developed country where very few groups check information..if information is similarly placed by the parent company in their annual report or any publication by the head office, it will reach the wider audience of the West and any stakeholder group from the West can inquiry into the subsidiary’s social and environmental activities. (Regional Finance Coordinator, International NGO, I-1)

Why doesn’t the parent company compile all social and environmental information of their subsidiaries in a single report and publish it in their home country ?..It may be that they do not want to be shown up in their home country for their subsidiaries’ limited social and environmental involvement. (Director Administration, Local NGO, I-4)

Four interviewees even question whether reporting social and environmental information to the local community really changes anything in the operation of the company in Bangladesh.

13.1.3 The annual report is not the appropriate medium

Seven interviewees assert that in Bangladesh providing CSR information in the annual report of a company is not the appropriate medium for reaching the public at large (Table 13.1). The main reason they cite is the non-availability of the annual report in the public domain. Interviewees also question the real motivation for producing such social and environmental information in the annual report when the report itself was not made available to the public. One interviewee states:

..annual reports are not publicly available [although normally it should be]..even you would find it hard to get a single annual report from the company office or from the security exchange office if you do not have any one there from whom you can seek a favour..I doubt whether the CSR in the report is aimed at the public at all” (Head of Finance and Administration, International NGO, I-3)

All seven interviewees claim that providing CSR information in the newspaper or television or on the radio is more appropriate for Bangladesh if a company really wishes to provide accounts for their actions to the general public. Typical comments include:

I feel it is better to place CSR information in the newspaper or on the television where the company can reach those for whom the report was prepared (Chairman, International NGO, I-5)

Organisations in Bangladesh should use newspaper for reporting social and environmental issues and such information could be published in the newspaper just before the annual report so that the shareholders and creditors can at least ask questions to the management about the issues in the annual general meeting (Secretary General, International Environmental NGO, I-7)

13.2 Absence of CSR in Bangladesh: further views from NGOs

Overall, interviewees recognise that CSR through annual reports has little relevance in Bangladesh, which is the major reason for the absence of CSR⁷. This common view held by both managers and NGOs, suggests that the absence of actual CSR practice (documented in chapter 8) is linked to the country context where the businesses report. This also explains why subsidiaries of MNCs, although having a greater chance to import their parent corporation's CSR practices and being influenced by their group policy, do not practise CSR to the same extent as their parent corporations.

Interviewees mention three types of country specific variables: level of economic development, socio-cultural, and political variables to explain this view further. Table 13.2 lists these factors⁸. First, CSR reporting is seen as counter-productive to the economic development of the country, given the very low economic development of Bangladesh. In some cases, the government even favours multinationals and large domestic corporations by restricting rights of social groups such as trade unions or labourers. Second, the socio-cultural context of Bangladesh does not favour social reporting as a way to discharge wider accountability of business. Third, the political structure of the country does not encourage CSR practices. Table 13.2 shows different views provided by the interviewees in explaining the reasons behind the low level of CSR. These are discussed in turn.

⁷ This view was equally prevalent among managers but differs in terms of explanations. While managers mainly highlight the non-popularity or limited use of the annual report, NGO executives focus on the non-availability of the annual report in the public domain in practice.

⁸ Table 13.2 is prepared from the matrix 12 A which is shown in Appendix 5.

Table 13.2**List of different views provided by the interviewees**

Views on CSR	Number of interviewees provided such views	Example of views provided by the interviewees
1. Counter-productive to economic development.	8	<i>National goal is economic development, Economic survival is the first priority, government favours income generating activities.</i>
2. Socio-cultural context does not favour CSR in Bangladesh.	6	<i>Cultural traits derived from Islamic religion do not allow self-good deeds reporting, Very low level of interaction between business and different stakeholders in Bangladesh, Low level of education is a problem.</i>
3. Political context does not encourage corporations to engage in CSR	7	<i>State capacity to design and implement effective regulations for business especially for multinationals is extremely weak and limited, Political parties and the government in a third world country do not want to upset business interest and inflows of foreign direct investment through regulating stronger regulation in CSR issues.</i>

13.2.1 CSR is counter-productive to economic development

Table 13.3 lists views provided by interviewees to explain the relevance of CSR in the present economic context⁹. Eight interviewees point out that because the priority of government policy is economic development through FDI, issues of corporate social responsibility are ignored, both by the Bangladesh government and by corporations in this country. In Bangladesh, government policy has even restricted the fundamental rights of trade unions by banning these in the Export Processing Zone (EPZ), a specific zone created to encourage foreign investment in selected areas. Although this has been done to encourage foreign direct investment, it has also restricted the scope to discharge accountability towards employees. CSR in this respect can embrace government and corporations'

⁹ Table 13.3 is prepared from the matrix 12 B which is shown in Appendix 5.

economic policy and is thus counter-productive to economic goals. The government does not want such an embracement in economic activities.

Table 13.3
List of views provided by the interviewees regarding CSR embracing economic development

Views on present economic context	Number of interviewees provided such views
1. Government priority on economic activity does not encourage CSR	8
2. A community driven by poverty prioritises economic activity only.	6
3. Fear of losing job is of more concern than CSR of organisation.	5
4. Corporations are expected to be involved in community activities rather than reporting activities.	8

Six interviewees also suggest that the high level of poverty is another reason that economic activities take priority over concerns for social and environmental responsibility (Table 13.3). Interviewees point out that business might not recognise broader social responsibility unless it is taken seriously by governments in developing countries. This is illustrated by the interviewees, who remark:

“When the national goal is economic development, low priority is given by the government to the social and environmental impact of business. In Bangladesh economic survival is the first priority..as a community worker, I guess business has very little involvement in social activities” (Executive Assistant Communication Officer, International NGO, I-2)

Another agrees. He states:

“It is poverty that drives business to generate income. It is poverty, you know, that means the need to get a job will take priority over CSR issues, at any cost. A worker does not bother whether he is underpaid and this is the reality” (Head of Finance and Administration, International NGO, I-3)

In this poverty driven society, generating employment is seen as very important to the society. Five interviewees felt that there is a fear in the community that if companies, especially multinationals, are strictly regulated in social and

environmental issues (Table 13.3), they might shut down their operations, leading to many job losses, Typical comments are as follows:

I guess, there is a fear that a company may shut down its activities and go away to another country. Many people will lose their jobs then..You know how difficult it is in Bangladesh to get a job (Director Administration, local NGO, I-4)

If you do not have a job in this country, your family will not have anything to eat as there is no social security provision..if you are offered a job, say, in a company (nasty in terms of its environmental performance)- I guess- you will not want to lose that offer by asking whether that company has a glossy annual report that provides accounts of its environmental and social performance..People here just need a job and are happy to keep their family happy with their earnings.. (Chairman, International NGO, I-5)

All interviewees feel that it is essential for businesses to involve themselves directly in community development programmes if they feel any responsibility towards the community (Table 13.3). Multinationals are obviously expected to be more involved in such activities as they have the resources to do so. Typical comments include:

“I feel business engagement in community development programmes is a much more effective way to discharge responsibility to the society than engaging in self-reporting CSR activities” (Secretary General, International Environmental NGO,I-8)

“I feel business has innovative ideas and they should use them to engage with community welfare programmes like poverty alleviation, rather than self-reporting activities in the annual report.. multinationals need to be involved more in community welfare activities as they have the necessary resources to do so ” (Secretary General, International Environmental NGO,I-7)

13.2.2 Socio-cultural context does not favour CSR in Bangladesh

Six interviewees mention that CSR in Bangladesh is not appreciated because of its particular socio-cultural context (see Table 13.2). This view is equally prevalent among managers of corporations. However, executive interviewees from NGOs provide deeper explanations as shown in Table 13.4¹⁰.

Table 13.4
List of views provided by NGO interviewees regarding absence of CSR within socio-political context

Views on socio-political context	Number of interviewees provided such views
1. Socio-cultural traits derived from Islamic religion do no encourage CSR reporting	6
2. Business and stakeholder engagement is very low	6
3. Very low level of consciousness in the community regarding CSR.	5

They all feel that certain cultural traits of Islam in Bangladesh are a particular factor. This is a view similar to that expressed by company executives (see chapter 9). One interviewee cites:

“[Okay] I feel CSR through the annual report is not an appropriate vehicle to communicate CSR information, as the community does not appreciate or value such information due to low consciousness and cultural traits derived from Islamic religion..the general people would not appreciate such a report when it consist only of good deeds done by the organisation.”(Regional Finance Coordinator, International NGO, I-1)

Six interviewees feel that business and stakeholder interaction or engagement is very low in Bangladesh (Table 13.4). Interviewees mention that the weakness of stakeholder groups in Bangladeshi society produces a culture where business and different stakeholders do not engage through social reporting.

This is illustrated by the view of an interviewee that:

“I feel there is a very low level of interaction between business and different groups of people in Bangladesh which makes CSR [through annual reports] ineffective... Different groups like consumer groups, environmental groups and the community in general, are not strong compared to their equivalents in the West and developed countries, and do not influence business in CSR issues, although concern regarding the environment has been growing through some environmental NGOs.. In some cases, only the media reports what is going on in an organisation” (Head of Finance and Administration, International NGO, I-3)

In addition, four interviewees mention that the majority of people in Bangladesh live in rural areas. They do not form any strong stakeholder groups and neither are they concerned with the activities of business; this, too, reduces the motivation of business to provide accounts. As the majority of people still depend on agriculture, modernisation is yet to spread throughout Bangladesh. They point out that due to the very low industrial development so far, Bangladesh society does not have a culture where pressure to legitimate operations falls upon business. Instead, the question of legitimation remains at a very moral position rather than as a process of responsiveness from the organisation. One interviewee mentions:

“The majority (nearly 80 per cent of total population) of people are living in rural areas and depend on agriculture..they do not form strong stakeholder groups.. Stakeholder culture is less evident at present in Bangladesh society at large..There is still very little concern among most of the population about CSR issues and reporting” (Chairman, International Environmental NGO, I-9)

Five interviewees feel that low education levels and consciousness in the society also reduces the relevance of an annual report in communicating CSR information to the community (Table 13.4). Interviewees feel that even the concept of an annual report is not widely understood by the majority of people.

¹⁰ Table 13.4 is prepared from the matrix 12 C which is shown in Appendix 5..

One interviewee comments:

I think the very low level of education is a matter that reduces the usefulness of CSR information. Many shareholders cannot even read the annual report..many of the community people do not understand even what an annual report is and how to read it..(Regional Finance Coordinator, International NGO, I-1)

13.2.3 Political context does not encourage CSR reporting

Seven interviewees assert that weak political and government institutions within the country are also an important reason behind the absence of CSR practices or the sketchy practices identified in Chapter 8. Table 13.5 shows the different views offered by interviewees on this subject¹¹.

Table 13.5
List of views provided by the interviewees regarding absence of CSR within the present political context

Views on present political context	Number of interviewees who provided such views
1. State is extremely weak in influencing organisational practices.	7
2. Lack of commitment and accountability of political parties	5
3. Very low level of implementation of law	5

Seven interviewees claim that the Bangladesh government depends heavily on external finance - such as FDI and aid from international agencies - to continue any developmental activities. Its development policy is often influenced by donor agencies such as the World Bank and IMF. Most economic activities are dependent on foreign investment and are in the hands of a few groups of large domestic corporations. Interviewees feel that the government is therefore not able to impose strict regulations regarding CSR issues that might adversely affect the interests of large domestic businesses and subsidiaries. Moreover, conditions imposed for the granting of loans or aid, such as the deregulation policy

¹¹ Table 13.5 is prepared from the matrix 12 D which is shown in Appendix 5.

prescribed by the World Bank and the conditionality imposed by the International Monetary Fund (IMF), further reduce governmental capacity to bargain with international business. They feel that in reality the government of Bangladesh does not have any influence on these large domestic corporations and international business and their activities. In such a case, discharging accountability through CSR is completely left to the business and hence can be expected to be used in ways that serve the interests of the business. Some typical comments by interviewees are as follows:

You know, in Bangladesh the capacity of the state to design and implement effective regulations for business, especially for multinationals, has become extremely weak and limited..this is due to the fact that government has been heavily dependent on business [national or international] and was unable to regulate CSR issues of business ...rather CSR issues were completely left in the hands of business...CSR information provided voluntarily will serve a company's own interests. (Executive Assistant Communication Officer, International NGO, I-2)

Indeed, to control business in Bangladesh in the context of the open market economy and deregulating policy of government undertaken with the suggestion of World Bank..this decline of state power is increasingly leaving social and environmental responsibility issues in the hands of the market ..CSR reporting will lose it relevancy if regulated by the market alone and will remain a voluntary initiative of large corporations (Director Administration, local NGO, I-4)

It is also claimed by five interviewees that lack of commitment by the ruling political party is also a factor that reduces the perceived importance of CSR reporting in Bangladesh (Table 13.5). They point out that the majority of ministers in parliament are themselves engaged in business and belong to the few large domestic business groups who dominate both the economy and politics of Bangladesh (see chapter 5). Imposition of any strong business regulations would hamper their own business interests. Moreover, there exists a strong tie between the interests of political parties and business people in this country. Business

people in many cases bear the election expenditure of a politician in the national election and in return politicians look after the interests of business people. So the government's inherent dependency on business people and the lack of political commitment reduces concern for social and environmental issues and also constrains the ability of government to make business more accountable. In such a case, voluntary CSR reporting may not reflect real accountability and will remain up to the business to determine and construct its own responsibility. This is illustrated by the view of one Secretary General of an NGO that:

“Neither government nor business is really interested in social responsibility issues..It is embarrassing to the politician if business really does report how it's exploiting cheap labour, how it really treats child labour or what amount of waste it is disposing to the community to make profit out of their economic operation..if you target a large corporation for its nasty operation in terms of social issues you will often find one or more ministers of government is/are owners of that company..what do you expect from CSR reporting if the legislator [government] and business work together in the interests of making money?” ” (Secretary General, International Environmental NGO, I-8)

Three interviewees also point out that governments of developing countries in general, and the government of Bangladesh in particular, do not consciously initiate accountability issues of business in the belief that this could upset FDI and large corporations. They question whether CSR as a self-reporting initiative by business can help society when such business is run to make a profit. One interviewee mentions:

“You know political parties and governments in the Third World remain very conscious about upsetting business interests and inflows of foreign direct investment..multinationals are taking advantage of this..they don't care about the government or the less-developed society as they just came here to do business.. I doubt whether CSR reporting can produce any good for the society” (Chairman, Local Environmental NGO, I-6)

One interviewee comments that it is doubtful whether CSR can enhance accountability or hide it in Bangladesh. He mentions that CSR reporting may be a whitewash in this context. He remarks:

"I am not happy when the government does not sanction strict legal provisions or monitor procedures or offer any provision to report or check child labour presently used by the organisation..because it will affect the major foreign earning industry [garments]..similarly, I am not surprised when a garment organisation does not report the number of child labourers the company presently employs..because that will invite legal sanction on the company" (Chairman, International NGO, I-5)

Five interviewees recognise that the very low level of implementation of law in this country is another factor that reduces the motivation for an organisation to provide accounts (Table 13.5). Despite government involvement, interviewees believe that a strong monitoring attitude from civil society and political parties would enhance accountability, rather than leaving it as a voluntary practice. In addition, interviewees feel a need for an independent external audit procedure to check the information provided in CSR. Otherwise, they believe, CSR as it stands at present - without monitoring or verification - means the report is little more than a publicity document. A typical opinion of an interviewee is:

"I feel a strong monitoring and verification attitude from the government and political parties is needed to ensure accountability...external audit of CSR information is essential to make reporting more effective in this country." (Executive Assistant Communication Officer, International NGO, I-2)

13.3 Summary and conclusion

This chapter looks in further detail at socio-political and cultural factors of Bangladesh which have been referred to when discussing CSR practices with managers. This chapter also explains social and stakeholders' views through interviews with non-governmental social and environmental organisations.

First, it can be noted that societal groups (social and environmental NGOs) view CSR as a self-image projection and a voluntary activity of a business organisation, a managerial activity that does not reflect the actual social and environmental performance of the companies. Such managerial activities - that are mainly for the purpose of a public relations exercise - are aimed at publicising certain selected social and environmental information while ignoring other critical issues about which society may be interested. So they assert that CSR is mostly partial, ad hoc, piecemeal and even fashionable. Yet, even if a company is to some extent practicing CSR, interviewees doubt whether it actually changes its day-to-day operation.

Second, it can be noted that CSR, both from the organisation's and society's point of view, is not only an issue of what is being reported but also what information is being provided through annual report and whether it is actually made available in the public domain. Moreover, whether different social groups are actually reading such information is also of concern. Even, interviewees from social and environmental groups do not actually read the annual report of a company in depth. Therefore, it is asserted that it would be more useful if the parent corporations provided social and environmental performance of their subsidiaries as well. This would give scope for the international community and home country's stakeholders of MNCs to act upon information and so to control

the social and environmental performance of subsidiaries of their own corporations.

Third, it is evident that while CSR is a managerial activity, managers are influenced by other socio-political factors of a country. In Bangladesh, CSR is counter productive to the economic policy of the government. Interviewees mention that there is a fear in the community and the government that companies, especially MNCs, could shut down their operations, leading to many job losses if CSR is strictly regulated. Rather than regulating CSR issues, government policy even works in favour of large domestic corporations and MNCs. Interviewees point out that business might not be responsive towards CSR issues if society does not force business to be so, and government is one of the main institutions that can influence business. In addition, interviewees mentioned that on some occasions both government and business organisations work for their mutual interests. In such a context, CSR can embrace both business and government. Therefore, CSR is not encouraged by government or economic organisation in Bangladesh. However this does not mean that CSR is less important in Bangladesh rather hints its necessity.

Interviewees assert that certain cultural traits of Islam in Bangladesh also do not encourage present CSR practices. This is a similar view to that expressed by company executives as well (see chapter 9). As well as this, interviewees feel that business and stakeholder interaction in Bangladesh is very low. Moreover, a very low level of education and high numbers of people dependent on agriculture reduces the motivation of business to be responsive through CSR.

In sum, in Bangladesh, it is hard to depend on the voluntary initiative of managers to provide social and environmental accounts through CSR and it

essentially requires the development of an external environment that will force managers to be more responsive. So far, such an environment in Bangladesh is absent or relatively weak. Moreover, the cultural context, economic crisis and political unrest of Bangladesh has led to an emphasis on economic development as its first priority, leaving social and environmental accountability of business to be of secondary importance.

Recognising its socio-cultural traits (i.e. low level of education, religious beliefs), its weak welfare state provision, a political system that enjoys little autonomy from business interests, and its reliance on international fund agencies, CSR practices in Bangladesh can only be improved by developing a strong civil society. Bangladesh does have many national and international NGOs involved in community and social issues, and there is great opportunity if they engage with corporations and demand an account of their social and environmental performances. It can be argued that reform of the social, business and political structure is essential. This would require the development of institutions, educational foundations and management training, from which CSR may become a spin-off. Business, government, NGOs and the media together can play a strong role in social development that will help to develop community consciousness regarding accountability and CSR issues in this country.

On the other hand the home government of MNCs and the home community where parent corporations are located may press their companies to report social and environmental performance of their subsidiaries in their parent corporations' annual reports. The potential of CSR to control or change the operation of the subsidiaries can thus be realised by their own home country community. At present, home country communities know very little about the social and

environmental activities of subsidiaries of their corporations through the annual reports of the parent companies. The subtle influence of the CSR of a subsidiary can be expected if CSR is not limited to providing information to the local people but also to the home country people as well. So it can be suggested that the Global Reporting Initiative (GRI) needs to look at the CSR of subsidiaries of MNCs that are operating in a developing country, to develop a minimum standard of reporting rather than leaving CSR as a voluntary activity. It may well be true that there are limits to such voluntary CSR, as was pointed out by Utting (2000, 2002b).

The next chapter examines the key points from Chapter 8–13 and concludes the study.

Chapter 14

Discussion and Conclusions

14.0 Introduction

This chapter discusses the main findings and concludes the study. It is comprised of three main sections. The first section discusses and summarises the motivation for the research and the main research question. The second section offers a discussion on findings in light of major motivations, the research question and present CSR theories. The third section outlines the research contributions and limitations of the study, and makes suggestions for future research. The final section concludes the chapter.

14.1 Discussion on motivations and research questions

The study is exploratory in nature. It seeks to cast light upon the research question “why, in Bangladesh, do corporations in general and subsidiaries of MNCs in particular produce or not produce social and environmental data in their annual reports?”¹ The motivation for asking such an elusive but essentially simple question comes from concern for the broader accountability of MNCs to their stakeholders in an LDC: namely Bangladesh. Gray et al. (1996, p.56) mention: “Social accountability only arises if the organisation has a *social responsibility – otherwise there is no social accountability to discharge*”. Gray et al. (1996) also mention that one role of CSR is to discharge social accountability. Therefore, the

¹ Please see Table 1.1 of chapter 1.

study focuses not only on CSR but also on social responsibility, social accountability and discharge of social accountability through CSR in a LDC.

One may perhaps ask the question: is corporate social responsibility or accountability of MNCs really new? Surely, it is not as we have seen in chapter 2 from the business literature that social responsibility has a long history of development. I have also illustrated in chapter 4 that the United Nations started showing concern regarding the social and environmental responsibility of MNCs since the 1970s. Moreover, there have always been companies that have sought to address wider social concerns beyond the boundaries of their financial results. Why then do corporations address social and environmental issues? Why then has the corporate social responsibility and accountability of MNCs in an LDC become an important issue at the present time? Why, then, have corporate social and environmental responsibility and accountability, sustainable business, corporate ethical investment, and the triple bottom line caught the spotlight at this particular time? To me, economic globalisation makes these issues of more concern than before (see also, UN, 1999, Mason, 2005).

Growing interest in corporate social responsibility and the accountability of MNCs is rooted in a whole complex of developments associated with economic globalisation through MNCs' operations (UN, 1999; Utting, 2000; Jankins, 2005). Concerns regarding development of corporate power, increasing corporate abuses and malpractices are only some of these developments (Korten, 1995, 2001; Bailey et al, 1999; Manu, 1996; Madeley, 1999; Collins, 2000; Utting, 2000). Recent demonstrations of all kinds in the streets of Seattle, Stockholm, Genoa, and London are now challenging the very nature of capitalism and questioning the impact of MNCs on society in general and on LDCs in particular. More

importantly, we are all becoming caught in a global economic system and increasingly becoming slaves to our own corporations (Shearer, 2002). It has been argued that if the expansion of MNCs' operations is not accompanied with responsibility and accountability immediately, the world will be '*subject to unending exploitation under the aegis of efficiency*' (Schweiker, 1993, p. 231).

Social responsibility and accountability of corporations are complex concepts, not defined by numbers, but that does not mean they can be sidestepped in accounting research². I have illustrated in chapter 2 from the business literature that it is difficult enough to find a single definition and understanding of a corporation's responsibility to a society. In chapter 4, I have illustrated that it becomes immensely difficult to define social responsibility when the corporation becomes an MNC, as the societies it operates through its subsidiaries are numerous and diverse sovereign entities with different legal structures, and different socio-political, economic and cultural characteristics (see also, UN, 1999). In other words, economic globalisation complicates already existing complex issues – corporate social responsibility and accountability – more than before. Currently, corporate social responsibility of MNCs not only includes their responsibility to the parent country's society but also includes responsibility to diverse and numerous societies where their subsidiaries operate (UN, 1999).

MNCs operate in an LDC through their subsidiaries. Through their subsidiaries' operation, they can pursue their corporate objectives such as maximisation of shareholders' wealth, (their wealth as they are often the major shareholder of the subsidiary), taking advantage of the increased privatization,

² Indeed, conceptualising social responsibility and social accountability issues is a limitation in traditional financial accounting (Gray et al., 1996).

deregulation and liberalization policies of many LDCs' governments (UN, 1999). International agreements provide more scope to MNCs to operate internationally. They are seen to be the most important beneficiaries of globalisation, liberalisation of investment, and international trade regimes (UN, 1999). Through their subsidiaries' operation in different countries, they are capable of influencing the development of the world economy, most importantly, different societies and their constituents' social well-being (Mason, 2005). The anxiety, which is related to the expansion of MNCs' operations to LDCs in particular, stems from the apparent conflict between the power of the corporations versus the power of LDCs where it seems that MNCs are the winners (see section 4.2.2 of chapter 4). It highlights the resultant conflict between the economic growth that LDCs needed through encouraging MNCs' operations and the social and environmental dislocation and desecration that is alleged to result. Such concerns are very relevant to my own country: Bangladesh (described in section 5.3 in chapter 5). In such a context, should this expansion of MNCs' operations in LDCs be accompanied by an increase in corporate responsibility and accountability? In the international context, this question attracts particular attention to social and environmental accountability of MNCs and also of their subsidiaries (Mason, 2005). Of even more pressing concern is how social and environmental accountability is discharged, or neglected, by large multinational corporations and their subsidiaries in an LDC (Donaldson, 1982; Donaldson and Preston, 1995; Donaldson and Dunfee, 1994). More specifically, is their operation in LDCs accompanied by providing accounts to those who are living in economically disadvantage countries (i.e. LDCs), for example, those powerless to effect the corporation's conduct; victims of environmental pollution, consumers of

dangerous and poorly made products, and workers who are poorly paid? Otherwise, how will people of an LDC know that the operations of MNCs and their subsidiaries do not conflict with the social and environmental well-being of that country? More importantly, greater disclosure in terms of social and environmental information may provide LDCs' societies an opportunity to develop their bargaining powers in a multi-party bargaining process. This appears to have given rise to pressure on MNCs and their subsidiaries to make more social disclosures (Redebaugh and Gray, 1997).

This study implies that MNCs have responsibility that goes beyond what the stated regulations in an LDC require individually, and what agreements prescribe internationally. More importantly, social and environmental accountability that arises from social responsibility needs to be discharged by MNCs and their subsidiaries rather than neglecting it. The study thus is motivated by the assumption of wider responsibility, greater accountability of MNCs and the demand for greater disclosure from MNCs and their subsidiaries to the Bangladeshi people.

The assumption of greater accountability by MNCs would be particularly important in South Asia in general and in Bangladesh in particular in light of the social and environmental disruptions that accompany the globalisation process (Kumar, 2003). Examples include struggles between rice growers and shrimp farms, dumping of industrial wastage by corporations in nearby rivers, the Magurchara Gas Field disaster, and the inhuman working conditions that prevailed within the factories of the garment and textile industries in Bangladesh (ILO, 1998; Siddiqui, 2001). Moreover, while the image of Bangladeshi business in the developed world is linked to child labour in the garment sector, the real

issues on the ground relates to more widespread issues of inadequate compensation for injuries, failure to pay minimum wages to adults and a mainly female workforce (Kumar, 2003). These are just a few examples, and Bangladeshi society is facing many other social and environmental disruptions with the increasing pace of industrial development and corporations' economic activities in this country.

The radical reforms of economic management in the 1980s, as a result of political changes and with the assistance of international financial institutions such as the World Bank and IMF, have resulted in an increase in foreign direct investment and industrial development in Bangladesh (see chapter 5). However, restrictions on trade unions, flexible fiscal policy, incentives offered by the state and a more catalectic view taken by the Bangladeshi government towards foreign direct investment, has helped to aggravate social and environmental problems further (see chapter 5). Many of the social and environmental concerns in Bangladesh are particularly related to key industries like textile, garments, leather and pharmaceuticals. Moreover, the development of stock exchanges, such as the Dhaka Stock Exchange, as a requirement of the market economy means there is a development of information flow from corporations to relevant financial stakeholders (i.e. government bodies, stockholders, creditors and investors). This, however, does not help the Bangladeshi people to get information regarding the social and environmental impact of corporations upon them. Moreover, whereas the corporate responsibility debate in developed countries is shifting increasingly to the scrutiny of MNCs' global operations - social responsibility and accountability of their subsidiaries in LDCs - there are no studies, that the

researcher is aware of, that focus on social accountability and CSR of subsidiaries in Bangladesh.

Gray et al. (1996) mention that CSR is an important factor in the development of accountability. Following Gray et al. (1996), I have illustrated in chapter 2 that such a view is based on social contract theory, which tends to consider that companies and other organisations operate in society via a social contract. I have also illustrated in chapter 3 that the normative variant of stakeholder theory directly relates to the accountability model. That is, the organisation-stakeholder relationship in which an organisation interplays is based on a socially grounded relationship that involves responsibility and accountability (Gray et al., 1996). Thus, the organisation owes accountability to all of its stakeholders and the need to discharge its accountability is the argument behind normative accountability. From this normative stance, I wish to see that accountability of large business, mainly of MNCs, exists and is similarly discharged by them irrespective of their operation in an LDC: Bangladesh. In another words, corporations, particularly subsidiaries of MNCs will provide social and environmental information to Bangladeshi people voluntarily to discharge their accountability. They will not produce CSR in my country because they simply do not feel pressure to provide accounts in operating a business. From my perspective I am currently unable to see how such a situation can be morally justified Gray et al. (1996, p. 41) mention that *moral and natural rights in a society exist but are changing and developing over time*. These rights are not necessarily legal rights and may be quasi-legal and philosophical. These rights, particularly philosophical rights, which are considered relative rather than absolute, can be understood differently in different societies. This does not

necessarily mean that such rights would only be appropriate in certain countries (Western countries) and will not be applicable in my country. Indeed, we can expect that accountability of corporations is particularly important to address in an LDC context due to many imperfections in the market, and the social and environmental problems that are observed in LDCs (Samuels, 1990). Bangladesh is not an exception. Moreover, it is questionable to ignore the responsibility and social accountability of business in my country simply because of its socio-political characteristics such as poverty and underdevelopments, corruptions, political unrest and bureaucracy. More importantly, social responsibility and accountability of business can be different in an LDC or be difficult to identify and establish, but this does not mean that these things do not exist or that they can be ignored in any society (Gray et al., 1996).

Gray et al. (1996) argue that society is a social system that incorporates economics and interacts with, natural, ethical and metaphysical systems. Society is thus a whole complex of social relationships. Considering *active democracy* as the appropriate moral basis upon which to organise society, Gray et al. (1996) identify the need for information flows from organisation to society. Currently, in LDCs as in Western countries, the requirement to report to shareholders (financial accounting) is one instance of explicit accountability being established within the law that requires a mandatory, although minimal, flow of financial information by organisations to a particular group or powerful groups. This means that the concept of accountability and the role of providing information to discharge accountability are not new in accounting, although the predominantly financial nature of information directed to the most powerful groups means traditional

financial reporting is anti-democratic³ (Gray et al., 1996). CSR, through an accountability framework and increased flow of information can be used to *'develop the democratic functioning of information flows relating to responsibilities established in law, in quasi-law plus those we must constantly debate: the philosophical (natural / moral) responsibilities'* (Gray et al, 1996, p. 41). Taking this view at the very least, I hope that CSR has potential in my country also; at least to expose inequalities of power between business organisations, particularly MNCs and the host society, and the social and environmental problems the country presently undergoes, through developing democratic functioning of information flows.

Despite my normative view and concern for social accountability, it is documented in the literature in chapter 2 and 3, that social accountability still has major problems. These problems, as mentioned by Gray et al (1996) are to do with 'power'. First, inequalities of power in the social structure and the increasing economic power of corporations, that I have illustrated in chapter 4 (section 4.2) from the international business literature, means democratic functioning of information itself can become anti-democratic, as providing social and environmental information is still mainly voluntary and in the hands of powerful corporations. In such a case, powerful groups are identified by the organisation concerned and CSR can be directed to them to manage them in order to maintain further the interests of the organisation. This means that CSR has been a medium for corporations to maintain stakeholder relationships as illustrated in the positive variant of stakeholder theory (see section 3.2.2 in chapter 3). Second, if society or

³ By anti-democratic Gray et al. (1996, p.41) mean that traditional financial reporting 'represents and reinforces the neo-pluralist view of an unbalanced distribution of power: power includes the ability to require accountability'.

any groups in a society do not have power to enforce accountability, then no accountability is due to them (see, also Tricker, 1983; and Stewart, 1984). However, accountability can still be due even when it cannot be enforced (Gray et al., 1996). Following Gray et al. (1996), I have discussed in chapter 2 (section 2.2) that a moral right to information flows from legal or non-legal establishment (see also, Gray et al., 1987, 1996; Gray, 1992), irrespective of enforcement. Therefore, a duty of accountability exists even it is not discharged. Indeed, accountability and discharged accountability are different issues (see, Gray et al., 1996). The fact is that whether an organisation discharges its accountability or not actually indicates a lack of democracy (Gray et al., 1996). In another words, it indicates accountability that is ignored by a particular organisation in a particular country in a particular time. Therefore, looking both at the presence of CSR and the absence of CSR by large corporations, particularly subsidiaries of Western MNCs, through an accountability framework my intention is to understand the society-organisation relationship presently in my country and the role that CSR potentially plays or is playing in this. The presence of CSR can perhaps indicate the development of accountability, democracy and instances of social groups that have succeeded in taking control of their own corporations or foreign subsidiaries. Looking at CSR of MNCs and their subsidiaries will provide further instances of the development of responsibility and accountability of MNCs within their subsidiaries' operations in an LDC. On the other hand, the absence of CSR would indicate the successful exercise of power and influence by organisations (not necessarily business organisation but state), to maintain the present system rather than opposing it and thus reproducing the capitalistic system with an unbalanced power distribution within it. In such a context, looking at the CSR of subsidiaries

would further provide instances of corporate power of MNCs compared to LDCs, and their governments' role in maintaining the present capitalistic system and thus assisting economic globalisation without increased social responsibility and accountability.

The thesis is mainly descriptive and focuses on corporate practices (and/or absence of practices), mainly the CSR of large domestic corporations and subsidiaries in their annual reports in Bangladesh. It first looks at CSR practices of large corporations in Bangladesh and the UK. Second, it looks at CSR practices of subsidiaries of MNCs and large domestic corporations in Bangladesh in more detail. Managerial opinions on CSR, particularly why they produce or do not produce CSR, is collected to provide more insights into the presence and/or absence of CSR in corporations' practices. Moreover, managerial perceptions regarding social responsibility are collected to explain CSR practices in reference to social responsibility recognised by managers in the Bangladesh context. On top of this, views of stakeholders are also collected regarding the CSR practices of corporations. This study therefore gathers evidence from both groups to add empirical knowledge on CSR practices/non-practices of subsidiaries in Bangladesh.

14.2 Discussions on findings

This section offers discussions on CSR practices and non-practices observed particularly in subsidiaries of MNCs in Bangladesh, that have been gathered through content analysis and interviews outlined in previous chapters 8, 9, 11, 12 and 13. First, managers' perceptions regarding social responsibility and CSR in Bangladesh within subsidiaries and large domestic corporations as outlined in

chapters 11 and 12 are discussed. Second stakeholders' perceptions regarding CSR in Bangladesh as explained in chapter 13 is illustrated. Third, a discussion is offered on actual CSR practices and explanations of such practices using these perspectives. Fourth, a discussion on CSR practices and explanations of such practices is offered from present CSR theories.

14.2.1 Managerial perspectives on social responsibility

Chapter 11 illustrates managerial perspectives on social responsibility in Bangladesh. It indicates how subsidiaries' and domestic corporations' managers articulate responsibility to broader groups of stakeholders. Managerial perspectives are investigated in line with the sub-research question which is: How do corporate managers perceive their social responsibility in Bangladesh?⁴

The next section provides a summary of key findings from previous chapters related to managerial perspectives on social responsibility, and the following section provides a discussion.

14.2.1.1 Key findings on managerial perspectives on social responsibility

Table 14.1 shows key findings and inferences from previous chapters related to managerial perspectives on social responsibility.

⁴ Please see Table 1.1 of chapter 1.

Table14.1

Key findings related to managerial perspectives on social responsibility

No.	Page/section	Key findings
1	p296 of section 11.1	Domestic companies appear to place a higher weight on their responsibility to government than do subsidiaries of MNCs
2	p294 and p300 of section 11.1	Interviewees frequently gave the impression that any notion of social responsibility was very general and ill thought-through – not at all specific or related to practice.
3	p314 of section 11.2	Reputation appeared to be a much stronger motivation for the subsidiaries than for the domestic companies – although this might only be a question of language and fashion
4	P334 of section 11.5	The analysis of the interviews suggests strongly that subsidiaries are more likely to be reactive to social issues in their sense of responsibility whilst domestic companies are more likely to adopt an apparently pro-active but self-interested stance.

14.2.1.2 Discussion on key findings

It has been illustrated that interviewees recognise their responsibility, to groups other than their shareholders - towards employees, the community, the natural environment and the government of the country to a significant extent (see, section 11.5.1 and graph 11.1). There is less evidence from interviewees in both corporations of recognising responsibility towards customers, suppliers or disadvantaged groups, such as child labour in Bangladesh. It should be noted that while managers recognise broader groups of stakeholders, their primary concern is recognising their responsibility to shareholders and parent corporations, in the case of subsidiaries.

It appears that interviewees are addressing issues only relevant to those stakeholders whom the company thinks important, which hints at stakeholder management. It also came into view that recognising responsibility to broader groups of stakeholders such as employees, the environment and the community is in line with those stakeholders similarly identified in many Western countries in most of the previous literature. The exception is government as an influential

stakeholder. Domestic companies appear to place a higher weight on their responsibility to government and customers than do subsidiaries of MNCs (see, section 11.1.1, p296).

Four different rationales are found behind accepting social responsibility to the above mentioned stakeholder groups. These are: pro-active recognition, reactive recognition, feeling obligation, and chief executives' personal influences (see, section 11.2). The dominance of pro-active, reactive motivations and chief executives' personal influence with a self-interested rationale can be clearly seen (see, Table 11.7, 8 section 11.2.5). This reconfirms suggestions made in the social responsibility literature, most particularly by O'Dwyer (1999) in the Irish case.

It appears that self-interest is not necessarily equated with profit-maximisation or shareholders' wealth maximisation rather than the long-term interests of a corporation, such as reputation maintaining activities (Table 11.8). Reputation appeared to be a much stronger motivator for the subsidiaries than for the domestic companies - although this might only be a question of language and fashion (section 11.2, p314). To the interviewees from subsidiaries particularly, self-interest is equated with maintaining their parent corporations' interests (short-term or long-term) especially the brand image of global corporations (see, section 11.2.2).

Overall, pro-active self-interested recognition of responsibility in both corporations are directed to community and employees. Interviewees from both corporations see issues related to community need to be managed to keep their image up in the community (see, section 11.1.2). Responsibility to employees in terms of training and employee development is also seen from the point of increasing productivity that could benefit the company (see, section 11.1.1).

Interviewees both from domestic and subsidiaries justify a responsive approach to external pressure - they perceive - behind engaging in social and environmental activities if it could potentially damage the economic interest of the company they work for (section 11.2.3). To the subsidiaries, the main source of pressure is external to the country such as their parent corporations, international NGOs and media (Table 11.9). Their social and environmental activities are most often influenced by their parent corporation's policy (see, section 11.3). For an example, interviewees from subsidiaries see their environmental responsibility issue as a matter of maintaining their head-office's or group's environmental policy and standard rather than only complying with the Bangladeshi government's rules and regulations (see, section 11.3.1 and Table 11.2). Overall, it seems that subsidiaries felt more pressure (internal and external sources) than domestic corporations to engage in social and environmental activities. The analysis suggests strongly that subsidiaries are more likely to be reactive to social issues in their sense of responsibility - probably (although this was not fully explored in the interviews) within the framework set by the parent companies as a logic of economic globalisation whilst domestic companies are more likely to adopt an apparently pro-active but self-interested stance (section 11.5, p334). Initial inference would suggest that this says more about MNCs than about domestic corporations

Overall, interviewees frequently have the impression that any notion of social responsibility was very general and is limited to responsibility to employees and community, although concern for the environment is growing. The local tradition of philanthropy dominates the social responsibility agenda in Bangladesh and is similar to the South Asian tradition of philanthropy (Kumar, 2003). Most large

corporations including foreign subsidiaries still restrict themselves to philanthropic activities such as establishing foundations and supporting social projects, such as flood aid programmes. Companies have yet to consider incorporating environmental and ethical issues as part of their social responsibility. Foreign subsidiaries and export-oriented large corporations are adopting environmental programmes and policies relating to the natural environment and labour conditions, but almost entirely at the insistence of their parent companies.

The thesis argues that the economic theory which constructs the identity of the organisation will always prevail over its social responsibility irrespective of whether the corporation is a subsidiary or domestic. In particular, any system of accountability that is constrained by purely economic rationale, (as we have seen in comparative advantage theory of MNCs, or bargaining theory when business goes for internationalisation), is inadequate to discharge its own accountability, because within economics (the bargaining process for FDI) the very existence of providing accounts is subordinated to the self-interest of that economic structure (i.e. MNCs). Moreover, in an LDC such as in Bangladesh a tie between interests of political elite and economic elite means, they work to support each other and thus are less interested to promote CSR but to maintain their present status. Hence, development of corporate accountability and discharge of accountability in Bangladesh are only possible, if political accountability can be enforced.

14.2.2 Managerial perspectives on CSR

This section discusses results regarding different perspectives of interviewees from subsidiaries and large corporations on CSR practices (or absences) as documented in chapter 12. Managerial perspectives on CSR are investigated in line with the sub-research question which is: How do corporate managers perceive CSR practices (or absences of such practices) in Bangladesh?⁵

The next section provides a summary of key findings from previous chapters related to managerial perspectives on CSR, and the following section provides a discussion.

14.2.2.1 Key findings on managerial perspectives on CSR

Table 14.2 shows key findings and inferences from previous chapters related to managerial perspectives on CSR.

Table14.2
Key findings related to managerial perspectives on CSR

No.	Page/section	Key findings
1	p275 of section 10.1.2	MNC subsidiaries appeared to be more open to discuss issues of accountability than are domestic companies.
2	p366 of section 12.3	Interviewees were reluctant to speak about ethical issues, and would not even permit the researcher to visit any trade union leaders or workers
3	p341	Domestic companies appeared unclear as to why they undertook voluntary disclosure.
4	p355	There is a particularly strong suggestion in a number of the subsidiary interviews that they are increasingly exposed as a Western subsidiary in an LDC. CSR would put the parent company under more scrutiny from Western and global society if subsidiaries' social and environmental performance is reported in the home country by their parent company.
5	p349	Reasons for voluntary disclosure (non-disclosure) in the annual reports are complex and varied.
6	P358	Reasons for absence of CSR is also culture and country specific.

⁵ Please see Table 1.1 of chapter 1.

14.2.2.2 Discussion on key findings

While it was possible to interview all subsidiaries covered under content analysis, few domestic corporations in similar industrial groups agreed to talk about their perspectives on CSR (section 10.1.2, p274). Based on the interview experience, it seems that subsidiaries of MNCs were more open to discuss accountability issues and their perspectives on CSR than domestic corporations (section 10.2, p275). Interviewees from both subsidiaries and domestic corporations equally see employee information followed by community information as major reporting issues in CSR (section 12.1.1 and Table 12.1). It appears that ethical issues such as using child labour and unhealthy and unsafe employment conditions that it is claimed are present in many corporations' practices in Bangladesh, are not mentioned by managers as important issues of reporting (see, Table 12.1). Moreover, managers were reluctant to speak on ethical issues, and would not even permit the researcher to visit any trade union leaders or workers. Interestingly, while interviewing a top executive of a very reputable company, the researcher observed that while happily speaking about their company's policy of providing employee benefits, the executive was at the same time taking a phone call from the production unit regarding workers organising a strike to call for a bonus for working over Eid (national Muslim festival) (section 12.3, p366).

Many managers, particularly from domestic corporations, had difficulties giving clear reasons for such practice. They even gave the impression that they reported these issues simply because other successful subsidiaries did so. It appeared that many of the interviewees, although recognising their responsibility

to some social groups, failed to recognise that they are obliged to report to those groups.

There is a particularly strong suggestion in a number of the subsidiary interviews that they are increasingly exposed as a Western subsidiary in an LDC (section 12.1.2.5, p355). Concerns about LDCs – both at home and amongst Western agencies working in Bangladesh – raise the risk of legitimacy threats and change the legitimacy game for the parent and the subsidiary CSR, and would put the parent company under more scrutiny from Western and global society if subsidiaries' social and environmental performance is reported in the home country by their parent company (section 12.1.2.5, p355). In particular, if parent corporations had to disclose more social and environmental information regarding their social and environmental performance it would empower host LDCs' governments and other parties in the multi-party bargaining process. Most importantly, international civil societies and home country society could influence subsidiaries' actual social and environmental performance by getting social and environmental information regularly. Indeed, CSR could lead to action being taken over local issues, locally or globally, based on the reliable social and environmental information it contains, and thus it has the potential to empower Bangladeshi society or international society to act upon such information and pressure the government or a particular corporation. The subtle influence of CSR in the bargaining process of international trade is thus hinted at, although not empirically realised.

It seems that reasons for voluntary disclosure (and non-disclosure) in the annual reports are complex and varied. Indeed, each interviewee gave evidence of multiple reasons behind such reporting and it was possible to group them into six

core reasons (Table 12.3). These are similar to those suggested in the Western social accounting literature. In similarity to the reasons for the presence of CSR, it was possible to identify five core reasons for the absence of CSR (Table 12.5). It was very difficult to say one single reason works for the presence or absence of CSR in Bangladesh. It hints at the idea that a simple single-theory explanation for such multiple reasons is unlikely to be satisfying.

Whilst reasons given echo reasons in the Western literature, there seems little question that a cultural and country specific effect is also at work (Table 12.5). There was a particularly strong suggestion in a number of interviewees that certain socio-cultural traits of Bangladesh did not encourage CSR in Bangladesh as it was seen as publicising good deeds. Social and environmental NGOs viewed CSR in a more subtle way, pointing to country specific variables and also pointing to CSR as a distraction from the corporations.

14.2.3 Social and environmental NGOs' perceptions of CSR

This section discusses views from social and environmental NGOs regarding the presence (or absence) of CSR as documented in chapter 13. Stakeholders' perceptions of CSR are investigated in line with the sub-research question which is: How do social stakeholders perceive CSR practices (or absences of such practices) in Bangladesh?⁶

The next section provides a summary of key findings from previous chapters related to social and environmental NGOs' perspectives on CSR, and the following section provides a discussion.

⁶ Please see Table 1.1 of chapter 1.

14.2.3.1 Key findings on social and environmental NGOs’ perspectives on CSR

Table 14.3 shows key findings and inferences from previous chapters related to managerial perspectives on CSR.

Table14.3
Key findings related to social and environmental NGOs’ perceptions on CSR

No.	Page/section	Key findings
1	p376 of section 13.1	NGOs view CSR as a distraction and window dressing – i.e., lying. The needs of the country are acute and CSR concerns are nearly always a diversion or a distraction.
2	p382	Absence of CSR is linked to country specific context (i.e., economic, political).

14.2.3.2 Discussion on key findings

Interviewees have seen two major reasons behind the presence of CSR. These are: CSR frames a company’s view on certain social and environmental issues; CSR serves interests of business. Both hint that CSR is actually viewed by social and environmental stakeholders as a public relations exercise tool (see, section 13.1. and 2). There was a particular strong suggestion in a number of social and environmental NGOs interviews that it was fashionable to disclose some social and environmental issues in a way that appears positive for the company’s reputation. They view CSR as a distraction and window dressing by corporations. The analysis of the interviews strongly suggest that the present needs of the country are acute and more to do with running social and environmental programmes both by corporations, government and civil society rather than concern regarding reporting: who is reporting what (p 385). Indeed, it was noticed that many of the interviewees did not actually read the annual report of the company in depth.

Interviewees have seen the absence of CSR from economic, power and political perspectives rather than tracing only the cultural explanations behind it (see, section 13.2). Their views suggest that government and politicians are important parties to ensure social and environmental responsibility and also accountability in this country. Interviewees view that they (the government and political parties) do not bother about the general public; poor people and other social and environmental groups are very vulnerable to the power and influence of commercial organisations and that their voice is not heard; that they have a lower level of education; and there is less public interest in reading annual reports (see, section 13.2.1, 2 and 3). More importantly, the unavailability and the non-accessibility to annual reports, even though these should be available as required by law, is mentioned as a major issue hindering the effectiveness of CSR through annual reports. This appears to be a political issue and the Bangladeshi government needs to ensure that annual reports are actually accessible to the wider public. Otherwise how could the public know what has been reported there? The absence of CSR here is not only to do with asking why managers do or do not produce CSR, but also to ask what channel they chose to disclose social and environmental information in Bangladesh. The next section offers a discussion on actual CSR practices and non-practices in Bangladesh.

14.2.4 CSR practices and non-practices in Bangladesh

Chapters 8 and 9 illustrate CSR practices in Bangladeshi domestic corporations and subsidiaries in Bangladesh and the UK. Actual CSR practice is investigated in line with the first sub-research question which is: To what extent

are corporations currently disclosing social and environmental issues in their annual reports in Bangladesh and the UK?⁷

The next section provides a summary of key findings from previous chapters related to CSR practices in Bangladesh and the following section provides a discussion.

14.2.4.1 Key findings on CSR practices

Table 14.4 shows key findings from previous chapters related to CSR practices found in Bangladesh.

Table14.4
Key findings related to CSR practices

No.	Page/section	Key findings
1	P237	Although size and industrial classification are commonly accepted explanations of CSR, there seems little question that disclosure is country specific.
2	p257	The sample of subsidiaries of MNCs are reporting less frequently and on a narrower range of issues in Bangladesh than the apparent average level of reporting by Bangladeshi domestic corporations by industry – despite being bigger in general than the company with which they are matched.
3	p258	The sample of subsidiary companies consistently reported somewhat a greater volume than that reported by domestic Bangladeshi companies.
4	p261	Despite this, the reporting on subsidiaries remains broadly in line with average reporting by industrial group by domestic companies.
5	p267	Reporting by MNC subsidiaries in Bangladesh does not look like the reporting by MNC parents in their home country.
6	p267	Home country reporting by MNCs did not mention Bangladesh.

⁷ Please see Table 1.1 of chapter 1.

14.2.4.2 Discussion on key findings

It is found that in two years (1999-2000), listed companies (subsidiaries of MNCs and large corporations) do voluntarily disclose social and environmental information in their annual reports in Bangladesh. More importantly, there is an increase in the level of information voluntarily disclosed by these companies. It was revealed while doing content analysis of parent companies that had their subsidiaries operating in Bangladesh, that home country reporting by MNCs did not mention anything specific to Bangladesh. Parent companies appeared, on the basis of this experience, not to be more open to disclose social and environmental issues of their subsidiaries to their home country people.

It is suggested that CSR mainly means employee disclosure in Bangladesh as it accounts for most CSR in two study years, although two years' data is not sufficient enough to establish a trend (section 8.3.1 in chapter 8). The finding is consistent with other studies that are done in developing countries (Belal, 1999; Imam, 2000; Kuasirikun and Sherer, 2004; Teoh and Thong, 1984; Tsang 1997; Lodhia 2000; Kisenyi and Gray, 1998). This is also consistent with the existing CSR literature in developed countries, in particular that of Guthrie and Parker (1990). Guthrie and Parker (1990) suggest that the most common theme of CSR in the UK, US and Australia is the employee disclosure. However, in 'employee disclosure' the greatest amount of disclosure – 39% of total employee disclosure – in Bangladesh concerns the 'value-added statement' which is not common at least in the UK, US and Australia. After employee issues, disclosures of community, environmental and director information are the next most prevalent in annual reports. While director information is mandatory, community information and environmental information other than 'energy data' are not.

Overall, other than 'value-added' data, the social and environmental information provided within the categories of employee, environment, community and directors is very general. The very general social and environmental disclosure of companies in Bangladesh suggests the need for this type of disclosure to be regulated in future to allow more meaningful assessment of corporate social and environmental performance. It is worth mentioning that some serious social and environmental issues currently prevalent in Bangladesh such as the use of child labour, the number of accidents that happen in the work place and other health and safety issues at work, appear not to be reported by any single corporation. Indeed, this study on the presence of CSR practices hints more at the absence of many social and environmental concerns in Bangladesh.

A comparison between CSR in the UK and Bangladesh shows a different trend in CSR in terms of the amount devoted and issues disclosed in CSR. Given the fact that CSR is subject to size and industrial classification, different trends in issues of disclosure between these two countries are also subject to mandatory and voluntary distinction and different emphasizes on disclosure issues by companies which are country specific (see, section 8.3.3 and p237). For example, 'Director Information' as a single disclosure issue occupies the highest level of disclosure in the UK while 'value added disclosure' occupies the highest disclosure in Bangladesh (see, graph 7 in chapter 8 in section 8.3.3). Moreover, all companies in the UK disclose corporate governance issues, which is very uncommon in Bangladesh. In addition, 'employee welfare expense', which is a voluntary disclosure in Bangladesh, includes 'medical benefits', 'housing benefits', 'canteen expenses' and 'costs of uniforms' provided to the employee. Information provided in this category is often found to be financial in nature and reported within the

company annual reports in Bangladesh and not common in the UK. Hence, overall, social and environmental disclosure patterns in Bangladesh are country specific.

It is observed that the CSR of subsidiaries does not look like the reporting by MNC parents in their Home Country. It does look like the reporting specific to Bangladesh (see, section 9.2.1, graphs 9.1, 2 and 3 of section 9.2.2). For an example, value-added data – which is a voluntary disclosure and occupies a major portion of the CSR in Bangladesh not common in the UK – accounts for a major portion in both domestic corporations' and subsidiaries' CSR in Bangladesh (section 9.2.2, Table 9.5 and 9.6). Moreover, comparing UK subsidiaries' CSR with their parent corporations' CSR it is observed that all UK subsidiaries report value-added data in Bangladesh while their parent corporations in the UK do not report any (see, section 9.3. and Table 9.7). There is no considerable difference observed between the CSR of subsidiaries and selected domestic corporations in terms of volume and issues of reporting although the average volume of CSR reported by subsidiaries is slightly higher than that of domestic corporations (see, section 9.2.2, Table 9.3 and 9.4). In addition, comparing each subsidiary's CSR to their industry wide average, as recorded in Chapter 8, reveals that most of the subsidiaries in Bangladesh are producing CSR at a level below their industrial average, with the exception of two (see, section 9.2.2 and Table 9.2). Moreover, comparing UK subsidiaries' CSR to their parent corporations' CSR it is observed that all UK subsidiaries account for less volume of disclosure compared to their parent corporations (see, section 9.3. and table 9.7 and 8). It is found that subsidiaries do not even report many of the same issues as their parent corporations, and that they have a different emphasis in terms of the social and

environmental issues which they do report in Bangladesh (see, section 9.3. Graph 9.4 and 5). For example, it is observed that while parent companies disclose issues such as 'consult with employees', 'information regarding disabled people' and 'equal opportunity information', none of these issues are reported by their subsidiaries in Bangladesh. Moreover, parent companies cover many issues in their environmental disclosures - such as environmental policy, environmental audit, waste, sustainability, energy and environmental other data - whereas their subsidiaries' environmental disclosure in Bangladesh covers only 'energy data' and very general 'environmental other information'. Overall, the CSR trend suggests that subsidiaries are practising CSR similar to the CSR practices of domestic corporations in terms of the amount of annual report devoted to such practices and issues covered under CSR. Hence, overall, it is hard to explain subsidiaries' CSR practices in line with their parent corporations' CSR practices although they may follow their parent corporations' social and environmental policy or group's policy. It appears that subsidiaries' CSR practices can be explained more in line with the country specific trend of Bangladesh irrespective of their origin. Therefore, it is hard to accept that subsidiaries of MNCs will report a greater extent of disclosure in terms of social and environmental issues in an LDC. In other words, the claim that subsidiaries of MNCs will provide extended social and environmental disclosure compared to domestic corporations in a LDC due to foreign affiliation is not conclusive (but see, Teoh and Thong, 1984).

14.2.5 Explanations of CSR practices and non-practices through managerial and social stakeholders' perspectives

This section considers how the above perspectives illustrated in sections 14.3.1, 2 and 3 assist in explaining CSR practices outlined in section 14.3.4. This is addressed in line with the research question which is: To what extent do corporate managers' perceptions, along with societal stakeholders' perceptions of CSR provide sufficient explanation for CSR practices (or absences) in Bangladesh?⁸

It should be noted that these are restricted to perceptions provided by interviewees so a generalisation may not be possible.

It is seen that employee disclosure including value-added data is the highest disclosure in Bangladesh. Managers' perspectives suggest that most employees are pro-actively recognised as an important asset for the economic success of corporations. Moreover, due to the historical development of strong trade unionism in Bangladesh since its independence, managers seem to take a reactive stance as well in recognising responsibility to employees, however for their own interests. Managerial perspectives on CSR equally suggest that most managers see employee reporting as a part of their social and environmental disclosure. This is partly motivated by pro-actively recognising employees as an asset and partly by mandatory reporting regulations on some employee issues. Dominance of value-added data is consistent with the prevailing economic focus of social responsibility conception. Value-added data is provided mainly to keep employees happy, showing how much share of value they are getting from the corporation (Roberts, 1991). It also shows government share in terms of tax and other

⁸ Please see Table 1.1 of chapter 1.

contributions by the corporation. The relatively high proportion of value-added data in both subsidiaries and domestic corporations' annual reports may reflect country specific disclosure in Bangladesh. However, the absence of employee health and safety information, accidents happening in the production premises of corporations that are frequently reported by newspapers, and the high number of women and children employed, accord with a lack of any prevailing sense of accounting for these issues. This is consistent with stakeholders' views of CSR as framing issues that the company is interested in, rather than the interests of the general Bangladeshi population.

A very low level and quality of environmental disclosure is observed. Only energy information is found to be disclosed regularly. This is a mandatory reporting regulation in Bangladesh. The voluntary disclosure on environmental issues is very low and very general. The managerial perspective suggests that there is pressure to recognise environmental responsibility. However, such a view is limited to interviewees from subsidiaries and pharmaceutical corporations. Managerial perspectives on CSR suggest that most of the interviewees view reporting environmental information as their priority; however, this is also mainly limited to interviewees from pharmaceutical and chemical corporations. It appears that this particular industry is consistently reporting environmental information, although not to a greater extent. The overall low level of environmental disclosure other than energy consumption data is consistent with the very general emphasis placed by managers on environmental responsibility rather than having their own environmental target and policy to address that target. It is apparent that other than subsidiaries, very few domestic corporations' managers admitted that they have their own environmental policy and standard. Even, subsidiaries' managers refer

to their group environmental policy, however, not reporting how they put those policies in action in Bangladesh. This means that although MNCs are showing their concern for accountability to the natural environment in their home (developed country), their subsidiaries in Bangladesh are not. Information on community issues is the second most popular area of disclosure in Bangladesh.

Community disclosure mainly includes donations and philanthropy activities. Managerial perspectives suggest that community responsibility is pro-actively recognised in order to maintain corporations' philanthropic images in society. This is consistent with the view that positive community news (i.e. donations or philanthropic activities) will actually increase the image of corporations in the local society while negative information such as numbers for child labour, woman labour, health and safety issues, wage discrimination according to gender, and rights to trade unionism would all affect the image of corporations negatively. However, despite the sense that companies might use community disclosure to at least further their own interests, community information in the annual report does not actually reach the wider community (i.e. outside shareholders, employee and government agencies). Both managerial and stakeholder perspectives suggest that disclosing social information through newspaper, television and radio could be the alternatives in the Bangladesh context. These were preferred, as they are perceived as enabling corporations to report more effectively to wider communities in Bangladesh.

Overall, it appears that CSR practices and non-practices observed in Bangladesh can be explained with managerial and stakeholders' perspectives on social responsibility and CSR, which are limited to serving the interests of business and lack any prevailing sense of obligation to report. It appears that

many of the interviewees, although recognising their social responsibility, fail to recognise that they have moral obligation to be accountable to stakeholders. CSR is practiced as a possible means of influencing opinion of selected stakeholders or to create an image of the corporation to maintain their self-interests, and this is supported by pro-active and reactive self-interest perspectives on social responsibility (section 14.3.1). These perspectives exhibit little concern with using CSR in order to increase transparency and discharge accountability by providing greater extent of social and environmental disclosure. It seems that organisations are playing a role like an accountable person rather than actually feeling or discharging accountability. Acting like an accountable organisation becomes a means to an end - serving the interests of large corporations. Therefore, managers recognise those stakeholders which they see as influential to the operation of the business, rather than stakeholders who are actually affected by the operation of the business (14.3.1). In this context, CSR is published with the intention of mitigating potentially damaging effects of influential groups, rather than as a way of showing concern for those groups who may be affected by managerial decisions. CSR becomes limited by the activities these managers see as part of their social responsibility and often concerned with corporate image or economic interest rather than concern for ordinary people. Managers' perceptions regarding disclosure of social and environmental information suggest that such reporting might create more expectations of corporations rather than depleting society's view. This actually supports the absence of CSR in Bangladesh. Moreover, managers view a lack of demand for CSR in Bangladesh as opposed to feeling obligation to account on the basis of information rights. This is further supported when one considers stakeholders' perceptions regarding the absence of CSR.

14.2.6 Explanation of CSR practice by present theories

Explaining CSR practices in general and of subsidiaries in particular in Bangladesh through present popular theoretical interpretations requires caution. First, this study takes the view that no single theory can interpret the whole pattern of CSR observed at a particular time (Gray et al., 1995a). Second, it takes the view that interpretation of present theories cannot be taken for granted in explaining CSR of a developing country due to the very different socio-political context of developing countries (Gray et al, 1996). Third, the nature and trend of CSR practices of subsidiaries and their parent companies are rarely examined or interpreted through present theoretical explanations of CSR. However, given the qualitative and interpretative nature of the study, no definitive conclusions can be suggested behind CSR practices found in this study.

14.2.6.1 Stakeholder theory explanations

It is difficult to explicate CSR practices in Bangladesh by the stakeholder theory. The normative version of the stakeholder theory, which suggests that corporations recognise broader groups of stakeholders to discharge their accountability, is far from recognised in CSR practices here. Most managers do recognise responsibility to broader groups of stakeholders, however, this does not stem from an altruistic intention of discharging accountability (section 11.2.4); rather it is influenced by serving the interests of shareholders. Even, when managers recognise broader stakeholders pro-actively, such recognition is found to be secondary to the economic interests of the corporation (section 11.2.2). CSR is not encouraged if counter-productive to the economic interests of the company, and what is more, the annual report is perceived as an impotent channel for CSR

to reach wider audiences, partly due to cultural and partly due to political reasons. This in turn means that while managers pro-actively recognise responsibility to wider groups of society, perhaps there is much less motivation to provide accounts through CSR in Bangladesh. Moreover, the absence of CSR is not only a matter of whether corporations decide to provide social and environmental disclosure through CSR but choosing the channel of disclosure also matters.

The other version of stakeholder theory, which suggests that corporations do manage influential stockholders' views by providing CSR, may have some relevance to Bangladesh. The socio-political reality of Bangladesh does not seem to be an environment in which managers currently feel a strong need to manage the local society's perception of their company other than with their employees, the community and the government. As a result, any CSR is focused mainly to these few stakeholders. Moreover, the presence of CSR at the subsidiary level (in Bangladesh), similar to domestic corporations, highlights the fact that an MNC may have a similar attitude to manage the perceptions of a few stakeholders within Bangladesh.

14.2.6.2 Legitimacy theory explanations

In general, it appears that CSR is not a successful means of legitimation in Bangladesh. Legitimacy theory, which holds that organisations produce CSR to seek congruence between the social expectation of a firm and the firm's appropriate social conduct, is not strongly supported by the findings. Organisations in Bangladesh may have less incentive to use CSR because the particular local context means that there is less pressure to report social and environmental performance, despite the pressure for such performance. The

national cultural context in which businesses operate also does not encourage CSR and illustrates the inappropriateness of the annual report as a legitimation device in Bangladesh. From the managerial perspective, the absence of CSR paradoxically may actually reflect a desire on the part of management to avoid future pressure in terms of increased expectations from society rather than seeing CSR as a successful legitimacy strategy to mitigate pressure.

However, the views of managers, especially interviewees from subsidiaries, regarding social pressure in recognising accountability to broader stakeholders, do offer some interesting conclusions on legitimacy theory. There is a strong suggestion in a number of the subsidiary interviews that they are increasingly exposed as a Western subsidiary in an LDC and that concerns about LDCs – both at home and amongst Western agencies working in Bangladesh – raise the risk of their legitimacy being under threat. This changes the legitimacy game for the parent and the subsidiary, compared to domestic corporations' CSR, by subsidiaries appearing to use a strategy of self response to future legitimacy threats but keeping CSR as much as possible at the subsidiary's level rather than putting CSR in stand-alone reports or the annual report of the parent company. Otherwise, why do parent corporations not disclose social and environmental activities of their subsidiaries in their reports? It appears that subsidiaries seek congruence between social expectations of a firm (which is limited to a philanthropic image, the traditional South Asian image), and the firm's appropriate social conduct (involvement in community programme) by providing disclosure on their social involvement. However, there is not any suggestion that a desire for legitimacy has been translated into consistent and widespread reporting on ethical issues in Bangladesh. This, overall, suggests that although in fact a

notion of legitimacy exists, the popularity of disclosure issues as a legitimacy strategy to managers also depends on how managers themselves articulate social expectations in a particular context and in a particular time.

14.2.6.3 Political economy explanation

It is very difficult to provide complete evidence in favour of or against the political economy explanation of CSR in this study. In particular, the lack of disclosure found in the practices of both subsidiaries and domestic corporations offers little evidence to support the version of political economy theory which suggests that, being under pressure from different groups in society, a company provides CSR in order to capture the social agenda. Instead, there is evidence that CSR consists of mostly positive news, and very general policy statements which in many cases are not followed up by reporting on actual achievements. They do not provide any negative information that could hamper the economic interests of corporations. This suggests that companies may use CSR as a public relations exercise and reflects the fact that CSR is a political document.

The political economy explanation of CSR in Bangladesh is supported by the absence rather than presence of disclosure. The political economy explanation for the absence of CSR is that a company will not disclose information which is not consistent with its business interests, thus it hides many issues of social concern and discloses little. The absence of some serious social and environmental concerns in the present CSR seems to support this. For example, despite the growing social concern over child (and women's) labour and trade union rights in certain sectors (particularly in subsidiaries of MNCs), which is voiced in interviews with NGO executives, very few of these issues are reported by either

domestic or subsidiary managers in Bangladesh. This is due to their belief that it may damage their company's economic interests to draw these issues to the attention of the international media, their customers, or the population at large. They may then face criticism of any improvements in their economic performance or demands for further action in addressing and solving these problems. Instead, therefore, these issues are not disclosed. The channel that corporations are presently using for CSR practices - the annual report - may also be political. Corporate managers know that the annual report is inaccessible, available to few stakeholders such as employees, investors, and government agencies, even though it is a public document in Bangladesh. It means that wider social and environmental groups have little chance to read the annual report page by page and seek social and environmental information through it. This ultimately points to the fact that social and environmental information is actually kept from the public in general, if it is only published in annual reports.

Overall, it appears that a single theory (i.e. stakeholder, legitimacy or political economy) can not explain whole social and environmental reporting phenomenon observed in Bangladesh. Rather, several motivations behind CSR means that each theory provides a slightly different and useful insight into CSR practices (Deegan, 2002). Gray et al.'s (1995a) suggestion seems to be true that in the absence of an "accepted" single theory to explain the phenomenon of social and environmental reporting, stakeholder and legitimacy interpretations can be put within the broader framework of a political economy explanation, even in a LDC.

14.3 Suggestions and recommendations, limitations of this study, research contributions, future research

14.3.1 Suggestions and recommendations

CSR in Bangladesh would have little VALUE if it is seen merely as serving the corporate power structure rather than promoting public interests. To realise at least some potential benefits of CSR to society, a practical view needs to be taken: CSR will only be appreciated if it promotes a social responsibility agenda in Bangladesh - an agenda tailored to the ground realities in this country and not one imported from the Western world and multinationals. However, it should be recognised that managers and social community groups emphasised a number of cultural, economic and political obstacles to any form of future development of CSR in Bangladesh, as documented in previous chapters (chapter 11, 12 and 13).

Overcoming these obstacles will need an integrated effort by international organisations, the home country of the MNC and the host country where subsidiaries operate, rather than individual efforts from selective environmental and social groups within a developing country's society.

At the national level, the immediate imperative in Bangladesh is reform of the social, business and political structure by developing institutions, educational establishments and management training, from which CSR may become a spin-off. The real concern is to reform the legislative structure to make CSR mandatory, and enact initiatives for political and social development in favour of CSR or developing an accountability mechanism, which would benefit all members of society. So far, Bangladesh has lots of laws but little enforcement; likewise, it has a large population but little protection of human rights. Businesses, the government, NGOs and the media can together play a strong role

in social development that will in turn help to develop a community consciousness regarding accountability and CSR issues. Without developing any such requirement for CSR issues from the local community, CSR reporting may be merely another Western fashion (Kemp, 2001). It would appear that opening up discussion, through conferences, seminars and working with organisations, may enable at least some form of mutual understanding of social responsibilities and the way society expects them be reported (O'Dwyer, 1999; Owen et al., 1997).

At the international level, international organisations, the home state, the host state and civil society need to work together to build up a new form of governance and to educate social groups about the impact of international business and society's right to know. If globalisation allows the expansion of an economy, that expansion should be accompanied by increased accountability (UN, 1999). A greater extent of social and environmental disclosure may help to engage multiple parties to work upon information in a multi-party bargaining approach. Organisations working in a developing country may become more aware of their responsibilities and their accountability when they have to. So the impulse or pressing of corporations should come from society and the state, preferably from the home developed society where the majority of MNCs are rooted. Bailey et al (1994) argue that it is possible for a developed country to control their organisations. The home society may like to see whether their company's subsidiaries are operating responsibly in a host developing country and thus may feel that their company should also provide accounts to them. It can be noted that globalisation does not only lead to globalisation of some commercial organisations; it also hints at creating a global society that is increasingly concerned for global accountability of global business. It is therefore, suggested

that a home country government should, by law, ensure that MNCs are held responsible for the operation of their subsidiaries and should report fully on the subsidiaries' social and environmental performance to the home country. Examples of legislation designed to make a parent company liable for the irresponsible social and environmental performance of their subsidiaries is not rare and has already started in the USA. The Global Reporting Initiative (GRI) suggests an international effort to design a global standard of reporting, mostly limited to developed country practices. The GRI initiative needs to include CSR of subsidiaries operating in developing countries and work to develop reporting standards that MNCs need to follow, both at subsidiary and parent company level. Such global standards also need to accommodate or recognise cultural diversity and the socio-political context of a developing country.

At the company level, there is a clear need to develop a new set of skills and awareness among the rising generation of business leaders. Already there are signs of a greater awareness of the need for 'social responsibility' thinking. The task is to deepen and broaden this awareness from philanthropic to wider responsibility across the whole spectrum of corporations, including domestic and international. An effective way of doing this is through management training on why and how corporate responsibility practices will be made a part of business operations. International businesses need to re-think their social and environmental policy and international code of conduct, if they have any intention of being seen as socially and environmentally responsible. Their social and environmental group policy should not only cover social and environmental standards but also require policies and guidelines for managers of subsidiaries to face social and environmental decisions. The subsidiary's actual social and

environmental performance should be followed up by a strong monitoring system, perhaps through a social and environmental audit by internal and external groups, and reporting on actual performance should be published in both the annual report of the subsidiaries and that of the parent company.

More research into both CSR in developing countries and international business is required. Such research should engage academics, professionals and other groups of society in intellectual debate on the social and environmental accountability of international business.

14.3.2 Limitations of the study

Like many other studies, this study is limited to analysis of CSR in the annual reports of the sample companies, and the researcher does not claim that the study analysed all the CSR made by the companies both in the UK and Bangladesh. Some UK companies may be undertaking a large amount of CSR through separate, stand-alone social and environmental reports or through other media such as the Internet, which is not captured by this study. The study is also limited to content analysis over a period of two years. The sample of companies in Bangladesh selected for the content analysis represents the 50 largest companies quoted on the Dhaka Stock Exchange.

Quantitative data regarding CSR content was collected through a research instrument developed at the Centre for Social and Environmental Accounting Research (CSEAR). Although such an instrument may be ideal for collecting data from annual reports of UK companies, as it was developed for the UK context, it may not be equally as suitable for capturing all CSR contents reported by companies in Bangladesh. However, the instrument was amended to suit the

Bangladesh context and was pre-tested before being used on the final sample of annual reports. In addition, the researcher went through the content analysis twice to increase the reliability of the data and two other researchers checked the content analysis for the UK corporations. At the initial stage, variations between the amounts of data measured by the three coders were found and this was subsequently corrected.

Corporate managers and executives from NGOs were interviewed, and these interviews were held at the subsidiary and organisation (both commercial and NGOs) level in Bangladesh. Sample of managers were uneven between subsidiaries of MNCs and domestic corporations. For example, 39 interviews were collected from subsidiaries while only 10 interviews were collected from domestic corporations. This at some extent limits strict comparison between subsidiaries and domestic corporations. No interviews were conducted at the parent company level due to the fact that the main focus of the study is to understand CSR practices of MNCs at the subsidiary level in a developing country. The fact that most managers did not agree to be tape-recorded and did not feel comfortable speaking while they were being tape-recorded, may limit the discussion as the majority of interviews were not recorded. Rather, a comprehensive note-taking method was adopted in conducting interviews. Any explanation for the CSR practices using interview data is limited to the particular sample of managers and executives' perceptions and cannot be generalised.

This study also recognised that other theories such as decision usefulness, media agenda setting or structuration theory could have some (but limited) relevance for explaining some of the findings although the study do not use those theories. This is left for future research.

14.3.3 Research contributions

This research contributes to the literature on CSR. It also contributes to the literature on international business. These contributions are outlined below.

As far as the researcher is aware, it is the first descriptive study of CSR practices of subsidiaries in Bangladesh. It provides the first detailed description of motivations behind such practices (or absence of practices) among subsidiaries of MNCs using managerial and stakeholders' perspectives on social responsibility and CSR. This is also the first comparative study, as far as I am aware, of CSR practices between a parent company (operating in the UK) and its subsidiaries (operating in Bangladesh) in the international comparative CSR literature using managerial and stakeholders' views on social responsibility and CSR. This is also the first study, as far as I am concerned, which provides evidence that subsidiaries of MNCs will provide extended social and environmental disclosure compared with domestic corporations due to foreign affiliation in an LDC - an important assumption made by Teoh and Thong (1984) - is actually not recognised from foreign subsidiaries CSR practices in Bangladesh.

The study adds to the CSR literature by examining CSR practices of subsidiaries in a developing country as a means of discharging accountability. It does this in three ways. First, it makes use of quantitative data, gathered through content analysis of annual reports, on CSR of parent companies and their subsidiaries reporting in two different countries. Although content analysis of annual reports is very common in the international comparative CSR literature, as far as the researcher is aware no study has before used content analysis at both subsidiary and parent company level to understand the nature of CSR produced by single corporations in two different country contexts. In this way, it contributes to

the existing international comparative CSR literature not only by explaining variations in CSR within different countries but also by addressing the variations in MNCs and subsidiaries' reporting in different countries. Second, it explores CSR practices of subsidiaries in line with domestic corporations in similar industrial groups in Bangladesh and concludes that subsidiaries practice CSR in line with domestic corporations although their social and environmental policies are influenced by their parent corporations. This is a particularly important contribution of the study - to present CSR practices by subsidiaries in an LDC. Third, it uses in-depth interviews with corporate managers in Bangladesh to understand their perspectives on social responsibility and CSR taking O'Dwyer's (2002, 2003) view that such use of interview data provides a richer analysis of CSR, rather than solely using secondary data gathered only by content analysis an approach not found very often in the CSR literature. In that way the study also fills in the apparent gap in the CSR literature. Fourth, it also makes use of in-depth interviews with one group of the community NGOs, gathers their views on CSR in Bangladesh and compares them with those of corporate managers to get a deeper understanding of such practices. There have previously been very few attempts to understand CSR from a societal point of view.

14.3.4 Future research.

Due to the lack of research into CSR in the context of developing countries in general, and Bangladesh in particular, there are many potential avenues for future research. One such avenue may involve studying further different stakeholders within a developing country to examine social views regarding CSR. As this study only looked at the views of one group of stakeholders - NGOs - the views of other

stakeholders could be examined, such as the government, pressure groups and community groups. One can also look at if there is any pressure for CSR in a developing country from external to the country (i.e donor agencies or consumer groups). In other words, whether CSR in a developing country is externally influenced rather than internally driven. There are more opportunities to do research particularly on CSR practices of subsidiaries.

This study, as far as the researcher is aware, is one of very few studies of CSR in developing country and the first in Bangladesh which explored corporate social responsibility and CSR of MNCs. This study therefore calls for further research in social responsibility and CSR of international business. There are at least two possible avenues of further research. One can examine corporate social responsibility and CSR practices of a single subsidiary in a case study fashion. Another possible future research could incorporate CSR practices of all subsidiaries of a single MNC. In such a study, one can compare CSR practice of different subsidiaries of a particular MNC. Such study could contribute to further understanding of the international differences in CSR practices of subsidiaries.

14.4 Summary and conclusions

This chapter summarises and concludes the findings of the study. It first briefly explains the research motivations and context and then offers a discussion on the major findings of the research, from the research context, research inquiries and present CSR theories. It then outlines the overall contribution of the research, suggestions and recommendations made, suggests potential future research directions, and the limitations of this study.

The main aim of this study has been to describe and evaluate corporate social and environmental disclosure practices of large corporations in general and subsidiaries of MNCs in particular in Bangladesh. At the heart of this enquiry is the question of responsibility and accountability to affected parties for actions generating social and environmental threats in LDCs. In conclusion, the study suggests that companies (subsidiaries of MNCs and large corporations) do voluntarily disclose social and environmental information in their annual reports in Bangladesh. More importantly, there is an increase in the level of information voluntarily disclosed by these companies in the years 1999 and 2000. CSR in Bangladesh mainly means employee disclosure. After employee issues, disclosures of community and environmental issues are the next most prevalent in annual reports. While there are similarities between social disclosure practices in Bangladesh and that in the UK, social and environmental disclosure patterns in Bangladesh are not identical to those in the UK. It has been seen that subsidiaries disclose social and environmental issues more in line with Bangladeshi national companies than they do with their MNC parents although their social and environmental policy is influenced by their parent corporations. This reflects the fact that accountability reflects the environment in which it takes place. There are opportunities to investigate further why this is the case. This study, however, hints to the fact and suggests a political economy explanation of CSR as pointed out by Guthrie and Parker (1990). Guthrie and Parker (1990, pp172-173) suggest that:

“..a political economy theory of social disclosure is both viable and may contribute toward our understanding of observed developments in national reporting practices. Corporate social disclosure have appeared to reflect public social priorities, respond to government pressure, accommodate environmental

pressures and sectional interests, and protect corporate prerogatives and projected corporate images”

It is suggested that managerial perspectives on their corporations’ social responsibility and CSR together with stakeholders’ perspectives provide a better explanation of social and environmental disclosure trends found in Bangladesh. Although a great deal of the thesis is based upon an implicit assumption (that is widespread in the social accounting literature) that social responsibility for a thing can be used to explain reporting on a thing, the thesis makes a cautious note that this is always not the case. It has been seen that managerial perspectives on social responsibility and CSR is limited to business interest and lack of obligation to account.

The main reasons for practicing CSR in the annual reports by both corporations are complex and varied, although overall provide a minimum sense of accountability. Simple single-theory explanations are unlikely to be satisfying. Whilst the reasons given echo reasons in the Western literature, there seems little doubt that a cultural, political and country specific effect is also at work. It can be argued that in the growing capitalistic economy, a greater occurrence of social and environmental disclosure to discharge accountability in Bangladesh, voluntarily produced by corporations and in particular by subsidiaries, for the country’s society will be a remote possibility. This is not only because the organisations are in control of selecting the issues of CSR, but also for the fact that the needs of the country are acute. They are more to do with social and environmental action programmes (i.e., poverty alleviation programmes), raising concerns related to corporate social responsibility and accountability, along with political accountability and transparency within the country and empowering government

and civil society in the multiple bargaining process on which MNCs are now clearly the winner. CSR has real potential in this if parent corporations do disclose complete and reliable information on their subsidiaries' social and environmental activities rather than only keeping CSR at their subsidiaries' level. Initiatives by Bangladeshi government and third parties are also of utmost importance in the development of accountability and the discharge of accountability by international business through CSR in an LDC. In Bangladesh, social and environmental pressure groups may take such initiatives. At the heart of this, Global Reporting Initiatives need to consider categorisation and standardization of subsidiaries' CSR practices similar to that of their parent MNCs' practices.

Bibliography

- Abayo, A.G., Adams, C.A. and Roberts, C.B. (1993). "Measuring the quality of corporate disclosure in less developed countries: the case of Tanzania." Journal of International Accounting Auditing & Taxation 2(2): 145-158.
- Abbot, W.F. and Monsen, R.J. (1979). "On the measurement of corporate social responsibility: self reported disclosures as a method of measuring corporate social involvement." Academy of Management Journal 22(3): 501-515.
- Abrahams, D. (2004). Regulating corporations: a resources guide. UNRISD Publication, Geneva.
- Acar, W., Aupperle, K.E., and Lowey, R.M. (2001). "An empirical exploration of measures of social responsibility across the spectrum of Organizational Analysis." The International Journal of Organizational Analysis 9(1): 26-57.
- Adams, C.A. (2002). "Internal organisational factors influencing corporate social and ethical reporting beyond current theorizing." Accounting, Auditing & Accountability Journal 15(2): 223-250.
- Adams, C.A., Hill, W.Y. and Roberts, C.B. (1995a). Environmental, employee and ethical reporting in Europe. ACCA Research Report No. 41. ACCA, London.
- Adams, C.A., Coutts, A. and Harte, G. (1995b). "Corporate equal opportunities (Non) disclosure." The British Accounting Review 27(2): 87-108.
- Adams, C.A. and Kuasirikun, N. (2000). "A comparative analysis of corporate reporting on ethical issues by UK and German chemical and pharmaceutical companies." The European Accounting Review 9(1): 53-79.
- Adams, C. and Harte, G. (2000). "Making discrimination visible: the potential for social accounting." Accounting Forum 24(1): 56-79.
- Adams, C. and Harte, G. (1998). "The changing portrayal of the employment of women in British bank's and retail companies' corporate annual reports." Accounting, Organizations and Society 23(8): 781-812.
- Adams, C.A., Hill, W.Y. and Roberts, C.B. (1998). "Corporate social reporting practices in Western Europe: legitimating corporate behavior?" The British Accounting Review 30(1): 1-21.
- Adler, R.W. and Milne, M.J. (1997). Media exposure, company size, industry, and social disclosure practices. Paper presented at the 5th Interdisciplinary Perspectives on Accounting Conference, Manchester.

- Agle, B.R., Mitchell, R.K. and Sonnenfeld, J.A. (1999). "Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values." Academy of Management Journal 42:507-525.
- Ahmad, Q.K. (2001). Perspectives on sustainable development in Bangladesh. Paper presented at the World Summit on Sustainable Development-Bangladesh Perspectives Towards 2002, Dhaka.
- Ahmed, M. (1989). "Transnational corporations from Asian and Pacific developing economies in Bangladesh." Bangladesh Journal of Political Economy 9(2): 341-383.
- Ahrens, T. (1996). "Styles of accountability." Accounting, Organizations and Society 21(2/3): 139-173.
- Akhtaruddin, M. (2005). "Corporate mandatory disclosure practices in Bangladesh." The International Journal of Accounting 40: 399-422.
- Alderson, P. (1999). On doing qualitative research linked to ethical healthcare. A report based on the proceedings of the Qualitative Research: A Vital Resource for Ethical Healthcare Conference, London.
- Ali, M.Y. (1999). "Economic liberalization and growth in Bangladesh: the role of foreign private investment." In M. Alauddin and S. Hasan (Eds.), Development, governance and the environment in South Asia: A focus on Bangladesh (pp. 87-100). Macmillan Press Ltd.
- Allison, R. (1993a). "Environmental issues and international business." In E.J. Preston (Ed.), International business: text and cases. Pitman Publishing, London.
- Allison, R. (1993b). "The multinational enterprise: some theoretical issues." In E.J. Preston (Ed.), International business: text and cases. Pitman Publishing, London.
- Alauddind, M. and Hamid, M.A. (1999). "Coastal aquaculture in South Asia: experiences and Lessons." In M. Alauddin and S. Hasan (Eds.), Development, governance and the environment in South Asia: A focus on Bangladesh (pp. 289-298). Macmillan Press Ltd.
- Alauddind, M. (1999). "Trade among South Asian nations: experiences and prospects." In M. Alauddin and S. Hasan (Eds.), Development, governance and the environment in South Asia: A focus on Bangladesh (pp. 117-129). Macmillan Press Ltd.
- Amba-Rao, S.C. (1993). "Multinational corporate social responsibility, ethics, interactions and third world governments: An agenda for the 1990s." Journal of Business Ethics 12: 553-572.

Andrew, B.H., Gul, F.A., Guthrie, J.E. and Teoh, H.Y. (1989). "A note on corporate social disclosure practices in developing countries: the case of Malaysia and Singapore." British Accounting Review 21: 371-376.

Arnold, P.J. (1990). "The state and political theory in corporate social disclosure research: a response to Guthrie and Parker." Advances in Public Interest Accounting 3: 177-81.

Bangladesh Observer. (1996). "Issues behind stock market: An editorial." Daily Newspaper, January, Dhaka.

Bailey, D., Harte, G. and Sugden, R. (1994). Making transnational accountable: a significant step for Britain. Routledge, London.

Bailey, D., Harte, G. and Sugden, R. (1999). Towards a multilateral framework on investment: the need for regulated corporate accountability (Working Paper No. 40). Department of Commerce, University of Birmingham.

Bailey, D., Harte, G. and Sugden, R. (2000). "Corporate disclosure and the deregulation of international investment." Accounting, Auditing and Accountability Journal 13(2): 197-218.

Bansal, P. and Roth, K. (2000). "Why companies go green: a model of ecological responsiveness." Academy of Management Journal 43(4): 717-36.

BATA Shoes Bangladesh Limited (2001). Annual report. BATA publication, Dhaka.

British American Tobacco Bangladesh Limited (2000). Annual report. BATB publication, Dhaka.

Baydoun, N. and Willett, R. (1995). "Cultural relevance of Western accounting system to developing countries." ABACUS 31(1): 67-92.

Baydoun, N. and Willet, R. (2000). "Islamic corporate reports." ABACUS 36(1): 71-90.

Beauchamp, T.L. and Bowie, N.E (2001). Ethical theory and business (6th ed.). Upper Saddle River. NJ: Prentice-Hall.

Bebbington, J., Gray, R. and Owen, D. (1999). "Seeing the wood for the trees: taking the pulse of social and environmental accounting." Accounting Auditing and Accountability Journal 12(1): 47-51.

Beck, U. (1992). Risk society: towards a new modernity. London, Sage.

Beck, U. (1999). What is Globalization? Cambridge, Polity Press.

Belal, A.R. (1999). "Corporate social reporting in Bangladesh." Social and Environmental Accounting 19(1): 8 -12.

- Belal, A.R. (2000). "Environmental reporting in developing countries: empirical evidence from Bangladesh." Eco-Management and Auditing 7: 114-121.
- Belal, A.R. (2001). "A study of corporate social disclosure in Bangladesh." Managerial Auditing Journal 16(5): 274 -289.
- Belal, S.K. and Imam, S. (2002). "Environmental accounting and reporting: a conceptual framework with an Insight into Bangladesh perspective." In A.K. Pramanik (Ed.), Environmental Accounting and Reporting. Deep and Deep Publication.
- Belkaoui, A. (1976). "The impact of the disclosure of the environmental effects of organizational behaviour on the market." Financial Management Winter: 26-31.
- Belkaoui, A. (1980). "The impact of socio-economic accounting statements on the investment decision: an empirical study." Accounting, Organizations and Society 5(3): 263-283.
- Belkaoui, A. and Karpik, P.G. (1989). "Determinants of the corporate decisions to disclose social information." Accounting, Auditing and Accountability Journal 2(1): 36-51.
- Bendell, J. (2004). Barricades and boardrooms, UNRISD publication. Geneva.
- Benston, G.J. (1982). "Accounting and corporate accountability." Accounting, Organizations and Society 7(2): 87-105.
- Benston, G.J. (1984). "Rejoinder to accounting and corporate accountability: an extended comment." Accounting, Organization and Society 9(3/4): 417-19.
- Berman, S.L., Wicks, A.C. and Jones, T.M. (1999). "Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance." Academy of Management Journal 42(5): 488-506.
- Bhagwati, J. (1991). Political economy and international economics. The MIT Press, Cambridge.
- Bifani, P. (1992). "Environmental degradation in rural areas." In A.S. Bhalla (Ed.), Environment, employment and development (pp. 99-120). International Labour Organization publication, Geneva.
- Birch, D. (2003). "Corporate social responsibility: some key theoretical issues and concepts for new ways of doing business." Journal of New Business Ideas and Trends 1(1): 1-19.
- Birkin, F. (1996). "The ecological account: from cogito to thinking like a mountain." Critical Perspectives on Accounting 7: 231-57.

Blanchard, J. (1998). "A case for mandatory disclosure rules." Corporate Public Affairs 8(3).

Block, F. (1987). "The ruling class does not rule: notes on Marxist theory of the state" Socialist Revolution. 33:6-28

Boddeewyn, J.J. (1995). "The legitimacy of international business political behavior." The International Trade Journal IX(1): 144-161.

Board of Investment. (2002). Investment in Bangladesh - a guide to opportunities. Bangladesh Government publication.

Boatright, J.R. (1994). "Fiduciary duties and the shareholder- management relation: or what's so special about shareholders?" Business Ethics Quarterly.4(4): 393-407.

BOCB (2001). Annual Report. BOCB publication. Dhaka.

Bowman, E.H. and Haire, M. (1976). "Social impact disclosure and corporate annual reports." Accounting, Organizations and Society 1(1): 11-21.

Brown, N. and Deegan, C. (1998). "The public disclosure of environmental performance information: a dual test of media agenda setting theory and legitimacy theory." Accounting and Business Research 29(1): 21-41.

Buchdal, J. (1996). "Global change and its impact on world agriculture".Global change information programme. <http://www.doc.mmv.ac.uk/cric/agricul.html>.

Buhr, N. (1998). "Environmental performance, legislation and annual report disclosure: the case of Acid Rain and Falconbridge." Accounting, Auditing and Accountability Journal 11(2): 163-190.

Buhr, N. (2001). "Corporate silence: environmental disclosure and the North American free trade agreement." Critical Perspectives on Accounting 12(4): 405-421.

Buhr, N. (2002). "A structuration view on the initiation of environmental reports." Critical Perspectives on Accounting 13(30): 17-38.

Buhr, N., and Freedman, M. (2001). "Culture, institutional factors and differences in environmental disclosure between Canada and the United States." Critical Perspectives on Accounting 12(6): 293-322.

Burchell, S., Clubb, C. and Hopwood, A.G. (1985). "Accounting in its social context: towards a history of value added in the United Kingdom." Accounting, Organizations and Society 10(4): 381-413.

Burawoy, M. (2003). "For a sociological Marxism: the complementary convergence of Antonio Gramsci and Karl Polanyi". Politics and Society 31(2): 193-261.

Burrell, G. and Morgan, G. (1979). Sociological paradigms and organizational analysis. Gower Publishing, UK.

Campbell, D.J. (2000). "Legitimacy theory or managerial reality constriction? Corporate social disclosure in Marks and Spencer Plc corporate reports, 1969-1997". Accounting Forum 24(1): 80-100

Carroll, A.B. (1979). "A three-dimensional conceptual model of corporate social performance." Academy of Management Review 4(4): 497-505.

Carroll, A.B. (1991). "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders." Business Horizons July-August: 39-48.

Carroll, A.B. (1998). "The four faces of corporate citizenship." Business and Society Review 100(1): 1-7.

Carroll, A.B. and Nasi, J. (1997). "Understanding stakeholder thinking: themes from a finnish Conference." Business Ethics: A European Review 6(1): 46-51.

Carroll, A.B. (1999). "Corporate social responsibility: evolution of a definitional construct". Business and Society 38(3): 268-295.

Choudhuri, S. (1992). "European companies and export trade in the eighteenth century". Sirajul Islam (Ed). History of Bangladesh 1704 – 1971. Vol. ii. Asiatic Society of Bangladesh Publication.

Christian Aid (2004). Behind the mask: the real face of corporate social responsibility. Christian Aid publication. London.

Christmann, P. and Taylor, G. (2001). "Globalization and the environment: determinants of firm self-regulation in China." Journal of International Business Studies 32(3): 439-458.

Christmann, P. (2004). "Multinational companies and the natural environment: determinants of global environmental policy standardization." Academy of Management Journal 47(5): 747-760.

Chua, W.F. (1986). "Redical developments in accounting thought." The Accounting Review LXI(4): 601-632.

Clark, C.E. (2000). "Differences between public relations and corporate social responsibility: an analysis." Public Relations Review 26(3): 363-380.

Clarke, J. and Gibson, S.M. (1999). "The use of corporate social disclosure in the managment of reputation and legitimacy; a cross sector analysis of UK Top 100 Companies." Business Ethics: A European Review 8(1): 5-13.

- Clarkson, M.B.E. (1995). "A stakeholder framework for analyzing and evaluating corporate social performance." Academy of Management Review 20(1): 92 - 117.
- Collins, D. (2000). "The quest to improve the human condition: the first 1500 articles published in Journal of Business Ethics." Journal of Business Ethics 26: 1-73.
- Collison, D. (2003). "Corporate propaganda: its implications for accounting and accountability" Accounting, Auditing and Accountability Journal 16(5): 853-886.
- Cooper, D. J., and Sherer, M.J. (1980). "Discussion of towards a political economy of accounting." Accounting Organizations and Society 5(1): 161-166.
- Cooper, D. J., and Sherer, M.J. (1984). "The value of corporate accounting reports: arguments for a political economy of accounting." Accounting, Organizations and Society 9(3/4): 207-232.
- Cooper, C., Nue, D. and Lehman, G. (2003). "Globalisation and its discontents: a concern about growth and globalisation". Accounting Forum 27(4): 359-64.
- Cowen, S.S., Ferreri, L.B. and Parker, L.D. (1987). "The impact of corporate characteristics on social responsibility disclosure: a typology and frequency based analysis." Accounting, Organizations and Society 12(2): 111-122.
- CPD. (2001). Policy brief on industry and trade. In *Center for Policy Dialogue Task Force Report*. Retrieved from www.cpd-bangladesh.org.
- Cragg, W. and Greenbaum, A. (2002). "Reasoning about responsibilities: mining company managers on what stakeholders are owed." Journal of Business Ethics 39: 319-335.
- Crane, A. and Matten, D. (2004). Business ethics: a European perspective. Oxford.
- Davis, K. (1975). "Five Propositions for Social Responsibility." Business Horizons (June): 19-24.
- Davis, K. (1973). "The case for or against business assumption of social responsibilities." Academy of Management Journal 16(2): 312-322.
- Dawkins, J. and Lewis, S. (2003). "CSR in stakeholder expectations: and their implication for company strategy." Journal of Business Ethics 44: 185-193.
- Deegan, C. (2002). "Introduction: the legitimising effect of social and environmental disclosures - a theoretical foundation." Accounting, Auditing and Accountability Journal 15(3): 282-311.

- Deegan, C. (2002a). "Social and environmental reporting and its role in maintaining or creating organisational legitimacy." Accounting, Auditing and Accountability Journal 15(3): 277-436.
- Deegan, C., Rankin, M. and Tobin, J. (2002). "An examination of the corporate social and environmental disclosures of BHP from 1983 - 1997: a test of Legitimacy Theory." Accounting, Auditing and Accountability Journal 15(3): 312-343.
- Deegan, C., Rankin, M., and Voght, P. (2000). "Firms' disclosure reactions to major social incident: Australian evidence." Accounting Forum 24(1): 101-130.
- Deegan, C. and Gordon, B. (1996). "A study of the environmental disclosure practices of Australian corporations." Accounting and Business Research 26(3): 187-199.
- Deegan, C. and Hallam, A. (1991). "The voluntary presentation of value added statement in Australia: a political cost perspective" Accounting and Finance 31(1):1-21
- Deegan, C. and Rankin, M. (1996). "Do Australian companies report environmental news objectively?: An analysis of environmental disclosures by firms prosecuted successfully by the environmental protection authority" Accounting, Auditing and Accountability Journal 9(2): 50-67.
- Deegan, C. and Rankin, M. (1997). "The materiality of environmental information to users of annual reports." Accounting, Auditing and Accountability Journal 10(4): 562-83.
- Denzin, N.K. and Lincoln, Y.S. (1998). Strategies of qualitative inquiry. SAGE Publications, London.
- Denzin, N.K. and Lincoln, Y.S. (2000). Handbook of qualitative research. Sage, Publications Inc, California.
- Dierkes, M. and Antal, A.B. (1985). "The usefulness and use of social reporting information." Accounting, Organizations and Society 10(1): 29-34.
- DiMaggio, P. and Powell, W. (1983). "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields." American Sociological Review 48(1): 147-160.
- Disu, A. and Gray, R.H. (1998). "An exploration of social reporting and MNCs in Nigeria." Social and Environmental Accounting 18(2): 13-15.
- Donaldson, T. (1982). Corporations and morality. New Jersey, Prentice-Hall, Inc.
- Donaldson, T. (1992). "Can multinationals stage a universal morality play?" Business and Society Review 81: 51-55.

- Donaldson, T. and Preston, L.E. (1995). "The stakeholder theory of the corporation: concepts, evidence, and implications." Academy of Management Review 20(1): 65-91.
- Donaldson, T. and Dunfee, T.W. (1994). "Towards an integrative conception of business ethics; integrative social contract theory." Academy of Management Review 19(2): 252-84.
- Donaldson, T. (1996). "Values in tension: ethics away from home." Harvard Business Review September-October: 48-62.
- Dowling, J. and Pfeffer, J. (1975). "Organisational legitimacy: social values and organizational behavior." Pacific Sociological Review 18(1): 122-36.
- Dunning, H.J. (1996). Government, globalization and international business. Oxford University Press, Parton, UK.
- Dunning, J.H. (1992). "The competitive advantage of countries and the activities of transnational corporations." Transnational Corporations 1(2).
- Elkington, J. (1999). Cannibals with forks: the triple bottom line of 21st Century business. Oxford, Capstone.
- Emajuddin, A. (1979). "Dominant bureaucratic elites in Bangladesh and Pakistan." The Journal of Social Studies 6: 69-78.
- Evan, W.M. and Freeman, R.E. (1988). "A stakeholder theory of the modern corporation: Kantian capitalism." in Beauchamp, T.L. and Bowie, N.E. 1988, Ethical Theory and business, (3rd ed.). Englewood Cliffs, N.J.: Prentice-Hall.
- Everett, J. (2003) "Globalization and its new spaces for (alternative) accounting research". Accounting Forum 27(4): 400-424.
- Farouk, A. (1982). Changes in the economy of Bangladesh. University Press Limited, Dhaka.
- Fechner, H. and Kilgore, A. (1994). "The influence of cultural factors on accounting practices." The International Journal of Accounting 29: 265-277.
- Fisscher, O., Nijhof, A. and Steensma, H. (2003). "Dynamics in responsible behavior in search of mechanisms for coping with responsibility." Journal of Business Ethics 44: 209-224.
- FitzGerald, E.V.K. (2001). Regulating large international firms (Paper No. 5). United Nations Research Institute for Social Development, Geneva.
- Frederick, W.C. (1986). "Towards CSR3: why ethical analysis is indispensable and unavoidable in corporate affairs." California Management Review 28(2): 126-41.

Frederick, W.C. (1994). "From CSRI to CSR2: The maturing of business and society thought." Business and Society 33(2): 150-164

Freeman, R.E. (1984). Strategic management: a stakeholder approach. Pitman, Boston.

Freedman, M. and Jaggi, B. (1988). "An analysis of the association between pollution disclosure and economic performance." Accounting, Auditing and Accountability Journal 1(2):43-58.

Friedman, A.L. and Miles, S. (2001). "Socially responsible investment and corporate social and environmental reporting in the UK: an exploratory study." British Accounting Review 33: 523-548.

Friedman, M. (1970, 13 September). "The social responsibility of business is to increase its profits." New York Times Magazine.

Frooman, J. (1999). "Stakeholder influence strategies." Academy of Management Review 24(2): 191-205.

Galhofer, S., Gibson, K., Haslam, J., McNicholas, P. and Takiari, B. (2000). "Developing environmental accounting: Insights from indigenous cultures." Accounting, Auditing & Accountability Journal 13(3): 380-409.

Galhofer, S. and Haslam, J. (1997a). "The direction of green accounting policy: critical reflections." Accounting, Auditing & Accountability Journal 10(2): 148-174.

Galhofer, S. and Haslam, J. (1997b). "Beyond accounting: the possibilities of accounting and 'critical' accounting research." Critical Perspectives on Accounting 8(1/2): 71-96.

Gamble, G.O., Hsu, K., Jackson, C. and Tollerson, C.D. (1996). "Environmental disclosures in annual reports: an international perspective." The International Journal of Accounting 31(3): 293-331.

Gao, S. S., Heravi, S. and Xiao, Z. J. (2005). "Determinants of corporate social and environmental reporting in Hong Kong: a research note" Accounting Forum. 29(2):233-242

Garfinkel, H. (1984). Studies in Ethnomethodology. Polity Press. Cambridge org. Englewood Cliffs, NJ: Prentices-Hall, 1967.

Garvey, N. and Newell, P. (2004). Corporate accountability to the poor? assessing the effectiveness of community-based strategies. IDS working paper 227. Brighton, Sussex, England.

Ghartey, J.B. (1984). "Accountability, the threshold of political instability, underdevelopment, and misery: the case of Africa." The International Journal of Accounting 21(1): 142-159.

Glaxo SmithKline Bangladesh Limited (2001). Annual report. GlaxoSmithKline publication.

Government of Bangladesh (5 April, 1977). The Environmental Pollution Control Ordinance, Ordinance No. xiii of 1997. Bangladesh Gazette Extraordinary. Dhaka, Government of Bangladesh.

Government of Bangladesh (1982). Industrial policy 1982. Ministry of Industry, Dhaka, Government of Bangladesh.

Government of Bangladesh (1973). Industrial policy 1973. Ministry of Industry, Dhaka, Government of Bangladesh.

Government of Bangladesh (1984). *The Income Tax Ordinance 1984*. Dhaka, Government of the Peoples Republic of Bangladesh: The Bangladesh Gazette.

Government of Bangladesh (1987). *The Securities and Exchange Rules 1987*. Dhaka, Government of the Peoples Republic of Bangladesh: The Bangladesh Gazette.

Government of Bangladesh (1991). *The Banking Companies Act 1991*. Dhaka, Government of the Peoples Republic of Bangladesh: The Bangladesh Gazette.

Government of Bangladesh (1994). *The Companies Act 1994*. Dhaka, Government of the Peoples Republic of Bangladesh: The Bangladesh Gazette.

Graham, C. and Neu, D. (2003). "Accounting for globalization". Accounting Forum 27(4): 449-471.

Gray, R.H. (1992). "Accounting and environmentalism: An exploration of the challenge of gently accounting for Accountability, transparency and sustainability." Accounting, Organizations and Society 17(5): 399-426.

Gray, R.H. (1997). "The silent practices of social accounting and corporate social reporting in companies." In S. Zadek, P. Pruzan, and R. Evans (Eds.), Building corporate accountability: emerging practices in social and ethical accounting, auditing and reporting (pp. 201-217). Earthscan, London.

Gray, R.H. (2001). "Thirty years of social accounting, reporting and auditing: what (if anything) have we learned?" Business Ethics: A European Review 10(8-15).

Gray, R.H. (2002). "The social accounting project and accounting organizations and society privileging engagement, imaginations, new accountings and pragmatism over critique?" Accounting, Organizations and Society 27: 687-708.

Gray, R.H. (2002a). "Of messiness, systems and sustainability: towards a more social and environmental finance and accounting." British Accounting Review 34: 357-386.

Gray, R.H., Owen, D.L. and Maunders, K.T. (1987). Corporate social reporting: accounting and accountability. Hemel Hempstead, Prentice-Hall, UK.

Gray, R.H., Owen, D.L. and Maunders, K.T. (1988). "Corporate social reporting: emerging trends in accountability and the social contract." Accounting, Auditing and Accountability Journal 1(1): 6-19.

Gray, R.H. and Kouhy, R. (1993). "Accounting for the environment and sustainability in lesser developed countries: an exploratory note." Research in Third World Accounting 2: 387-399.

Gray, R., Kouhy, R. and Lavers, S. (1995a). "Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure." Accounting, Auditing and Accountability Journal 8(2): 47-77.

Gray, R., Kouhy, R. and Lavers, S. (1995b). "Methodological themes: constructing a research database of social and environmental reporting by UK Companies." Accounting, Auditing and Accountability Journal 8(2): 78-101.

Gray, R.H., Owen, D.L. and Adams, C.A. (1996). Accounting and accountability: changes and challenges in corporate social and environmental reporting. Prentice-Hall, London.

Gray, R.H., Owen, D.L., Evans, R. and Zadek, S. (1997). "Struggling with the praxis of social accounting stakeholders, accountability, audits and procedures." Accounting, Auditing & Accountability Journal 10(3): 325-364.

Gray, R. H., Javad, M., Power, D.M. and Singlair, C.D. (2001). "Social and environmental disclosure and corporate characteristics: a research note and extension." Journal of Business Finance & Accounting 28(3&4): 327-356.

Gray, R.H. and Collison, D. (2002). "Can't see the wood for the trees, can't see the trees for the numbers? Accounting education, sustainability and the public interest." Critical Perspectives on Accounting 13: 797-836.

Gray, S.J. (1988). "Towards a theory of cultural influence on the development of accounting systems internationally." ABACUS 24(1): 1-15.

Greenpeace. (2002). Bhopal principles on corporate accountability. Retrieved from <http://archive.greenpeace.org/earthsummit/bhopalprinciples.html>.

Guthrie, J. and Mathews, M.R. (1985). "Corporate social accounting in Australasia." In L.E. Preston (Ed.), Research in corporate social performance and policy. JAI press, Greenwich, CT.

Guthrie, J. and Parker, L.D. (1989). "Corporate social reporting: a rebuttal of legitimacy theory." Accounting and Business Research 9(76): 343-352.

- Guthrie, J. and Parker, L.D. (1990). "Corporate social disclosure practice: a comparative international analysis." Advances in Public Interest Accounting 3: 159-176.
- Hackston, D. and Milne, M.J. (1996). "Some determinants of social and environmental disclosures in New Zealand companies." Accounting, Auditing & Accountability Journal 9(1): 77-108.
- Hagde, P., Bloom, R. and Fuglister, J. (1997). Social financial reporting in India: a case." The International Journal of Accounting 32(2): 155-172.
- Haniffa, R.M. and Cooke, T.E. (2002). "Culture, corporate governance and disclosure in Malaysian corporations." ABACUS 38(3): 317-349.
- Heilbroner, R.L. (1972). In the name of profit. Doubleday, New York
- Helkama, K. (1981). *Towards a cognitive-developmental theory of attribution of responsibility – a critical review of empirical research and some preliminary data*. Helsinki. Suomalainen Tiedeakatmia.
- Hines, R.D. (1988). "Financial accounting: in communicating reality, we construct reality." Accounting, Organizations and Society 13(3): 251-62.
- Hogner, R.H. (1982). "Corporate social reporting: eight decades of development at US Steel". Research in Corporate Performance and Policy 4: 243-50
- Holland, J. (2001). "Financial institution, intangibles, and corporate governance" Accounting, Auditing and Accountability.14(4): 497-529
- Hooghiemstra, R. (2000). "Corporate communication and impression management: new perspectives why companies engage in corporate social reporting." Journal of Business Ethics 27: 55-68.
- Hopper, T. and Powell, A. (1985). "Making sense of research into the organizational and social aspects of Management Accounting: a review of its underlying assumptions" Journal of Management Studies 22(5): 429-465.
- Hossain, M.Z. (2002). Child labour in Bangladesh: magnitude, trends and futures. Retrieved from <http://www.cwa.tnet.co.th/book1-et/Bangladesh.htm>
- Hove, M.R. (1996). "Accounting practices in developing countries: colonialism's legacy of inappropriate technologies." In J. Blake and M. Hossain (Eds.), Readings in International Accounting (pp. 91-107). International Thomson Business Press, Boston, USA.
- Human Rights for Workers. (9 August, 1999). Human rights for workers bulletin 15(4). Retrieved from <http://www.senser.com/8-9.htm>.

Human Rights for Workers. (1998). Country report on human rights practices for 1998: a case of Bangladesh. Retrieved from http://www.state.gov/www/global/human_rights/1998_hrp_report/Bangladesh.html

Huberman, A.M. and Miles, M.B. (1994). "Data management and analysis methods." In N.K. Denzin and Y.S. Lincoln (Eds.), Handbook of qualitative research (pp. 428-444). Sage, Thousand Oaks, CA.

Hymer, S. (1976). The international operations of national firms. A published Ph D thesis MIT Press.

International Labour Organisation. (2000a). Studies on the social dimension of globalization: Bangladesh. ILO publication, Geneva.

International Labour Organisation. (2000b). Labour practices in the footwear, leather, textiles and clothing industries. ILO publication, Geneva.

International Labour Organisation. (1998). Labour and social issues relating to export processing zone. ILO publication, Geneva.

Imam, S. (1999). "Environmental reporting in Bangladesh." Social and Environmental Accounting 19(2): 12-19.

Imam, S. (2000). "Corporate social performance reporting in Bangladesh." Managerial Auditing Journal 15(3): 133-141.

Ingram, R.W. (1978) "An investigation of the information content of (certain) social responsibility disclosure." Journal of Accounting Research 16(2): 272-85.

Islam, N. (1977). Development planning in Bangladesh: a general study of political economy. St. Martin Press, New York.

ITGLWF. (1997). "The latest world of fashion: Karanigonji." Newsletter. Retrieved from <http://www.citinv.it/associazioni/CNMS/archivio/lavoro/karanigongii.html>.

Jaggi, B. and Zhao, R. (1996). "Environmental performance and reporting: perceptions of managers and accounting professionals in Hong Kong." The International Journal of Accounting 31(3): 333-346.

Jahan, N., and Alauddin, M. (1999). "Woman and the environment with special reference to rural Bangladesh." In M. Alauddin and S. Hasan (Eds.) Development, governance and the environment in South Asia: a focus on Bangladesh (pp. 301-312). Macmillan Press Ltd.

Jamil, M. I. (1998). Administrative culture in public administration: five essays on Bangladesh. Los Senteret Publisher, Bergen, Norway.

Jameson, D. (2000). "Telling the investment story: a narrative analysis of shareholder reports." Journal of Business Communication 37(1): 7-38.

Jawahar, I.M. and McLaughlin, G.L. (2001). "Toward a descriptive stakeholder theory: an organizational life cycle approach." Academy of Management Review 26(3): 397-414.

Jenkins, R. (2005). "Globalization, corporate social responsibility and poverty". International Affairs 81(3): 525-540.

Jick, T.D. (1979). "Mixing qualitative and quantitative methods: triangulation in action." Administrative Science Quarterly 24(4): 602-611.

Jones, M.T. (1996) "Missing the forest for the trees: a critique of the social responsibility concept and discourse." Business and Society 35(1): 7-41.

Jones, T.M. (1995). "Instrumental stakeholder theory: a synthesis of ethics and economics." Academy of Management Review 20(2): 404-437.

Jones, T.M (1985). "The analysis of depth interviews." In R. Walker (Ed.), Applied qualitative research. Gower, Aldershot.

Kang, Y.C. and Wood, D.J. (1995). "Before-profit social responsibility: turning the economic paradigm upside down. Proceedings of International Association for Business and society. 6: 408-418.

Kelegama, S., Weerakoon, D. and Jayasuna, S.K.W. (2000). Foreign direct investment and economic integration in the SAARC region. Paper presented at the 2nd Conference of the South Asia Network of Economic Research Institutes, Kathmandu, 28-29 August.

Kemp, M. (2001). Corporate social responsibility in Indonesia: Quixotic dream or expectation? (Paper No. 6). UNRIS publication.

Kindeleberger, C.P. (1969). American business abroad: six literatures on direct investment. Yale University Press.

Kisenyi and Gray, R.H. (1998). "Social disclosure in Uganda". Social and Environmental Accounting 18(2): 16-18.

Kobrin, J.S. (1991). "An empirical analysis of the determinants of global integration." Strategic Management Journal 12: 17-31.

Kogut, B. (1991). "Country capabilities and the permeability of broader." Strategic Management Journal 12: 33-47.

Kolk, A., Tulder, R.V. and Welters, C. (1999). "International codes of conduct and corporate social responsibility: can transnational corporations regulate themselves?" Transnational Corporations 8(1): 143-181.

- Kolk, A., Wateringen, S.L. and Walhain, S. (2001). "Environmental reporting by the fortune global 250: exploring the influence of nationality and sector." Business Strategy and the Environmental 10(1): 15-29.
- Kolk, A. and Tulder, R.V. (2001). "Multinationality and corporate ethics: codes of conduct in the sporting goods industry." Journal of International Business Studies 32(2): 267-283.
- Korten, D.C. (1995). When corporations rule the world. Earthscan, London.
- Korten, D.C. (2001). "The responsibility of business to the whole." In R. Starkey and Welford (Eds.), The Earthscan reader in business and sustainable development (pp. 231-241). Earthscan Publications Ltd, London.
- Kostova, T. and Zahir, S. (1999). "Organizational legitimacy under conditions of complexity: The case of the multinational enterprise." Academy of Management Review 24(1): 64-81.
- KPMG. (1999). KPMG international survey of environmental reporting. Netherlands, KPMG/WIMM.
- KPMG. (2002). International survey of corporate sustainability reporting. Netherlands, KPMG/WIMM
- KPMG. (2005). International survey of corporate responsibility reporting. Netherlands, KPMG/WIMM
- Kreander, N. (2002). The performance and rationale of European ethical funds: an ethical perspective. Ph D thesis. Department of Accounting and Finance Faculty of Law & Financial Studies, Glasgow, University of Glasgow.
- Krippendorff, K. (1980). Content analysis: an introduction to its methodology. Sage, Newbury Park, California.
- Kuasirikun, N. and Sherer, M. (2004). "Corporate social accounting in Thailand." Accounting, Auditing and Accountability 17(4): 629-660.
- Kumar, R. (2003). "Corporate responsibility: the emerging South Asian agenda." In A.S Rupesh, D.F. Murphy and M. McIntosh (Eds.), Something to believe in (pp. 54-58). Greenleaf Publishing, UK.
- Laughlin, R.C. (1990). "A Model of financial accountability and the church of England." Financial Accountability and Management 6(2): 93-114.
- Laughlin, R.C. (1995). "Empirical research in accounting: alternative approaches and a case for middle-range thinking." Accounting, Auditing & Accountability Journal 8(1): 63-87.

Laughlin, R.C. (2004). "Putting the record straight: a critique of 'methodological choices and the construction of facts: some implications from the sociology of knowledge.'" Critical Perspectives on Accounting 15(2): 261-277.

Lewis, A. and Cullis, J. (1990). "Ethical investments: performances and morality" Journal of Behavioural Economics. 19(4): 375-411.

Leedy, P.D. (1997). Practical research: planning and design. Prentice-Hall Inc. New Jersey.

Levy, D.L. and Egan, D. (2003). "A neo-Gramscian approach to corporate political strategy: conflict and accommodation in the climate change negotiations." Journal of Management Studies 40(4): 804-828.

Levy, D.L. and Egan, D. (1998). "Capital contests: national and transnational channels of corporate influence on the climate change negotiations." Politics and Society 26(3): 335-359.

Levy, D.L. and Prakash, A. (2003). "Bargains old and new: multinational corporations in global governance." Business and Politics 5(2): 132-150.

Lehman, G. (1995). "A legitimate concern for environmental accounting." Critical Perspectives on Accounting 6: 393-412.

Lehman, G. (1999). "Disclosing new worlds: a role for social and environmental accounting and auditing." Accounting, Organizations and Society 24(3): 217-241.

Lehman, G. (2002). "Global accountability and sustainability: research prospects." Accounting Forum 26(3): 219-232.

Lewis, L., Humphrey, C. and Owen, D. (1992). "Accounting and the social: a pedagogic perspective." British Accounting Review 24(3): 219-233.

Lewis, L. and Unerman, J. (1999). "Ethical relativism: a reason for differences in corporate social reporting?" Critical Perspectives on Accounting 10(4): 521-547.

Lincoln, Y.S. and Guba, E.G. (1985). Naturalistic inquiry. SAGE Publications, London.

Lindblom, C.K. (1994). The implications of organisational legitimacy for corporate social performance and disclosure. Paper presented at the Critical Perspectives on Accounting Conference, New York.

Line, M., Hawley, H., and Krut, R. (2002). "The development of global environmental and social reporting." Corporate Environmental Strategy 9(1): 69-78.

- Lodhia, S.K. (2000). "Social and environmental reporting in Fiji: a review of recent corporate annual reports." Social and Environmental Accounting 20(1): 15-18.
- Lodhia, S.K. (2003). "Accountants' responses to the environmental agenda in a developing nation: an initial and exploratory study on Fiji." Critical Perspectives on Accounting 10: 1-23.
- Lynn, M. (1992). "A note on corporate social disclosure in Hong Kong." British Accounting Review 24: 105-110.
- Madeley, J. (1999). Big business, poor people: the impact of transnational corporation on the world's poor. Zed Books, London.
- Maignan, I. and Ralston, D.A. (2002). "Corporate social responsibility in Europe and the U.S.: insights from business' self-presentations." Journal of International Business Studies 33(3): 497-514.
- Manu, F.A. (1996). "Multinational corporations and the environment: hazardous incidents and their prevention." Business and the Contemporary World 1: 52-65.
- Marsden, C. (2000). "The New Corporate Citizenship of Big Business: part of the solution to sustainability." Business and Society Review 105(1): 9-25.
- Mason, R.M. (2005). The new accountability: environmental responsibility across borders. Earthscan, London.
- Mathews, M.R. (1993). Socially responsible accounting. Chapman & Hall, London.
- Mathews, M.R. (1997). "Twenty-five years of social and environmental accounting research: Is there a silver jubilee to celebrate." Accounting, Auditing and Accountability Journal 10(4): 481-531.
- Maunders, K.T. (1984). Employment reporting – an investigation of user needs, measurement and reporting issues and practice. ICAEW, London.
- Mazid, M. A. (1995). "Bangladesh" (Country paper). In FAO/NACA. World Bank Publication,. Geneva. pp.61-82.
- Meyer, K. (2004). "Perspectives of multinational enterprises in emerging economies". Journal of International Business Studies 35(4): 259-276.
- Miles, M.B and Huberman, A.M. (1994). Qualitative data analysis. Sage, Beverly Hills, California.
- Miller, G. and Dingwall, R. (1997). Context and method in qualitative research. Sage, London.

- Milne, M.J. and Adler, R.W. (1999). "Exploring the reliability of social and environmental disclosures content analysis." Accounting Auditing and Accountability Journal 12(2): 237-256.
- Milne, M.J. and Chan, C.C. (1999). "Narrative corporate social disclosures: how much of a difference do they make to investment-making?" British Accounting Review 31: 439-457.
- Milne, M.J. (2002). "Positive accounting theory, political costs, and social disclosure analysis." Critical Perspectives on Accounting 13: 369-395.
- Milne, M.J. and Patten, D. (2002). "Securing organizational legitimacy: an experimental decision case examining the impact of environmental disclosures." Accounting, Auditing and Accountability Journal 15(3): 372-405.
- Mitchell, L.E. (2001). Corporate irresponsibility: America's newest export. Yale University Press, New Haven and London.
- Mitchell, J.V. (1998). Companies in a world of conflict: NGOs, Sanctions and corporate responsibility. Earthscan Publications Ltd, London.
- Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997). "Toward a theory of stakeholder identification and salience; defining the principle of who and what really counts." Academy of Management Journal 22(4): 853-886.
- Mobus, J. L. (2005). "Mandatory environmental disclosures in a legitimacy theory context." Accounting, Auditing and Accountability 18(4): 492-517.
- Momin, M.A. and Shaoul, J. (2004) "A stakeholder analysis of market-based economic policies: the case of the fertilizer industry in Bangladesh." Research in Accounting in Emerging Economies Supplement 2: 407-441.
- Moore, G.A. (1999). "Tinged shareholder theory: or what's so special about stakeholders?" Business Ethics: A European Review 8(2): 117-127.
- Morgan, G., and Smircich, L. (1980). "The case for qualitative research." Academy of Management Review 5(4): 491 - 500.
- Moser, T. and Miller, D. (2001). "Multinational corporations' impact on the environment and communities in the developing world: a synthesis of the contemporary debate." In R. Starkey and Welford (Eds.), The Earthscan reader in business and sustainable development. Earthscan Publications Ltd, London.
- Muchlinski, T.P. (1995). Multinational enterprises and the law. Blackwell Publications, Oxford, UK.
- Muhith, A.M.A. (1999). Bangladesh in the Twenty-First Century. The University Press Limited, Dhaka.

Murray, A., Sinclair, D., Power, D., and Gray, R. (2006). "Do financial markets care about social and environmental disclosure? Further evidence and exploration from the UK" Accounting Auditing and Accountability.19(2):228-255

Naser, K. and Baker, N.A. (1999). "Empirical evidence on corporate social responsibility reporting and accountability in developing countries the case of Jordan." Advances in International Accounting 12: 193-226.

Nees, K., E. and Mirza, A.M. (1991). "Corporate social disclosure: a note on a test of agency theory." British Accounting Review 23(3): 211-217.

Neimark, M.K. (1992). *The hidden dimensions of annual reports: sixty years of social conflict at General Motors*. Markus Wiener Publishing, New York, NY.

Neu, D. (2000). "Accounting and accountability relations: colonization, genocide and Canada's first nations." Accounting, Auditing and Accountability Journal 13(3): 268-88.

Neu, D., Warsame, H. and Pedwell, K. (1998). "Managing public impressions: environmental disclosures in annual report." Accounting, Organizations and Society 23(3): 265-282.

Newson, M., and Deegan, C. (2002). "Global expectations and their association with corporate social disclosure practices in Australia, Singapore, and South Korea." The International Journal of Accounting 37: 183-213.

NGO Affairs Bureau. (1994). NGOs in Bangladesh. Bangladesh Government publication, Dhaka.

O'Donovan, G. (2002). "Environmental disclosure in the annual report: extending the applicability and predictive power of legitimacy theory." Accounting, Auditing and Accountability Journal 15(3): 344-371.

O'Dwyer, B. (1999). Corporate social reporting in the republic of Ireland: a description and quest for understanding. Unpublished PhD thesis. University of Dundee.

O'Dwyer, B. (2001). "The legitimacy of accountants' participation in social and ethical accounting, auditing and reporting." Business Ethics: A European Review 10(1): 26-39.

O'Dwyer, B. (2002). "Managerial perceptions of corporate social disclosure: an Irish story." Accounting, Auditing & Accountability Journal 15(3): 406-436.

O'Dwyer, B. (2003). "Conceptions of corporate social responsibility: the nature of managerial capture." Accounting, Auditing and Accountability Journal 16(4): 523-557.

O'Dwyer, B. (2005). "Perceptions on the emergence and future development of corporate social disclosure in Ireland: engaging the voices of non-governmental organisations" Accounting Auditing & Accountability Journal 18(1): 14-43

OECD. (1976). Foreign direct investment, development and corporate responsibility. Organization for Economic Co-Operation and Development, Paris.

OECD. (2000a). The OECD guidelines for multinational enterprises – text. Retrieved 27 June 2000 from <http://www.oecd.org/daf/investment/guidelines/mnetext.htm>.

OECD. (2000b). The OECD guidelines for multinational enterprises: review 2000 commentaries. Retrieved from <http://www.oecd.org/daf/investment/guidelines/mnetext.htm>.

Owen, D.L., and Swift, T. (2001). "Introduction: social accounting, reporting and auditing: beyond the rhetoric." Journal of Business Ethics 10(1): 4-8.

Owen, D.L. (1990). "Towards a theory of social investment: A review essay." Accounting, Organizations and Society 15(3): 249-265.

Owen, D.L., Gray, R.H. and Bebbington, J. (1997). "Green accounting: Cosmetic irrelevance or radical agenda for change?" Asia Pacific Journal of Accounting 4(2): 175-198.

Owen, D.L. and Lehman, G. (2000). "Social and environmental accounting: trends and directions for the future: An editorial." Accounting Forum 24(1).

Owen, D.L., Swift, T., and Hunt, K. (2001). "Questioning the role of stakeholder engagement in social and ethical accounting, auditing and reporting." Accounting Forum 25(3): 264-282.

Parker, L.D. and Roffey, B.H. (1997). "Methodological themes: back to the drawing board." Accounting, Auditing and Accountability Journal 10(2):212-247.

Parry, M.J. and Khan, F. (1984). A survey of published accounts in Bangladesh. Progoti Art Press, Dhaka, Bangladesh.

Patten, D.M. (1991). "Exposure, legitimacy, and social disclosure." Journal of Accounting and Public Policy 10: 297-308.

Patten, D.M. (1992). "Intra-Industry environmental disclosures in response to the Alaskan Oil Spill: A note on legitimacy theory." Accounting, Organizations and Society 17(5): 471-475.

Patten, D.M. (2002). "The relationship between environmental performance and environmental disclosure: a research note." Accounting, Organizations and Society 27: 763-773.

- Patton, M.Q. (2002). Qualitative research and evaluation methods. Sage, Thousand Oaks, Calif, London.
- Perera, M.H.B. (1989). "Accounting in developing countries: A case for localized uniformity." British Accounting Review 21(2): 141-158.
- Perera, M. H. B. and Mathews, M.R. (1990). "The cultural relativity of accounting and international patterns of social accounting." Advances in International Accounting 3: 215-251.
- Pfeffer, J. (1992). Managing with power. Boston, Massachusetts, Harvard Business School Press.
- Pfeffer, J. and Salancik, G.R. (1978). The external control of organizations: a resource dependence perspective. Harper and Row, New York.
- Post, J.E. (1978). Corporate behaviors and social change. Reston Publishing. Reston. V.A.
- Power, M. (1991). "Auditing and environmental expertise: between protest and professionalisation." Accounting, Auditing and Accountability Journal 4(3): 30-42.
- Prakash, A., Krutilla, K. and Karamanos, P. (1996). "Multinational corporations and international environmental policy." Business and the Contemporary World viii(3/4): 119-144.
- Prakash, A. and Hart, J.A. (1998). "Political economy of economic integration." Business and the Contemporary World 10(4): 611-32.
- Preston, L.E. and Post, J.E. (1975). Private management and public policy. Englewood. Cliffs, NJ: Prentice-Hall Inc.
- Puxty, A.G. (1986). "Social accounting as immanent legitimation: a critique of a technicist ideology." Advances in Public Interest Accounting 1: 95-111.
- Puxty, A.G. (1991). "Social accountability and universal pragmatics." Advances in Public Interest Accounting 4: 35-47.
- Puxty, G.A. (1986a). Organization and management: an accountant's perspectives. Pitman Publishing Limited, London.
- Quddus, M. and Rashid, S. (2000). Entrepreneurs and economic development: the remarkable story of garment exports from Bangladesh. The University Press Limited, Dhaka.
- Rahman, S.F. (1998). "International accounting regulation by the United Nations: a power perspective." Accounting, Auditing & Accountability Journal 11(5): 593-622.

Rayman-Bacchus, L. (2006). "Reflecting on corporate legitimacy" Critical Perspectives on Accounting 17(2&3): 323-335

Reckitt Benckiser Bangladesh limited (2001a). Annual report. Reckitt Benckiser publication, Dhaka.

Reckitt Benckiser Bangladesh limited (2001b). Community newsletter. Reckitt Benckiser publication, Dhaka.

Ramanathan, K.V. (1976). "Towards a theory of corporate social accounting." The Accounting Review 51: 516-28.

Ramaswamy, K.V. and Gereffi, G. (1998). "India's apparel sector in the global economy: catching up for falling behind." Economic and Political Weekly, 17.

Ramamurti, R. (2004). "Developing countries and MNEs: extending and enriching the research agenda." Journal of International Business Studies 35(4): 277-283.

Redebaugh, L.H. and Gray, S.J. (1997). International accounting and multinational enterprises (4th ed.). John Wiley and Sons Inc., New York.

Reza, S. (1995). Transnational corporations in Bangladesh. University Press Limited, Dhaka.

Reza, S., Rashid, M.A. and Alam, M.H.A. (1987). Private foreign investment in Bangladesh. University Press Limited, Dhaka, Bangladesh.

Robert, J. and Scapens, R. (1985). "Accounting system and systems of accountability - understanding accounting practices in their organizational contexts." Accounting, Organizations and Society 10(4): 443-456.

Roberts, C.B. (1990). International trends in social and employee reporting (Occasional Research Paper No. 6). ACCA, London.

Roberts, C.B. (1991). "Environmental disclosures: a note on reporting practices in Europe." Accounting, Auditing and Accountability Journal 4(3): 62-72.

Roberts, R.W., Adams, C.A., and Hill, W. (1995). Corporate social reporting practices in Europe: the influence of company size and industrial grouping (Working Paper 95/2). Department of Accounting and Finance, University of Glasgow.

Roberts, C.B., Gray, S.J. and Adams, C.A. (1997). "Corporate social and non-financial disclosure." In F.D.S. Choi and G. Muller (Eds.), Handbook of international accounting finance. John Wiley, Australia.

Ruud, A. (2002). "Environmental management of transnational corporations in India - are TNCs creating islands of environmental excellence in a sea of dirt?" British Strategy and Environment 11: 103-118.

Samuels, J.M. (1990). "Accounting for development." In R.S. Wallace, J.M. Samuels, and R.J. Briston (Eds.), Research in Third World Accounting (pp. 67-86).

Savage, A. (1994). "Corporate social disclosure practices in South Africa: A research note." Social and Environmental Accounting 14(1): 2-4.

Scherer, A.G. and Smid, M. (2000). "The downward spiral and the US model business principles: why MNEs should take responsibility for improvement of worldwide social and environmental conditions." Management International Review 40(4): 351-371.

Schweiker, W. (1993). "Accounting for ourselves: accounting practices and the disclosure of ethics." Accounting, Organizations and Society 18(2/3): 231-52.

Scott, M.B. and Lyman, S.M. (1968). "Accounts." American Sociological Review 33(1): 46-62.

Seidman, G.W. (2003). "Monitoring multinationals: lesson from the anti-apartheid era." Politics and Society 31(3): 381-406.

Sethi, S.P. (1996). "Working with international codes of conduct: experience of U.S. companies operating in South Africa under the Sullivan Principles." Business and the Contemporary World 1: 129-150.

Shearer, T. (2002). "Ethics and accountability: from the for-itself to the for-the-other." Accounting, Organisations and Society 27: 541 - 573.

Shocker, A.D. and Sethi, S.P. (1974). "An approach to incorporating social preferences in developing corporate action strategies." In S.P. Sathi (Eds.), The unstable ground: corporate policy in a dynamic society. Melville, California.

Siddiqui, R. (2001). "Environmental non-accountability in Bangladesh? The striking case of the Magurchara gas field disaster." Social and Environmental Accounting Journal 21(2): 12-14

Silverman, D. (1997). Qualitative research: theory, method and practices. Sage Publications Ltd, London.

Singer Bangladesh Limited .(2001). Annual report. Singer publication, Dhaka.

Singh, D.R. and Ahuja, J.M. (1983). "Corporate social reporting in India." The International Journal of Accounting 18(2): 151-169.

Sklair, L. (1998). "Debate transnational corporations: as political actors." New Political Economy (3): 284-287.

Simms, A., Bigg, T., and Robins, N. (2000). Its democracy stupid: the trouble with the global economy – the United Nations' lost role and democratic reform of the IMF, World Bank and the World Trade Organization. New Economics Foundation, London.

Smith, C.N. (1990). Morality and the market. Routledge, London.

Spicer, B.H. (1978). "Accounting for corporate social performance: some problems and issues." Journal of Contemporary Business Winter: 151-70.

Spicer, A., Dunfee, T.W., and Bailey, W.J. (2004). "Does national context matter in ethical decision making? An empirical test of integrative social contracts theory." Academy of Management Journal 47(4): 610-620.

Stanton, P. and Stanton, J. (2002). "Corporate annual reports : research perspectives used." Accounting, Auditing & Accountability Journal 15(4): 478-500.

Steger, U. (1998). "A mental map managers: An emperical Investigation into Managers' Perceptions of Stakeholders." Business and Contemporary World X(4): 579-609.

Sternberg, E. (1997). "The defects of stakeholder theory." Corporate Governance - An International Review 5(1): 3-10.

Stoney, C. and Winstanley, D. (2001). "Stakeholding: confusion or utopeia? Mapping the conceptual terrain." Journal of Management Studies 38(5): 603-626.

Swanson, D.L. (1995). "Addressing a theoretical problem by re-orienting the corporate social performance model." Academy of Management Review 20(1): 43-64.

Swift, T. (2001). "Trust, reputation and corporate accountability to stakeholders." Business Ethics: A European Review 10(1): 16-25.

Taylor, S. J. and Bogdan, R. (1998). Introduction to qualitative research methods. John Wiley and Sons, New York.

Takala, T. and Pallab, P. (2000). "Individual, collective and social responsibility of the firm" Business Ethics: A European Review.9(2): 109-118.

Teoh, H. and Thong, G. (1984). "Another look at corporate social responsibility and reporting: an empirical study in a developing country." Accounting, Organizations and Society 9(2): 189-206.

Tilt, C.A. and Symes, C. (1999). "Environmental disclosure by Australian mining companies: environmental conscience or commercial reality?" Accounting Forum 23(2): 137-154.

Tilt, C.A. (1994). "The influence of external pressure groups on corporate social disclosure. Some empirical evidence." Accounting, Auditing & Accountability Journal 7(4): 47-72.

Tinker, A.M., Marino, B.D. and Neimark, M.D. (1982). "The normative origins of positive theories: ideology and accounting thought." Accounting, Organizations and Society 7: 167-200.

Tinker, A.M. (1985). Paper prophets: a social critique of accounting. Praeger, New York.

Tinker, A.M. and Lowe, E.A. (1980). "A rationale for corporate social reporting: theory and evidence from organizational research." Journal of Business Finance & Accounting 7(1): 1-17.

Tinker, A.M., and Neimark, M. (1987). "The role of annual reports in gender and class contradictions at General Motors: 1917-1976." Accounting, Organizations and Society 12(1): 71-88.

Tinker, A.M., Lehman, C. and Neimark, M. (1991). "Falling down the hole in the middle of the road: political quietism in corporate social reporting." Accounting, Auditing & Accountability Journal 4(2): 28-54.

Tinker, T. and Gray, R.H. (2003). "Beyond a critique of pure reason: from policy to politics to praxis in environmental and social research." Accounting, Auditing and Accountability Journal 16(5): 727-761.

Tricker, R.I. (1984). Corporate governance. The Corporate Policy Group, Oxford.

Tsang, E.W.K. (1998). "A longitudinal study of corporate social reporting in Singapore." Accounting, Auditing & Accountability Journal 11(5): 624-635.

Uddin, S. and Hooper, T. (2001). "A Bangladesh soap opera: privatisation, accounting, and regims of control in a less developed country." Accounting, Organizations and Society 26: 643-672.

UNCTAD. (2003). "FDI policies for development: national and international perspectives." In World investment report. United Nations, New York and Geneva.

UNCTAD. (2004). "The shift towards services." In World investment report. United Nations, New York and Geneva.

Unerman, J. (2000). "Methodological issues: reflections on quantification in corporate social reporting content analysis." Accounting, Auditing and Accountability Journal 13(5): 667-81.

Unerman, J. (2003). "Enhancing organization global hegemony with narrative accounting disclosure: an early example." Accounting Forum 27(4): 425-448.

United Nations. (1974). The impact of multinational corporations on development and on international relations (Report No. E/5500/Rev.1, ST/ESA/6). United Nations publication. Geneva.

United Nations. (1991). "Accounting for environmental protection measures." In International accounting and reporting issues: 1991 review, (pp. 95-119). United Nations publication.

United Nations. (1991a). Transnational corporations and issues relating to the environment: the contribution of the commission and UNCTC to the work of the preparatory committee for the United Nations conference on environment and development (Report No. E/C.10/1991/3). United Nations publication.

United Nations. (1992). Environmental disclosure: international survey of corporate reporting practices (Report No. E/C.10/AC.3/1992/3). United Nations publication.

United Nations. (1994). Environmental disclosures: international survey of corporate reporting practices. In International accounting and reporting issues: 1994 (pp. 39-59). United Nations publication.

United Nations. (1995). Disclosure by transnational corporations of environmental matter at the national level in annual reports (Report by the UNCTAD Secretariat, Report No. TD/B/ITNC/AC. 1/4). United Nations publication.

United Nations. (1999). The social responsibility of transnational corporations (UNCTAD/ITE/IIT/Misc. 21). UNCTAD publication, Geneva.

United Nations. (2000). A better world for all. United Nations publication, Geneva.

United Nations. (2000a). Promoting socially responsible business in developing countries: the potential and limits of voluntary initiatives (Report of the United Nations Research Institute for Social Development Workshop). UNRISD Publication, Geneva.

United Nations. (2000b). Third United Nations conference on the least development countries: the people's republic of Bangladesh (Country Paper No. UNCLDC/III/CP/13).

United Nations. (2000c). Globalization and the south: some critical issues (Discussion Paper No. UNCTAD/OSG/DP/147).

United Nations. (2001). Social responsibility (Report No. UNCTAD/ITE/IIT/22). United Nations publication.

United Nations. (2003). Disclosure of the impact of corporations on society: current trends and issues (Paper No. TD/B/COM.2/ISAR/20). United Nations, Geneva.

United Nations. (2004). Review of the comparability and relevance of existing indicators on corporate social responsibility (Report No. TD/B/COM.2/ISAR/24).

Utting, P. (2000). Business responsibility for sustainable development. (Occasional Paper No. 2). UNRISD publication, Geneva, Switzerland.

Utting, P. (2002a). The greening of business in developing countries. Zed Books, London, UK.

Utting, P. (2002b). "Regulating business via multi-stakeholder initiatives: a preliminary assessment." In R. Jenkins, P. Utting, and R.A. Pino (Eds.), Voluntary approaches to corporate responsibility: readings and a resources guide. United Nations publication. Geneva.

Utting, P. (2005). "Corporate responsibility and the movement of business." Development in Practice 15(3&4): 375-388.

Vernon, R. (1973). Sovereignty at bay. Pelican, New York.

Vernon, R. (1992). "Transnational corporations: where are they coming from, where are they headed?" Transnational Corporations 1(2): 7-35.

Waddock, S. (2000). "The multiple bottom lines of corporate citizenship: social investing, reputation, and responsibility Audits." Business and Society Review 105(3): 323-345.

Wartick, S.L. and Cochran, P.L. (1985). "The evolution of the corporate social performance model." Academy of Management Review 10(4): 758-769.

Williams, S.M. (1999). "Voluntary environmental and social accounting disclosure practices in the Asia-Pacific Region: an international empirical test of political economy theory." The International Journal of Accounting 34(2): 209-238.

Wilmshurst, D.W. and Frost, G.R. (2000). "Corporate environmental reporting - a test of Legitimacy theory." Accounting, Auditing and Accountability Journal 13(1): 10-26.

Windsor, D. (2001). "The future of corporate social responsibility." The International Journal of Organizational Analysis 9(3): 225-256.

Wood, D.J. (1991a). "Corporate social performance revisited." Academy of Management Review 16(4): 691-718.

Wood, D.J. (1991b). "Towards improving corporate social performance." Business Horizons July-August: 66-73.

Wood, D.J. and Jones, R.E. (1995). "Stakeholder mismatching: a theoretical problem in empirical research on corporate social performance." The International Journal of Organizational Analysis 3(3): 229-267.

Woodward, D.G., Edwards, P. and Birkin, F. (2001). "Some evidence on executives' views of corporate social responsibility." British Accounting Review 33: 357-397.

Woodward, D.G., Edwards, P. and Birkin, F. (1996). "Organizational legitimacy and stakeholder information provision." British Journal of Management 7(4): 329-347.

World Bank. (2004a). Human development report: cultural liberty in today's diverse world. World Bank publication, New York, USA.

World Bank. (2004b). Bangladesh at a glance. Retrieved from <http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=BGD&C CODE>.

World Bank. (2001). World development report – 2001. World Bank publication, Oxford University Press.

World Bank. (1996). Government that works: reforming the public sector - Bangladesh. World Bank Report, Oxford University Press.

Yamagami, T. and Kokubu, K. (1991). "A note on corporate social disclosure in Japan." Accounting, Auditing and Accountability Journal 4(4): 32-38.

Yin, R. (1984). Case study research: design and methods. London: Sage.

Zeghal, D. and Ahmed, S. (1990). "Comparison of social responsibility information disclosure media used by Canadian firms." Accounting, Auditing and Accountability Journal 3(1): 38-50.

Zenisek, T.J. (1979). "Corporate social responsibility: a conceptualization based on organizational literature." Academy of Management Review 4(3): 359-368.