



# SR Asia Journal-2012

"Socially Responsible Products and Services for Sustainable Asia and beyond"



**SR(Social Responsibility)Asia**  
connecting your business to societal causes

## **Congratulatory Message**

### **APO Secretary-General Ryuichiro Yamazaki**



I would like to extend my sincere congratulations to SR Asia on its inaugural conference titled Socially Responsible Products and Services for Sustainable Asia and Beyond held from 18 to 19 October 2012 in New Delhi. It is heartening to note that SR Asia was the brainchild of a few APO project participants who expanded their learning on social responsibility (SR) into a professional body that has a presence in 12 countries. I commend SR Asia for providing and sharing SR solutions for shaping modern-day businesses that are based on sustainability and competitiveness.

This conference is an important event as it will also help further one of the APO's strategic directions: promotion of Green Productivity. As the impacts of global warming and the effects of climate change are becoming increasingly evident, it is clear that environmental protection alongside efforts for the enhancement of productivity is necessary to sustain the development of the Asia-Pacific region as well as to enhance its competitiveness in the global arena. The need to design a more sustainable way of social and economic life through harmonization with the surrounding environment has become imperative.

The vital discussions and interactions that will take place during this conference could galvanize further support for SR efforts at the regional level and strengthen the links among governments, policymakers, industry, and voluntary organizations. They will also provide an avenue for establishing green collaborations and partnerships, contributing to sustainable governance, and improving regional trade.

The APO Secretariat sends its congratulations and best wishes to SR Asia for a successful inaugural conference.

Ryuichiro Yamazaki  
Secretary-General  
Asian Productivity Organization



Dr. S.K. Chakravorty  
Deputy Director General



National Productivity Council  
(Under Ministry of Commerce  
& Industry, Govt. of India)  
Lodhi Road,  
New Delhi

## Message

I am glad to learn that SR Asia is organizing 1<sup>st</sup> International Conference on "Socially Responsible Products and Services for Sustainable Asia and beyond" from 18-19<sup>th</sup> October, 2012 at New Delhi. This conference is a platform for sharing knowledge and experiences pertinent to Corporate Social Responsibility and its linkage to Productivity, Products and services. The conference will also address various global practices of CSR and related policy initiatives taken in various countries.

SR Asia deserves rich compliments for the laudable initiative taken by them in organizing such a relevant event for all the stake-holders. I wish them all the success.

(Dr. S K Chakravorty)

## ***PREFACE***

It is with much joy and anticipation that we celebrate the launch of SR (Social Responsibility) Asia Journal with this inaugural issue. On behalf of the SR Asia Editorial Team, I would like to extend a very warm welcome to the readership of SR ASIA. I take this opportunity to thank our authors, editors and anonymous reviewers, all of whom have volunteered to contribute to the success of the journal. I am also grateful to Mr. K D Bhardwaj and APO Japan for making SR Asia Journal a reality.

SR Asia Journal is the outcome of the concerted efforts of SR Asia team to compile high quality research carried out by various authors on corporate social responsibility (CSR) and sustainability in the Asian region. There are eleven country papers incorporated in this journal which aim to provide the readers a snapshot of policy and other initiatives undertaken and their resultant outcome. The research papers received for the SR ASIA International Conference 2012 on the other hand, cover various dimensions and imperatives of sustainability. SR Asia is dedicated to the rapid dissemination of high quality research papers on sustainability (sustainable development) that can help us meet the challenges of the 21<sup>st</sup> century and beyond, and to capitalize on the promises ahead.

Barely two decade into the new millennium, we have witnessed significant events such as 9/11, SARS, and the South Asian Tsunami, frequent earth-quakes and governance failures in the Gulf region in particular to name but a few. There are also the on-going issues, such as demographic changes (population aging, internal migration and rapid urbanization), management of resources, and environment issues like the current debate about climate change, Rio summit etc. As Sustainability practitioners and researchers, we aim to seek ways to harness the power of social inclusiveness and engagement to meet some of these real world challenges, and to provide substance for making informed judgments on important matters. For example, simulation and prediction can help manage greying populations, model the spread of diseases or identify/mitigate future security threats; analysis of satellite imagery coupled with knowledge discovery can help manage deforestation, resource exploration or prepare future evacuation plans in response to natural disasters; large scale information processing can aid understanding of how (and to what extent) human activities can impact the environment and climate. The list of possibilities goes on.

As for the promises that lay ahead, luxury has already become an integral part of everyday life. From commerce and government to scientific discovery, healthcare, education and entertainment, SR is indispensable and will continue to fuel further advances in all facets of human endeavors. With “e-everything”, we already see that society has revolutionized the way we conduct business and learn. Further advances in Society will continue to change the way we live and play. As SR practitioners and researchers, we are responsible for making all this happen, and to some extent help shape the future. With technological advances also come social and legal changes. For example, popularization of the internet has led to a proliferation of virtual online communities, which are often formed on an ad hoc basis and

typically characterized by a share of some common interests. Compared to a generation ago, people today interact frequently online and these changes inevitably have social implications. I foresee social forum a big instrument for addressing the issues appropriately for the good of everyone.

SR Asia provides an ideal forum for exchange of information on all of the above topics and more, in various formats articles, research papers, survey papers, work-in-progress reports on promising developments, success studies / best practice written by industry experts, and tutorials on up-and-coming technological breakthroughs. SR Asia Journal is being published for the first time this year ie 2012. To ensure rapid dissemination of information, we aim at completing the review process to decide the frequency of publication. We also publish special conference proceedings and we had one for a SR Asia Bangladesh conference held in May 2012. The conference proceeding had outreach to APO, NPO's of member countries of APO Japan including to our partner in Europe. SR Asia journal's electronic copy will be shared with APO, National Productivity organisations (NPO), policy makers, Industry Association and all stake holders in Asia region and outside as a reference.

Finally, we wish to encourage more contributions from the all community be it government, corporate, scientific, industry practitioners, civil society national or international agencies to ensure a continued success of the journal. We also welcome comments and suggestions that could improve the quality of the journal.

We hope you will find SR Asia a valuable reference while defining and reviewing sustainability issues as a whole.

Best compliments

October 2012

Birendra Raturi  
International Director  
SR Asia

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# **CONFERENCE PAPERS**

# AN ANALYSIS OF THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL PERFORMANCE

*Ms Sweta Singh and Mr. Manish Kumar*

## **Introduction**

During the century following the Industrial Revolution, Adam Smith's (1776) classical economic view suggesting that wealth maximization ushers in the greatest common good, remained the guiding philosophy for many societies and for most businesses that operated within those societies. As a result, businesses largely focused on their financial gains with minimal consideration for any negative impact that they may have had on society. While economic activities were expanding unabated during this period, a general deterioration in the physical environment as well as sporadic instances of social harm accompanied this economic progress. Around the mid-twentieth century, Bowen (1953) proposed the idea of social responsibility and emphasized that businessmen should pursue policies, decisions, and actions that align with broader societal objectives and values. This idea, commonly referred to as corporate social responsibility (CSR), has been gaining increased acceptance and has become a separate academic discipline and an important focus area for business practitioners. Marx (1986) maintains that major changes taking place in the traditional relationship between business and society are creating crucial problems that modern business managers face. While CSR has relevance across all industries, some industries have more impact on the environment and/or society than others (Carroll, 1979). Gordon (1991) suggests, societal expectations about social responsibility may vary from one industry to another. Thus, from a societal viewpoint, such contextual differences bring certain industry sectors to the center of the CSR debate. Understanding such differences entails a deeper understanding regarding perceptions as well as expectations that society has of particular industry sectors in terms of their environmental and social performances.

In the Indian context, the manufacturing sector holds an important place both from an economic as well as socio-environmental viewpoint. During recent decades, social pressures on manufacturing companies have been intensifying (Nasi et al., 1997) and as a result, CSR practices of the manufacturing industry have gained increased attention (Vidal and Kozak, 2008). Globally the academic research related with CSR in the manufacturing sector has been somewhat sporadic. In India particularly, it is in a nascent phase. As a result, there is no documentation regarding society's views about the Indian manufacturing industry's social and environmental performances. Similarly, there is no knowledge available regarding how demographic segments of society differ in terms of these views. These knowledge gaps are important to be filled not only because of the potential insights they may provide industry managers that may help formulate effective CSR strategies and public affairs policies, but also for enriching the academic knowledge about CSR in general and CSR in the Indian manufacturing sector in particular.

## **THEORETICAL BACKGROUND**

### **Stakeholder and Issues Management Approaches**

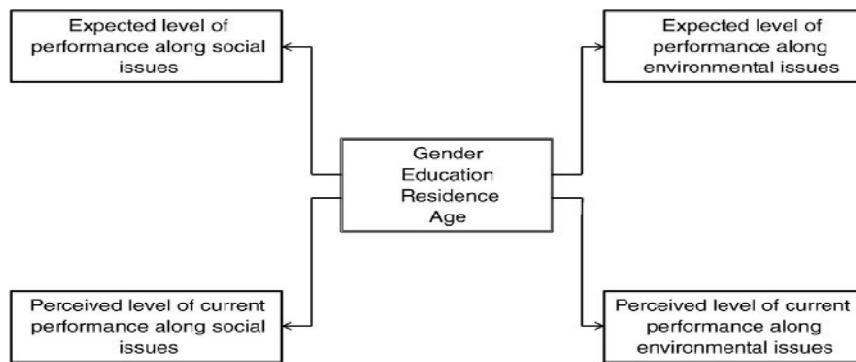
CSR has been a topic of interest among academia and business practitioners alike for several decades. However, the field is cluttered with multiple concepts and approaches that have led scholars (e.g., Carroll, 1994) to remark that the overall map of the field is poor. Votaw (1972) maintains that CSR means different things to different people. Some view it as a fiduciary duty, some view it as a charitable contribution, others as a synonym for legitimacy, and so forth. While there is no unanimity on the definition of CSR, the triple bottom-line approach suggesting that businesses should balance their economic, social, and environmental responsibilities (Elkington, 1997), is at the center of current CSR conceptualizations. Following this, management of CSR may be considered as identification and management of the economic, social, and environmental responsibilities of a company. It may be argued that selection of specific activities within each component (social, economic, and environmental) may be dependent upon the motivations of a company to engage in CSR. Such motivations may be wide ranging and can emanate from the strategic intent of a company (Husted and Allen, 2000; Porter and Kramer, 2002), its preferred routes to wealth creation (Garriga and Mele, 2004), the value system of top management (Buchholtz et al., 1999; Hemingway and MacLagan, 2004), and internal (Jones, 1999) as well as external conditions (Campbell, 2006) surrounding a company. In practice, companies want to put “faces” on economic, social, and environmental components (Carroll, 1991) and therefore identify certain groups representing these components. These groups, called stakeholders (Donaldson and Preston, 1995; Freeman, 1984; Mitchell et al., 1997), have, for the most part, remained the central focus of modern CSR management policies globally.

Accordingly, assessing stakeholders' perceptions about CSR has been a much cherished line of research among CSR academicians. While the stakeholder approach has significantly contributed to the development of the CSR field, various scholars have criticized (Blowfield, 2005; Clarkson, 1995) it for normative reasons (Deegan, 2002) as well as for its ethical and environmental limitations (Orts and Strudler, 2002). An alternative approach, called issues management (Ackerman, 1973; Jones, 1980; Wartick and Mahon, 1994), focuses on specific problem areas of broader societal concern rather than areas identified by key stakeholders (Panwar and Hansen, 2008). Ansoff (1979) defines issues as developments that will have an impact on an organization's performance and ability to meet its objectives. In the context of CSR, issues can be the developments in social and environmental arenas that may impact financial performance. Heugens (2005) emphasizes that issues management is the most managerially compelling tool for implementing CSR.

### **Assessing CSR Perceptions**

Issues management consists of three stages, namely, issues identification, issues evaluation, and response development (Wartick and Rude, 1986). Academic literature in the field of

issues identification is very scant and is dominated by managerial approaches. In the context of industry, Panwar and Hansen (2008) have identified six social and six environmental issues, the same set of issues have been used in this research. With regard to issues evaluation, Post (1978), Husted (2000), and Zyglidopoulos (2003), suggest that a fundamental tenet of issues management is that changing social expectations lead business organizations to change their performance with regard to a particular issue. This view necessitates that businesses understand and align with societal perceptions and expectations. Therefore, while it may be established that understanding societal views regarding issues is very important for business organizations, societal perceptions are demonstrably complex (Campbell et al., 2003). Following Nasi et al. (1997), who emphasize that it is important for businesses to manage both the societal perceptions about their behavior as well as societal expectations of their behavior, it becomes imperative for companies to examine both the societal expectations of performance and the societal perceptions about current performance using demographic categorization based on gender, education levels, place of residence, and age (Fig. 1).



**Fig. 1. Demographic Factors and CSR Views.**

## Gender

Smith and Rogers (2000) maintain that gender-based differences in ethical perception have been a topic of interest. Ford and Richardson (1994) also note that business ethics literature is filled with studies examining gender differences. Reviewing 14 studies that examined the relationship between ethical perception and various individual characteristics, Ford and Richardson (1994) conclude that there are no consistent results in that seven of these fourteen studies suggest that gender has no effect on ethical decision making while the remaining seven studies find females demonstrating more ethical behavior than males. In general, males and females are also reported to hold different attitudes towards the norm of social responsibility (Schopler and Bateson, 1965). With respect to CSR perceptions, Paul et al. (1997) and Burton and Hegarty (1999) conclude that females have higher CSR expectations than males. While the past research suggest females having higher CSR expectations but it is not known whether such differences in expectations and perceptions

are general in nature or they change from one industry to another. Therefore, in the context of this research, the following hypotheses have been proposed:

**H1(a):** Males and females have different perceptions about the current performance of the manufacturing industry's on social issues.

**H1(b):** Males and females have different perceptions about the current performance of the manufacturing industry's on environmental issues.

**H2(a):** Males and females have different expectations of the manufacturing industry on social issues.

**H2(b):** Males and females have different expectations of the manufacturing industry on environmental issues.

### **Education**

Previous literature suggests that education is an important determinant of individuals concerns both about the environment in general and about specific environmental issues (Wall, 1995). Overall, most studies find an association between higher levels of education and higher levels of environmental awareness. Maloney et al. (1975) conclude a significant positive relationship between one's level of education and environmental consciousness suggesting that more educated people tend to be more concerned about environmental issues. Diamantopoulos et al. (2003) find that more highly educated people understand the issues involved more fully and, therefore, are more concerned about the environment and more motivated to be environmentally responsible. On the other hand, Samdahl and Robertson (1989) conclude that the level of education was negatively correlated with environmental attitudes, whereas others (Kinnear et al., 1974 and Serwinek, 1992) find no significant relationship.

Overall, literature does not provide consistent guidance on how education level might relate with CSR perceptions and expectations of specific industries. Therefore,

**H3(a):** People with different education levels have different perceptions about the manufacturing industry's current performance on social issues.

**H3(b):** People with different education levels have different perceptions about the manufacturing industry's current performance on environmental issues.

**H4(a):** People with different education levels have different expectations of the manufacturing industry on social issues.

**H4(b):** People with different education levels have different expectations of manufacturing industry on environmental issues.

### **Place of Residence**

Van Liere and Dunlap (1980), and Samdahl and Robertson (1989) conclude that urban residents show higher concern for the environment than rural residents, while Arcury and Christianson (1993) find no differences. More recently, Harmon and Adelman (2007) find that there is no difference among rural, urban, and suburban residents. Thus,

**H5(a):** Urban, suburban and rural residents have different perceptions of the manufacturing industry's current performance on social issues.

**H5(b):** Urban, suburban and rural residents have different perceptions of the manufacturing industry's current performance on environmental issues.

**H6(a):** Urban, suburban and rural residents have different expectations of manufacturing industry on social issues.

**H6(b):** Urban, suburban and rural residents have different expectations of manufacturing industry on environmental issues.

### **Age**

Since solutions to environmental problems are often viewed as threatening the existing social order; older people tend to be less sensitive to such problems as it may possibly require substantial changes in traditional values, habits, behaviors, and existing institutions. Tognacci et al. (1972), Serwinek (1992), and Zimmer et al. (1994) also suggest that younger people are more sensitive about the environment. More recently, Diamantopoulos et al. (2003) conclude that younger people are more knowledgeable about environmental issues. Accordingly,

**H7(a):** Different age groups have different perceptions about the manufacturing industry's current performance on social issues.

**H7(b):** Different age groups have different perceptions about the manufacturing industry's current performance on environmental issues.

**H8(a):** Different age groups have different expectations of the manufacturing industry on social issues.

**H8(b):** Different age groups have different expectations of the manufacturing industry on environmental issues.

## **RESEARCH METHODOLOGY**

### **Sample Frame**

Data for this study were collected from a randomly chosen sample of 282 residents aged 18 and above residing in close proximity to Diesel Locomotive Workshop (DLW, Varanasi, Uttar Pradesh). DLW is an important socio-economic sector in Varanasi and a relatively higher proportion of population is likely to be knowledgeable about this industry. From DLW area 118 respondents, from Maduadih area 94 respondents, from Chitapur area 37 respondents & from Mehmoorganj 33 respondents were considered for the study.

### **Questionnaire Development and Analysis**

The questions raised in this research are based on two constructs, namely social issues and environmental issues, each having six items as identified by Panwar and Hansen, 2008. Social issues (Encouraging public scrutiny on environmental and land management

practices, Invest in surrounding communities, Promote responsible consumption among consumers, Stem declining employment in the sector, Engage with the surrounding communities, Improve industry's public image) and Environmental issues(Promote and/or practice sustainable manufacturing, Increase the use of renewable resources, Adopt environmentally sound purchasing policies, Mitigate global warming, Reduce overall energy consumption, Improve waste management). Respondents' perceptions regarding industry's current and expected performance on each of these 12 items were assessed using a 5-point interval scale ranging from 1 (very low) to 5 (very high). Thus, 24 questions (12 items each for current and expected performance) were asked for this assessment.

Gender, education, place of residence and age are four important demographic factors that impact people's views of CSR. For gender, t-tests were used to identify significant differences between males and females. Education was categorized as High school, Intermediate, Graduation, Post-Graduation, Doctorate, Diploma/Others. ANOVA and the LSD and Tamhane's T2 Post Hoc test were used for the multiple comparisons. High school & others were not tested due to their small sample sizes (less than ten). Place of residence was separated as 'urban', 'rural' and 'suburban'. ANOVA and the Scheffe and Tamhane's Post Hoc were used to test the differences among various residence categories. Age was grouped as 18-28, 28-38, 38-48, 48-58 years.

## **Results**

A reliability test was conducted to check the internal consistency of the items used in this research. The Cronbach's alpha reliability coefficients were .85 for "industry's current social issues performance", .88 for "industry's current environmental issues performance", .84 for "industry's expected social issues performance" and .86 for "industry's expected environmental issues performance"

### **Gender Difference**

Table 1 illustrates the differences between male and female respondents regarding their views of current and expected performance related to social and environmental issues. There is a convincing evidence that females consider industry's performance significantly lower than males both for social issues ( $p=.006$ ) and environmental issues ( $p=.001$ ). In the case of expected performance, however, results are mixed. While there is marginal support ( $p=.080$ ) for the difference between males and females with regard to their expectations of industry's performance related to social issues, this difference is significant ( $p<.001$ ) in the case of environmental issues. These results indicate that hypotheses H1(a), H1(b) and H2(b) are supported while hypothesis H2(a) is only marginally supported.

### **Differences among Different Education Categories**

As Table 2 shows, there are some differences in perceptions among different education levels. For example, those with Intermediate degree perceive industry's current social performance significantly higher than both Post-Graduate and Doctoral categories. Thus,

hypothesis H3(a) is partially supported. With regard to perception about current environmental performance, Intermediate respondents are significantly higher than those with Graduation, Post-Graduation & Doctoral degree. Other groups are similar to each other and thus again, hypothesis H3(b) is partially supported. Results of expected performance suggest that only those with Graduation and those with a Post-Graduation degree significantly differ from each other with respect to expected social performance, the remaining groups being similar and thus leading to a partial support for H4(a). Finally, with regard to expected environmental performance, those with a Intermediate degree have significantly lower expectations as compared to all other groups. The other groups are similar to each other. Thus, H4(b) is also partially supported.

### **Difference among Resident Groups**

Table 3 indicates that urban residents consider industry's current performance related to both social and environmental issues, significantly lower than rural residents. Suburban residents fall in between but do not differ significantly from either urban or rural residents. However, none of the resident groups differ from each other in terms of their expectations of industry performance in social and environmental issues. Thus, while H5 (a) and H5 (b) are partially supported, H6 (a) and H6 (b) are rejected.

### **Difference in Age Groups**

As can be noted in Table 4, there are few differences among age groups. The only significant difference exists between the respondents in 18-28 age group and the respondents in 48-58 age group with respect to their perceptions of industry's environmental issues related current performance. Therefore H7(a), H8(a) and H8(b) are rejected, while H7(b) is partially supported.

### **Discussion**

Like a majority of past studies, this study establishes that males and females view an industry's social and environmental performances differently. Females are more critical than males in evaluating the Indian manufacturing industry's current performance related to both social and environmental issues. In terms of expectations, however, females exceed males only in the area of environmental issues. Previous literature does not provide much insight in explaining this finding. Results pertaining to education level suggest that generally those with lower education level have a more positive perception of industry's social and environmental performances. These results are, by and large, as expected and may also be reflective of the manufacturing industry being a livelihood support to low-educated segments of society. In the case of resident groups, urban residents are more critical than rural residents in judging industry's current social and environmental performances. Contrary to most previous findings, there were no age-based differences being distinct and prominent.



### Limitations and Conclusion

This research was conducted in Varanasi city (Uttar Pradesh, India) and therefore the results of this study cannot be generalized to other regions. Further, the issue set used in this research is not claimed to be exhaustive and is used here for examining demographic differences rather than claiming to fully represent all the issues constituting CSR. This research finds some differences among members of the general public with respect to their demographics. Gender differences, for example, are more distinct and significant than, say, age. While this research confirms some of the previously established notions, some of the findings contradict previous literature. The sector-specific focus of this research brings novelty to the body of knowledge in that society's perceptions about the manufacturing industry in India have not been investigated previously. This knowledge may be important for business managers as they feel the need to focus on "appropriate segments" within a society for their CSR response and communication.

**Table 1: Difference between Male and Female Perceptions of Industry's Current and Expected Performance along Social and Environmental Issues.**

	Mean Values		p-value
	Male n=180	Female n=101	
Current Social issues performance	2.68	2.39	.006
Current Environmental issues performance	3.00	2.60	.001
Expected Social issues performance	3.89	4.07	.080
Expected Environmental issues performance	4.17	4.60	<.001

**Table 2: Difference in Perceptions of Different Education Groups Regarding Current & Expected Performance along Social and Environmental Issues.**

	Mean values				p-value
	Intermediate n=32	Graduate n=74	Post-graduate n=86	Doctoral n=79	
Current social issues performance	2.91	2.70	2.47	2.45	.024
Current environmental issues performance	3.33	2.94	2.78	2.72	.008
Expected social issues performance	3.74	4.19	3.81	3.97	.008
Expected environmental issues performance	3.96	4.41	4.36	4.36	.022

**Table 3: Difference among Various Resident Groups about Current and Expected Performance on Social and Environmental Issues**

	Mean values			p-value
	Urban n=72	Rural n=120	Sub-urban n=78	
Current social issues performance	2.91	2.70	2.47	.026
Current environmental issues performance	3.33	2.94	2.78	.001
Expected social issues performance	3.74	4.19	3.81	.402
Expected environmental issues performance	3.96	4.41	4.36	.233

**Table 4: Difference among Various Age Groups about Current and Expected Performance on Social and Environmental Issues**

	Mean values				p-value
	18-28 years n=71	28-38 years n=55	38-48 years n=80	48-58 years n=73	
Current social issues performance	2.40	2.63	2.57	2.74	.120
Current environmental issues performance	2.62	2.94	2.87	3.04	.031
Expected social issues performance	3.91	3.96	3.95	4.02	.890
Expected environmental issues performance	4.43	4.3	4.38	4.16	.132

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# **INFLUENCE OF GREEN LABELS ON INTENTION TO PURCHASE: APPLICATION OF THEORY OF PLANNED BEHAVIOR**

*Dr. Leow Chee Seng and Ms. Vincent Leong Wing Sum*

## **Introduction**

Ethical issues in consumer behaviour and interest in environmental encourage more researches focus on green marketing and green consumerism (Shaw and Clarke, 1999; De Pelsmacker et al., 2005; Moisander, 2007). With the environment concern, consumers start to take part and proactive in solving these problems by participating in recycling activities (Thøgersen, 1994; Biswas et al., 2000; McCarty and Shrum, 2000) and choosing environment friendly products (Thøgersen & Olander, 2003; Thøgersen, 2004).

This phenomenon has been identified as business opportunities to develop long term strategies and change the rules of the marketing game in a significant way. Proactive environmental strategies become the fundamental in green marketing (Pujari and Wright, 1995). Launching environmental friendly products has been adopted into their marketing strategy because the marketer realizes the willingness of consumers to pay higher price for the products (Bhate & Lawler, 1997).

Even consumers begin to be empathy and concern about environment; many environmental friendly products still have not achieved the desired market share. This can be explained by the consumer rate the availability of the products higher than the price when measuring the intention to purchase among green consumers (Bhate & Lawler, 1997). In addition, consumers refuse to change their purchase behavior even they express concern about environment (Mintel, 1995).

## **THEORETICAL BACKGROUND**

### **Environmentally Responsibility and Consumer Behaviour**

According to cognitive psychology, consumers would response according to their preferences and beliefs. Generally, the Theory of Reasoned Action (Ajzen and Fishbein, 1980) or the Theory of Planned Behaviour (Ajzen, 1985) are common attitude-behavior models used to study environmental consumer behavior. Both models demonstrate attitudes can predict the behavior (intention). In addition, both models have shown that consumers have higher intention towards environment friendly products. However, there is low consistency between consumer attitudes and behavioral measures.

For consumer, the importance of environment issues does not have interaction in term of behavioural domains. Each environment issues such as energy saving, global warming,

recycling is perceived differently. Previous researches found the correlation between behaviour in different domains are small or it could be negative (Thøgersen and Olander, 2003; Thøgersen, 2004). From the research, there is no consistency of the findings. This leads to a challenge for company to develop marketing strategy whether environment friendliness is an important product feature for consumers when predicting the intention to purchase (behavior).

There are several studies on the impact of environmental preferences in a particular brand and these researches focus on the intention to purchase. In fact, these researches look at the environmental attitudes at a general level. This explains why green attitudes have weak relationship with specific behavior (Moisander and Uusitalo, 1995). Subsequently, we always study green behavior with consumer information processing model. In this model, consumers are assumed to have sufficient information, understand the ethical issues and the consequences of the decision made (Schroder and McEachern, 2004; Moisander, 2007).

There are many factors that contribute to inconsistency results between attitude and behavior in environmental friendly products. These factors include the necessity of motivation to use environmental friendly products, opportunity to shift to environmental friendly products, the awareness of environmental issues, conflicting preference between environment friendly products and other product characteristics (Thøgersen, 2004; Thøgersen and Olander, 2003; Moisander, 2007).

Green consumers do not choose the products solely on environmental aspects but product attributes are taken into consideration. To sum up, when analyzing environment choice behavior, we should examine environment-friendliness instead of choice and products attribute (Rokka and Uusitalo, 2008).

### **Choice of Green Labels**

Green labels refer to a product that is less harmful to the environment. The products use less energy or water during production. Some of them are made from recycled materials. The products contain less harmful pollutants and are kinder to wildlife and the natural world (Souza et al., 2006).

The environment concerns have been reflected through an increase of intention to purchase green label products. Studies reported that consumers with higher environmental awareness and concern will more likely to purchase the green label consumer behavior (Sheltzer et al., 1991; Shabecoff, 1993). The research is supported by the dramatic increase of number of green consumers who claim to have purchased green label products (Gallup, 1990; Mandese, 1991).

Nevertheless, a latter study found that there is low correlation between environment concern and the willingness to change their purchase preferences. The consumer would

have high environmental concerns but it is not manifested in term of action (Kleiner, 1991; Schlossberg, 1991; Winski, 1991). Hence, there is a great need to understand the attitude of behavior especially for green labels products.

### The Theory of Planned Behavior

The Theory of Planned Behavior is a social psychological theory is widely used in consumer behaviour to evaluate attitude formation (Ajzen and Fishbein, 1980). This theory is used as theoretical framework because it gives a clear framework to investigate the relationship between attitude, culture and the intention to purchase of green products. Besides, TPB has been applied in different areas such as political opinions, discriminatory behaviour, organization behaviour and the model provides powerful estimates.

TPB model is presented in Figure 1 which composes of three determinants of intention, attitudes towards behaviour (AB), perceived norms (PN) and perceived behavioural control (PBC). Each determinants is determined by the beliefs respectively are behavioural beliefs, normative beliefs and control beliefs.

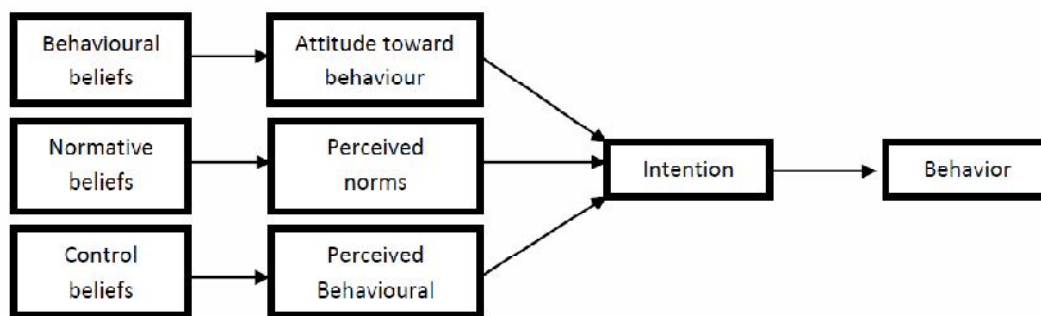


Figure 1: Theory of Planned behavior

### Attitudes towards Behavior

This determinant is the sum of behavior belief ( $e_i$ ) and the likelihood of behavior belief ( $b_i$ ). Hence, attitudes towards behavior is summarized as  $S(b_i e_i)$ . The behavior belief depends on the most salient, those that most noticeable by respondents because though that do not readily noticeable has lower possibility to affect behaviour (Ajzen & Fishbein, 1980).

### Perceived Norm (PN)

Perceived norm refers to the desire to act as other think you should act. This determinant is controlled by salient beliefs, the normative beliefs ( $m_i$ ). Perceived norm is the sum of normative beliefs and the likelihood of normative belief ( $n_i$ ),  $S(m_i n_i)$ . Normative beliefs describe if the respondent should or should not do the action. Social worthy acts such as energy saving may internally brings the feeling of self-respect or pride, failure of this act leads to guiltiness. So, perceived norm, PN, is internally controlled and it is not influenced by external reinforcement. Different normative beliefs include friends, parents, doctors,

advertisements, political parties, social media, internet, peers, etc. In this research, in purchasing of green products, consumer might be influenced by green labels.

### **Perceived Behavioral Control (PBC)**

This determinant is the sum of power of a factor (pi) and the perceived access to factor (ci),  $S(pi \text{ ci})$ . PBC has motivational implication for behavior intentions. An individual would not perform an act if they feel they do not have sufficient resource, skill or opportunity to perform the act. Confidence and ability to perform a task form the behavior (Bandura et al., 1980). With consideration of PBC, the prediction on intention is enhanced.

### **Aim and Objectives**

The objective of the research presented here is to study how green labels influence consumers' intentions to purchase. More specifically, this research explores to test the suitability and the boundary of the TPB especially green labels.

### **Methodology**

The research is a cross-sectional self-completion survey among Malaysia consumers. The questionnaire is divided into two parts. First section examine different beliefs contribute to TPB. The second section comprised of the conjoint analysis.

### **Data Collection**

The questionnaire was formed based on the previous research. The beliefs domain is constructed based on the previous research (Ajzen and Fishbein, 1980) and the product attributes are constructed based on the conjoint analysis for the foundations and conceptual shortcomings (Louvier, 1994). The questionnaire is then pre-tested with 20 respondents to improve the survey instruments. The main changed based on the pre-test includes the ambiguous wordings and vocabulary (Sakaran and Bougie, 2009). The questionnaire is then pre-tested with 15 respondents to ensure the validity and the reliability of the instrument. The questionnaire modification and development was based on standard questionnaire construction (Tull and Hawkins, 1993).

### **Population and Sampling**

The population includes in this research was consumers who were actively looking for consumable products. The surveys were carried out in the Kuala Lumpur, Penang and Johore in Malaysia and there were a total of 472 valid replies. The sample size fulfills both 10:1 ratio (Bentler and Chou, 1987) and cut –off point (Hair et al., 1998). The large sample size ensures the generalization, validity and reliability of samples.

### **Measurement Scales**

The instrument was designed in an interval scale, the properties of the data is tested on the internal consistency and reliability (Bagozzi, 1994). High positive scores were expected because issue of green labels was a social acceptance issue. Behavioral beliefs and



normative beliefs comprised of 6 items, control beliefs, attitude towards behaviour, perceived norms and perceived behavioural control comprised of 3 items. Intentions are only constructed with single items.

### Statistic Analysis

Conjoint analysis is used in this research to determine the utility values attributes and the attribute levels. Disaggregate analysis was used as analysis during data analysis. Structure Equation Modeling (SEM) is applied in data analysis. In order to estimate for the full model, errors were taken into consideration for each determinant (AB, PN and PBC). The first order correlation is shown in the Figure 2.

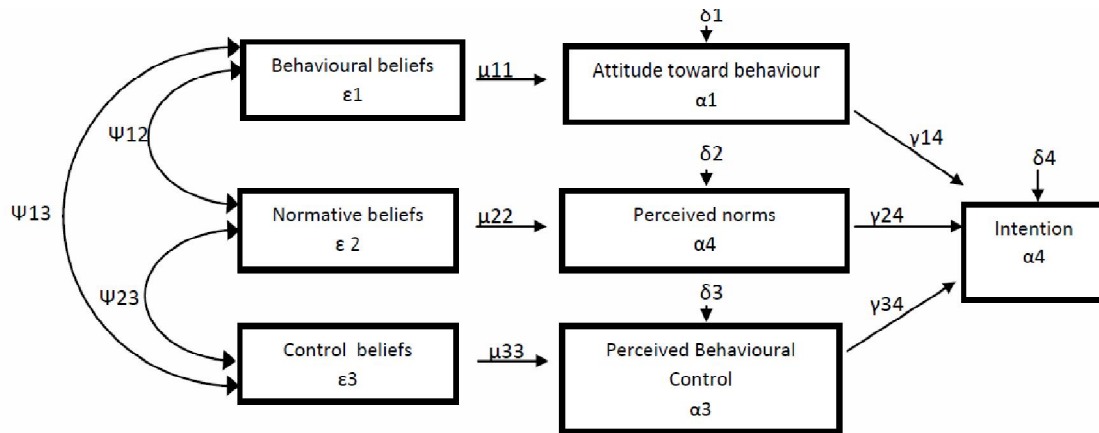


Figure 2: Path diagram of the research model

### Results

The skewness and kurtosis were conducted for each construct. The data indicates that the values fell within the lower boundary. Confirmatory factor analysis is conducted (AB, PN and PBC) for those constructs to establish validity of a factor model. For construct less than four items, CB, AB, PN and PBC, Cronbach's alpha was used as construct reliability (Table 1). From the Cronbach's alpha value showed all constructs at high acceptance level (Hair et.al., 1998).

Table 1: Construct reliability

Constructs	Number of Questions	Construct reliability
BB	6	0.912
NB	6	0.845
CB	3	0.791
AB	3	0.861
PN	3	0.793
PBC	3	0.821

Descriptive analysis was conducted to analyse the impact of green labels on intention to purchase. From table 2, we can observe there is a positive mean value in term of intention and green labels. The correlation appears NB, AB and SN.

Table 2: Descriptive statistics for aggregate measures

	Mean	SD	Intent	BB	NB	CB	AB	PN	PBC
<b>Intention</b>	0.13	1.48	-						
<b>BB</b>	164.35	46.21	0.217*	-					
<b>NB</b>	159.12	45.82	0.2975**	0.412**	-				
<b>CB</b>	72.71	17.54	0.032	0.318**	0.523**	-			
<b>AB</b>	9.12	2.18	0.316**	0.298**	0.169*	0.145*	-		
<b>PN</b>	8.12	2.16	0.359**	0.316**	0.424**	0.218*	0.415**	-	
<b>PBC</b>	7.91	2.98	0.154*	0.028	0.187*	0.201*	0.321**	0.121	-

Note: \*  $p < .05$ , \*\* $p < .01$  Figure represents Cronbach's alpha coefficient and the confirmatory factor analysis. For the single item construct of intention no measures are possible.

## ESTIMATION OF TPB MODEL

### Overall Model Fits

Before examining the structural pattern, we evaluate the absolute fit measures, incremental fit measures and the parsimonious fit measures. The result of analysis is presented in Table3. In term of absolute fit measures, the goodness of fit index (GFI) is 0.912 which is higher than the threshold of 0.90. However, the RMSE value is 0.179 is above the acceptable value 0.08. There is no acceptance range for ECVI but the acceptability high at 0.712.

Incremental fit measures with the objective to evaluate the model against the null model. Adjusted goodness fit index (AGFI) measures 0.927 above the accepted range at 0.90. However, for TLI and NFI is below both thresholds respectively at 0.632 and 0.694 (Thresholds value is 0.90). Parsimonious fit indices measures the concern of "over-fitting" model. The normed .2 is 3.145 which are under the acceptable range of 1.0 to 5.0.

Parameter estimation	Estimates	T-values
<b>Regression weights</b>		
<b>Structural equation</b>		
$\mu_{11}(\text{BB} \rightarrow \text{AB})$	0.028	4.342***
$\mu_{22}(\text{NB} \rightarrow \text{PN})$	0.038	5.894***
$\mu_{33}(\text{CB} \rightarrow \text{PBC})$	0.071	7.136***
$\gamma_{14}(\text{AB} \rightarrow \text{I})$	0.051	1.422
$\gamma_{24}(\text{PN} \rightarrow \text{I})$	0.128	3.514**
$\gamma_{34}(\text{PBC} \rightarrow \text{I})$	0.032	1.735
<b>Covariance</b>		
$\Psi_{12}(\text{BB} \rightarrow \text{NB})$	487.435	6.371***
$\Psi_{23}(\text{NB} \rightarrow \text{CB})$	430.371	3.218**
$\Psi_{13}(\text{BB} \rightarrow \text{PBC})$	172.362	3.271**
<b>Modification indices</b>		
$\text{NB} \rightarrow \text{AB}$		7.361
$\text{AB} \rightarrow \text{PN}$		6.214
$\text{PN} \rightarrow \text{AB}$		4.984
$\text{PBC} \rightarrow \text{PN}$		5.186
$\text{NB} \rightarrow \text{I}$		4.916
<b>Goodness of fit statistics</b>		
$\chi^2$		36.131
df		15
p		0.021
GFI		0.912
RMSE		0.179
ECVI		0.712
<b>Incremental fit measures</b>		
AGFI		0.927
TLI		0.632
NFI		0.694
<b>Parsimonious fit measures</b>		
PGFI		0.318
Normed $\chi^2$		3.145
PNFI		0.612
AIC		49.315

Note: \*p < .05; \*\*p < .001; \*\*\*p < .001

### Structure Model Fit

The estimated coefficient in Table 3 guilds the basic structure of TPB model. Figure 3 shows those parameters that significant for the studies and also gives indirect effects associated with modification indices about the suggested value, 3.84 (Hair et al., 1998). There is significant output for the entire regression coefficient linking the antecedents and the determinants o intention. There is a high significant level p < .001 for PN the solution provides indirect effects between intention and NB (refer modification indices).

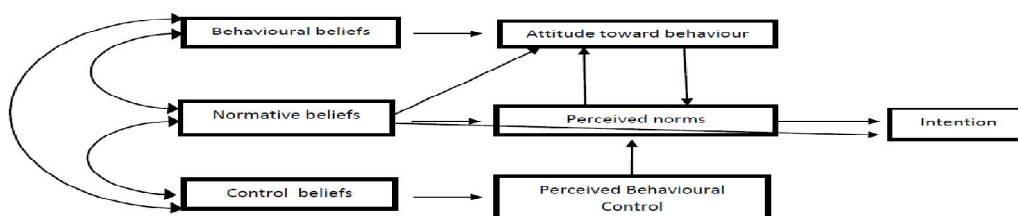


Figure 3: Significant parameters

## **Conclusion and Discussion**

The research was designed to evaluate how green labels (the perceived norms) influence consumers' intentions to purchase. More specifically, this research explores to test the suitability and the boundary of the TPB especially green labels.

From the analysis, the measures and indices fall in acceptable limits and the model provided is a good measure of fit for the sample. This can be explained because Malaysian has well formulated consumer perceptions and clear behavioural patterns.

From our observation, green labels (Perceived norms) dominant because both normal beliefs and perceived norms have directly influenced the intention to purchase. The results in line with other research; if the phenomenon is perceived to be good to be community, the determinant would directly influence the intention (Knobe, 2004; Borg et al., 2006).

Interestingly, we can observe there is a significant reciprocal causality between attitude to behaviour (AB) and perceived norms (PN, Green Labels). This can be explained with the results from the previous research that a lot of people to avoid unwanted consequences and start to play a role in the emission of moral behavior (Vallerand et al., 1992). There are many other factors that would enhance the reciprocal causality between attitude to behaviour (AB) and perceived norms (PN, Green Labels) such as peer pressures, education background (Tibury, 1996), social awareness campaign (Sampei & Aoyagi-Usui, 2009) and others that lead to convergent of the determinants. In short, we can conclude that TBP is a good model to predict intention to purchase with influence of green label because the model is internally fit and high external consistency.

## **Manager Implication**

Green labels are used widely by marketers in planning their marketing strategy. With green labels, the consumers' awareness towards the environment concerns are brought up. From the research model, managers have to put concerns the issues of consumer mistrust of environment claims (normative beliefs) influenced their intention to purchase. Besides, the normative belief becomes a barrier in formation intention to purchase. For instance, consumer feels that they would not make any change if they themselves buy the green products could be a possible reason to stop them to buy green products.

## **Authors**

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# **KNHPI – TOWARDS PRODUCTION AND PROMOTION OF SOCIALLY RESPONSIBLE PRODUCTS**

*Sunita Chauhan and A.K.Sharma*

## **Introduction**

Kumarappa National Handmade Paper Institute (KNHPI), Jaipur (under KVIC, Ministry of Micro, Small and Medium Enterprises) which is an ISO-9001:2008 certified institution and is recognized as SIRO by the Department of Scientific and Industrial Research (DSIR), Govt. of India is committed to provide State of Art technology management to Indian handmade paper industry through continuous research, human resource development and support to the entrepreneurs in bringing up sustainable rural industrialization, ensuring environmental friendly practices, maintaining social and communal harmony, revitalization of ancient arts and crafts with modernization at affordable cost. The institute has been acclaimed a world-class institute and only of its kind in the area of handmade paper in the whole of Asia.

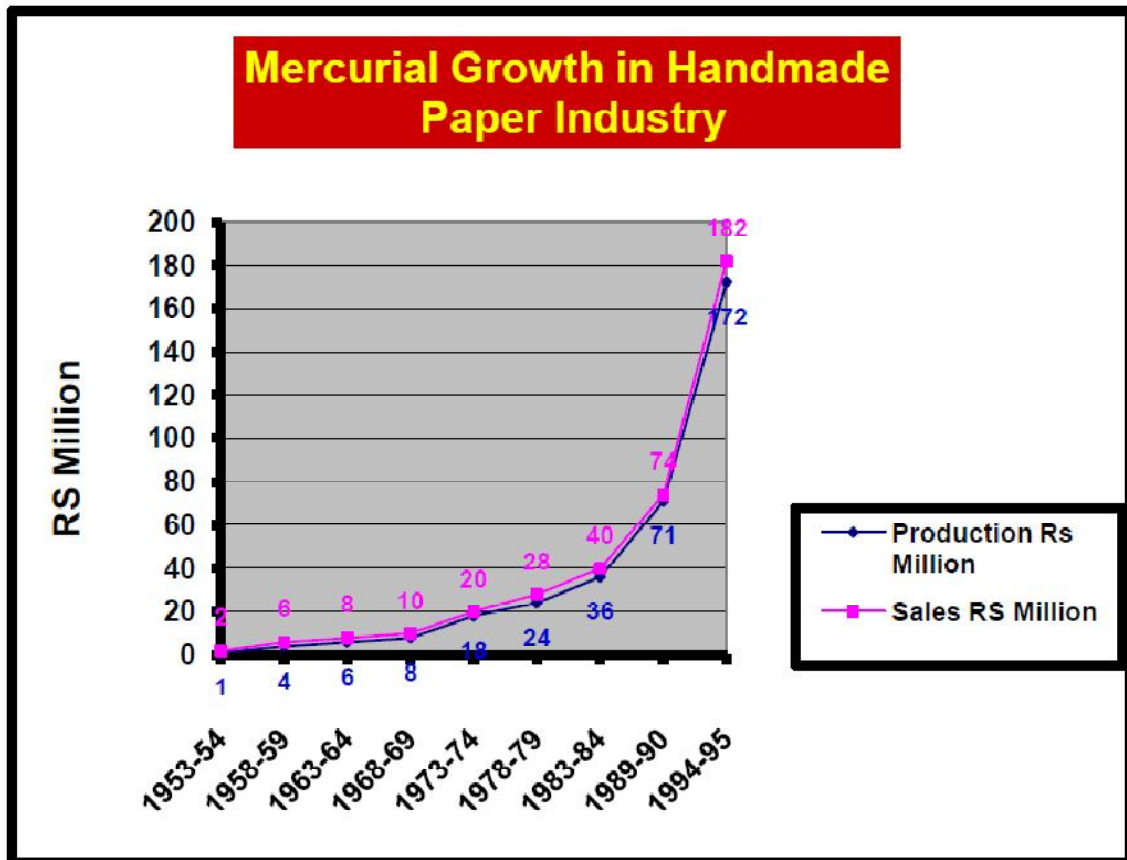
Kumarappa National Handmade Paper Institute, the pioneer institute in the service of Indian Handmade Paper Industry, was a UNDP-KVIC project, brought up in the year 1991 with aims to strengthen the industry to grow & develop on the global horizon. Today, if Indian Handmade paper has been able to make its presence on the international level, it is because of the relentless contributions and support of the institute, in the fronts of technology, raw materials, resource conservation, training, dissemination etc.

## **Handmade Paper Industry**

Before the era of Kumarappa National Handmade Paper Institute, the handmade paper industry was in shambles. It was on the verge of extinction. Thanks to the efforts of KVIC and UNDP this industry was revived to its glory which it enjoyed during the regime of the Mughals. The same is quite evident from the figure-1.

While addressing all the present and future problems of handmade papermaking, KNHPI has developed cost-effective, eco-friendly technologies besides establishing the suitability of a range of alternative raw materials. In addition to this, KNHPI offers technical services by way of testing the paper, board, water, effluent and enzyme samples. Providing consultancy to the new and existing entrepreneurs is another dimension of its services to the handmade paper industry.

Figure 1: Growth of Handmade Paper Industry



### Training Programmes

Under its extensive Human Resource Development Programme, various training programmes like Orientation Training Programme, Specialized Operator's Course, Condensed Course, Product Design & Development Programme etc are being organized by KNHPI. Apart from that, other training programmes under SFURTI scheme, Prime Minister Employment Generation Programme-Entrepreneurship Development Programme (PMEGP-EDP), Special programmes for North-East region, Cluster Development Programme have also been conducted. Through successfully conducting various training programmes in the area of handmade papermaking for skill up-gradation, KNHPI has imparted training to a total of 1695 persons till now. Out of this, 34 foreign candidates have also benefitted from the training services of the institute.

Apart from core training programmes related to handmade paper, the institute also started Summer Training Camps and Dissertation Training Programmes for the aspiring students in the field of Microbiology, Biotechnology, Environmental Sciences/Engineering and Chemical Engineering. Now, the institute is prepared to start PhD studies in Microbiology/Biotechnology for the benefit of Indian Handmade Paper industry in association with the IIS University, Jaipur. In this regard, the institute has already signed an MOU with them.

### **Socially Responsible Product**

Handmade paper is one of the socially responsible products because it is the tree-free, cleanly produced, environmental friendly product. The production of handmade paper and the paper itself is a socially responsible process and the product as well in the truest sense of its meaning. This is because the handmade papermaking neither utilizes the woody, forest based raw materials nor it uses the toxic, harmful chemicals.

The raw materials used for its production include cotton rags/tailor cuttings/hosiery waste besides the waste paper (shredded currency waste/old news print waste/magazine waste etc.) and the natural fibers comprising of the range ligno-cellulosic waste materials (banana fiber, jute, Ankara etc.) available in plenty in different regions of the country. The cleaner process of handmade papermaking and the range of unobjectionable raw materials used are further obvious from the figure-1 & 2 and table-1.

Realizing the fact that the Indian Handmade Paper industry has to make its place on the global platform while competing with the mill-made paper, it is only possible when handmade paper is gifted with the unassailable attributes which the mill made paper can never think of in the wildest of its dreams. That's why the raw materials, process, technology etc. have to be different. If the mill sector is using forest-based raw materials causing a lot of deforestation and pollution problems, handmade paper can be made from non-conventional, non-forest-based, recyclable raw materials. Hence the handmade sector is using mainly the cotton hosiery waste as the main raw material and as the alternate raw materials; the institute has done a lot of research to make these raw materials techno-economically viable for the industry. The list of alternate raw materials is given in table-1



**Table-1: Alternate Raw Materials for the Handmade Paper Industry**

		Common Name	Botanical Name
<b>Bast fibers</b>	1	Sunn Hemp	<i>Crotolaria juncea</i>
	2	Hemp (Bhang)	<i>Cannabis sativa</i>
	3	Jute	<i>Chorchorus capsularis/ Chorchorus olitorius</i>
	4	Ankara (Madar, Aak)	<i>Calotropis procera</i>
	5	Paper Mulberry	<i>Broussonetia papyrifera</i>
	6	Silk Mulberry/ Shahtute	<i>Morus alba</i>
	7	Shogun	<i>Daphne papyracea</i>
	8	Bhimal	<i>Grewia optiva/ Grewia oppositifolia</i>
	9	Ramie (China Grass)	<i>Boehmeria nivea</i>
	10	Kenaf	<i>Hibiscus cannabinus</i>
	11	Flax/linen	<i>Linum Usitatissimum</i>
	12	Salago ( Mulberry)	<i>Wikstroemia species</i>
<b>Leaf fibers</b>	13	Banana	<i>Musa sapientum/ Musa paradisiaca</i>
	14	Pine Apple	<i>Ananas comosus</i>
	15	Sisal	<i>Agave sisalana</i>
	16	Water hyacinth	<i>Eichhornia crassipes</i>
	17	Abaca (Manila Hemp)	<i>Musa textilis</i>
<b>Grasses/ Agro-based</b>	18	Sabai Grass	<i>Eulaliopsis binata</i>
	19	Bodha grass	<i>Chloroxylon coloratus</i>
	20	Lemon Grass	<i>Cymbopogon ciatrus</i>
	21	Mentha grass	<i>Mentha piperita</i>
	22	Wheat straw	<i>Triticum vulgare</i>
	23	Rice straw	<i>Oryza sativa</i>
	24	Bagasse	<i>Saccharum officinarum</i>
	25	Kheep	<i>Leptadenia pyrotechnica</i>
	26	Besharam (Kolumu)	<i>Ipomea carnea</i>
<b>Recycled fibers</b>	27	Elephant dung	<i>Pachyderm</i>
	28	Shredded currency waste	

### Manufacturing and Quality

Also the processes being used in the mill sector like kraft process for pulping, Chlorine and Chlorine-based chemicals for bleaching, huge energy and water consumption, large emission of CO<sub>x</sub>, SO<sub>x</sub>, NO<sub>x</sub> in the air, Dioxins and Furans in the effluents were not allowed in handmade paper sector. The technologies and processes ought to be eco-friendly. No Cl<sub>2</sub> or Cl<sub>2</sub> compounds are used for bleaching. More stress is given to the oxidative bleaching by O<sub>2</sub>, O<sub>3</sub> and/or H<sub>2</sub>O<sub>2</sub> or through enzymes.

The machinery and equipment requirement in the mill-sector are huge while as the name suggests, for handmade paper, use of minimum machinery is desired. Accordingly the process of treatment of raw materials is designed. It also reduces the capital cost involved as well as the working capital requirements. The process flow charts are very simple to understand and adopt (figure-1 and 2):



The quality of handmade paper with respect to its strength and durability has been so far excellent as compared to the mill-made paper. Handmade paper is known for permanence and its life is more than 100 years and some of the handmade papers last for more than 700 years. The reason behind this is that the basic raw materials which are used for handmade papermaking like the long fibrous raw materials have large values of Degree of Polymerization (DP). Also these raw materials are having low lignin contents which make the fiber non-degradable for years to come.

Handmade paper industry provides more employment to people than the mill sector per ton of paper produced. Handmade paper is a drive towards mass employment particularly in the rural areas because handmade paper industry has been defined as the village industry and most of the Indian population belongs to rural areas. The unemployed youth of India has its major share in the villages.

Handmade paper sector is also helping in women empowerment by their social and economic upliftment. Most of the operations in handmade paper industry can be very easily performed by women. There is scope of 35% of women participation in this sector. Hence handmade paper is fulfilling its commitment towards economic and social upliftment of the society particularly the unemployed youth and downtrodden women.

Thus KNHPI from its own side has been giving boost to the handmade paper sector in association with KVIC. Day in and Day out, concerted efforts have resulted in economic growth of handmade paper sector in India as well as its demand in the foreign markets has increased to such a level that we are second to China in the export of handmade paper to abroad nations. By maintaining the ecosystem of nature, by providing jobs to less privileged sections of the society in the rural areas, by saving the natural resources of the Mother Earth, through technical and training support to the entrepreneurs/SHG/artisans, the institute is taking much lead in fulfilling its social responsibility.

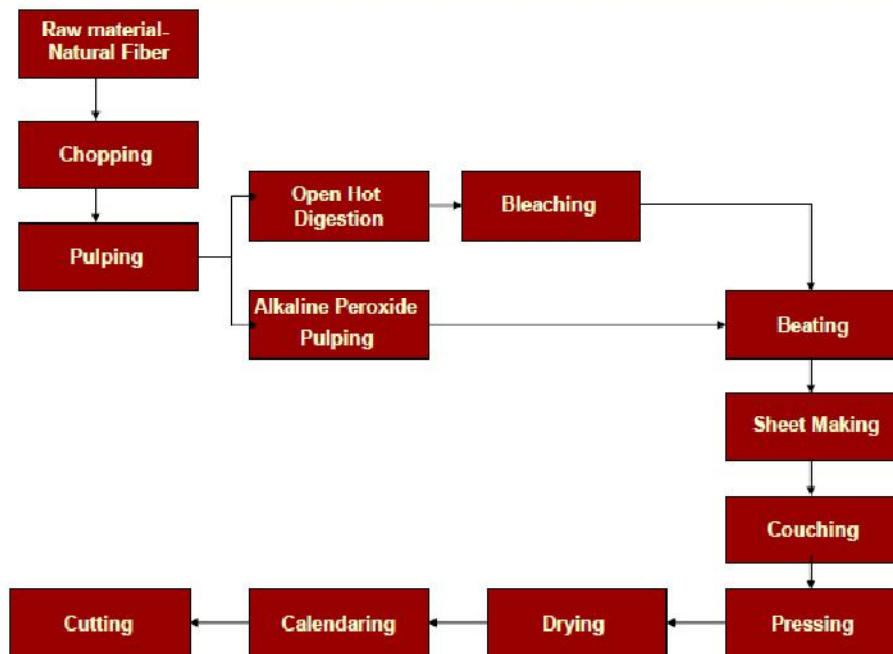
**Figure-1**

**PROCESS OF HANDMADE PAPERMAKING : Hosiery Waste**



**Figure-2**

**PROCESS OF HANDMADE PAPER MAKING- Natural Fiber**



**KNHPI Ethos**

KNHPI has its strong beliefs in Indian culture of "Simple Living and High Thinking" and giving back to the society. Strong ethics and moral values are nurtured in us through the various spiritual and religious scriptures, Puranas, Vedas and other holy books to give the offerings

to the needy persons. Philosophers like Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged has been cited in much of the ancient literature. This was not at all being done for name and fame. According to Ratan N. Tata, "We do not do it for propaganda. We do not do it for publicity. We do it for the satisfaction of having really achieved something worthwhile." Our Prime Minister, Dr. Manmohan Singh has also stated that "The concept of Corporate Social Responsibility is a part of our cultural heritage. Mahatma Gandhi called it trusteeship—"He has suggested a ten point social charter with the objective to further encourage a culture of caring, sharing and belonging. The time has come for the better-off sections of our society to understand the need to make our growth process more inclusive - to eschew conspicuous consumption, to save more and waste less, to care for those who are less privileged, to be role models of probity, moderation and charity.

Indian Corporate sector is also fully aware of their social responsibilities. In the quest of the same, some of them like Ballarpur Industries Ltd.-Thapar Group and Ultra Tech Cement Plant, Kotputli, Rajasthan-An Aditya Birla Group have approached us in assisting them for providing jobs to weaker sections of the villages they have adopted, by providing training on Product Design & Development. Women can take up this job of making the converted value-added items of handmade paper at their homes while taking care of their children and other household chores.

The sludge produced from the Indian paper industry can be best utilized for manufacturing the handmade paper board and thereby the problem of sludge disposal can be sorted out in a sustainable manner in addition to providing employment to the local public in their adjacent areas. Similarly, the garbage disposal bags and carry bags produced from the handmade papers can be an ecofriendly substitute of the polythenes which are being banned in different regions of the country as well as the world looking into their bioplastic nature and disposal problems.

## **Conclusion**

Thus KNHPI can play a very crucial and instrumental role for the overall promotion of socially responsible products not only in the country but also in the neighboring Asian countries and thereby leading to greater sustainability among the Human Society. Number of small scale handmade paper units based on locally available non-forest based raw materials which are not only available in plenty but cheaper also, can be set up using fewer amounts of capital investments with the training imparted to the entrepreneurs and the consultancy services on turn-key basis by KNHPI all over the world.

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# **PUBLIC-PRIVATE PARTNERSHIP IN VACCINE PROVISION- DYNAMICS OF FORMATION OF THE GLOBAL ALLIANCE FOR VACCINES AND IMMUNISATION (GAVI)**

*PARK, Ju Hyun*

*"Immunisation is undoubtedly one of the best buys in global health and GAVI is one of the most effective ways of achieving Millennium Development Goal Four."*

Andrew Mitchell,  
United Kingdom's Secretary of State  
for International Development

## **Introduction**

The 1990s were a critical period of time regarding the issue of global public-private partnerships (GPPP). Several initiatives involving collaboration across sectors arose with an objective of overcoming "failures" of the market and public health services. A global approach of public-private partnerships (PPP) for health development had been counted as a new solution to the problem of health service provision to the world. One example of GPPP is the Global Alliance for Vaccines and Immunisation (GAVI), incorporating key agencies and institutions involved in immunization and development.

Launched in 2000, GAVI is a global alliance of developing countries, donor countries, multilateral organizations, the vaccine industry, and civil society under a common mission to save children's lives and to protect health by increasing access to immunization in poor (developing) countries (GAVI 2012). It has been contributing to a rise in the number of children immunized, reducing the cost of a child's immunization, saving millions of lives from deadly diseases, and supporting the Millennium Development Goals (GAVI 2012). Goal four (reducing child mortality) and Goal six (combat HIV/AIDS, malaria, and other diseases) are supported directly, whereas Goal one (end poverty and hunger) is pursued indirectly in the long run. There are questions to be asked regarding GAVI in terms of the dynamics that led to a single alliance of several actors. (1) What were the conditions and motivations that led to a single alliance of GAVI? (2) How was GAVI different from its preceding approaches and what made GAVI work better?

Justification of this research is two-fold. One lies in its implications for understanding a case of a global alliance and providing guidance to potential global cooperation in the future. Taking a close look at the dynamics of GAVI in its formation period and finding out the key players and driving force(s) is likely to be critical for future alliances that might be needed, based on demand and necessity. The other justification lies in its implications for the increased weight of GAVI based on the significance of vaccine. Vaccine saves lives by

providing highly cost-effective and readily available measures. The World Health Organization (WHO) argued that the most effective way to reduce disease and death from infectious diseases is to vaccinate susceptible populations (IVR 2005). Moreover, vaccine does not need diagnosis, requires a few doses instead of long-term regimens, and rarely causes major side effects. The prices also have been lowered and are expected to be driven further down (GAVI 2012).

## **LITERATURE REVIEW**

### **Emergence of Public-Private Partnerships**

Tang, Shen, and Cheng (2009) discuss how the European Union (EU) created a new focus on private-sector involvement (PSI) in 2005 to assist the government in meeting its priorities, building on the clear recognition that public funds are limited. They distinguish the PSI into two forms of outsourcing and PPPs (Tang, Shen, and Cheng 2009). Most literature deals with PPPs in terms of domestic partnership. Discussion on domestic PPPs in this paper is limited to the debate in the U.S. Yet, it is certainly relevant to PPPs in other countries and global partnerships. The biggest difference is the actors and the scope of implementation of the PPP projects. Whereas domestic PPPs are between the government and the private sector within a country, GPPPs are among more actors including international organizations, states, and the private sector in the global community, across national borders.

#### **1. Definitions of Public-Private Partnership.**

Public-Private Partnership is often involved in domestic projects with large scale and intensive capital requirement. According to Savas (2005), the term "public-private partnership" is a form of privatization. It is defined broadly as an arrangement in which a government and a private entity, for-profit or nonprofit, jointly perform or undertake a traditionally public activity. Narrowly defined, it is a complex relationship – often involving at least one government unit and a consortium of private firms –created to build large, capital-intensive, long-lived public infrastructure, such as a highway, airport, public building, or water system, or to undertake a major civic redevelopment project (Savas 2005). The majority of PPP projects involve private firms rather than non-governmental organizations (NGOs) or civil society organizations (CSOs).

#### **2. Historical Background of Development of Public-Private Partnership**

Public-Private Partnership has a long history along with that of the United States. With the founding philosophy based on the market economy, privatism has been a long pursued value in the American society (Sagaly 2007). Sagaly (2007) indicates that there are three generations of PPP projects. The first generation is about public sector's problems from lack of experience and private sector's consultation. The second generation of PPP is about large companies' developing specialized PPP in urban development projects, employing planners who manage PPP projects for public entities.

The third generation is about social development, which has PPP projects initiated by the private sector. The number of PPP projects increased and expanded widely to public service, city reconstruction, and so on. Beauregard (1998) refers to the mid-1800s for rudimentary emergence of public-private partnerships in the U.S. Yet, they have gone through a number of transformations, deeply influenced in complex and historically contingent ways by institutional arrangements that are deeply embedded in the differentiation of the state from capital (Beauregard 1998). Schultze (1977) in the 1970s recognized the growing need for collective influence over individual and business behavior that was once the domain of purely private decisions. In the 1990s, Peiser (1990) noted the significance of financial stability, saying "Whether development is done by private firms or public redevelopment agencies, it must be profitable for the entity to survive. It is a hollow victory to obtain exactions from a high quality developer that cause a project to go bankrupt. Beautiful but financially unsuccessful projects do not help the community in the long run" (p. 500).

Governments choose a PPP option for a variety of reasons including a desire to accelerate long-overdue capital improvements, an inability to raise necessary capital or credit on their own, a lack of in-house expertise or resources, or a desire to ensure life-cycle maintenance and repair of facilities (Little 2011). Apart from the intention of the governments, there are different purposes that PPPs fulfill: policy design and planning, policy coordination, policy monitoring, policy evaluation and review, policy implementation and service delivery, resource mobilization, and resource management (Bovaird 2004). For the private sector, PPPs represent business opportunities in areas from which it was in many cases previously excluded, like building and operating hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control system, and water and sanitation plants (IMF 2004).

### **3. Advantages and Disadvantages of Public-Private Partnership**

There are literatures both for and against PPP. Yet, most literatures evaluate PPP based on the potential benefits and costs rather than either strongly supporting or criticizing PPP. Nonetheless, literatures supporting PPP focus on the benefits that derive from its efficiency and financial stability. On the other hand, literatures against PPP focus on the risks that derive from complexity, the nature of PPP projects, in comparison to either the public or private sector working alone.

One of the advantages of PPP is that it saves resources. Fiscal problems of the state that can be mobilized by private funding for public services alongside the significant changes expected to be made (Bovaird 2004). Bovaird points to positive future prospects, referring to evidence that many companies while continuing to be profit-oriented are interested in, and even committed to, taking the corporate social responsibility aspects of their activities more seriously. It improves provided services and generates revenue or other indirect financial benefits. PPP can also be time-efficient in the procurement

process, consolidating many activities into a single solicitation (Little 2011). For instance, instead of arranging financing, hiring a designer, soliciting construction bids, overseeing construction of the project, and ensuring maintenance and repair over its life cycle, a PPP requires only the identification and retention of a qualified entity or team that can provide the package of services in need (Little 2011).

Regardless of the benefits deriving from PPP, there are risks and costs to be considered. There may be substantial political and democratic costs in addition to the benefits of efficiency and service improvements in some policy areas (Flinder 2005). Flinder concludes with more weight on the concerns from possible risks that the state has to consider when introducing PPPs, based on evaluation of a number of PPPs with efficiency, risk, complexity, accountability, and governance. Problems like high costs in tendering, complex negotiation, cost restraints on innovation and differences on conflicting objects among the project stakeholders (Li, Akyntoye, Edwards, and Hardcastle 2005).

Much of the risk of a PPP project comes from the complexity of the arrangement itself in terms of documentation, financing, taxation, technical details, sub-agreements and etc involved in a major infrastructure venture, while the nature of the risk changes over the duration of the project (Grimsey and Lewis 2000). The range of risks can be usefully divided into five categories: construction risk (related to design problems, building cost overruns, and project delays); financial risk (related to variability in interest rates, exchange rates, and other factors affecting financing costs); performance risk (related to the availability of an asset, and the continuity and quality of service provision); demand risk (related to the ongoing need for services); and residual value risk (related to the future market price of an asset) (IMF 2004). Yet, these risks are not unique to PPP projects, but rather present in all public, private, and PPP projects. Since there is a limited scope of parts where PPPs are concentrated on, the risks of PPPs tend to have certain characteristics, though overlapping with for both public and private projects.

#### **4. Successful and Sustainable Public-Private Partnership**

For a PPP project to be considered successful and sustainable, there are some conditions to be met (Kanakoudis, Papotis, Sanopoulos, and Gkoutzios 2007). First, it should be based on formation of strong partnership. Second, it should be publicly accepted. Third, the management should be transferred from public to private sector. Last, meritocracy should be guaranteed along with performance evaluation during the contract procedures. Several literatures point out some critical success factors in PPP. Considering political structure or environment, good governance (Frilet 1997) and government support (Zhang, Wang, Tiong, Ting, and Ashley 1998) are identified. Sound economic policy, such as available financing market (McCarthy and Tiong 1991) and effective risk allocation (Grant 1996). "Soft critical factors" like social support (Frilet

1997), commitment (Stonehouse, Hudson, and O'Keefe 1996), and mutual benefit (Grant 1997) as the success factors for PPP projects.

### **Emergence of Public-Private Partnership in Health**

Several organizations in public health established partnerships with private sector organizations around the year 2000. When the market fails to distribute health benefits to people who need them– especially to people in developing countries– partnerships between public and private organizations are often seen as offering an innovative method with a good chance of producing the desired outcomes (Reich 2002). Despite the fact that PPPs do have problems, the reason why they became prominent is mainly due to rising advocacy for public health problems to be solved by non-governmental organizations in the international policy agenda (Reich 2002).

There has been a historical change over time. Weaver and Dennert (1987) refer to the 1930s when local economic development was a national concern for policymakers. There were assessments of the role of metropolitan areas in the national economy, and policymakers tried to generate urban-based jobs for the unemployed. During the 1950s and 1960s, they say that economic growth and development became the central preoccupation of a new generation of economists and planners who defined economic development as a matter for national macroeconomic policy. Until late 1970s, there had been minimal collaboration between public and private sectors within the UN or the international development system (Buse and Walt 2000a). In the 1970s and 1980s, relationships began to change with more donors seeking collaborators from the private sector. Yet, it was not until the 1990s that a number of changes occurred in the context of international cooperation for health. Radelet and Levine (2007) viewed the early 1990s, when the cold war ended, as the time when many foreign aid programs lost their reasons and much of their political support and encountered increasing criticisms. In response to the criticisms, donors sought changes, and the most radical and dramatic cases were the establishment of new institutions such as GAVI to deliver aid in fundamentally different ways than traditional agencies (Radelet and Levine 2007). The importance of global collaboration among different agencies is stressed in the Initiative for Vaccine Research (IVR) R&D report of 2005, which says "the global control of infectious diseases requires global and continuous collaboration, coordination of regulatory agencies and development of vaccines to prevent all diseases, as well as a sustainable economic system to support these initiatives."

### **Theoretical Framework**

The research questions in this paper are as follows: three case studies of attempts to find ways to distribute vaccines to developing countries. There has been an evolution, if not simple "walk-away" from "failures" that led to the current system of GAVI. Why were the first two unsustainable? What is there about GAVI that has made it work better? Based on the literature review, an analytical framework has been extracted. There had been continuous attempts and projects to find ways to distribute vaccines to developing



countries which have evolved over time. The Expanded Programmes on Immunization (EPI), the Children's Vaccine Initiative (CVI), and the Global Alliance for Vaccines and Immunisation (GAVI) are the three different approaches that have developed over time; solving critical problems at each stage. These three case studies at different time periods will be examined based on various factors: initiation (years), goals, actors, problems, and outcomes. EPI and CVI have been abandoned, but each led to another attempt with different characteristics. GAVI's success and sustainability factors will be compared to the previous two attempts, with the underlying assumption that GAVI has been successful according to the four conditions for successful and sustainable PPP Project in the literature review. In addition, analyzing the dynamics that led to a single global alliance for vaccination and immunization and distinguishing the most influential driving force(s) are the main focus. The four main organizations are the Renewable (permanent) Board members along with the rotating Board Chair World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the World Bank, and the Bill and Melinda Gates Foundation. They are analyzed based on CVI involvement, role in the board, and contribution to the formation of GAVI. Though each actor has its own unique contribution to the formation, it is hypothesized that the Gates Foundation has been the most proactive and vital actor in launching GAVI, with respect to its large endowment of \$750 million in a five-year commitment (GAVI 2012).

## **METHODOLOGY AND RESEARCH DESIGN**

This research paper is designed for a discussion on PPP with case studies. The research is done based on qualitative approach with three comparative and historical case studies of EPI, CVI, and GAVI. With information on initiation, goals, actors, problems, etc, dynamics of global attempts for vaccine provision to developing countries are discussed based on the method of process-tracing. To get information on EPI, CVI, and GAVI, the analysis of its historical background and origin, main actors, and documents are examined. Historical background and origin will be reviewed based on secondary sources of relevant researches and information provided by the actors involved. The official documents, speeches, press releases, interviews, websites, and etc before and after the launch of global attempts are reviewed. Especially for in-depth research on GAVI, actor analysis is carried out. In January 2000, GAVI was formally launched at the World Economic Forum (WEF) in Davos, Switzerland. By examining the documents issued both from individual actors and from GAVI when it was announced, the surroundings and circumstances can be understood. Various documents are expected to provide an idea of different motivations of the actors and process of formation of GAVI. Speeches at the plenary session of the WEF at Davos, related press releases, official documents published by GAVI and the four organizations, related articles, and documents will be reviewed to track-down the process of the formation of GAVI.

## EMPIRICAL ANALYSIS

### Background Information on GAVI

Launched in 2000, GAVI is a public-private global health partnership of developing countries, donor countries, multilateral organizations, vaccine industry, and civil society under a common mission of commitment to saving children's lives and protecting health by increasing access to immunization in developing countries (GAVI 2012). It has a set of "philosophical principles" (Chee, Molldrem, Hsi, and Chankova 2008) as follows:

1. GAVI is an alliance [in which] partners work together to achieve greater effectiveness and synergies through enhanced coordination, consensus building and coherence.
2. The goals of the GAVI alliance are by definition consistent with the goals of respective partner institutions. Partners are jointly responsible for ensuring agreed outcomes through the implementation of necessary activities, resourcing, and accountability.
3. Partners are committed to increase the impact of their efforts at country level towards the GAVI milestones and strategic objectives.
4. The availability of additional resources for immunization including the Vaccine Fund and the promotion of sustainable financing solutions for countries.

GAVI's Board is composed of WHO, UNICEF, the World Bank, the Bill & Melinda Gates Foundation, governments of donor governments and developing countries, research and technical health institutes, the vaccine industry of industrialized countries and developing countries, civil society organizations, and some independent individuals (GAVI 2012). The first Board Chair of GAVI was Dr. Gro Harlem Brundt and from WHO who set goals of 1) improve vaccine infrastructure in low-income countries; 2) help poorer countries procure vaccines against hepatitis B (hep B), Haemophilus influenza type B (Hib), yellow fever and safe injection equipment; and 3) secure research and development financings for diseases prevalent in poor countries (GAVI 2012).

GAVI is funded by governments, corporations, foundations, and private individuals; 76% of GAVI's funding comes from governments and 24% comes from the private sector (GAVI 2012). GAVI's donors vary from governments of developed countries to civil society organizations and philanthropic foundations. GAVI aims to focus its support on the least developed countries in the world. Thus, it provides a list of countries eligible for GAVI support based on GNI per capita below or equal to 1,520 USD (according to the World Bank data available for the latest year) and conditions for different types of support in relation to the proposals of the country and qualifications (GAVI 2012). Currently, there are 57 eligible countries. GAVI sets conditions for each type of support. GAVI has been contributing to a

rise in the number of children immunized, reducing the cost of a child's immunization and saving millions of lives from deadly diseases by supporting development of new and underused vaccines, immunization services, health systems funding platform, health system strengthening, and civil society organizations (GAVI 2012).

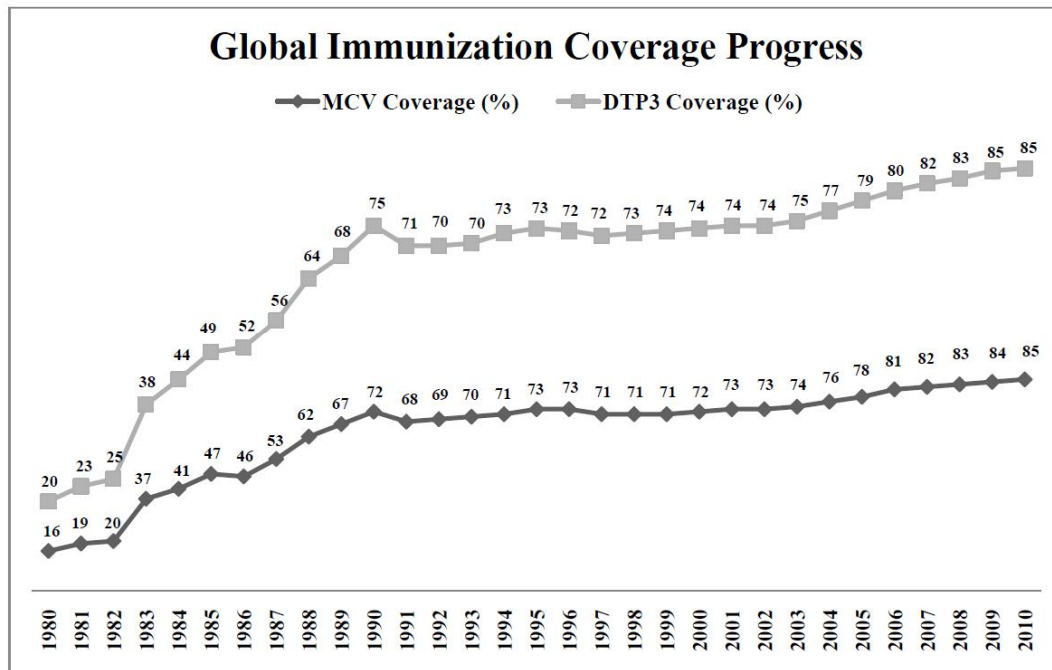
## **Preceding Approaches**

### **1. The Expanded Programmes on Immunization (EPI)**

EPI, a WHO project was initiated in 1974 and established in 1977 through a World Health Assembly resolution to ensure that all children in all countries benefited from life-saving vaccines, targeting diphtheria, whooping cough, tetanus, measles, poliomyelitis and tuberculosis (WHO 2012). When the programme began, the disease still threatened 60% of the world's population and killed every fourth victim, but EPI successfully increased immunization in developing countries. Accessibility to vaccination is almost universal, as evidenced by 95% coverage of BCG (Bacillus Calmette-Guérin, a vaccine against tuberculosis)—the first vaccination after birth. Significant gaps remain, however, in achieving full vaccination at the right age and intervals (UNICEF Bangladesh 2008).

During the 1980s, however, results were faltering with significantly dropping coverage in many countries. Moreover, Hepatitis B vaccine, which was relatively inexpensive, was not being taken up by developing country governments as part of their immunization programs, with an estimated 30 million children not getting their basic immunizations, which could have prevented millions of deaths (Chee, Molldrem, Hsi, and Chankova 2008). Global progress on MCV (Measles-containing vaccine) coverage and DTP3 (Diphtheria-tetanus-pertussis) immunization coverage indicates how the immunization coverage has changed over time.

Figure 1. Global Immunization Coverage Progress (1980-2010)



Source: WHO/UNICEF coverage estimates, 1980-2010 (2011)

Figure 1 indicates how immunization coverage has increased in the 1980s, when the outcomes of EPI were apparent. In the late 1980s, early 1990s, and late 1990s, there were slight decreases of immunization coverage. Each indicates the periods when EPI had problems, when CVI was being initiated, and when CVI failed to launch. Starting from 2000, the immunization coverage is back on increasing track, reaching 85% global coverage in 2010. Yet, EPI remains committed to its goal of universal access to all relevant vaccines for all at risk, providing a long-term vaccine schedule. The programme aims to expand the targeted groups to include older children, adolescents and adults and work in synergy with other public health programmes in order to control disease and achieve better health for all populations, particularly the underserved populations (WHO 2012).

## 2. The Children's Vaccine Initiative (CVI)

Aware of the problems derived from EPI and the limitation of a program only run by public sector, the immunization community came up with an alternative, CVI. Unlike EPI, CVI was a PPP project that brought together all the major participants in the international health community – scientists, national and international health bureaucrats, foreign aid donors, and the International Federation of Pharmaceutical Manufacturers Associations (IFPMA) (Muraskin 2002). The partners involved in CVI were WHO, UNICEF, UNDP, World Bank, Rockefeller Foundation, and vaccine manufacturers involved at the Task Force Level and Product Development Team (Buse and Walt 2000b). Yet, the CVI failed to make major progress because of unresolved issues among the

partner organizations (between the public and private sectors) and lack of sustainable funding (Chee, Molldrem, Hsi, and Chankova 2008). First of all, bringing members of the public and private sectors together was a challenge for CVI. While the public health, both national and international, viewed their work as a calling to benefit mankind, especially taking the advantage of vaccines, the private sector had a totally different approach: focusing on the search for profit especially based on intellectual property rights (IPRs) (Muraskin 2002). IFPMA was given the second ranking position in the task force of secretary, one of CVI's leading proponents of private-public cooperation (Muraskin).

Moreover, lack of sustainable funding was another critical problem. A working group of representatives from UNICEF, WHO, the World Bank, the Rockefeller Foundation, and industry was set up, to develop proposals, but the resulting plan lacked detail, human capital, and financial capital. Due to unresolved problems, however, WHO announced that the CVI would be dismantled and terminated by the end of the year, just before the high-level meeting for discussion on official launching of CVI (Milstien, Kamara, Lydon, Mitchell, and Landry 2008). Without a specific plan afterwards, everything went back to the initial stage of WHO-oriented EPI, with a break-up of the effort for a global alliance for children's vaccination. However, CVI is not simply considered as a failure but rather a stepping stone for the long attempts to be realized through GAVI. The descending entity GAVI is largely based on CVI in terms of main objectives and goals, structure, actors involved, etc. Failed compromise in CVI eventually led to another motivation for a global alliance.

## **The Global Alliance for Vaccines and Immunisation (GAVI)**

### **1. Alternative to Predecessors**

When WHO announced the termination of CVI, the Bill and Melinda Gates Foundation's Children's Vaccine Program appeared on the scene. Launched in 1998, the Gates Foundation had its own vaccine program called Bill and Melinda Gates Children's Vaccine Program (CVP) that involved PATH (an international non-governmental organization), UNICEF, WHO, World Bank, CVI, Ministries of Health, NGOs, academia, International Vaccine Institute, and vaccine manufacturers (Buse and Walt 2000b). Apart from its CVP, it jumped into GAVI and offered money to help lubricate the places where scarce resources exacerbated interagency friction and took the role of godfather to what became the new alliance (GAVI 2012). GAVI took over many of the attributes that proponents of a revitalized CVI had wanted and reached a consensus on good relationships among the members for inter-agency cooperation (Muraskin 2002). The partners of CVI also decided to remain committed to GAVI, including WHO, the World Bank, UNICEF, the Rockefeller Foundation, and the vaccine industry (Chee, Molldrem, Hsi, and Chankova 2008). GAVI filled in the holes of CVI's problems of lack of coordination and sustainable funding. GAVI's harmonization and coordination

mechanisms of disparate donors and technical agency can be considered relatively successful. Though there are obstacles like varying priorities, governance, internal incentives, GAVI is dealing with the problems well enough to implement its initial vaccination projects to developing countries. Furthermore, GAVI partners have taken the issue of sustainability seriously and have applied a definition of sustainability that recognizes the reality that many developing countries are not going to be able to be self-sufficient in financing their immunization programs for a very long time and thus must depend on a combination of government and donor resources (Radelet and Levine 2007). Being conscious about financial sustainability, GAVI worked hand-in-hand with the Global Fund for Children's Vaccines (later called the Vaccine Fund) that was created in 1999 (GAVI 2012).

From the start, the GAVI Alliance was responsible for programmatic decision-making, while the Vaccine Fund held fiduciary responsibility (Chee, Molldrem, Hsi, and Chankova 2008). The Vaccine Fund started off with a contribution of \$750 million from the Bill & Melinda Gates Foundation. Nearly half of the global health money of the Gates Foundation has gone to vaccines, including the endowment to the Vaccine Fund (Jasny, 2002). With stable financial support from the Vaccine Fund, GAVI, unlike CVI, was free from possible problems arising from financial deprivation. To move on from the initial funding from the Bill & Melinda Gates foundation and set up a sustainable funding system, the International Finance Facility for Immunization (IFFIm) was launched in 2006 to financially support GAVI. IFFIm established a financial structure, issuing bonds in the capital markets and raising more than 2.7bil USD (as of 2011) for immunization with an interest rate less than 2% (GAVI 2012). GAVI and IFFIm provide financial incentives to manufacturers and shape the market to drive down vaccine prices. GAVI involves various actors; producing nearly 50% of its vaccines from companies in emerging markets. The financial structure makes GAVI sustainable and attractive for the vaccine industry to get involved.

**Table 1. Comparison of EPI, CVI, and GAVI**

	<b>EPI</b>	<b>CVI</b>	<b>GAVI</b>
<b>Initiation</b>	1974	1990	2000
<b>Goals</b>	Vaccinate children throughout the world	Maintain the vaccination schedules from EPI (vaccinate children throughout the world)	Save children's lives and protect people's health by increasing access to immunization in poor countries
<b>Actors</b>	WHO	WHO, UNICEF, World Bank, UNDP, Rockefeller Foundation, vaccine industry, etc.	WHO, UNICEF, World Bank, donor/implementing countries, Gates Foundation, Rockefeller Foundation, vaccine industry, CSOs, etc.
<b>Problems</b>	1980s: significant coverage drop	- Different approaches b/w public & private sector - Unstable Financing	- Support application system (excluding some LDCs)
<b>Outcomes</b>	A long-term vaccine schedule set	New initiation motivation for GAVI	- Well-collaborated various actors - Increasing child vaccination coverage & continuous R&D on vaccine

Table 1 indicates how the goals have been on the same track since EPI. WHO has played a pivotal role by initiating EPI and taking the leading position in all approaches. CVI invited private actors from the vaccine industry which eventually did not work. GAVI involved new actors of Gates Foundation and CSOs. While Gates Foundation provided initial funding in the launching stage, CSOs, including non-government and community-based organizations, faith-based groups, academic institutions and women's initiatives, play a critical role in shaping public policy, delivering vaccines to hard-to-reach communities and advocating for immunization in industrialized and developing countries (GAVI 2012).

Though it evolved from previous approaches, GAVI has a problem with its vaccine distribution system. GAVI operates on an application basis. Developing countries apply for vaccine support every year; considering eligibility criteria, application requirements and vaccine-specific considerations – in particular the new criteria for human papilloma virus (HPV) and measles-rubella containing vaccines (GAVI 2012). Comparing the least developed countries (LDCs) list provided by the OECD/DAC, GAVI was missing four countries of Equatorial Guinea, Samoa, Tuvalu, and Vanuatu. The application is available on-line, but if the country does not have access to information on GAVI's vaccine support program, it cannot receive any vaccine support from GAVI.

## 2. Main Actor Analysis

The key actors in GAVI are WHO, UNICEF, the World Bank, and the Bill & Melinda Gates Foundation. This list is based on the partnership model of GAVI (GAVI 2012) and their permanent membership in the Board Renewable Seats (Chee, Molldrem, Hsi, and Chankova 2008). These are analyzed based on three conditions: CVI involvement, role in Board of GAVI, and contribution to GAVI. The analysis indicates how significant each actor was in formation of GAVI.

**Table 2. Actor Analysis of GAVI**

	<b>CVI Involvement</b>	<b>Role in the Board</b>	<b>Contribution</b>
<b>WHO</b>	Yes	Decision-making Board (WHO & UNICEF rotate for Board Chair)	<ul style="list-style-type: none"> <li>- Expertise in science &amp; technology for vaccine and drug</li> <li>- Strong trusting relationship with developing countries</li> <li>- Technical assistance for immunization policy and programs</li> </ul>
<b>UNICEF</b>	Yes		<ul style="list-style-type: none"> <li>- Expertise in vaccine requirement, procurement, and supply chain management</li> <li>- Expertise in global &amp; country-level advocacy</li> <li>- Expertise program implementation at country-level</li> </ul>
<b>World Bank</b>	Yes	Decision-making Board Member	<ul style="list-style-type: none"> <li>- Bring experience with mechanisms for financing immunization</li> </ul>
<b>Gates Foundation</b>	No	Decision-making Board Member	<ul style="list-style-type: none"> <li>- Substantial monetary resources</li> <li>- Strong commitment and belief</li> </ul>

(Source: Chee, Molldrem, Hsi, and Chankova 2008)

Table 2 compares the four main players involved in formation of GAVI. WHO and UNICEF are the pivotal actors in the decision-making Board, rotating as Board Chairs. Each organization has expertise and strong trusting ties with and distribution system in developing countries. While the World Bank focused on its experiences with mechanisms for financing, Gates Foundation provided substantial monetary resources that could support GAVI for 5 years. To sustain the system, another system was introduced by IFFIm; a system that took benefits from the capital markets.



## CONCLUSION

This research paper has examined PPP in vaccine provision with regards to GAVI. PPP is an alternative approach to the problems arising from public sector-only programs or projects. The case of GAVI and its evolution process from EPI to CVI and to the current global alliance implies the significance of PPP. The findings of this paper are rather clear. One finding is that the current system of GAVI is supplementing the problems of the preceding approaches regarding vaccine provision. It is largely based on its collaboration among various actors and the introduction of a sustainable financial system. The other finding is that each actor involved in the formation of GAVI played a significant role, especially WHO, UNICEF, and the Gates Foundation. WHO and UNICEF have been the driving forces for continuous efforts toward a global alliance for vaccine and immunization. The Gates Foundation, on the other hand, provided funding in the initial stage to develop GAVI. It is difficult, if not meaningless, to distinguish a single most influential or important actor in the process of establishing GAVI. Proceeding with the research, there were three difficulties. First, the three different approaches belong to different levels and scopes. EPI is a program, CVI is also a program based on an attempt to form a global alliance with both public and private sector involved, and GAVI is a global alliance with both public and private sector involved. Simply comparing and contrasting the three cases is less useful than comparative/historical analysis. Second, there is neither an agreed standardized guideline nor a clear criterion regarding success or sustainability. Especially since GAVI provides on-going projects, it is difficult to evaluate GAVI as either a successful or a failed case. Its sustainability for now is assured though it might change in the future. Though it is clear that GAVI is better than the previous two approaches, when evaluated objectively, it may not be sufficient to be considered a success. Last, accessible sources were limited to those published by WHO, UNICEF, GAVI, the Gates Foundation, and researchers in relation to the organizations. It would have been much more interesting to look into critical writings from CSOs that are questioning the system or the outputs of GAVI. Future researches regarding the issue are expected to deal with the problems aroused in the current research.

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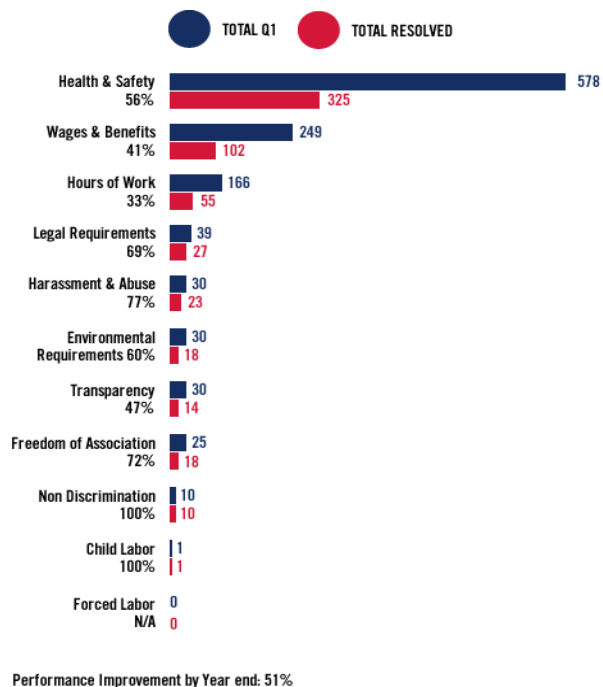
## TAKE YOUR STEPS FORWARD– MAKE SURE THEY ARE SUSTAINABLE

*Sumaya Rashid*

### Introduction

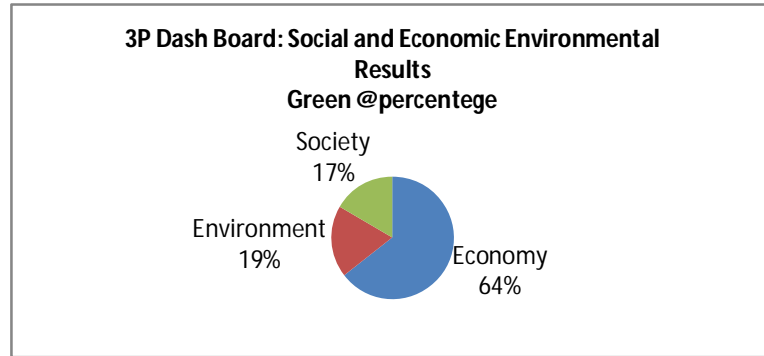
Corporate Social Responsibility is the most discussed term in recent era among corporate world, commercial community and industry, and its practices are being incorporated into international business practices and hence are becoming one of the determining factors for market access. CSR is generally implied as being economic, environmental and social imperatives while at the same time address the expectation of shareholders and stakeholders.

Most of the banks in Bangladesh both local and foreign banks have already implemented CSR policies under the guidance of Bangladesh Bank. Out of forty eight scheduled Banks in Bangladesh, forty six had implemented engagement in CSR practice in some form or other in 2009 (Bangladesh Bank Review of CSR initiatives in Banks 2008-9). Some CSR activities are being carried out in many companies that are members of textile associations such as BGMEA and BKMEA. The Bangladesh Enterprise Institute (BEI) has been rendering their support to companies in Bangladesh regarding implementation CSR activities. The United Nations Global Compact brings together representatives of private industry, UN agencies, employee associations and civil-society organizations to promote social and environmental initiatives.



Report on CSR 2010, PVH Bangladesh shows monitoring to a Sustainability Approach. While PVH BD endeavors to support and strengthen internal sustainability systems at the factory level, PVH BD continue to monitor for social and environmental non-compliance against its code of conduct and labor standards. In 2010, PVH BD conducted 433 assessments of its licensees, 469 factories received one assessment. The Non-Compliance Issues and Improvements graph below reflects an analysis of the impact of its efforts to remediate non-compliance issues.

Data from this table comprises all factories audited in the first quarter of 2010 compared against the results of their follow-up audit at the end of the year.



SR (Social Responsibility)

Asia Bangladesh conducted a survey in January 2011 over 32 companies in different sector. The burning issue relates to industries which are in miserable condition because of being short of manufacturing and distributing social responsible products to export globally maintaining the standard.

By this survey, there are some critical factors and gaps identified which reside and bring obstacles to implement CSR in industries in Bangladesh. It can be summarized by:

#### 1. Positive Observations

- a) There is a certain degree of awareness on green practices.
- b) Organizations are planning and willing to take some initiatives
- c) There is an interest to improve on 3Ps and develop export market as a result of this.

#### 2. Feedback of the Survey

- a) Most of the responses showed lack of awareness towards CSR issues and practices,
- b) One of the major findings was the lack of suitably trained and skilled human resources ( need of more trainers and experts ) at grass root level on triple bottom line,
- c) Responses showed lack of awareness towards the environmental and societal drivers as they were not clear of its implication on growth of the company.,
- d) One of the major issues which can be most influential is the indifferent approach of the management towards implementing SR practices
- e) The procurement practices by most of the respondent companies was found to be traditional with no consideration towards the choice and use of raw materials, employing energy efficient measures, reducing the chemical content of waste water and Prevention and reduction of waste as well as selective separation of waste.
- f) The efforts at present are not market driven as of now as a result of poor consumer awareness
- g) Nothing comes for free; it was evident as most respondent companies saw CSR expenses as a burden.

**Conclusion**

SR ASIA Bangladesh has appeared as a remedy to improve and solve the problems eventually and started its endeavors for future roadmap for the policy holders. We expect cooperation from Government, Non-Govt. sector, Development sector, associations and overall the people for whom we fight for the green eco-system to have a better life-better future for coming generation.

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# **PRACTICE OF SOCIAL RESPONSIBILITY AS A CORPORATE VALUE: *THE CASES OF TWO BANGLADESHI BANKS***

*Syed Naquib Muslim, Ph.D.*

## **Introduction**

Social responsibility (SR) has been a subject of intense interest of the present writer since long but he has not undertaken any real-life case study to examine formally how SR as a corporate value is internalized and practised especially by commercial entities in Bangladesh. The popular conception about commercial banks has been that their sole motive is to earn profit using the borrowers' money, and they never benefit their customers except paying some nominal interest. However, the writer's recent participation at a seminar held on May 17, 2012, sponsored by *Social Responsibility, Bangladesh* (SR, Bangladesh) has stimulated him into undertaking case studies about two local financial institutions of Bangladesh.

The activities of SR, Bangladesh in the form of organizing seminars, workshops, and training courses have generated directly or indirectly a massive awareness about social responsibility (SR) in individuals and institutions. As a promoter of SR, it has been able to strike at the traditional perception of commercial organizations about their social accountability and have been sharing with others the sacred task of bringing about a moral metamorphosis in their conduct, and in supplying safer products and delivering quality services to consumers.

In this paper, the writer has sought to examine on a purposive sampling basis the status of CSR practices in two banks: BankAsia, a private sector commercial bank, and Rajshahi Krishi Unnayan Bank (RAKUB), a public sector bank having focussed jurisdiction in the northern part of Bangladesh.

## **Epitome of the CSR Framework**

Today corporate ethicists believe, responsibility is the central problem of corporate bodies, governments, and of civil societies. Social environment impels organisations to adopt a set of values, and these values shape the corporate attitude to three Cs: customers, constituencies, and clients. Thus the importance of redeeming responsibility has become a major concern for profiteering organisations including financial institutions. Banks everywhere now perceive, they have certain responsibilities to the society in and around which they operate. The principal goal of every business entity is to increase revenue as much as possible. Gary Erickson, a cyclist, a world traveller, and a high-achieving US entrepreneur, reminds organisations that operate solely on profit motive: "Business has a purpose beyond money. We look for meaning in our lives. Business has a meaning too. If it has any meaning, it is public welfare." These words of Erickson foreshadow how social

responsibility evolved into the concept of corporate social responsibility (CSR). The core principles of CSR are---

1. Each corporate body must operate as a socially responsible market player;
2. Each entity should take up programmes that address sustainable social welfare and preserve the public or collective interest.

The globally accepted areas of CSR are ---supply of quality/safe products or services, provision of job-oriented education & training, occupational and environmental safety, installation of an ecological culture at the micro and macro level, awareness of energy efficiency, and promotion of nationally important history, sports and culture. Richard George, a celebrated ethicist, epitomizes the concept of corporate social responsibility in plain terms: "The social obligations that some people would like to have corporations undertake include taking care of the poor, rebuilding inner cities, fighting illicit drug trafficking, giving charity---endowing universities, and funding cultural programs."

On the whole, CSR demands that every corporate body nurtures a social conscience. According to Renee` Frengut, a New York-based psychologist, customers expect social responsibility of business concerns because they "look upon entrepreneurs as their neighbors." Almost in similar tone, Sam Walton posits: "There is only one boss---customers." The notion of CSR has been designed to preserve social equilibrium in the absence of which unrest or chaos is likely to generate. In a democratic milieu, meeting the corporate social obligation is an unavoidable necessity. This notion has helped in building a humanitarian and communitarian mindset so vital for a harmonious, safe, and peaceful society.

### **The Central Bank's Intervention**

In June, 2008 Bangladesh Bank (BB), the central bank of the country, issued the circular no.DOS-1 requiring the financial institutions to adopt 'voluntary' (not 'mandatory') CSR practices as an 'additional dimension' of their institutional performance. The circular was not clear to guide the institutions to carry out CSR related activities. However, last year, National Board of Revenue (NBR) took a pragmatic decision of allowing 10 % income tax rebate to encourage institutions to take up CSR programmes to serve the disadvantaged sections of the community. But the response does not seem encouraging. A recent survey on 18 companies suggests that fifty percent of the companies do not have any unit on CSR. They have no activity on health, education, women's empowerment, disaster assistance, poverty reduction, and environment management. No company has spent more than 80 lacs per year on CSR. Thirty three per cent companies have foundations to implement CSR programmes. WFP has found these data in a survey, forty percent of the companies do not have any policy documents. Fifty percent companies are wavering between charitable activities and CSR.



## **Perception and Practice of CSR: The Case of BankAsia**

Emerging as a private sector commercial bank in 1999, Bank Asia has declared its institutional commitment to and has been practising the notion of CSR since its birth. Unlike other financial institutions, BankAsia which enshrines in its psyche 'the collectiveness of excellence' looks beyond short-term quantitative gains, and has institutionalized CSR activities in both in conventional and non-conventional areas. By engaging in CSR activities, the Bank makes itself socially accountable to the community by considering "the impact of management and business processes of the creditors, employees, customers, and community in which the Bank functions." The Bank believes, a social responsibility culture can be installed if CSR is supplanted by CSV i.e. Corporate Social Values by which a healthy sustainable mutually beneficial Bank-Borrowers relations can be fostered, sustainable balanced growth attained, and dependency of the community on charity shrugged off. BankAsia responds to United Nations Environmental Programme's (UNEP) charter calling for sustainable development inclusive of social, economic and environmental dimensions and three pillars of sustainability ---*people, profit, and planet* (3Ps). The Bank does not however believe in radical improvement of the community's life style but in the incremental growth to make it sustainable. With this end in view, it has inducted into its HR system officials who are experts in the relevant fields and have adopted a supportive policy framework to make CSR truly operational, not showy.

The Bank's annual report, 2011 shows that in carrying out the CSR programmes, it focuses on three major activities: Higher Study Scholarship, Ophthalmologic Operation and Operating Computer Learning Centres. Initially, an amount of Tk.30.00 million has been allocated to implement the core programmes under CSR initiatives. These were:

1. Higher Studies Scholarship Programme
2. Eye-health programme
3. IT-related programme
4. Orientation with eco-technologies and their applications

### **Higher Studies Scholarship Programme**

BankAsia has initiated an ambitious programme entitled "*BankAsia Higher Studies Scholarship Programme*" perceiving the significance of education in HRD. Under this programme, the Bank awards, through its relevant branches, five-year scholarships to the rural poor but meritorious students to enable them to prosecute higher studies in such core areas as engineering, medicine, physics, chemistry, business, economics, and banking. Based on their academic performance, each awardee receives Tk. 10,000 at a time to buy books and stationery items; again, he or she receives 2000 per month for tuition fees and for defraying personal expenses. Now, as many as 349 students enjoy the benefits of this scheme. The Bank has spent Tk. 11,730,000.00 in this programme.

The Bank is also responsive to the UN charter on child rights i.e. Conventions on Child Rights (CRC) that requires the signatory-countries (including Bangladesh) to ensure

children's right to education, health, and their balanced physical and psychological growth. To educate autistic and disabled children, the Bank donated Tk. 1,000,000.00 to *Proyash*, an institute run under the aegis of the Bangladesh Army.

The Bank has also provided scholarships and food grants to graduate nurse-students of Bangabandhu Sheikh Mujib Medical University. The idea is to help them lead a healthy life and continue their noble profession to nurse with more effectiveness the sick people of this country.

### **Eye-health Programme**

The Bank has launched the noble scheme of extending financial support to the underprivileged sections of the community afflicted with ophthalmological problems and children born with congenital blindness. To implement the scheme, it has forged a twining linkage with Bangladesh Eye Hospital which carries out operations upon those who really need them. From January to December, 2011, the Bank spent Tk. 576,680.00 for cataract operations of born-blind children. Until now, more than 900 operations have been conducted; many children now maintain normal eye health and engage in academic pursuits. In addition, the Bank organizes under its operational jurisdiction free "Eye camps" where underprivileged patients including school students receive free treatment. The Bank has spent Tk.500,000.00 for operating year-long school eye-camps.

### **IT-related Programme**

The Bank is genuinely responsive to the government's declared programme of "Digital Bangladesh" and to the reduction of digital divide existing in the country. The Bank has been operating 25 Computer Learning Centres( CLCs) to impart IT-related education/training programmes to the rural youths. Each CLC is provided infrastructural support in the form of 4 PCs with UPS and other requisite accessories, 1 printer, and adequate fund to meet recurrent operating cost of each CLC. Until now, a pool of 26 master trainers has been created and 6,000 students have graduated from the Centres. The Bank has provided 10 desktop computers and one laptop to Salvation for the Deserving (SFD), a voluntary organisation, and an amount of Tk. 249,000.00 was spent on this head. As many as 1000 students receive IT training under this programme.

### **Orientation with Eco-Technologies and their Applications**

Alongside the core areas, the Bank has been pursuing CSR activities in other areas. It encourages sustainable product design and is a pioneer in introducing eco-friendly and socially responsible projects. It has accordingly helped set up CNG plants and has been giving preference to financing renewable energy schemes. To reduce dependency on grid-tie system electricity, to develop a sustainability sense in the low-income rural people and to encourage usage of renewable energy, the Bank provides loan to install off-grid solar energy plants in their households. In implementing these schemes, it has partnered

with NGOs that help the Bank in implementing projects through technical support to borrower-users, and in fostering network with them.

Inadequate fund being one of the constraints on sustainable growth, poor but committed farmers are given loans ; in 2012 it has disbursed Tk. 542.10 to poor, marginalized farmers as short and long-term credit in agricultural sectors.

### **Perception and Practice of CSR: The Case of RAKUB**

Rajshai Krishi Unnayan Bank (RAKUB), a public sector commercial bank poised for developing agriculture and food security in the northern part of Bangladesh, has institutionalized the concept of CSR.

1. **Education for Disadvantaged Children.** RAKUB allocates funds every year to inspire farmers' children in carrying out academic pursuits. High-achieving students having secured GPS-5 at SSC and HSC examinations, whose parents are loanees of RAKUB in agriculture field are awarded Prize Bonds worth Tk. 1000 and Tk.1500. Accordingly, in 2006, 125, and in 2007, 106 students were awarded prize bonds as incentive for their academic excellence. In 2009, the prize bond amount has been raised from Tk. 1000 to Tk.2000 and from Tk.1500 to Tk.2500 which was approved by RAKUB Board of Directors in its 325th board meeting in 2008. It has of course formulated a set of stringent rules and has formed a monitoring committee with a DGM as its head to ensure that appropriate candidates are awarded the rewards.

2. **Flexible Rate of Interest for Spice Producing Farmers.** In compliance with the BB circular, RAKUB provides loan @2% to the people who will invest money in agriculture-related activities, for example, spices such as onion, garlic, oil seeds-related crops such as mustards. But because it becomes difficult to recover loans, RAKUB find it risky to disburse loans in these areas.

3. **Environment-related Scheme.** RAKUB encourages investment in such areas as poverty alleviation, women's empowerment through income-generating activities, environment development, nursery development, Through its *Small Enterprises Credit Programmes* (SECP), it is providing loan to non-farm activities. It has made setting up of *Effluent Treatment Plant* (ETP) compulsory for those who have set up the kind of industries that may cause pollution in environment. RAKUB is also giving impetus to those who are keen on installing bio-gas plants side by side with their poultry and dairy farms. For teachers of the government-led primary schools, it is extending special credit schemes.

4. **Sports Development.** Every year it donates to *Jafar Imam Tennis Complex* in carrying out its activities ; in February 2009, it has donated Tk. 45000 to the Complex for arranging dinner in hour of local and foreign guests visiting Rajshahi.

5. **Poverty alleviation in Monga-prone areas:** Like many other countries, Bangladesh is confronting unprecedented environmental threat ; our environment is being polluted because of human insensitivity ; fisheries are collapsing ; forests are shrinking fast ; lakes are drying up, crops are withering and species which have both utility and beauty are withering, top soil is eroding, fossil fuels and minerals are depleting—all resulting in incapacitating illness. RAKUB has chalked out special programmes in collaboration with BSCIC for alleviating poverty in the *Monga*-prone (famine/ abject poverty) areas of Rangpur. It must see that the project proposals submitted by its potential clients take care of increasing food production, production of organic fertilizers, and then health hazards are looked into by investors of non-farm activities.

### **Factors Impeding CSR Implementation**

Although BankAsia and RAKUB are well-intentioned, they confront with a few challenges in implementing their CSR programmes smoothly. In fact, banks irrespective of status--- public or private --face a few constraints in carrying out social-responsibility-related activities. One of the major and common bottlenecks is liquidity problem.

A perceptual gap about CSR persists in the beneficiaries who mostly take CSR activities of banks as a mere charitable work. It has therefore become a formidable challenge for both the banks to alter the outlook of borrowers and beneficiary who tend to develop a dole-dependent relationship with banks. Many of them expend the credit money in nonproductive heads vitiating the very the purpose of CSR.

Many members of the rural community living in far-off or inaccessible areas often show reluctance in availing themselves of the ophthalmological interventions, although they are genuine patients. This prevents BankAsia from delivering medical services despite having genuine humanitarian intention. The Bank also apprehends that some incumbents pretend to be poor, resort to fraudulent practices and obtain scholarships simply by producing income certificates. Because of workforce inadequacy, it is not often possible for the Bank to cross-check fraudulence or forgery, or to verify if the students seeking scholarships have hidden alternative sources of income that make them capable of defraying education expenses autonomously. Continuity of monthly scholarship money is ideally based on sound academic performance. But it is not often possible for the Bank staff to monitor students' performance because of pre-occupations. Thus granting scholarship money to fake cases may cause potential drainage of the Bank's allocated money which could be used in genuine cases. If beneficiaries do not behave ethically, the practice of CSR by any bank naturally becomes difficult.

With the potential emergence of four more private sector commercial banks, money circulation is likely to be constricted. This may have an adverse effect on deposit collection, causing in turn restricted allocation on CSR activities.

Currently RAKUB is operating with a lean workforce; in place of sanctioned 4236 employees, it is staffed with 3428 employees. It should therefore launch its CSR-related programme with caution so that it does not deviate from its prime institutional mandate and subvert its survival.

## **Conclusion**

Henry Ford Sr., who became the symbol or embodiment of affluence and benevolence in America and beyond, once said: "For along time people believed that the only purpose of industry is to make a profit. They are wrong. Its purpose is to serve the general welfare." Now the question remains—should a losing entity continue to undertake social responsibility without having any concern for its own survival? In fact, a losing concern should not be brought to a condition of 'window-dressing' ; it should rather be taken to a condition of capability by which it can really exercise its social responsibility. Milton Friedman, a Nobel Laureate in economics, has cautioned the relevant entities in his book *Capitalism and Freedom*: "There is one and only one social responsibility of business---to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." What Friedman perhaps wants to mean is that if reasonable amount of profit is not earned, there will not be enough money to redeem social obligations. Any company that will ignore its own survival will merely turn into "unwitting puppets of the intellectual forces" that cannot operate in a society characterised by free economy. The recipients of the favours must not live on charity but on the capacity to "do it themselves."

## **Author**

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# ROLE OF EXTENSION IN STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY AND LEVERAGING PARTNERSHIPS

*Dr. Heena K. Bijli*

## **Introduction**

The buzzword for India today is 'Inclusive Growth.' And the challenges that are to be addressed are related to education, health, regional and gender disparities, and poverty, with an attempt to reach the marginalised particularly in the rural areas, tribal areas, and the remotest parts of the country. Home to almost a sixth of the global population, India is gearing up to become the third largest economy in terms of GDP in the next two decades. While on one hand India boasts of having high GDP growth rates, on the other hand it has a large chunk of population reeling under poverty, unemployment, debt, and have limited access to education or health.

The Census 2011 reveals that 68.2% of our population lives in rural India. Over 93% of India's labour force is employed in the informal sector, where wages are low and work conditions onerous. Just 2% of India's youth have any kind of formal technical training making gainful employment difficult. Women workers make up only 15% of the labour force, a pointer to the immense waste of productive capacities. India has earned the dubious distinction of having the highest number of maternal deaths and a quarter of all the child deaths in the world. The largest number and the largest proportion of marginalised children in the world live in India. Of the nearly 400 million children that enrol in primary school, about half drop out by class 8 and just 17% study after class 12. Among tribals and *dalits*, dropout rates are even higher (Times of India 2012). India is a country that is highly afflicted by hunger, deprivation and it ranks 126 among 177 countries in the UNDP Human Development Index. The Indian government is laying renewed emphasis on inclusive growth and the emancipation of common man. It is striving to meet the complexities of today's business world and the challenges of a global society. This largely means investing in and enriching its communities.

Economic development is known to have a definite link with poverty reduction. Economic development brings about significant changes in the economical and social life of a population, along with changes in the living standards for the long run. India being a rapidly developing country with an economy that is dominantly agrarian is keeping to the current trends of infrastructure development. This primarily means meeting the basic needs of the society by enhancing the quality of life of people-leading towards development of facilities like clean drinking water supply, irrigation facilities, rural housing, rural credit institutions like rural banks, communications services, electrical grids, watershed management, public health institutions, educational institutions, rural transport and roads, environmental protection and management, farm inputs supply & management, and social and farm

forestry. Due to variations in natural resources endowments, physical and climatic conditions; economic factors like income, prices and the extent of monetisation; demographic factors like household size, degree of urbanisation and cultural factors are likely to influence cultural patterns (Rao 2011).

### **Corporate Social Responsibility in India: A Brief Overview**

The terms- Corporate Sponsorship, Donations, Fundraising and Philanthropic activities are associated with Corporate Social Responsibility (CSR). CSR is emerging as a capacity building strategy for sustainable livelihoods and community development. India has been rated among the top ten Asian countries that are paying increasing importance to CSR. Token CSR icons in India- Tata and Infosys have since long taken the lead in this endeavour. Bharati enterprises, Indian Oil Corporation, ITC Welcome Group are also among the few corporate organizations that are making notable contributions in CSR.

In the 2010 list of Forbes Asia's '48 Heroes of Philanthropy' there were four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. Although corporate India is involved in CSR activities, the central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. According to Minister for Corporate Affairs, Mr Salman Khurshid, government is developing a system of CSR credits, similar to the system of carbon credits which are given to companies for green initiatives. Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives (Berad 2011). The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits.

### **How is CSR linked to Extension?**

The meaning of Corporate Social Responsibility differs in terms of its application. CSR can not only refer to the compliance of human right standards, labor and social security arrangements, but also to the fight against climate change, sustainable management of natural resources and consumer protection.

The concept of CSR was first mentioned 1953 in the publication 'Social Responsibilities of the Businessman' by William J. Bowen. However, the term CSR became only popular in the 1990s, when the German Betapharm, a generic pharmaceutical company decided to implement CSR. The generic market is characterized by an interchangeability of products. In 1997 a halt in sales growth led the company to the realization that in the generic drugs

market companies could not differentiate on price or quality. This was the prelude for the company to adopt CSR as an expression of the company's values and as a part of its corporate strategies. By using strategic and social commitment for families with chronically ill children, Betapharm took a strategic advantage. In July 2001, the European Commission decided to launch a consultative paper on Corporate Social Responsibility with the title "Promoting a European Framework for Corporate Social Responsibility." This paper aimed to launch a debate on how the European Union could promote CSR at both the European and international level.

The notion of CSR has been traditionally linked to philanthropy and community development. While in Western societies, CSR is seen as charity rising out of philanthropy, in India it is seen in the context of community development. The dawn of independence brought about that economic development that was shaped by India's colonial past and the nationalist present. The state was to play a dominant role in the process of development with conscious efforts to integrate with the world economy. The work at Sriniketan (1908) started by Rabindranath Tagore, the Gurgaon Experiment started by Mr.F.L.Brayne (before 1933), the Marthandam experiment at Travancore, the Gandhian Construction Programme and the Etawah Pilot Project of 1947 were landmark extension programmes in pre-independence India. The history of community development in India therefore traces back to the Community Development Programme (1952) that marked a beginning in the area of rural development and a network of National Extension Services were established in the villages to create awareness among rural communities regarding their potential and means of development. Several programmes were introduced in successive Five Year Plans for agricultural development, employment generation, promoting rural, cottage and artisan-based industries, poverty alleviation, special area development and meeting basic / minimum needs towards rural development during pre-reforms period. Earlier extension activities were carried out with the help of farmers associations, service cooperatives, panchayats, schools, youth clubs, mahila mandals, DRDOs, and other rural social groups through community organizations.

Today the Community Development Programmes have been reshaped and revamped with new programmes based upon the existing needs for sustainable progress of the communities. The primary objective of the government programmes has been to achieve not just growth, but equity, by widening the reach of 'inclusiveness'. In the year 2005, the government had launched Bharat Nirman, for upgradation of rural infrastructure which covers six components namely, Roads, Telephone Connectivity, Irrigation, Water Supply, Housing and Electrification. Bharat Nirman is being reinforced by Pradhan Mantri Gram Sadak Yojana, to improve accessibility and mobility of rural communities. Water quality problem is being prioritised in the Rajiv Gandhi Rural Drinking Water Mission and National Rural Drinking Water Quality Monitoring and Surveillance of drinking water sources was launched to strengthen community participation. Rural Telephony, is ensuring the coverage of 66, 822 revenue villages in the country for Village Public telephones (VPT). It is planned to



restore and utilize irrigation potential of 10 lakh hectares through implementation of extension and modernization of schemes along with command area development and water management practices. A new dimension in the Indira Awas Yojana is that preference for women through Gram Sabha is being given priority (Bijli and Tewari 2011).

Total Sanitation Campaign (TSC), is a comprehensive programme to ensure sanitation facilities in rural areas with strong emphasis on IEC, capacity building and hygiene education for effective behaviour change. The ongoing rural self-employment programme-Swarnajayanti Gram Swarozgar Yojana (SGSY) has been restructured as the National Rural Livelihood Mission with a view to eradicate poverty. Self Help Groups, assisted by agencies like Ministry of Rural Development, National Bank for Agriculture and Rural Development and Rashtriya Mahila Kosh (RMK) etc. are becoming an effective medium of group based participatory development approach (Bijli and Tewari 2011).

The country's health sector received a boost when the National Rural Health Mission (NRHM) was implemented from April, 2005 envisaging accessible, affordable and accountable quality health services to the poorest households in the remote rural regions, with the help of ASHAs and schemes like Janani Suraksha Yojana. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) treats employment as a right and is intended to be demand-driven. Besides mobile telephony, ICTs serve as tools for rural empowerment and through the Universal Services Obligation Fund (USOF) that was set up in April, 2002 for affordable rural telecommunications. The National Food Security Mission, launched since Rabi 2007 equips the farmers with improved resource conservation technologies, seeds, micronutrients, farm machinery, Integrated Pest Management, training of farmers on through farmers' field school along with effective monitoring and project management. Other programmes like the Sarva Shiksha Abhyas, the Jawaharlal Nehru national Urban Renewal Mission (JNNURM), the Integrated Child Development Services (ICDS), the Mid-day Meal Scheme, the National Old Age Pension Scheme (NOAPS), Pradhan Mantri Adarsh Gram Yojana (PMAGY), and Welfare of Minorities are being given impetus (Bijli and Tewari 2011).

India has now reached a stage where just the role of government in bringing about development is not enough. Many leading corporate organizations today have made CSR an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise.

Studies point out that there is lack of community participation in CSR activities, insufficient availability of well organized NGOs who could partner with CSR activities, lack of visibility factor of successful CSR initiatives and lack of employee volunteerism. Due to the lack of international CSR guidelines, the practical application of CSR differs and CSR Strategies

within most companies still show major deficiencies. There are still complaints about multinational companies wasting the environment and NGOs still denouncing human rights abuses in companies. Some critics believe that CSR programs are undertaken by especially multinational companies to distract the public from ethical questions posed by their core operations. That meanwhile even multinational companies such as Microsoft or Pepsi confess to their social responsibility, is discussed quite controversial.

While companies increasingly recognize their social responsibility, many of them have yet to adopt management practices that reflect it: company employees and managers need training in order to acquire the necessary skills and competence. Pioneering companies can help to implement socially responsible practices by guiding the processes. As companies face themselves in the context of globalization, they are increasingly aware that Corporate Social Responsibility can be of direct economic value. Although the prime goal of a company is to generate profits, companies can at the same time contribute to social and environmental objectives by integrating corporate social responsibility as a strategic investment into their business strategy. A number of companies with good social and environmental records indicate that CSR activities can result in a better performance and can generate more profits and growth. But the fight against poverty, the development of education, as well as the conservation of the environment are not existent in most of the Indian enterprises.

Verma (2007) has emphasized that technologically speaking these interventions are Extension Services in the realms of Corporate Social Responsibility. Hence, the basic tenets of Extension Education are inherent in the CSR concept. He further elaborates that in order to operationalize CSR, there can be several alternative organizational systems: (1) Well-Structured own Foundation, (2) Formulation of a Trust, (3) Separate CSR Department within the organization, (4) Building Public Private Partnership, and (5) Sharing CSR efforts and initiatives for a Compendium. Although these separate entities are workable propositions, but often these entities work in isolation without creating a synergy. Hence, there is a need to understand CSR altogether in different Frame of Reference. This is what lies in Single Window Area Development (SWAD) Approach. This approach can discharge CSR in a befitting manner under the command of a separate Department of Extension Education Services within the structural cadres of the Corporate Houses. Single Window Area Development Centre (SWAD-Centre) is born out of this approach.

### **Single Window Area Development Centre (SWAD-Centre)**

SWAD-Centre is a four-walled boundary Building located over one acre of land at such a central place around which a cluster of Five Villages is formed for the deliveries of Extension Interventions. Each SWAD-Centre is equipped with appropriate infrastructures, logistics, manpower, and building blocks. By rough estimates, each SWAD-Centre requires a finance of Rs. 2 Crore. For decades, we have been focusing our attention on short-lived development initiatives. The Continuity of resultant gains disappear the moment

intervention becomes, obsolete. The time is now ripe to look at development initiatives in a long-term perspective which could become a sustainable feature. A long-term strategy is, therefore, a paradigm shift from charity of the Corporate Houses. The CSR to establish SWAD-Centre then becomes a mandatory body of each Corporate House under the administrative control of the Department of Extension Education Services. Long-term strategy does not end in a year or two. It requires a minimum of 5 years tenure for tangible results with one year additional as a zero-base period for establishing the S WAD-Centre.

Small Business Houses can pool up their resources, each one adopting one village in a cluster of Five Villages. The SWAD-Centre model is relevant to all the developing countries where people live in village communities in densely populated rural areas. In order to encourage the Corporate Houses to discharge their CSR with commitment, the respective Government should give them the rebate in corporate taxes for the entire amount spent in SWAD-Centre (Verma 2007).

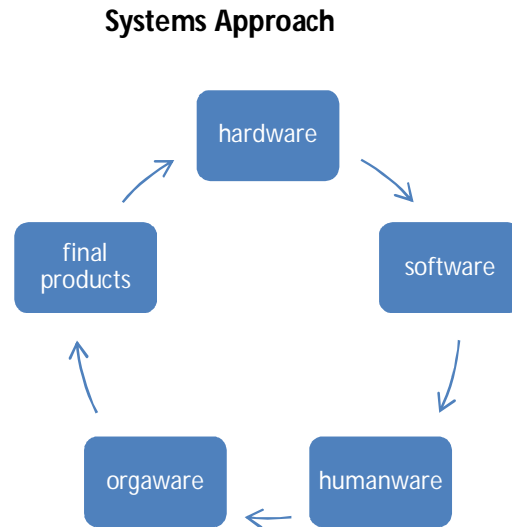
### **Extension**

Extension thus is an education (formal as well as informal) aimed at assisting people (rural as well as urban) to bring about continuous improvement in their physical, economic and social well being through their individual and cooperative effort. It makes available to the client system scientific and other factual information, training and guidance in application of such information to the solution of their problems (Dahama 1997). Extension is a two way process where the problems of the client system (farmers, youth, women etc) are brought by the change agents ( Extension workers, Subject Matter Specialists of the R & D Departments and educational institutes) for finding solution in these institutes and taking back the results in the acceptable form to the client system. The most popular approaches of Extension are - Technology Transfer approach, Participatory Approach, Empowerment Approach and Lab to Land Approach, to name a few.

In the era of technology, the role of extension has to be leveraged through CSR. For example, the conventional approach of technology design and dissemination miserably failed to address the needs, priorities of small and marginal farmers who mostly operate in complex, diverse and risk-prone production situation. Contemporary extension approach for transfer of technology involved the research and extension managers to shift to more holistic, systematic, client oriented (women/men) and interdisciplinary approach for development and delivery of production technologies appropriate to the small farm situations. Thus the concept of Farming Systems Research and Extension (FSR/E) was born. The model of FSR/E can be successfully made a part of a company's Social Initiative strategy. Similarly, awareness generation and technology capacity building through demonstration-cum-training among rural women about the importance of technology relating to their needs is also a necessary aspect for technology delivery system. The entire technology package will have to be based on women's needs, which in turn must be evolved through a detailed exercise. Thus appropriateness of technology delivery system through S & T base

would revolve around effective education and learning process to facilitate the development of creative capabilities in individual woman and women's groups.

**Figure1. Technology Transfer and Empowerment of Women through Extension by adopting**



According to Sunil Agarwal (2003), for effective transfer of technology, it is essential that various inter-related components of the technology, namely, "hardware" (materials such as crop variety), "software" (technical know-how, information), "humanware" (human ability), "orgaware"(organizational and management aspects) and the final products (including marketing) are rendered accessible to rural women as consumers/end users. This will enable easy adaptability and replicability. Thus, focus of technology development and transfer would be to a problem solving approach with the following steps:-

1. Need assessment;
2. Identification of technology source (S & T institutions);
3. Maximum utilization of local resources for skills and markets;
4. Participatory technology modulation / developments which are environmentally compatible and socio-economically sustainable;
5. Self-sustaining S & T base in rural areas;
6. Setting up of a viable S & T based micro-enterprise and linking them with national S & T institutions/labs for adoptive R & D based on field generated specifications;
7. Qualitative shift in production/distribution from household models to collective, networked "industrial" forms for higher productivity, incomes etc; and;
8. Constant interaction between the innovator, the producer and deliverer or technology transfer group for technology assessment and further refinement.

For the vast majority of women living in far flung rural and tribal areas, Companies having links with organizations having scientific and technological capabilities (R & D and S & T institutions), Voluntary organizations, etc will provide the crucial link between emerging

new developments in knowledge and technology and in strengthening rural economy using local resources and material as per women's needs. Initiatives have already been taken in developing of solar energy and wind energy systems, small scale village industries, village broadcast unit, youth self-employment etc. Thus the Technology Model of Extension describes how scientific and technical interventions for improving the quality of life in rural areas. Adopting a village or a cluster of villages in the region of their establishments is the befitting initiative to fulfil this demand by the corporate houses. Several meaningful interventions, which can directly benefit the rural domains, can be introduced in these villages.

### **Partnerships and Social Transformation**

Extension educational philosophy is based on the hypothesis that community people are intelligent, are receptive to new information and at the same time have a keen desire to utilize this information for individual and social development. Few CSR initiatives in India are being recognized as best CSR practices in their respective fields. Extension specialists can support other corporates to replicate their project area. This can be done by guiding them in effective project implementation. Corporates are gearing up towards sustainable initiatives, and are targeting effective partnerships with NGOs and government. NGOs can draw corporations into a dialogue to adopt voluntary codes of conduct. If collaboration means working in partnership, collaboration of extension with supportive services is inherent in the meaning of extension education. Collaborative work provides for experiential learning. And this is the benchmark of sustainable growth.

Some NGOs are already engaged in successful collaborations, such as the Modicare Foundation, with its commitment to prevent HIV/AIDS, has collaborated with NACO, SACS, UNICEF, Delhi Government and reputed corporate houses. Although voluntary organizations working in rural areas have the advantage of better knowledge the felt needs of local people, they have a limited area of operation, limited infrastructure, staff strength, paucity of funds and sometimes lack a dynamic leader. Change agents working at NGOs and government agencies are extension workers who play useful roles in transfer of technology, diffusion of ideas, adoption of integrated approaches such as for eg. watershed management and wasteland development schemes, SHGs formations and health coverage linkages, etc. It is here that extension experts can engage Corporates, Donors, and Government agencies to play a supportive and collaborative role. The essence of extension is to motivate young people in Corporates into employee volunteerism. In collaborative learning, extension creates a field where one agency gets to learn the capacity of the other agency, and how to build up the capacity further. Extension specialists can help the civil society organizations to plan their resource mobilisation strategies and can also help put into motion, the processes for self regulation of each.

## Conclusion

In extension training programmes, vocational training is provided for imparting new knowledge, to develop skilled manpower, adopt new technologies and building up the desirable scientific attitude among the rural families. The basic principles of vocational training is "teaching by doing and learning by doing." Today, there is a serious dearth of trained and efficient organisations that can sustain CSR initiatives. Extension Education equips trainers with those skills that bring about the relevant behavioural change process so that the people enjoy their new learning experience that is participatory. This provides a new strength to NGOs and CSR initiatives. In the higher institutions of teaching and research, CSR could be introduced in core disciplines of Extension Management, Social Entrepreneurship, Resource Mobilization, Fund Raising and Social Work. These could be incorporated as core subjects in CSR for disciplines like- Community Resource Management, Agricultural Extension, Veterinary Extension, Home Science Extension and Social Work. To meet the challenges of the new millennium with respect to CSR and partnerships, Extension services will have to be given a serious thought.

## Author

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# **COUNTRY PAPERS**

# CSR ACTIVITIES OF MULTINATIONAL CORPORATIONS IN PAKISTAN

*Wali Zahid*

## **Introduction**

Social Responsibility as understood by ISO 26000 in which actions of an organisation to take responsibility for the impacts of its activities on society and the environment, where these actions are integrated into the ongoing activities of an organisation is a phenomenon which is still at the initial stages of emergence in the practice of some organisations in the country, particularly the multinational corporations.

Philanthropy has been in Pakistan since decades, and most of the organisations in Pakistan have made donations for noble causes. However, according to CSR Pakistan, (an organisation which manages outsourced CSR activities), many businesses in Pakistan still view CSR as mere philanthropy, charity, social or community development work. Only a handful of companies are signatory to the UN Global Compact or comply with the 10 guiding principles for conducting business in a responsible manner and becoming a socially responsible corporate citizen.

## **Success Stories**

The recent boom in the industrial sector of Pakistan paved ways for the growth of many multinational corporations. As the market share of these companies increases dramatically, these organisations are now looking to further penetrate into the market segments, most notably the large untapped rural areas which can give promising growth to these companies. In order to establish themselves as a brand, these corporations have adopted and implemented Corporate Social Responsibility at a larger scale – going beyond the handout provision and integrating the SR activities into their mainstream plans. Amongst the group of multination corporations present in Pakistan, Unilever and Proctor & Gamble have shown significant contribution to the field of corporate social responsibility.

## **Proctor & Gamble**

Proctor & Gamble has contributed significantly to the welfare of the Pakistani community, and has also publicized it to a great extent. Its programmes have included the massive relief efforts during natural catastrophes, most significantly the distribution of water purifier sachets, PuR. Each sachet can purify 10 liters of water, and hence in the 2010 floods, P&G helped purify over 280 million liters of water for the flood affected. P&G's PuR manufacturing plant is located in the industrial town of HUB and P&G through this plant has distributed over 300 million sachets to the developing and underdeveloped countries worldwide under its CSDW programme.



Another P&G's success story is through its brand of Pampers. In 2007, Pampers launched a programme with Sahara for Life Trust under which P&G donated a fixed amount from each pack of pampers which was equivalent to the cost of one dosage of pediatric lifesaving drug, was donated to SFLT throughout the month of Ramadan of 2007. P&G had launched a similar activity providing cost free tetanus injections in the later periods.

Other activities launched by P&G include the HOPE School programme which is providing cost-free education to the underprivileged children. However, most notably, P&G has used Safeguard as a forefront in its CSR operations. Through this brand, P&G had launched a massive campaign to promote the importance of hygiene and is the premium partner of Pakistan in the global hand washing day. P&G also launched the construction of sanitization units in 100 schools in 100 days. In addition, P&G gives large amount of donations to NGOs and philanthropic organisations, as well as hosts different programmes for community development specially training and awareness programmes in rural and impoverished areas.

These activities helped P&G not only to establish goodwill in the community, but with its publication also helped increase its market share. Many of the consumers felt an ethical need to purchase P&G products so as to aid P&G in what many people called "philanthropic cause." Therefore, the large implementation of CSR programmes helped P&G to establish a stronger foothold in its market share.

### **Unilever**

Unilever on the other hand is also committed in multiple CSR activities. However, unlike P&G, Unilever does not advertise its CSR activities on Above the Line (ATL) mediums, rather emphasises its activities through public relations office and through the annual financial and social reports. P&G on other hand publicizes its CSR activities heavily in both annual and social reports as well as all ATL mediums (print advertisements, audio and video commercials, bill boards and posters).

Unilever, through its Lifebuoy soaps and liquid hand washing formulas, had also joined hands to promote the world hand washing day. In addition, Lifebuoy too, like Safeguard, has launched massive hand washing programmes and awareness programmes on hygiene. Unilever too has involved itself deeply in community development by distribution of ration as well as training sessions to the impoverished segments of the society.

Unilever and its employees donate generously to all philanthropic organisations by donating millions of rupees. In 2010, Unilever had claimed to have donated 12.9 million rupees to The Citizens Foundation alone. It has recently undertaken an initiative of establishing filtration plants in Bhai Peru. During the floods, Unilever had donated over one million euros for the relief efforts.

One of the most praised and publicized CSR activity taken by Unilever was to sponsor the Design for Change programme launched in Pakistan which was aimed at community mobilisation. Design for Change aimed is aimed at encouraging students of primary levels to take initiatives in completing a goal or a task which shall benefit the entire community.

Unilever is also involved with Idara-e-Taleem o Agahi which was launched in conjunction with the Ministry of Education to train the teachers in Pakistan. Unilever took care of four districts and had helped in the training of nearly 600 teachers.

### **Analysis**

Both corporations have shown significant contribution to the society in terms of their massive involvement of CSR activities. Both companies have also motivated and influenced their employees in giving back to the society too, and a separate fund is established in each of the organisation where the accumulated donations of employees reach millions. While Unilever has chosen conventional ways of publicizing its activities through its Public Relations Department and publications, P&G has also exploited the ATL mediums to publicize its activities.

Both organisations however, have used massive Below the Line (BTL) activities in order to create awareness of their schemes and programmes. These companies have indeed spent millions on such programmes. Nevertheless, both companies have also recorded extraordinary growth. For my C-level leadership study the Unilever Chairman Ehsan Malik told me that during the 2006-2010 years, Unilever doubled the growth and 'our 2010-2015 business plan ensures tripling of the growth' in the five years to come.

CSR Pakistan believes that these international multinational corporations can, by getting more involved in such activities, can have a greater influence in the uplifting of the welfare of the society, as well as in establishing a good name for themselves in the hearts and minds of local community. Organisations in Pakistan still need to integrate the social responsibility notion into their ongoing programmes and activities so that CSR does not appear to be mere philanthropy and a 'handout'. They will need to carve out a plan that requires them to meet the triple bottom-line so they are accountable to all stakeholders.

### **Conclusion**

In conclusion, the prospects for multinational corporations working in Pakistan are extraordinary. With a large untapped market, Pakistan also offers cheap labour and inexpensive raw materials. However, there is a dire need in giving back to the society. By improving and enhancing the welfare needs of the community, international organisations can not only establish a good name for themselves but with the improved infrastructure in the country, can also help reduce their costs thus giving them way for further profits as well as more funds for the development of the community.

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# DEVELOPMENT OF SOCIAL RESPONSIBILITY: SRI LANKA

*Vidhya Kamalasabayson*

## Introduction

First and foremost, coming from a Country where the principle of social responsibility is a relatively new and in some sense a 'non-priority' **prima-facie**, the writer would like to emphasize on what social responsibility really means. It is defined as the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that contributes to sustainable development. To cut a long story short, the performance of an organization must be coupled up with the society and the environment, thereby paving way for social equity, good governance and healthy eco systems. The following are the core subjects and issues of Social Responsibility:

1. Human Rights
2. Labour Practices
3. Environment
4. Fair operating practices
5. Consumer issues
6. Community involvement and development

Accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms and respect for human rights are the 7 underlying principles of this concept of social responsibility.

At a glance, all these core subjects and principles seem to be quite inherent aspects in any society. With such an attitude, compliance should not be a Himalayan task. However, in practice, it is evident that awareness from an organizational point of view of these elements stipulated in the ISO 26000 Guidelines is not as obvious and widespread as it should be. Why, what measures are in place to cater to this concept, and examples of good practices from the Sri Lankan perspective – all these shall be discussed in this paper.

## Measures to Facilitate Social Responsibility in Sri Lanka

As per legislation, Sri Lanka has no express law to cater to this aspect. As Bill Maher<sup>1</sup> once said "We have a bill of Rights; what we need is a Bill of Responsibilities". However, if we take the **Constitution of the Democratic Socialist Republic of Sri Lanka, Chapter III** is devoted to Fundamental Rights, covering the obvious aspect as found in any National Legislation, such as, among others, freedom of thought and conscience, right to equality, freedom of speech, expression and also freedom of association. Hence from the constitutional point of view, the rights enshrined there in are not only applicable to the State, but each and every citizens

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<sup>1</sup> American standup comedian, television host, political commentator, author and actor

and also organizations including private bodies, as they function within the parameters of the country.

Apart from that, certain recent **judicial decisions** show us that the concept of social responsibility goes hand in hand with the rule of law, and hence ought to be respected and acted upon. Example: public interest litigation cases such as *Vasudeva Nanayakkara v K.N.Choksy and Others*<sup>2</sup> and the *Bulankulama and others v Secretary, Ministry of Industrial Development and Others*<sup>3</sup>. In the former case, popularly known as the 'Sri Lanka Insurance Corporation case', it was stressed by the Supreme Court that in any body, including private entities, there has to be transparency in any act that act pertaining to the public/community, as it is absolutely necessary to give respect to the rule of law and thereby contribute towards the sustainable development of society. In the latter case, popularly known as the 'Eppawela phosphate case', the Sri Lankan government and Freeport Mac Moran of USA and IMCO Agrico initiated a Mineral Investment agreement in respect of a phosphate rock in Eppawela.

The agreement gave the company sole and exclusive rights to search and explore the given site for phosphate and other minerals. Residents of the area who owned lands in the area and carried out cultivation filed petition that this was infringement of their fundamental rights as enshrined in the Constitution and that this would lead to environmental and economic disaster. The activities as per the agreement were discontinued as per Supreme Court judgment.

This goes to show the attitudes of the Superior Courts of the land towards sustainable development and societal equity – which imply the principle of social responsibility. Hence we can see that the Courts have given regard to fair operative practices – a key element pertaining to this principle of social responsibility, also emphasized in the ISO 26000 Guidelines. It must be understood that public interest litigation would promote social responsibility, as all acts should be done in the interest of the public thereby to pave way for sustainability.

Moreover, the Supreme Court recently made an Order that all bodies shall comply with building regulations (which are existent, however not applied in most cases) whereby all new building plans are drawn up and thereafter constructed in a manner to accommodate disabled persons (who are, as we all know, a category in the vulnerable group of persons). This is to be mainly applied to public buildings. It was also stated in the Court Order that older building will be given 8 years time to modify the existing state in order to accommodate such people (however, this is subject to many limitations – eg – buildings of archeological value, minor boutiques etc can be excluded, depending on a case by case evaluation). Hence, this is an instance where we see headway, a fresh start, thereby

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<sup>2</sup> SC (FR) No.158/2007

<sup>3</sup> (2000) 3 SLR 243

facilitating Community development. Hence as we see above, it is evident that Social responsibility sought to be applied by the Judiciary and the Legislation, however, the question then arises – is this enough? Are mere one-off judgments and orders sufficient to work this principle in terms of sustainable development? What then are the challenges?

### **Speed-Breakers along the Social Responsibility Journey**

First and foremost would be that there is no express legislation to promote this principle. Are guidelines adequate? Will the point be 'driven home' and will this ensure continuity in application? It is human nature that unless something is down in black and white, and has a binding nature to it, anything otherwise would be overlooked. This attitude is more applicable in many countries. Sri Lanka was gripped in the firm hold of an ethnic war which lasted over three decades, which left the social structure and economy of our country in shambles. Ever since the war ended in 2009, all focus was based towards rehabilitation of people, societies, the economy – basically restructuring the entire Country. Ideally the principle of Social Responsibility should play a vital role in the above voyage; however the key problem here would be 'awareness'. It has to form part of the inherent activities of any organization, public and private, thereby contributing towards sustainable development.

However, the writer would also like to stress that many entities within the private sector have indeed acted as per the guidelines, knowing or unknowingly, and they have involved society in all their ventures, thereby the CSR projects carried out by them turning out to be hugely successful. Until about 2 years ago, CSR projects were one off activities, mainly to promote the company and its image. However in recent times we see that such activities have become inherent parts of these organizations and are carried out in a more regular manner. As the writer is an Industrial Relations Advisor from the Employers' Federation of Ceylon, the examples will mainly consist of organizations from the private sector.

### **Success Stories and Key Institutions**

**1. MAS Holdings Sri Lanka** - A member company of the Employers' Federation of Ceylon, they are very active in the Corporate Social Responsibility arena. For them Corporate Responsibility is 'about doing the right thing...such activities helped us become part of the communities in which we are based". Their key initiatives are as follows:

- a) MAS Women Go Beyond – Championing Women's empowerment in the global apparel industry (thereby echoing the right against gender discrimination in occupation and hence the right of non discrimination and the right to equality)
- b) MAS Eco Go Beyond – Educating generation next on Sustainability (emphasis on preservations of eco systems and environmental protection, leading to sustainability)

An example I would like to take from this company is a project that was concluded a week ago called 'Trail', a walk organized by the company commencing from the South of the Country, all the way to the Northern region, for the purposes of constructing and setting up a pediatric cancer ward in the Jaffna hospital. This project was extremely successful with maximum participation with representatives from public, private sectors and individuals.

2. **CEI Plastics (Pvt) Ltd., Piliyandala, Sri Lanka** - A plastic manufacturing company in Sri Lanka, also a member of the Employers' Federation of Ceylon, which started hiring disabled persons in the mid 80's, initially from a CSR point of view, however over a period of time identified that this initiative contributed towards an increase in productivity as it was proven that disabled persons work with more efficiency. Today, of their entire workforce in the Piliyandala factory, 20% of the employees are disabled. These employees are intellectually, visually or physically handicapped. It was noted that the employees also comprise of graduates. This initiative, now more than 2 decades old has paved way for career opportunities of these vulnerable section of persons there by adherence to human rights, in terms of equality, and also opening the gates of opportunity in terms of sustainable development.

### **Insight into – Green Jobs**

Green jobs are a new concept in Sri Lanka. This would, by the International Labour Organization definitions, mean making work places environmentally friendly, coupled with the concept of decent work, thereby echoing the principles of occupational health and safety. When talking of social responsibility, environmental impact and environmental protection are of utmost importance. However, as mentioned above, such must be done in line of occupational health and safety, thereby complying with the decent work concept. A National Conference on Green Jobs and Sustainable Development was recently held in Colombo, organized by the Employers' Federation of Ceylon, where a number of private and public sector organizations as well as members of the academic community were represented.

### **Conclusion**

This exemplifies the fact that various components and principles underlying social responsibility are taking a firm root in Sri Lanka, among the private and public sector, and more-so with the escalation of human rights awareness within the country given our recent release from the war, attention to human rights and the rule of law, as well as international norms has increased. Sustainability is of prime importance, and it is evident that if the community at large is made aware of the ISO 26000 Guidelines in terms of Social Responsibility, and thereby attitudes are modified and awareness is continuously built up, which would enhance the society, and thereby the Nation at large. As stated above though this principle of social responsibility is not considered *prima facie* as a priority, awareness

must be created to show that it indeed is something to be prioritized as all socially responsible organizations can come together in sculpting a successful Country. Hence it would be apt to conclude with the following quote, which summarizes the essence of this paper:

“I believe that every right implies a responsibility; every opportunity, an obligation; every possession, a duty”<sup>4</sup>

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<sup>4</sup> John. D. Rockefeller Jr.



# DEVELOPMENT OF SOCIAL RESPONSIBILITY IN IRAN

*Abolfazl Aliakbari Someeh*

## **Introduction**

Ministry of Labor and Social Affairs got the Labor Law was approved in Iran by cabinet at 1946. At the same year for legality of that approved Labor Law, a new ministry was established and called Ministry of Labor and Culture and was responsible for execution of Labor Law. Now the name of this ministry is "Ministry of Labor and Social Affairs".

## **Mission**

Relations of work Regulation – Cultural and Social Transcending of Human Capital – Labor Market Recognition and management – preserving Labor force – Territorial and International Cooperation Development in the Field of Labor – Development and Promotion of Entrepreneurship

## **Vision**

Development and expansion of capabilities of Iran's competition in order to reach growth and justice by effective and sufficient use of human capital

## **Some Strategies**

Identifying the social and human capital of country – promoting the livelihood and welfare level of labor force – information, communication, juridical, scientific and technological foundations provide in labor and produce society – community of labor and employer quantitative and qualitative development – leading the policy of redress especially wage and productivity – culture of safety and appropriate conditions of work development

Ministry of Labor and Social Affairs as a governmental organization is responsible for right execution of Labor Law in the country. Labor Law in Iran is one of local laws which are mostly related to social responsibility issues. Ministry of Labor and Social Affairs is also the representative of Iran at the International Labor Organization (ILO) and has responsibility for following issues of Iran ratification to ILO's convention. There are eight fundamental conventions which are numbered as 29, 87, 98, 100, 105, 111, 138, 182 and Iran ratify to five of these conventions and for the other three, Iran reports country actions to the ILO. Iran ratify to thirteen conventions of ILO which are numbered as 14, 19, 29, 95, 100, 104, 105, 106, 108, 111, 122, 142, 182 and Ministry of Labor and Social Affairs is surveying the ways of ratification to the other conventions and is negotiating to ILO about these issues.

There are a lot of issues pertaining to social responsibility in the Labor Law of Iran and Ministry of Labor and Social Affairs is responsible for monitoring organizations which observe these issues in the society, some of these issues are:

1. Child labor
2. Technical protection and occupational health
3. Cultural and social affair
4. Work relations
5. Work inspections
6. Conditions of work
7. Training and employment
8. Worker and employer Communities

### **Laws/Regulations Pertaining to Social Responsibility in Iran**

There are lots of laws, regulations, codes and rules pertaining to social responsibility in Iran and some of them are as follows:

#### **1. The Constitution of Iran.**

Chapter III of Iran's constitution pertains to rights of people which includes:

- a) Indiscrimination
- b) Respect for the Rule of Law
- c) Mothers and women rights
- d) Press freedom
- e) Community and guild
- f) General education

#### **2. The Labor Law of Iran.**

Some issues pertaining to social responsibility which are presented in chapters are as follows:

- a) Remuneration - Hours of work – Working conditions of women – young person conditions of work - Holidays and leave
- b) Labor inspection – Technical protection – Occupational health – General provisions
- c) Training – Employment
- d) Worker and employer Communities
- e) Collective bargaining and agreements
- f) Workers' welfare services

#### **3. Other Laws and Regulations.**

These are:

- a) Prevention of air pollution law
- b) Hunting law for protection of animals
- c) Prevention of vocal pollution law
- d) Protection of nautical environment law(Caspian sea)
- e) Protection and exploit of forests and pastures regulation

- f) International convention of civil responsibility for oil pollution
- g) Guild and commercial affair law
- h) Structure of comprehensive system for welfare and social security law
- i) Establish of supreme employment council law
- j) Establish of Islamic work council law
- k) Mothers protection in maternity law
- l) General remedy services insurance law
- m) Regulation of environmental health
- n) Press law
- o) Consumer protection law

### **Key Challenge, Issues and Barriers**

These challenges have been faced by private sector and public sector organization in meeting social responsibility requirements:

1. Private and public sector organizations suffer from low level of knowledge on social responsibility issues
2. There is no modern concept of social responsibility among the organizations and private and public sector organizations' perception of social responsibility is out of date like charity issues
3. The cost of social responsibility observance is high because, Iran is a developing country and this high cost causes low motivation for observance of social responsibility requirements
4. There are not enough experts and specialists that are familiar with the concept of social responsibility for private and public sector organizations

### **Key Institutions Promoting Social Responsibility**

These are as follows:

- 1. Government.** Ministry of Industries - Ministry of Commerce - Environment Organization - Standard Organization - Ministry of Labor and Social Affairs - Social Security Organization - Stock Exchange Organization - Sustainable Development Committee - Strategic Research Center – Iran Chamber of Commerce – Tehran Municipality
- 2. Corporations.** Major Automakers - Management Consultancy Firms - Active in Competitive Markets, SMEs
- 3. Civil Society.** Media – Unions – NGOs - Universities and Research Institutes – Corporate Social Responsibility Development Center -
- 4. International Organizations.** UNDP – UNICEF – UNIDO - Regional Organization of Islamic Chamber of Commerce

## Success Stories

1. **SAIPA:** One of the biggest automaker company that is successful in its social responsibility issues. This big corporation has good experiences including:
  - a) An industrial refinery establishment for prevention of environment pollution and water use frugality
  - b) A charity center establishment for attending to charity affair in the society
  - c) Stakeholder (personnel, suppliers, consumers,...)involvement in the social responsibility issues
  - d) Principles and issues of social responsibility have been applied through organization's processes
  - e) Implementing environment and management quality insurance standards like ISO9000, ISO14000, OHSAS18000... for producing with minimum environment pollution and maximum quality and safety products
  - f) Iranian gazelle protection that was in extinction
  - g) Protect and support customers with after sell services
  - h) Financial support from corporation's employee
  
2. **KAVEH:** One of the medical tools producer that have observed social responsibility issues for 13 years. Some of them are:
  - a) Stakeholder involvement in social responsibility issues
  - b) Quality level of products increased and it caused more customers satisfaction and less environment pollution
  - c) Implementing environment and management quality insurance standards like ISO9000, ISO14000, OHSAS18000... for producing with minimum environment pollution and maximum quality and safety products
  - d) Financial support from university researches
  - e) An independent consultation center establishment for consulting employees
  - f) A medical serial publication and free delivery to hospitals
  - g) Participation in celebrating of anniversary like nurse day, medic day...
  - h) A skilled committee establishment with participation of employee in the field of cultural, educational, safety and health issues

## DEVELOPMENT OF SOCIAL RESPONSIBILITY: FIJI

*Ameeta Ashwinin Chandra*

### Introduction

Fiji consists of 332 islands in the southwest Pacific Ocean. There are about 110 of these islands which are still inhabited. **The two largest islands are:**

Viti Levu - (4,109 sq mi; 10,642 sq km)

Vanua Levu - (2,242 sq mi; 5,807 sq km).

**Language-** The principal languages are Fijian and Hindustani. English is widely spoken and is also taught in schools.

**Religion-** Methodist and Hindu with Roman Catholic and Muslim minorities. The 1997 Constitution of Fiji guarantees freedom of religion.

### Present Social Responsibility Aspects

Every company is responsible to be socially responsible towards Fiji's community and environment. Some Examples of organizations involved in CSR in Fiji:

1. **Natural Waters - greenwashing vs Every drop is green**

An article called <sup>3</sup>Green or Greenwashing? comments: Every drop of **FIJI** Water is transported from thousands of miles away and consumed hundreds of gallons of fuels which is completely unnecessary.

2. **Vodafone ATH Foundation-** provides assistance towards community development (infrastructure), social wellbeing and scholarships to the poor students.

3. **Coca Cola** - Mission Pacific is a project whereby CCA buys back their bottles & cans for recycle

4. **TOTAL in partnership with Land Transport Authority** - As part of the Government's plan towards reducing vehicle smoke emission by 30% by 2011, the European Union donated 4 new vehicle smoke detectors. In partnership with Land Transport Authority (LTA) and Government of Fiji, TOTAL sponsored the Smoke Emission Awareness Campaign called 'The Silent Killer':

- a) To promote a cleaner & greener sustainable environment
- b) Increase public awareness on the harmful effects of vehicle smoke emission.

5. **National Employment Center** - helps find jobs for unemployed youths

6. **FRIENDS (NGO)** – promoting self generating income in community with skill application.

7. **Suva City Council** in partnership with government private sector, international agencies, civil societies, religious and community based groups is in the process of upgrading its public litter bins to keep street clean, healthy and inviting.

8. **TFL** aims to inspire and empower its staff to clean up and conserve its environment by carrying out this single activity which involves an ongoing process of waste recovery in and around **TOTAL** terminals and depots.

**9. Government** (Ministry of Agriculture – Forestry Department) in conjunction with TOTAL (FIJI) Ltd and TFL – launched a theme last year in April “One million Trees by April 2011 – Our Gift to the Future Generation Plant a Tree Today” with the objective of:

- a) Replenishment of marine life in ‘ Marine Protected Areas’ where fishing is strictly prohibited for a certain period of time
- b) Provision of shelter for marine life during adverse weather conditions, tropical cyclones, safe haven for birthing marine life.

**10. National Road Safety Council** – involved in road safety education intervention in schools to provide a safer crossing environment for children being more visible on the roads for the motorists and other road users; to enhance stakeholders’ relationship management with local road transport authorities and government.

**11. National Road Safety Council in partnership with TFL** intended to create greater awareness on the effects of kava drinking in rural areas particularly with indigenous groups in villages where kava drinking is a traditional activity in order to create greater awareness on the harmful effects and dangers of drinking kava and driving in villages and rural areas; promoting road safety and promoting a healthier life style.

**12. National Road Safety Council (NRSC)** - facilitate key road safety measures set out in the National Road Safety strategy & supporting action plans, In carrying out its role NRSC will have a particular focus on building productive relationships with stakeholders across a broad range of sectors & interests and raising the profile of road safety as a major public health issue

### **Laws/Regulations Pertaining to Social Responsibility in Fiji**

1. The Role of Government
2. Legislation & regulation
3. Public Relations to Top Management such as in Trade industries, Hotels, SME’s and trade companies – Fiji Waters, Vodafone, TOTAL (Fiji) Ltd, Telecom Fiji Limited.
4. Licensing of SMEs
5. Education of local communities
6. Encourage local ownership & participation

### **Three Strategies**

#### **1. Strategy One – Communications and Engagement**

E.g Develop a regional position on tourism and climate coordinated communications plan to inform, educate and engage stakeholders.

- a) Awareness of programmes on global environmental issues and human
- b) Enforcement on human rights in terms of employment, buying and selling.

## **2. Strategy Two - Mitigation**

Coordinate and promote initiatives across the four areas of energy conservation, energy efficiency, renewable energy and carbon offsetting, recycling of wastes and scraps, community involvement via various ministries promoting self generating income such as IHRDPEP employment creation by National Employment Center.

## **3. Strategy Three - Adaptation**

Communicate the risks that industries like tourism is facing as a result of climate change and support sustainable adaptation measures.

### **Key Challenge, Issues and Barriers**

1. Lack of Community Participation in CSR activities
2. Responsibilities within its core business only being more profit oriented
3. Lack of funds allocation by companies in CSR Activities
4. Need to build local capacities
5. No clear CSR Guidelines
6. Narrow Perception towards CSR initiatives

## **SUCCESS STORY**

### **Coca Cola Amatil Ltd. - Laucala Beach Estate, Suva, Fiji**

#### **Company Background**

Coca Cola started in Fiji in 1972 with only 2 staff. It is the leading soft drink manufacturer & supplier in the South Pacific, with an acclaimed market share of approximately 80%. Present staff is 252 operating in 3 divisional locations across the country and boasts as being one of the elite Groups in employee remuneration & retention.

#### **Strategic Policies & Governance Guidelines**

Company has various Charters that adds value to CSR. Audit & Risk Committee Charter, Nominations Committee Charter, Compensation Committee Charter; Compliance & Social Responsibility Committee Charter; Related Party Committee

#### **Codes and Policies**

Policy on Trading in CCA's Shares; DRP Rules as at 120810 ; Environment Policy, Purchasing Policy, Water Policy, Code of Business Conduct Policy, Disclosure Communications Policy

#### **Constitution and Governance Statement**

Corporate Governance Statement, Constitution

## Company Involvement

### 1. Stakeholder Engagement

a) **Internal** - employees: adopted communicating policies e.g. induction, memos, emails, reports, social gatherings, meetings.

b) **External** - Audit, daily assessments, financial monthly, quarterly & annual reports; advertisements; meetings, symposiums; Union, audits, decent working conditions, incentives for employees, minimum employment age is 18 years ( as per requirement of their major customer - Mac Donalds), staff training both internal & external, up-skill staff, gender equality in positions that are suitable towards women, recognize main religious occasions & provide give aways, provide gift vouchers for staff who have new born children.

### 2. Environmental Responsibility

Mission Pacific – a project whereby CCA buys back their bottles & cans for recycle. Have a very good waste management system; dilute the chemical substance before proper disposal. They use of electricity is managed by FEA's surcharge system; use sky lights; The a/c units in the sales personnel unit is turned off until 3pm when these personnel return; Liquid discharge is not dumped into the drainage system of the factory; Enviro Clean collects their waste & disposes it as per procedures from Dept of Environment.

### 3. Community Involvement & Development

Sports sponsorship; Annual Coca Cola Games ( Fiji Secondary Schools Athletic Competition), Fiji Rugby Union; Fiji Football Association; Mission Pacific Collection- Collection & recycling of used bottles and cans; NGOs sponsorship on environmental Programs; World Wide Fund for Nature (WWF); School competition – Rock Music Challenge developed into Kula Film Awards.

### 4. Consumer Issues

Documentation of processes on consumer issues: IAT – Instant Action Team; IMCR – Impact Management Crisis Resolution. There is maximum of 6-10 complains yearly. It is one of the first choice drink in the world for the last 10 years. They hold the highest market share of 80% of soft drinks markets. They have introduced new products for customer choice – e.g Coke zero, diet coke.

## Gap Analysis of Coca Cola in Fiji Operation

### 1. Community Involvement & Development

Sponsorship focused heavily on sports events – only making profit. Do not provide sports scholarships – not adding value to society, developing athletes including academic excellence. Company does not promote employment creation & skills development e.g work/volunteer attachment.



## **2. Consumer Issues.**

Do not provide safety awareness through the Mission Pacific

## **3. Human Rights.**

Male dominated workplace (10%) Female /90% M)

## **4. Environment.**

Very little adoption energy conservation practices such use of renewable energy; Lack of visibility environmental issues.

### **Continuous Improvement for Coco-Cola Amatil Fiji**

1. Coca Cola given its multinational context is not very visible in promoting its corporate social responsibilities beyond its core business;
2. The parent company rolls out new OHS policies every 3-6 months
3. Progressive and surprise audits throughout.

### **Recommendations for Coca- Cola**

1. Coca Cola could consider adopting ISO26000:2010 into its management system
2. Strengthen its corporate social responsibilities;
3. PPE and training for bottle and can collectors
4. Use vernacular languages in all advertisements, promotions and signage
5. Use solar energy to source the factory

# DEVELOPMENT OF SOCIAL RESPONSIBILITY: MONGOLIA

*Tserennyam Puntsag*

## Introduction

Corporate social responsibility (CSR) is the company running a business without any harm to human health, ecological environment. CSR should be clearly visible to all stakeholders including employees, customers, public, and shareholders. CSR suppose to bring economic and social welfare to support sustainable economic development to the nation.

Mongolia is measured and evaluated by many international research institutes and here are some examples of 2010:

1. Economic liberalism is at 94<sup>th</sup> place
2. Human development index is 100<sup>th</sup> place
3. National competency standard is 99<sup>th</sup> place
4. Business development index 73th place
5. Tender and project sustainability 60<sup>th</sup> place
6. Investment management capability 34<sup>th</sup> place out of 70 countries.

These researches included about 160 to 180 countries and Mongolia is ranged between 70<sup>th</sup> to 100<sup>th</sup> places. These researches have greater notion to CSR. Following questions were asked to have CSR.

1. Philanthropy is recent trend of donation. Many scholars believe that philanthropy has 3 different methods.
  - a) Cash support
  - b) Materially support
  - c) Volunteer activities
2. Business and human right requires the multinational corporations to support on the nation with their CSR.
3. The companies are aware of the corporate management should implement standards to the process to increase credibility to investors.
4. In some countries, investment to CSR is taking large portion of the overall investment.
5. Corruption and bribery was the main issue to business and political environment in recent decade. The counter measures to corruption and bribery is not been successful, thus need to take aggressive actions.
6. Economical reform and health
7. International trade and borders

## Laws/Regulations Pertaining to Social Responsibility

1. Global reporting initiative (GRI), 1997
2. Social accountability standard (SA 8000), 2000
3. Responsibility standard 1000, 2003
4. International standard organization 9000 and 14000
5. Asian pacific economic cooperation "general agenda of business"
6. "Green-label" 2001
7. Mongolian national business ethics codes
8. Global Compact, by 2011 there are 45 companies following this rule.

## Key Challenge, Issues and Barriers

Governmental support of CSR should be addressed to:

Law and regulation should be justified and equal to all	78.0
Governmental intimidation	68.3
Tax environment and policies	53.6
Government and business oligopoly	43.9
Support the companies that take actions of CSR	29.2
Others	7.1

Even though, the private sector is generating 70% of GDP, the business environment is not adequate and government interference is still very high. Recent years, the government interference is increasing and threatening the private sectors. Government should support the CSR of private companies.

The tax policies and regulations could be one the main support that intends to boost CSR. Recently there are new dominant forces upcoming is government and business cooperated oligopolies, which should come to end. Besides, government should give support to those of initiating CSR to broaden it into nation.

Government is one key player to CSR. Specially, government should revise the business environment, policy and regulations and its decisional structures. And government could provide prosperous business environment with its enforced policy making and executions.

## Key Institutions Promoting Social Responsibility

Mongolian national chamber of commerce and industry (MNCCI) is well-known institution that gathered all business players and depend its right and common purpose.

1. MNCCI first included CSR into its policy in 2006 and took initiative actions since 2007.
2. In 2006, MNCCI first awarded the top 5 corporation with Excellence in CSR awards
3. In 2007, CSR committee and declared "Green label and Green barcode" business ethic code
4. In 2007, cooperated with UN development program and "national CSR forum"

5. Same year, first “CSR report 2007” whitepaper
6. Mongolian sustainable development committee and CSR committee seminar and training to first CSR specialist
7. 2009, “corporate governance center” under the MNCCI
8. Same year, first pronounce investment and CSR integration
9. 2011, 45 companies joined the Global compact from Mongolia

## **SUCCESS STORY**

MobiCom Corporation initiated and financially supported “lunch break” program in suburban 12 schools. 3334 primary school students joined this program. This program allowed students to fully concentrate on academic study and increased participation to classes and it has indirectly supported the student healthy growth, which were appreciated by both teachers and parents’ community. On day lunch was about 500MNT, supplied from manufacturer. MobiCom has announced this CSR program and supported by Mongolian government. Later “lunch break” program was taken into national level all schools. MobiCom Corporation has started “E-learning” to bayanzurkh district’s 19 schools with 1600 teachers and about 40000 students. According to this program, these 19 schools supplied with e-learning, e-monitoring, e-training programs and each schools have own portal sites and also provided teacher development facilities such as personal computer and notebooks and projectors with high-speed internet access.

This program allowed teachers to utilize high-tech developments to their training methods and studies. After the project:

1. Students score and attendance became digital data.
2. Teacher and student common study data base
3. Online reports about school’s teaching performance
4. E-library, e-lessons, and e-exams
5. Digital technologies saved the paper cost
6. Simplified the daily works
7. The involvement of parents into students study

## **Conclusion**

As the final note, if the “e-learning” project has successful result, Mongolian ministry of education is considering to take the project into national level and implement it into all schools.

# DEVELOPMENT ON SOCIAL RESPONSIBILITY: INDIA

Birendra Raturi

## Introduction

Corporate Social responsibility in India even has reference in Vedic age, however to be precise Jamshetji Tata. Right From 1892 started Workers' welfare requirements of the country ,Granting scholarships for further studies abroad in 1892,Supporting Gandhiji's campaign for racial equality in South Africa , First science centre, hospital and atomic research centre ,providing relief and rehabilitation to natural disaster affected places .Tata initiated various labour welfare laws, like the establishment of Welfare Department was introduced in 1917 and enforced by law in 1948 or Maternity Benefit was introduced in 1928 and enforced by law in 1946 .Public Sectors, Large and Medium enterprises has adopted the CSR as depicted in Fig-1.

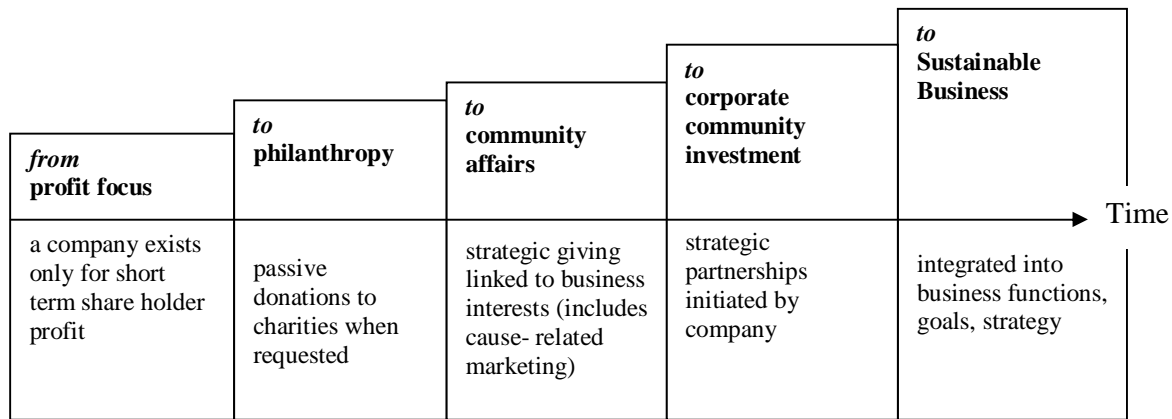


Fig-1: CSR in Large and Medium Enterprises.

A study conducted summarises some prominent views on CSR which are as follows:

1. **Views towards business:** 82.4% of the companies seem to strongly agree that business means maximizing benefits, making money and doing business. No company disagrees on this point. 17.6% more agree than disagree to the same. 76.5% says that business is making money. 88.2% strongly agree as well as agree that it is all about social responsibility while 17.8% more disagree than agree.
2. **Place for ethics in business:** 88.3% believe that there is place for ethics in business. However, a small majority, 11.8% strongly feel that there is no place for ethics in business.
3. **Business & Economic attitude:** 82.3% believe that business needs only an economic attitude while 17.7% respondents felt that business does not need an economic attitude, balance feel it is needed.
4. **Social Policies:** 70.6% of the corporate connect to the community through social activities, and 23.5 % through specific NGO. Only half (52.9%) have a clear-cut policy on

social development. 64.7% feel that their social responsibility is towards both the community and their employees. 29.4% feel that their social responsibility is only towards their employees. 35.3% have not adopted any village or social organization. The participation of the company in various activities is mixed, with no clear-cut trend emerging.

5. **Donations:** 70.6% feel that giving a donation will not increase the image of the company. However, 29.4% give donation to benefit from tax.

6. However, cross tabulation of these two parameters revealed that only 71.4% respondents who said that donations do not improve its image while 28.6% respondents say that giving donations improves image building. About 50% contribute to a social cause, invest as a long-term investment. 70% responded that they do not donate for tax.

### Key drivers promoting Social Responsibility

Local ,National and international laws	Globalization brought new players to Indian markets	Growing middle class
Investors Confidence and brand image	Brands support by attracting advertising	Part of the population remains poor
Education is not for everyone a reality	Growing gap between urban and rural areas	Be Humanatarion

### Laws and regulations releated to Social responsibility

Several major CSR initiatives have been launched in India since the mid-1990s. Among these is the first voluntary code of corporate governance, "*Desirable Corporate Governance: A Code*", established in April 1998. This was an initiative by the Confederation of Indian Industry (CII), India's largest industry and business association. The list below indicates only some prominent one not covering the all statutory and regulatory requirements:

1. **A National Foundation for Corporate Governance** (NFCG) has been established by the Ministry of Corporate Affairs.
2. Stock exchange Board of India (SEBI) Clause 49.
3. *Child Labour (Prohibition and Regulation) Act* (1986)
4. **Labour Laws: India** has altogether ratified 333 labour laws. The ways these laws are supervised and implemented, vary. India was in 1976 the first country in the South Asian region to enact legislation against bonded labour.
5. **The Environment** The main law on environment and production is *The Environment (Protection) Act* (1986).
6. **Right to information and corruption** In 2005, *Right to information (RTI) act* was established.
7. In 2009, the **government made it mandatory for all public sector companies** to spend 2 per cent of their net profits on corporate social responsibility.

8. National Voluntary guidelines 2011 on Social, environmental and Economic Responsibilities of Business by Ministry of Corporate Affairs (MCA). All references are made available in the guideline.
9. Guidelines available for public sector enterprises and other set of guideline available from Bureau of India Standards (BIS).

### **Key challenges, Issues and Barriers**

Most of the organisations think that CSR is a peripheral issue for their business and customer satisfaction is more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business.

1. Industry view, if the government needs more money for social development from us, let it hike the corporate tax rate. But it should not mandate CSR.
2. **Demands for Greater Disclosure:** There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.
3. **Increased Customer Interest:** There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers.
4. **Growing Investor Pressure:** Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns.
5. **Competitive Labour Markets:** Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles.
6. **Supplier Relations:** As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner.
7. **Lack of Community Participation in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies.
8. **Need to Build Local Capacities:** There is a need for capacity building of the local non-governmental organizations.
9. **Issues of Transparency:** Lack of transparency is one of the key issues
10. **Non-availability** of Well Organized Non-governmental Organizations
11. **Narrow Perception towards CSR Initiatives:** CSR initiatives more donor-driven than local in approach.
12. **No law on CSR :** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies
13. **Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst local agencies regarding CSR projects.

## Key Institutions Promoting Social Responsibility

1. Ministry of Corporate affairs
2. Public Sector Banks and Multinationals Companies
3. National Institute for corporate governances
4. Large and Medium Scale Public and Private Sectors organisations.
5. Apex Industry associations like CII, FICCI and ASSOCHAM
6. International organisation Like APO, UNIDO, GIZ, CBI etc



## SUCCESS STORY

### Bajaj Auto Ltd

Product and services: 1. Scooters 2. Auto rickshaws 3. Motorcycles and Mopeds

The SR philosophy is to embracing everything from health and education to women empowerment and more — has touched, and changed, many lives. But the real credit for positive change is always to those whom we have enabled on the path of “Sustainable & Inclusive growth” & well being.

-Donated R 7 crore (Rs 70 million) to IIT Bombay for a technology innovation centre and creating four chairs.

-A tribal devp project, for 1000 tribal families, called Aamrai was launched on 21 Aug 2009.

-The Foundation gives 4 Awards annually - each of the value of Rs.5 lakhs.

-The Foundation has been undertaking rural development work in select villages of Wardha District, Maharashtra (since 1987) and in Shikohabad, Dist. Firozabad, U.P. (since 1992).

-It conducted about 60 health check-up camps, including camps held in conjunction with Kamalnayan Bajaj -Hospital at Aurangabad. JBGVS runs a mobile clinic, in 20 villages in Pune with a lady doctor and a nurse to provide PHC services at the doorstep of the poor.

-Shiksha Mandal, Wardha founded in 1914 by Late Shri Jamnalal Bajaj runs seven colleges with around 10,000 students on its rolls. Funded by a Rs 25 crore donation.

-Health camps in the villages of the district of Aurangabad and close to 400 BPL patients have been treated at a cost of Rs. 41 lakhs.

-The hospital has been providing annually relief for close to 55,000 patients on OPD basis and close to 7,000 patients, who are admitted to hospital for various treatments. The Trust is in the process of starting a Nursing College in 2010-11.



- The Group has another 20 Trusts, which are also engaged in many CSR initiatives.
- A Rs.600 crore project funded by govt aimed at increasing farmer incomes in Vidarbha.

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# MAKING CORPORATE SOCIAL RESPONSIBILITY OUR BUSINESS: THE MANILA WATER CASE

*Domingo Raymond D. Nacion*

## **Introduction**

Manila Water Company, Inc. is a private utility agent and contractor engaged by the state-owned Metropolitan Waterworks and Sewerage System (MWSS) to improve the infrastructure and delivery of water and wastewater services in the East Zone of Metro Manila, Philippines. Their core services are: water supply treatment and distribution, wastewater management (sewerage and sanitation), and customer service

## **Awards and Recognitions**

- Silver Award, 2nd Global CSR Awards, Pinnacle Group International for promoting the practice of all aspects of CSR by integrating sustainability into the Company's overall business model.
- 2ndBest CSR in the Philippines, Finance Asia as per the ratings given by finance leaders and professionals.

## **Sustainable Governance and Strategic Alignment**

For nearly 13 years now, Manila Water has been delivering 24-hour supply of safe and affordable water, as well as sewerage and sanitation services to more than 6 million customers in the eastern part of Metro Manila. With its solid track record of efficiency and financial viability, it is recognized as one of the most successful public-private partnerships in the world.

One of the cornerstones of Manila Water's success is its dedication and commitment to Corporate Social Responsibility or Sustainable Development initiatives. Over the years, Manila Water has strategically aligned its business objectives with social goals, creating considerable and sustainable benefits to the communities it serves, as well as other key stakeholders.

Through its flagship program, 'Tubig Para Sa Barangay' (TPSB) or Water for the Poor, Manila Water has demonstrated its commitment to the poor by attending to and addressing their need for a regular supply of clean, safe and more affordable water. The TPSB program is specifically designed for areas where there are clusters of low-income communities, including informal settlers, and where there is poor quality of water arising from the proliferation of illegal water service connections. Manila Water did not just focus on low-income communities but also carried out water and sanitation programs for public service institutions such as schools, hospitals, markets, city jails and orphanages in the East Zone of Metro Manila. The company also targeted community-based cooperatives to be the

beneficiaries of its development and livelihood programs, and made them part of its supply chain.

### **Climate Change Policy**

1. Develop and implement a Carbon Management Plan.
2. Continue to improve efficiency in energy consumption and increase use of energy from sustainable sources (e.g. set up waste-to-energy projects at wastewater plants).
3. Consider the impact of climate change in our operations - medium and long term - and put in place mitigating measures (e.g. New Water Resources).
4. Continue to plant trees to protect watersheds in order to combat the effects of Global Warming.

### **Commitments**

Manila Water is committed to do the following:

1. Help build communities by providing them with clean potable water, sewerage and/or sanitation services at affordable rates.
2. Develop and promote programs that would nurture, protect and conserve natural resources.
3. Operate the business in such a way that health of its employees and the general public would be safeguarded.
4. Improve the ability of the communities to sustain itself by instituting capacity-building and livelihood programs.
5. Improve the ability of the communities to sustain itself by instituting capacity-building and livelihood programs.
6. Strengthen and sustain our relations with the communities and the government through continuing community development programs which would promote natural and cultural heritage.
7. Ensure that the principles of sustainable development are well- communicated to all our stakeholders.
8. Make sure that the construction of new facilities, as well as the adoption of new technologies, supports the principles of sustainability.
9. Design and develop an environmental management system that would ensure the sustainability of the communities, environment and economy without reducing their quality.

### **Sustainability Framework**

1. Manila Water's CSR programs are building blocks which are aligned with and leading to the bigger goals of (1) Ayala Group CSR, (2) water infrastructure, poverty alleviation and environmental protection objectives of the Medium-Term Philippine Development Plan (2004 - 2010), and ultimately (3) the environmental sustainability targets for access to safe drinking water and proper sanitation facilities of the Millennium Development Goals (MDGs).

## 2. Manila Water's Sustainability Framework is hinged on five key components:

### **(a) Helping Build Communities**

(i) The company has set up a long list of water and sanitation programs that address the needs of low-income communities. Through the Water for the Poor (TPSB) program, for instance, more than 1.6 million poor people now enjoy 24-hour water supply right from their taps. While the project started by providing groups of families with common taps, the TPSB program is now able to set up one connection per household.

(ii) Complementing the TPSB program is a tie-up project with the World Bank called Global Partnership on Output-Based Aid (GPOBA). Here, the World Bank provides funds to subsidize the cost of connection fees of customers who live in low-income communities. To date, about 10,000 families have benefited from this scheme.

### **(b) Safeguarding Health and Safety**

Manila Water invests heavily on making sure that it provides clean and potable water to its customers. Every month, the Metro Manila Drinking Water Quality Monitoring Committee (MMDWQMC) takes about 1,000 samples all over the East Zone of Metro Manila which are tested against the Philippine National Standards for Drinking Water (PNSDW). The Company has consistently complied with, and even exceeded, said standards on bacteriological, chemical, biological, physical and radiological quality.

### **(c) Protecting the Environment**

(i) Manila Water endeavors to carry out its business operation in an environmentally sustainable way. This is manifested through various environmental initiatives embedded in each level of the company's operations such as watershed management, groundwater protection, biosolids and sludge management and wastewater effluent reuse.

(ii) Recognizing its role in mitigating the impacts of Climate Change, Manila Water has invested on environmentally sound technologies and adopted energy-efficient measures to reduce not only its operational costs, but more importantly to minimize its carbon emissions.

### **(d) Contributing to Local and National Economies**

(i) Manila Water actively supports development and livelihood programs, particularly for community-based cooperatives and small and medium scale entrepreneurs.

(ii) Through its 'Kabuhayan Para Sa Barangay' (KPSB) or Livelihood for the Community program, Manila Water was able to assign jobs to cooperatives and use them as suppliers and service providers for some of the company's requirements. Similarly, the company's capital investment program generated more than 17,000 jobs through its accredited contractors and suppliers who carry out the projects.

**(e) Developing Employees**

(i) In place is a continuing education program designed to develop and enhance each employee's capabilities. In 2007, the School for Supply Zone Managers produced 31 graduates while the Business Managers Continuing Education produced 60.

(ii) The middle management pool was enrolled in the company's Business Management Program (BMP). Younger employees went through the Cadetship Training Program (CTP), while the management team was invited to a series of leaders' convergence seminars.

**ISO 26000: Strengths**

Manila Water's SR initiatives are very strong on the ISO 26000 core subjects and practices for integrating social responsibility, enumerated here for reference:

**Core Subjects**

- 6.2** Organizational governance;
- 6.3** Human rights;
- 6.4** Labor practices;
- 6.5** Environment;
- 6.6** Fair operating practices;
- 6.7** Consumer issues;
- 6.8** Community involvement and development;

**Practices for Integrating Social Responsibility**

- 5.2** Recognizing social responsibility;
- 5.3** Stakeholder identification and engagement;
- 7.2** The relationship of an organization's characteristics to social responsibility;
- 7.3** Understanding the social responsibility of an organization;
- 7.4** Practices for integrating social responsibility throughout an organization;
- 7.5** Communication on social responsibility;
- 7.6** Enhancing credibility regarding social responsibility;
- 7.7** Reviewing and improving an organization's actions and practices related to social responsibility.

**References**

1. Manila Water Company Website: <http://www.manilawater.com/>
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## **RESENT SOCIAL RESPONSIBILITY ASPECTS FOLLOWED BY ORGANIZATIONS IN SRI LANKA**

Jeewamali Perera

### **Introduction**

The Social responsibility aspect is new to Sri Lanka. Even though in 1977 with the Liberalization and Privatization, Sri Lanka started to implement some aspects in Social responsibility. The Neo-liberal model of corporate responsibility evolved in Sri Lanka after 1977. Corporate Social responsibility was handed owners of business who generally regarded it as a new imposition that needed to be accommodated.

During this period the corporate world thought it fit to merely obey the laws of the land, but to generate wealth freely and pay taxes to the government to look after the welfare of the people.

Philanthropy or dhana is an integral part of Sri Lanka culture, but most Sri Lankan businesses have not taken on board the more secular, humanitarian and social development reasons for engaging corporate responsibility.

A Corporate Social responsibility survey was done in Sri Lanka in 2003 which showed that most business have not engaged in the stakeholder model as yet. This is due to a general lack of understanding and knowledge of CSR in Sri Lanka.

### **Present Social responsibility activities in Sri Lanka**

These activities include the following:

1. Respect for human rights.
2. Free Education Primary, Secondary, Tertiary
3. Infrastructure Development.
4. Consumer protection.
5. Employee welfare.
6. Socio economic development.
7. Environmentally friendly technology.
8. Eco friendly waste disposal.
9. Prevention of environmental pollution-(Ex. Green test for vehicles)
10. Propagation and promotion of ethical values and principals to all stakeholders.

### **Laws/Regulations Pertaining to Social Responsibility in Sri Lanka**

Various interest parties encourage private sector organizations to implement some social responsibility behaviors in their business activities. This has brought about certain standards of compliance and behavior in area such as human rights, child labour and the environment. Below mention some examples for existing Laws and Regulations pertaining to SR:

- a) Maternity Benefits Ordinance
- b) Holiday Entitlements
- c) Shop and Office Employees Act
- d) Establishment Code
- e) Wages Boards Ordinance
- f) Widow's and Orphans Pension Fund
- g) Women Young Persons and children's Act
- h) Approved Private Provident Funds (APPFs)

**Table 1: Key Challenges, Issues and Barriers Faced**

Sector	Key Challenges	Issues and barriers
<b>Private sector Organizations</b>	<ol style="list-style-type: none"> <li>1. Reduce environment pollution.</li> <li>2. Profit Maximization.</li> <li>3. Transparency &amp; creditability.</li> <li>4. Top management commitment.</li> <li>5. Human resource development.</li> <li>6. Ensure Health &amp; Safety</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of Knowledge</li> <li>2. Poor law order &amp; justice</li> <li>3. Poor organizational structure</li> <li>4. Negative attitudes</li> <li>5. Lack of Supervision</li> <li>6. Un-identification of customer needs</li> <li>7. Lack of policies</li> <li>8. Lack of Finance.</li> </ol>
<b>Public sector</b>	<ol style="list-style-type: none"> <li>1. Increase workers Skills, Knowledge and Attitudes.</li> <li>2. Ensure Health &amp; Safety.</li> <li>3. Lack of Finance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor budget allocation</li> <li>2. Lack of Supervision</li> <li>3. Lack of top Management commitment</li> <li>4. Poor awareness for using high technology</li> </ol>

**Table 2: Key Institutions promoting Social Responsibility**

<b>Public Sector</b>	<b>Private Sector</b>
Ministry of Productivity Promotion Ministry of Child Devp Women's Affairs Ministry of Labour & Labour Relations Ministry of Disaster Management Ministry of Social Services Ministry of Environment Ministry Health	Ceylon Biscuits limited DFCC Bank/Eagle Insurance Co. Limited Hayleys Limited John Keels Holdings Limited Sampath Bank Limited Mas Holdings Sri Lankan Air Lines, Hotel Kandalama

## **CASE STUDY**

### **Maliban Biscuit Manufactories (Pvt.) Ltd**

Company is the Winner of Sri Lankan National Quality Award 2010(Large Scale Manufacturing Sector). **Maliban** is a household synonymous name for biscuits not only in Sri Lanka but also in many countries in the world. It is one of the few local brands which have survived the inexorable process of globalization. The brand name "Maliban" stands for high quality and indeed is a pride for the nation. They have an island wide dealer network for the distribution of products which has been expanding over the years with growth of retail grading in Sri Lanka. Beside that they have distributors in 25 countries across the globe. They are equipped with a world class infrastructure which includes the most modern machinery and equipment, a highly skilled & motivated workforce backed by a well known brand for nearly 60 years. Their manufacturing processes are well planned and monitored by competent personnel with multi skills. They constantly benchmark the quality and taste of their biscuits with foreign world class biscuit manufactures. During the past five years they have won several national and international awards for achieving business excellence.

### **Compliance Status**

#### **1. Rights & Equal Opportunities**

a) Due diligence. The senior management team which comprises of the Chairman the Board of Directors and the members of greater management team consider due diligence as an area for proprietary of the organization when determining vision, mission and values of the company.

b) Human Right Risk Situations. They face human right situations as an important area of their organizational governance which is clearly described in their human resource policy manual. They have never been found guilty for violating any human right requirements and they have a culture free from any sort of corruption



c) Avoidance of Complicity. Avoidance of complicity is a responsibility of their HR department; they always avoid any in-legal acts whether they are of any complicity.

d) Resolving grievances. They have a systematic way to resolve grievances of employees at any level. The details of which are given in their guideline for grievance handling

e) Discrimination and Vulnerable Groups. There is no discrimination any form to be seen in this organization in relation to race, colour, gender, age nationality and religion etc. All vulnerable group such as women and girls are well protected from various acts such as health issues pregnancy and political affiliation etc

f) Civil and Political Rights. All the employees enjoy civil and political rights. There is complete freedom of opinion and expression freedom of peaceful assembly and association freedom to adopt and practice any religion, freedom to hold any believes inference with family, home or correspondence and the right to privacy, the right to access to public services and right to take part in elections.

g) Economic, Social and Cultural Rights. In this organization every person as member of the society enjoys economic, social and cultural rights, necessary for his or her dignity and personal development. This includes right to improve their education, work in favorable conditions, freedom of association, a standard of living adequate for physical and mental health.

h) Fundamental Rights at Work. All employees have the freedom of association and collective bargaining. Terms and conditions of employment are in accordance with the state legislative requirements. There is no forced labour, child labour to be found in this organization. There are equal opportunities and non-discriminations for all employees. This company maintains a legal register to ensure that all related legal requirements are complied with.

## **2. Labour Practices**

### **a) Employment and employment relationship**

Maliban has a very cordial employer - employee relationship. Any issues which affect those employees are resolved through discussion. All employees above supervisory categories are given job descriptions. Which includes job duties; responsibilities, authorities, covering arrangements etc are clearly mentioned. Any activity which is not related or not agreeable by the employees is not included in the job descriptions. All floor level employees are issued with list of duties instead of job descriptions. There are three types of work instructions displayed in the factory namely the operational instructions, maintenance instructions and safety instructions.

**b) Condition of work and social protection**

The conditions of work in this organization are found to be in good order. This includes on time payment of wages and compensation, specified working hours, rest periods and holiday etc. They practice a disciplinary procedure where the dismissal process is clearly mentioned. Maternity protection and welfare matters such as safe drinking water, clean canteens and access to all required medical services are adequately provided. They have a Counselor to advise the employees when they face with any personal or social problems.

**3. The Environment**

**a) Prevention of pollution**

Maliban is an ISO 14001 certified organization since 2006 and they effectively monitor this system. They carry out an annual environment aspect evaluation where they identify the areas for improvement and implement environmental management programs to promote prevention of pollution.

**b) Protection and restoration of the natural environment**

- (i) The operations are designed with natural environment
- (ii) Future endeavor-Introduction of a rain water harvesting system within the next six months

**4. Consumer Issues**

- a) Fair Marketing, information and contractual practices
- b) Protecting Consumer Health and Safety
- c) Sustainable consumption
- d) Consumer services, support and dispute resolution
- e) Consumer data protection and privacy

**5. Community involvement and development**

- a) Donation of computers to rural schools
- b) Donation of machinery for self employment
- c) Donations to patients needing urgent medical attention and facilities due to critical illness
- d) Complete temple complex
- e) Construction of water tanks
- f) Release number of cattle from slaughter houses

**6. Employment Creation and Skill Development**

- a) Skills development programs (Internal/ External) for employees
- b) Supplier development programs / opportunities by providing a guaranty for their products
- c) Cooking demonstrations for house wife's association

- d) Offering Scholarships. Ex. " Danumen Perata" for Grade 5 Students
- e) Granting Educational Equipments to Schools.
- f) Recruiting students directly from Technical Collages and train them in their future career.
- g) Internal promotional schemes.
- h) Conducting a proper performance Management System.

## **7. Wealth & Income Creation**

- a) Donation of machinery for self employment
- b) Donation of bicycles
- c) Under the "Abhayadana" programe where no of cattle are released from the slaughter house. As a result of this self employment opportunities were created.
- d) Construction of Water tanks to farmers in remote areas.

# **INTEGRATING SOCIAL RESPONSIBILITY PRINCIPLES IN THE SMALL AND MEDIUM-SIZED ORGANIZATION (SMO): CASE OF PT LINTAS JERAM NUSANTARA (ARUS LIAR) - INDONESIA**

*Dr. Semerdanta Pusaka*

## **Introduction**

It was in 2009, when I started an action research on ISO 26000 in an SMO, namely PT Lintas Jeram Nusantara, in Indonesia. At that time, the ISO 26000 was still under development and I used the Working Draft 4.2 (WD 4.2) and Committee Draft (CD) ISO 26000 as the basis for my study. The purpose of my action research was to explore whether an SMO would be able to apply social responsibility concept as proposed by the ISO 26000. In order to meet the objective, I initiated organizational scanning and tried to develop an “integrated business-social responsibility scheme” dedicated to PT Lintas Jeram Nusantara. I also made some interventions (i.e. health and safety assessment, stakeholder dialogues) based on the scheme to find out whether the design would be fit into the organization.

The challenge of study was to find the drivers and create a supporting situation where the organization could move from a “business as usual” towards a “sustainable business” that considered sustainable development through social responsibility practices. I also needed to prove that applying social responsibility might increase the competitive advantage and solve business problems and risks.

## **Arus Liar**

Arus Liar is the brand name of PT Lintas Jeram Nusantara. It is legally classified as a small company operating in eco-tourism and adventure products, especially the white water rafting. Established in 1995, Arus Liar is now operating under the leadership of Ms. Amalia Yunita, the CEO. She is a woman that loves the nature, white water rafting and also has the experience of climbing various mountains, including some of the highest mountains of the world such as Himalaya - Nepal, Kilimanjaro – Africa, and Cartenz Pyramid - Indonesia. She is also the only internationally-certified judge for white water rafting from Indonesia.

Aside from its core competence, which is the white water rafting, Arus Liar provides various products and services, such as traditional cottages, camping area, experiential programs, paint ball war games, cycling, merchandises, and customized adventure packages. The head office is located in Jakarta (the capital city of Indonesia) but the operation is in Cikidang Village, Sukabumi – West Java, where Arus Liar uses Citarik River for white water rafting activities. More than 97% of employee working at the site is local people. Considering that the price rate of Arus Liar’s services is relatively higher than those of its competitors, the consumers of Arus Liar are usually the corporations or high-income families from both national and foreign countries.

## Key Issues

The organizational scanning, which was conducted through stakeholder interviews, focus group discussions, and direct observations, showed that Arus Liar's business problems and risks were related to various social responsibility aspects and issues (as stated by the ISO 26000);

1. Good governance: i.e. Arus Liar had vision and mission, applied a two-tier governance system (Board of Commissionaire supervises the company and Board of Director manages the business) but there was no independent commissionaire.
2. Human rights: i.e. no forced labor applied but children voluntarily worked in Arus Liar.
3. Environment: i.e. the waste was dumped into the river and the average water level of the river was decreasing.
4. Labor: i.e. Arus Liar needed to accommodate local employment, establishment of labor union, and internal grievance mechanism to counter corruption.
5. Consumer: i.e. transparency in providing information about risks of products and services as well as the efforts to mitigate risks, protecting consumers' health and safety on land and in the river.
6. Fair operating practices; i.e. fight corruption internally and externally (sometimes local government officers asked for money).
7. Community development; i.e. local people only graduated from high schools, local employment, soliciting.

In addition, Arus Liar must also be competing with the other three similar companies operating in the same area and using the same river. To highlight this situation, the development of integrated business-social responsibility scheme must be inclusive and accommodate both business needs and social perspective of Arus Liar.

## Implementations

Application of social responsibility concept in an organization is about changing organization behavior towards sustainability framework; leaving the profit as the only very purpose of business mean. Integrating social responsibility concept in an SMO, such as Arus Liar, is also clearly different to that of a large organization. While a large organization is run with systems, procedures and policies, most SMOs depend on the owners or CEOs. Furthermore, while a large organization has resources, an SMO like Arus Liar should prioritize its funds for daily operations. Therefore, a process of identifying significance issues and prioritizing initiatives and must be carried out.

In Arus Liar, I approached the CEO and convinced her about integrating social responsibility concept into the business that would address business problems and risks. The strategy was increasing the CEO's urgency level about the threatened sustainability of Arus Liar by providing real business data and facts. And then, I proposed social responsibility concept as

the alternative solutions. Based on the results from the organizational scanning, I develop the social responsibility initiatives as showed by table: 1\*). Some of the initiatives have been conducted but many others have not done yet.

**Table 1: Social Responsibility Initiatives of Arus Liar**

<b>No.</b>	<b>Initiatives – Status</b>	<b>Social Responsibility ISO 26000</b>	<b>Business Perspectives</b>
1.	Appoint independent member of Board of Commissionaire - NOT YET	Organizational governance	Checks and balances, ensuring business commitment
2.	Modify organization structure, appoint the Business Development and Service Manager to handle CSR - DONE	Organizational governance	Ensuring CSR initiatives are well implemented correctly to address problems and risks
3.	Revise Vision and Mission – DONE	Organizational governance	Align business vision and mission with sustainability
4.	Develop Code of Conduct – ON PROGRESS	All Core Subjects	Establish strong ethical values as the foundation for sustainability
5.	Annual Human Rights and Legal Assessment – NOT YET	Human Rights	Identify and prevent business risks
6.	Set-up Labor Health and Safety Joint Committee – NOT YET	Human Rights, Labor Practices	Joint efforts to mitigate risks will generate maximum results
7.	Employee development and training – DONE - For all employees, according to their functions - Special training for security personnel - Fire drill	Labor Practices	Increase capabilities and competitiveness of human resources
8.	Health and safety assessment – DONE, use OHSAS 18001 (no certification)	Consumer issues	Identify and mitigate risks, avoid accident on consumers
9.	Internal grievance mechanism – NOT YET	Human Rights, Labor Practices, Fair Operating Practices	Individuals in the organization can report violations and unethical practices
10.	Establish employee association – NOT YET	Human Rights, Labor Practices	As a formal dialogue mechanism, negotiation with employee group will

			be easier
11.	Adopt local knowledge and heritage – DONE	Community Involvement and Development	Competitive advantage, guests love to see it
12.	Protect consumer data – DONE	Consumer Issues	Prevent consumer information stolen and sold to competitors
13.	Safety Sign Assessment and Provide Safety Sign Assessment – DONE, use International Standard (ANSI/BSI)	Consumer Issues	Notify consumers about risky areas, prevent accident
14.	Complaint mechanism – DONE	Consumer Issues	Accommodate consumer's dissatisfaction
15.	Regular supplier visit – DONE	Consumer Issues, Fair Operating Practices	Ensure the suppliers respect the law, provide health and safety products, and have on-going businesses
16.	Local supplier development – NOT YET	Community Involvement and Development	Existence of local supplier may reduce costs
17.	Arus Liar Go Green; reforestation – ON GOING	Environment	Reforestation in recharge area, to protect hydrological system of Citarik River
18.	Arus Liar Go Green: green education for employees, local people and consumers – ON GOING	Environment, Consumer Issues	Drive the behavior of stakeholders to care about the environment
19.	Arus Liar Go Green: efficiency program – ON GOING	Environment	Reduce electricity and water consumption, reduce costs
20.	Waste management – ON GOING	Environment	Prevent misconduct polluting the river
21.	Stakeholder engagement – ON GOING - Consumers - Employees - Local communities - Local suppliers - Non-local suppliers	All Core Subjects	Communicate Arus Liar's values to stakeholders, capture seen or unforeseen problems and risks

	- Competitors		
22.	Participate in disaster relief programs (Global Rescue Network) – ON GOING	Human Rights	Image, individual actualization of needs to help people
23.	Anti corruption campaign – NOT YET	Fair Operating Practices	Prevent corruption incidents
24.	Scholarship programs – NOT YET	Community Involvement & Development	Ensure availability of local human resources
25.	Provide in-kind contribution and entrepreneurship program for local community – ON GOING	Community Involvement & Development	Maintain support from local community, address unemployment
26.	Develop GRI-based Sustainability Report – NOT YET	Organizational Governance, All core Subjects	Tool for evaluation, develop image

*\* Some initiatives are not presented in this table due to particular reasons (i.e. space, most critical)*

### **Conclusion and Future Actions**

The experience in Arus Liar indicates that ISO 26000 can be used as guidance for doing social responsibility in an SMO. However, promoting social responsibility to an SMO from ethical and normative views is not enough. It needs to introduce social responsibility to an SMO from business-pragmatic perspectives. I even seldom use “corporate social responsibility” terminology during the action research. Persuading the key person (CEO or owner) of an SMO is also important in advocating social responsibility. Increasing the level of urgency of the key person is an effective strategy to make the key person believes the important role of social responsibility in the business.

Furthermore, it needs “creatively” to interpret the ISO 26000 statements at various operational and practical levels in an SMO. And also, integrating social responsibility is a life-time process. An SMO should do it gradually by considering various factors (i.e. availability of resources, human resources, significance of issues, etc).

The future actions in Arus Liar will be the gradual implementation of social responsibility plan and communicating successful actions to the stakeholders, i.e. the employees, consumers and owners. Communicating successful social responsibility actions is needed to create values for the organization (and subsequently improve the image) and also to motivate others to do social responsibility. This is important because collective social responsibility actions of the businesses will contribute to sustainable development at large.



# SUCCESS STORY OF CORPORATE RESPONSIBILITY OF CHEMICAL COMPANY OF MALAYSIA BERHAD

*Dr. Leow Chee Seng*

## **Introduction**

Modern life revolves around economic determinants that shape our wants, our goals and our needs. Anyway you look at it, commerce is the icon of modern man. Responsibility however, is optional. CCM recognizes our national potential as a competitive player on a global scale. But it is the cost that worries us most. As we forge stronger relationships with our shareholders and expand our service-infrastructure, creating sustainable environments of production becomes an area of focus. For if we were to scar the earth, it would be our future generations that will bear the cost.

CCM respond to our work staff, our vendors and our consumers with a similar approach, displaying our core values as a corporate entity and creating a harmonious working environment that allow the people around us to grow as CCM grow. On the environmental front, CCM strict guidelines and practices ensure that no irreversible harm will taint our future hopes, yet the possibility of catastrophe can never be foreseen. It is with this thought in mind that CCM have placed internationally sanctioned contingency plans and emergency response services.

CCM combination of good corporate governance and best business practices have made us a key global player in our industries and it is this showcase of strength in the face of adversity and resilience in attaining a competent competitive edge that displays our approach to Corporate Responsibility. From the water you drink, to the health supplements you consume and the products around you that bear the mark of CCM, you are assured of CCM's commitment to enhance quality of life.

## **Enhancing Quality of Life**

Our promise to our stakeholders, employees, society and our shared environment means that every opportunity CCM have to make better the standards of today's living conditions must be taken to task. Our efforts do not only span within the paradigms of our industries, but to all and any aspect CCM are able to contribute to. From the supply of educational material to school children to first aid medication for our fellow man as they make their pilgrimage to the holy city of Mecca, our vision and our dedication to enhancing quality of life is how CCM decide, how CCM move forward and how CCM see ourselves within the Malaysian socialscape. In the industrial sector, high demand and equally competitive supply of chemicals, fertilizers and pharmaceutical products too may prove to include an increase in corporate competitiveness and a lack of communication with society.

The Group fully recognizes the need for effective communication and equally important, providing for the communities CCM operates close to and within. By building a better relationship with the community, CCM are able to address their concerns and encourage a better understanding of our business. Throughout this section, CCM will address our role in society and the relationship CCM has with local and regional communities as well as with customers.

## INVOLVEMENT OF SOCIAL RESPONSIBILITY

### GLC Transformation Initiative

In line with our commitment to our shareholders, the Group has asserted its position and progressed with the assistance of the GLC (Government-linked Companies) Transformation initiative which was first implemented in 2004. Spearheaded by the Malaysian Government, the GLC Transformation initiative was formed to boost the performance of organizations linked with the Government. With objectives ranging from achieving sustainable improvements and increasing business competitiveness to emphasizing good corporate governance and creating value for shareholders as well as supporting the Government's Vision 2020 objective of becoming a regional corporate giant, the Group focuses on enhancing the Board's effectiveness, strengthening Director capabilities, increasing social responsibility practices and the overall optimization of operational, leadership and capital management efficiency.

### Malayan Pharmaceuticals

The acquisition of Malayan Pharmaceutical — a market leader in the OTC business with established brands such as *Chewies*, *Milidon* and *Cosmos* — has further strengthened the Group's local and regional assets as well as enhance the Group's OTC supply pipeline to the local and regional markets. The RM22 million purchase has opened a range of additional business avenues and product developments through Malayan Pharmaceutical's brands and assets, registered intellectual property and pharmaceuticals manufacturing facility. The 1.5 acre pharmaceuticals manufacturing facility will be converted into an independent cephalosporin manufacturing facility as required by law and complies with the strict guidelines of the Malaysian Ministry of Health and Asean GMP guidelines, giving the Group the distinction of being the first pharmaceutical company in Malaysia to comply with the guideline. By leveraging on the combined strengths of both companies, the Group hopes to further stimulate and create awareness for the established brands from both sides and believes that this endeavour will reach the marketing target of the Group.

### Malaysian Palm Oil

Considering the value of our smallholders and partners is an obligation the Group takes seriously. Forming a strategic alliance with the Malaysian Palm Oil Board (MPOB) with the

intention of supporting its 'Golden Growers Club' stable of members with additional trainings and educational programmes, the Group expects to see a rise in productivity through the alliance. The alliance will further focus on developing the skills of smallholders as well as provide crop advisory services, special preference, discounts and incentives for newly developed clones and product purchases. The Golden Growers Club has a registered membership of over 4,000 with ~0-% of members involved in the cultivation of palm oil.

### **Donating to Flood Victims**

Early in January 2007, a large scale flood left thousands of victims in Johor stranded without medical aid. Affected persons were left stranded in one of the largest natural disasters to hit the southern region. The Group answered a plea from the Government asking all corporate citizens to lend a hand and assist the Government in their efforts. The Group offered RM50,000 in medical supplies to approximately 34,000 victims through its humanitarian aid programme. Medicinal supply of over-the-counter (OTC) and ethical products such as *Ampicilin Tablet*, *Beamotil Tablet*, *Uphamol*, and *SCMC Syrup* were among the donation of medical supplies. The Group and its employees expressed their sympathy and hoped the donations would go a long way to help the community.

### **Healthy Living Campaign**

The Group's resilient advocacy for healthy living is a unique purpose that is in line with its corporate directives and also forms the basis of the company's tagline — Enhancing Quality of Life. The objective of the campaign was to increase the awareness of the different aspects of healthy living, impart enabling skills to various segments of the workforce, practice healthy living and to create and foster a supportive social and physical environment to encourage healthy living within the community. Following a statement made by Dato' Dr Mohd Hashim Thjudin, Group Managing Director of OCM Berhad, the Group is set to educate society on the importance of a healthy lifestyle. The Healthy living Programme (HLP) initiative will also seek to promote healthy living initiatives at the workplace.

### **Knowledge Enrichment Campaign**

Education is an important part of every individual's life. The Group assisted rural primary schools in Perak by providing science, technology and healthcare referral books as well as informative texts that encourage the educational development of students. The Group believes that education is a right that all Malaysians have and also believes that CCM must work closely with schools, especially those situated in the outskirts of major cities, to ensure that all students are provided with the same opportunities. Speaking at the event, CCM Group Managing Director, Dato' Dr. Mohd Hashim Tajudin said, "Reading is a great learning tool. When children read, they expand their language and vocabulary and enhance their thinking capability as they learn new ideas and concepts." The Group will continue to provide more educational outreach programmes in the future as well as maintain ties with current schools already under the programme.

Relief for Malaysian Peacekeepers in Lebanon Community values and principles are always taken to task in the face of adversity. The Group contributed its line of *Flavettes Time Release 100mg Vitamin C*, *Natberry Plus*, and blockbuster product *Proviton* that will help troops treat minor ailments faced during their tour of duty.

### **CCM Motivational Camp**

Some 20 primary school students from Sekolah Kebangsaan Juru, Simpang Ampat participated in a motivational camp at the Jerejak Resort & Spa. The camp was organised by the Group and is part of the PINTAR programme, which focuses on improving the academic performance of students. The school has since been adopted by the Group in its efforts to realise the potential of students as well as to encourage students to be more proactive and open to new learning habits. The Group also donated reference books to the school to better educate education and offer alternative reading materials to students.

### **50th Merdeka Parade**

Our independence is an important part of society and serves to promote cultural value. The Group has come to recognise this and in the 2007 Merdeka Parade, 104 participants from various subsidiaries took part in the march, representing the plantation and mining era of early independence. Observed by Yang diPertuan Agong, Tuanku Mizan, Permaisuri Agong Tuanku Nur Zahirah, Ministers, foreign dignitaries as well as members of the public, the Group was proud to showcase their efforts after a 2 month long intensive training under the patronage of Tn Hj Mohd Razali, Group Security Senior Manager. The Group hopes that through the improvement of social values, unity and prosperity can be better achieved.

### **National Diabetes Institute (NADI)**

The National Diabetes Institute (NADI) received a donation of RM7,000 in recognition of their diabetes awareness campaign. The Group's donation came from its pledge to donate 50 sen for every bottle of *Diamelon* sold between a stipulated period. The Group expressed its support for NADI and expressed the Group's own efforts to promote awareness on diabetes prevention. The Group's website is also linked to the NADI website and hopes that visitors will utilise the opportunities provided and be aware of possible preventive measures that can be taken as well as identify signs of diabetes. The Group had previously donated RM5,000 to NADI in support of their educational programmes.

### **Sahabat Korporat**

Under the baton of Sahabat Korporat Tabung Haji, the Group contributed 40,000 sets of personal first aid kits worth RM700,000 to Malaysian pilgrims preparing for Hajj. The Hajj is an important passage that all able-bodied Muslims must take to show their submission to God. This has been the fourth consecutive annual donation by the Group for pilgrims with a total of over 137,000 kits being distributed or RM2.7 million in contributions being made thus far. The first aid kits include products such as *Uphamol 650*, *Eye Glo*, *Flavettes Lozenges*, *O-Fresh* and *Flavettes Vitamin C*. The Group hopes to continue their endeavours to

better prepare pilgrims for the journey ahead. The Sahabat Korporat initiative has been contributing to society since 2004.

### **Conclusion**

There are many other social responsibility activities that contribute to the success of CCM in the long run. These activities include CCM FRESH (Fostering Relationship and Enhancing Social Harmonization) and PINTAR (Promoting intelligence, Nurturing Talent and Advocating Responsibility).

## **A SUCCESS STORY OF THE VIETNAM TEXTILE AND APPAREL ASSOCIATION (VITAS)“THE VITAS COLLECTIVE BARGAINING AGREEMENT”**

*Lap Binh, VUONG*

### **Introduction**

Vietnam's textile and garment export turnover has achieved an remarkable monthly growth rate with 13 percent in July 2011, and year-to-date annual growth of 30 percent with the total turnover of USD 7.6 billion. The country's garment and textile export turnovers are expected to reach the target of US\$13.2 billion this year, up 18 percent increase and contributing almost 20% of the national export turnover.

### **The First Industrial Collective Bargaining Agreement**

On April 26<sup>th</sup> 2011 in Hanoi - the capital of Vietnam, the Chairman of Vietnam Textile and Garment Corporation, Mr. Le Quoc An had signed a collective bargaining agreement (CBA) of the textile industry. The Industrial Collective bargaining agreements of Vitas consists of 14 chapters. To develop the draft agreement, the Drafting Committee held five consultation workshops around the country and abroad, organizing conferences and popular opinion contributed by employers and worker representatives. This industry CBA had been amended and supplemented 7 times.

This is the first signed CBA of the industry sector level to protect the rights of workers. Accordingly, a number of important issues were agreed in this industrial CBA (ICBA) as a common commitment to job stability and guarantee, gradually-increasing income, cultural behavior, gender and race equality<sup>i</sup>, etc. These are some of the main aspects of the ICBA:

1. For hard, hazardous or dangerous work the ICBA agree to set at least 7% higher than under normal working conditions (by law, this percentage is 5%).
2. The wage layer or hierarchy categorized the type of work, the skills and qualification required, etc. is set to have no more than 15 ranks (The state-owned enterprises have even 34 wage hierarchies).
3. The wage rank (level) for trainees (newly recruited) shall be at least 10% higher than the regional minimum wage set by government regulations (regulation of the State is 7%). Please refer to footnote number III regarding the 4-Zone minimum wage.
4. Wage adjustment (increments) shall be considered within 1-2 years (instead of 2 to 3 years as required by the government).
5. The minimum of 5,000 VND<sup>ii</sup>/meal (roughly equal to 25 cents US\$) shall be reviewed and adjusted accordingly every bi-annually depending on the business prosperity of the company;
6. The employers shall ensure that the average income (including salary, allowances, bonuses excluding work-shift meals and insurance payments) at least:
  - a) 1,7 million VNĐ / month for Zone 1 (corresponding to the State regulations on minimum wage)<sup>iii</sup>, roughly equivalent to 85 US\$.
  - b) 1,6 Million VNĐ/month for zone 2, roughly equivalent to 80 US\$.

- c) 1,5 million VND/month for zone 3, roughly equivalent to 75 US\$.
- d) 1,3 million VND/month for zone 4, roughly equivalent to 65 US\$.

7. This annual income will be adjusted based on the productivity, business achievement, and the consumer price index by the General Statistics Office announced (Further refer to the footnote number IV).

8. Regarding the collective labor disputes: During implementation of the ICBA, should the employers respect and follow the rule of law, workers shall not go on strikes illegally. If this does happen, the worker representative or Trade Union shall actively contact and negotiate with the employers in order to settle down the strikes as soon as possibly.

9. The agreement has been consulted 130 enterprises within Vitas of which 69 enterprises and 90.266 workers had agreed to sign the ICBA.

### **The Importance of Vitas' CBA**

Firstly, this initiative of Vitas is vital. It eases and solves the tensed labor issue of Vietnam by the moment. Let's look at the following facts and figures:

1. The gap between the 20% lowest income groups with the 20% highest income groups has increased from 7 times (in 1995) to 8,9 times (in 2009).
2. Vietnam is entering the era of "demographic bonus". This golden opportunity will last approximately 30 years. When the total dependency ratio calculated on the basis of population with age from 15 to 64 years old reached 50%. That means every two of working-age person would to afford or support a new addition to the working age population. This can be considered as a period of "excess demographic advantage" or period of "demographic bonus".
3. In 2010, over 60% of Vietnam in the working age (15-64 years old). From 2011 to 2020, Vietnam labor force increased by 1% /year, respectively at 47.82 million in 2011, 50,4 million in 2015 and 53,15 million in 2020. However, the challenge is, the current 19,5 million workers have low skills or qualification. This is the reality that the Ministry of Labor - Invalids and Social Affairs reported recently to the government regarding the status of the supply-demand of labor in Vietnam. According to the Ministry, with more than 4 million economic entities/enterprises nationwide with nearly 17 million workers. Yet, 70% of these 17 million jobs are not stable (such as self-employed, working in the family, unpaid work, mainly in agriculture, etc.) and thus vulnerable, easily and ever-readily falling into poverty. This would again jeopardized the already-reached MDGs of Vietnam<sup>iv</sup> which has achieved 5/8 goals ahead of time. Namely:
  - a) Eradicate extreme poverty and hunger (already reached)
  - b) Achieve universal primary education (already reached)
  - c) Promote gender equality and empower women (already reached)
  - d) Reduce child mortality (not yet reached)
  - e) Improve maternal health (already reached)
  - f) Combat HIV and AIDS, malaria and other diseases (not yet reached)
  - g) Ensure environmental sustainability(not yet reached)

- h) Develop a global partnership for development (already reached)

Secondly, the ICBA can ease social riots. ICBA would mean the end to strikes in textile and garment industry.

1. "Go on strike!" The main cause is volatile prices and labor disputes. Specifically in year 2010 in the textile and apparel sector, the strikes have accounted for the highest rate with the 119 (28%), followed by the Wood 72 (17%), Leather shoes with the 42 (10%), electricity the 34 (8%), the rest of the 157 other sectors (37%). According to experts, the most basic causes leading to strikes in the past few years were due to low wages and incomes of employees. "... Most of the workers have to tighten their spending: eating less and doing more! Electricity and water increased from 2-4 times accounting almost 20-30% of their monthly salary. Statistics of the Vietnam Textile and Apparel Association shows that in 2006, there were 387 strikes; in year 2007, it was 541 and the 773 in year 2008.
2. Textiles and apparel industry has the highest worker turnover rate (averaging at about 25% - 40% annually). With an intensive and fluctuated labor market for the textile and apparel industry, the potential risks, tensions and frictions in labor relations is unavoidable.
3. That's why the ICAB can be considered as a major step forward and positive initiatives for both the government and other industrial sectors.

Thirdly, the ICBA has a positive economic impact.

1. *"Vietnam is now facing three major challenges. Inflation, interest rate and trade deficit"* - Speech presented at the opening of the 13<sup>th</sup> National Assembly session, by Deputy Prime Minister Mr. Nguyen Sinh Hung (now have been elected as the President of the National Assembly). By the first half of 2011<sup>v</sup>, the growth of the Vietnam's GDP reached 5.57%, challenging the annual growth target 7 to 7.5% as expected. The Consumer price index while increasing 13.29%, double the amount Congress approved for the whole year which was 7% (being approved by the end of 2010). The deficit at 15.72% of export value, with foreign exchange reserves are added about \$ 4 billion. The deficit of total exports showed signs of improvement in the early months but remains high (about 6.65 billion USD). This would directly press on the exchange rate, market and foreign exchange reserves, interest rates.
2. In 2010, total export turnover of Vietnam reached USD 71.6 billion (including crude oil) yet, with a trade deficit of USD 12.3 billion. Respectively, the structure of Vietnam can drafted as follow:
  - a) Fisheries and seafood export turnover reached 4.93 billion USD.
  - b) Rice: rice exports in 2010 value of USD 3.2 billion.
  - c) Coffee: Exports in 2010 reached USD 1.76 billion
  - d) Rubber: rubber exports in 2010 reach a turnover of over USD 2.37 billion.
  - e) Wood: Timber Products exports in 2010 reached 3.2 billion USD.



- f) Textiles & Apparel: Export turnover in 2010 of the textile industry will reach 13 billion USD.
  - g) Others, including oil exports: 43 billion USD.
3. By 2020, the targeted turnover of textile and apparel would be USD\$ 25 billion. That's why. The ICBA should be as a pilot sample to other industrial sector to stabilized the work force, and thus stabilize our economy. It is truly pioneer.

## Conclusion

It's a successful story of industrial sectors in Vietnam. It should be noted that CBA is compulsory in Vietnam, but Industrial CBA is voluntary. It has a great social and economic impact on the current tensed labor market in Vietnam. It helps lessen the number as well as the frequency of strikes of workers due to indecent working conditions and low salary. It eases the tension of the labor market. It forms a legal framework for the whole industry. It is symbolic for other industries to follow. It always set the standards and conditions above the legal requirements. It is truly unprecedented in Vietnam.

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<sup>i</sup> Vietnam has 54 minority groups in which the “Kinh” also called the “Viet” people is the majority with more than 88%.

<sup>ii</sup> The exchange rate: 1 USD/20.000VN (approximately).

<sup>iii</sup> Expectedly the minimum wage of these four zone will also increase by the end of 2011. Min at 1,4 million VN (equivalent to about 70 USD) and max at 1,9 million VN (95 USD).

<sup>iv</sup> For more details, please refer the Year 2000 MDG Report of the Vietnam Government.

<sup>v</sup> The CPI growth of July 2011 is 1.17% contributing to the lump sum of almost 15% in the first 7 months and jeopardizing the annual target set by the government (maximum at 17%).



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