

CORPORATE SOCIAL RESPONSIBILITY (CSR) AMONG THE MANAGERS OF FLOUR MILLS INDUSTRY IN KHYBER PAKHTUNKHWA- PAKISTAN: THEORY AND PRACTICE

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Abstract

The core aim of the study is to explore the know-how and practice about Corporate Social Responsibility (CSR) among the managers of Flour Mills Industry of Khyber Pakhtunkhwa. Primary data has been collected from a sample of 21 Flour Mills in Khyber Pakhtunkhwa through interview technique. The study adopts qualitative approach for investigating the problem. The results show that the management of the industry has somewhat understanding of the concept of CSR. In addition, they demonstrated assertive behavior for executing CSR. However, due to little know-how about CSR on the part of managers, its execution and implementation have not been carried out in an effective and fruitful way. Arranging training for firms employees on CSR, establishing a CSR Unit in the Govt. Industries department for making CSR policies and coordinating with the firms and government legislation for practicing CSR are some of the recommendations of the study.

Key Words: Corporate Social Responsibility, Know-how, Management attitudes and behaviors, Flour mills industry, ethical responsibility of firms, stakeholders

Introduction

Corporate social responsibility refers to efforts of the firms taken towards well being of different stakeholders of the society. This concept implies that

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firms have to pay back to the society in terms of its welfare because they run and earn their businesses from these stakeholders. The concept of taking care of needs of the society has always existed in Islam and is being practiced in the businesses but is less formal. However, it got popularity in 1930s. CSR is the management of the business procedures for welfare of the society.¹ It has been observed that taking care of the stakeholder's concerns is the moral obligation of the businesses.² Carroll's model of social responsibility provides a hierarchy of responsibilities just like Ibrahim Maslow's hierarchy of needs for motivation.

Researchers have made attempts to define the concept in different ways. CSR refers to a company's activities demonstrating the inclusion of social and environmental concerns in business operations.³ The investment in CSR has been attributed to the establishment of a beneficial relationship with customers and other primary stakeholders.⁴ The concept though popular in west yet CSR is getting importance in the developing nations.⁵ In this way globally CSR phenomena are being led by Europe and North America.⁶

This study focused on the level of understanding of the managers in the Flour Mills industry and their attitudes towards CSR practices. The proper understanding of the concept will develop a positive attitude and will result into more effective implementation of the corporate social responsibility.

Research Objectives

- i) Assessing the understanding of CSR practices among the managers and
- ii) Assessing the attitudes of the managers towards CSR phenomena in the Flour Mills industry of Khyber Pakhtunkhwa.

¹ Joseph Baker, "Corporate Social Responsibility." *L'Économie politique*, (2), (2003), 105-112.

² Lex Donaldson and James H. Davis, "Stewardship theory or agency theory: CEO governance and shareholder returns." *Australian Journal of management*, 16(1), (1991), 49-64.

³ Vitor Marcel, "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion." *Journal of business ethics*, 44(2-3), (2003), 95-105

⁴ John Peloza and Jingzhi Shang, "How can corporate social responsibility activities create value for stakeholders? A systematic review." *Journal of the academy of Marketing Science*, 39(1), (2011), 117-135

⁵ Dima Jamali, "A stakeholder approach to corporate social responsibility: A fresh perspective into theory and practice." *Journal of business ethics*, 82(1), (2008), 213-231

⁶ Micheal Blowfield and George Frynas, "Editorial Setting new agendas: critical perspectives on Corporate Social Responsibility in the developing world." *International affairs*, 81(3), (2005), 499-513

Literature Review

CSR Programs can create strategic edge for the organizations and this included awareness of benefits of both the firms and its stakeholders including its employees.⁷ Similarly, on the benefits of CSR in Record Management Industry (Leveraging the Benefits of CSR in the Records Management Industry) it was concluded that CSR is simply the aligning of the business practices to the needs of all the stakeholders, employees and customers. CSR has moved from ideology to reality, and many consider it necessary for organizations to define their roles in the society and apply social and ethical standards for their businesses.⁸

There is an increasing recognition of the potential contribution of Small and Medium Enterprises (SMEs) towards employment and economic growth in Pakistan.⁹ SMEs have been identified and universally accepted as the major contributory factor towards the job creation and poverty alleviation in developing countries, given their labor-intensive production processes and significant employment growth rates.¹⁰ SMEs contributions for the society however differ from the multinational organizations on the basis of scope¹¹ as the SMEs are limited to work in their local markets on a smaller scale.¹²

Four major stakeholder groups have been identified in the developing

⁷ William B. Werther, Jr and David Chandler, "Strategic corporate social responsibility: Stakeholders in a global environment." *Sage publications Business & Economics*, (April 2008), 415

⁸ Adam Lindgreen, Valerie Swaen and Timothy T. Campbell, "Corporate social responsibility practices in developing and transitional countries: Botswana and Malawi." *Journal of Business Ethics*, 90(3), (2009), 429-440

⁹ Muhammad Khurram S. Bhutta, Jamshed S. Khan, Adnan Omar and Usman Asad, "An exploratory study of the characteristics affecting the success of SMEs in Pakistan." *International Journal of Entrepreneurship and Small Business*, 7(1), (2009), 107-122

¹⁰ Jan de Kok, Claudia Deijil and Christi Veldhurs-Van Essen, "Is small still beautiful? Literature review of recent empirical evidence on the contribution of SMEs to employment creation." Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, (April 2013).

¹¹ David Murrilo and Joseph M. Lozano, "SMEs and CSR: An approach to CSR in their own words." *Journal of Business Ethics*, 67(3), (2006), 227-240

¹² Antonio Tencati and Angelne Russo, "Formal vs. informal CSR strategies: Evidence from Italian micro, small, medium-sized, and large firms." *Journal of Business Ethics*, 85(2), (2009), 339-353

economies as major contributing factors like “development agencies”¹³ “trade unions”¹⁴, “INGOs”, and “business associations”. Apart from that media has also emerged as another important factor for mobilizing the firms to practice CSR.

It was observed that most of the firms in Pakistan are mainly involved in philanthropy and charity activities for the benefits of the society.¹⁵ On the other hand, CSR is slowly and gradually taking place in the corporations in the Telecom industry of Pakistan.¹⁶ Moreover, CSR is being practiced in Pakistan on a moderate level.¹⁷

Methods and Procedures of Research

The study was descriptive and qualitative. Descriptive studies are more useful for detail study of qualitative phenomena.¹⁸

All the 100 working Flour Mills in Khyber Pakhtunkhwa formed the population. A sample of 21 firms from the population was selected randomly and studied through administering pre-structured questionnaires to the management. The questionnaire consisted of both open and close ended questions.

Data analysis

The collected data was analyzed through a three-stage process model given by Miles and Huberman.¹⁹ The stages were a) data reduction, b) data display, and c) drawing of conclusion and recommendations.

¹³ Rhys Jenikas, “ Globalization, corporate social responsibility and poverty.” *International affairs*, 81(3), (2005), (525-540)

¹⁴ Allans S. Kaufman, “Kaufman brief intelligence test.” *John Wiley & Sons, Inc.* (February 2014). Retrieved from <https://doi/10.1002/9781118660584.ese1325>, accessed on 11/11/2017

¹⁵ Peter Lund-Thomsen, Adam Lindgreen, and Joelle Vanhamme, “Industrial Clusters and CSR in developing countries: What we know, what we don’t know, and what we need to know.” *Journal of Business Ethics*, 133(1), (2016), 9-24.

¹⁶ Roma Afridi, Amna Mahmood, Madiha Riaz and Shahbaz Ali, “CSR in Pakistan Telecom Industry.” (December 2008). Retrieved from <http://www.Scribd.com/doc/34563551>, accessed on 02/12/2017

¹⁷ Waqas Awan, Yasir Kamal, Muhammad Rafique and Shahbaz Khan, “CSR in Pakistan economy.” (April 2012). Retrieved from DOI:10.22549/BER/4.1.1, accessed on 12/12/2017.

¹⁸ Leonard Bickman and Debra J. Rog, *The Sage handbook of applied social research methods*, ed.2. (Amazon.com, 1998), 161

¹⁹ Mathew B. Miles, Michael Huberman and Johnny Saldana, *Qualitative data analysis: A Methods Sourcebook*, ed. 3. (Amazon.com, 1994), 408

Results and theoretical implications

I. Individual Cases Review

Figure 1 lists the main research questions, their corresponding interview questions and the outcomes of the respective research questions.

The Flour Mills included in the study had big investments ranging from Rs. 40 million to Rs. 100 million. They employed 10-15 employees on average in a flour mill. Most of the employees were either ad-hoc or daily wage employees. Some sections of employees were permanently employed. Most of the companies were doing their businesses for the last two decades. Data was collected from the top Management of the mills.

Summary of Responses on the Research Questions

a) Understanding/Knowledge of CSR

Majority of the firms didn't have any idea of the concept, though; they were performing CSR in one or in the other way informally. Some of the firms, on the other hand, had some idea of the concept. They defined it as "help of the society, social welfare, providing relief to humanity, and the employees' welfare". The firms that could explain the important obligations to the society in addition to serving the owners were providing safe and healthy (quality) product to the people, keeping the firms' environment clean and well being of the society on priority. Most of the managers agreed that the firms' should be profitable first in order to have an ease, more funds and space to practice CSR.

b) Attitude towards CSR

Most of the firms had a positive attitude towards CSR practices by the businesses. They agreed that firms need to be doing charity work. Few firms' management was of the view that earning business should be the first priority of the firms. However, most of the firms didn't know the reasons for the firms to practice CSR. Some said that firms practice CSR because it is their duty; some stated that they practice CSR for their image improvement and some stated that firms practice CSR to earn more profit.

Summary of Individual Cases

The individual case studies gave a useful input regarding the background of each of the firms in the Flour Mills Industry in the interviews and their responses to the two research questions developed from the literature review.

Starting from the introduction of the industry, information on the understanding and knowledge of the CSR of the managers represented their level of familiarity with the concept, which is essential if someone is going to implement a strategy on a concept. Similarly, information on their attitude towards CSR reflected the direction of what type of liking or disliking they had of the CSR phenomena.

The next section deals with the identification of similarities or difference arising out of these individual cases in response to each of the two research questions and their outcomes.

II. Cross-Case Data Analysis by Research

The review of the individual cases rendered a summary of understanding of each of the firm in the Flour Mills Industry of Khyber Pakhtunkhwa. This analysis thus provided a foundation for undertaking a cross-case data analysis to derive the emerging themes and further explore them in depth.

Findings with respect to Research Questions

There were six interview questions under the Research Question 1. Interview Questions 1 and 2 asked the interviewees to identify their familiarity with the concept of CSR and how did they define the important components of CSR or in other words what are their main obligations under the term CSR? The Interview Question 3, 4 and 5 were regarding their understanding of obligations for their employees under CSR. Interview Question 6 asked the employees regarding their understanding of financial strength for practicing CSR. All these questions aimed at developing an understanding of the basic knowledge of the management of the firms regarding CSR and especially what specific obligations they define for their businesses to society under the said concept? The major findings with respect to each interview questions are given below:

a) Findings with respect to Interview Q 1 & 2:

Finding 1.1: The Management of Flour Mills Industry does not have proper understanding of CSR.

Finding 1.2: ‘Employees’ welfare’, ‘provision of quality product’ and ‘supporting charity’ are the top three main obligations of the firms towards the society.

Finding 1.3: The CSR activities are mostly individually centered and have small scale impact.

b) Findings with respect to Interview Q 3, 4 & 5:

Finding 1.4: Spending on employees is expense for the firms.

Finding 1.5: Type of employment varies according to the nature of the businesses.

Finding 1.6: Seasonal businesses have contractual employees.

c) Findings with respect to Interview Q 6:

Finding 1.7: Firms need to be profitable first to practice CSR

d) Summary of findings from RQ1:

The understanding of the CSR in the firms in the Flour Mills in Khyber Pakhtunkhwa is not very sound. Technically the Management of the firms is not much conversant with the CSR concept though they practice and take part in social welfare in one or the other way. This situation of lack of proper understanding of the CSR concept prevents them to utilize the subject more effectively for the benefit of the society and the business. The employees' welfare is on top of the obligations of the firms in the sector since the firms have limited interactions with the society. Other important considerations in CSR are product's quality and supporting the society welfare programs at a small level like donations and charity. The firms know that they need to have profits/enough funds to enable them to practice CSR more effectively. Since, the CSR activities are mainly centered on individual's welfare (employees or charity) therefore the effect of these CSR efforts on the overall welfare of the society is low. Figure 2 summarizes the findings from Research question 1.

Research Question 2: What is the Managers' attitude towards CSR?

Aim of this Research Question was to know the inclination of the Management of the firms in the Flour Mills towards the concept of CSR. Simply intended to identify the mood of the management towards CSR whether they support CSR phenomena or otherwise? This Research Question consisted of 04 interview questions (IQ7-IQ10). The Interview Question 7 intended to know whether the management supports the firms to do CSR or not? The Interview Question 8 was asked to know the management's opinion regarding the trend i.e. increase or decrease of emphasis on the CSR in their particular area/market. Interview Questions 9

and 10 investigated to know the main reasons/motivations behind practicing of CSR and not practicing of CSR by the firms.

(a) Findings with respect to Interview Questions 7 and 8:

Finding 2.1: Firms support practicing part in the charity from the very outset

Finding 2.2: There is a very slow growth regarding increase of emphasis

(b) Findings with respect to Interview Question 9 & 10:

Finding 2.3: 'Ethical considerations' and 'improvement of image' are the main two reasons for practicing of CSR by the firms

Finding 2.4: Firms are reluctant to practice CSR because they are unaware of the CSR concept

c) Summary of findings from RQ2:

The management of most of the firms was of the view that the firms should traditionally be taking part in the CSR activities. However, they were indifferent about the fact that emphases on CSR in the firms are increasing in specific area. However, they were optimistic that there is a slow increase in the growth of CSR activities in most of the firms. The main motivations behind practicing CSR cited by the managers were that they practice CSR because it is their ethical responsibility and they intent to project their positive image in the society through taking part in the social welfare. Lack of awareness of the firms regarding the benefits of CSR was regarded as the major factor for not practicing of CSR. Figure 3 summarizes the findings for Research Question 2.

Recommendations

- 1) Managers do practice CSR but do not have clear concept of CSR, they need to be trained in CSR in order to be more effective in doing CSR.
- 2) Firms' mainly focus on employees in their CSR and need to take care of the society's interests as a whole.
- 3) Most of the employment offered by the firms is contractual/seasonal; they need to provide job security to the employees for their professional development and raising of their life standards.
- 4) Govt. needs to play its role in educating the firms' management in CSR, one recommendation will be to arrange training programs in CSR for management of the firms and second recommendation is by establishing a

permanent CSR Unit in the Govt. Industries department for making CSR policies and coordinating with the firms.

5) Firms have positive attitude towards CSR, there is a need to take benefit of this opportunity for furthering the CSR concept for the overall benefits of the society.

6) Firms believe practicing CSR is their ethical responsibility, so volunteer CSR needs to be further encouraged.

7) Firms need to be educated on the concept that if they practice CSR, it will lead to a prosperous society, which in turn will benefit the businesses.

8) Firms need to spend more on employees' development as happy and contented workforce is more productive.

9) The role of the government is essential in promoting the CSR concept among firms which already have positive attitude in this regard to speed up the role of businesses in the development of the society.

Future Research Directions & Implications

This research raises the opportunity of more analytical research in the area/CSR in the different geographical locations, environments and different types of industries. As there is a limited research on CSR and stakeholders' management as compared to its increasing importance in this part of the world, this research opens avenues for research especially in the big industries like Flour Mills sector which involves huge investments and have more potential to contribute to the society. Another area for future research is to study the role of the government in formalizing the CSR and stakeholder management strategies in the firms. Currently the role of the government in CSR is inactive and more proactive role of the government can help CSR to be more useful for the society.

Conclusion

This research addressed the research problem related to the understanding of the concept of CSR and the attitude of the managers towards CSR in the Flour Mills industry of Khyber Pakhtunkhwa, Pakistan. The firms' Management did not have proper understanding of CSR. The managers defined CSR in terms of their obligations towards their employees, providing quality product to the customers and welfare of the society. The management seemed to be informed by the CSR concept though defined in

different ways and meanings by the management of different firms but they had a vague idea of the CSR. However, they had a positive attitude towards the CSR concept and supported the charity and support activities of the society by the firms. In their CSR practices, however, major attention was given to employees' welfare. Most of the firms regarded practicing of CSR as their ethical responsibility. Second important reason cited for practicing of CSR was to build and retain their good image in the society, in order to earn their business viz a viz their competitors in the society. The main reason for low impact on the society's welfare of their CSR activities was the lack of understanding of the concept of CSR.

In conclusion, it is said that by and large CSR is practiced in most of the Flour Mills in Khyber Pakhtunkhwa-Pakistan but these efforts are mostly informal. The main reasons for this informal CSR is the lack of awareness of the management of the firms regarding the CSR concept, lack of training in CSR and lack of patronage of the Government in CSR. The Government and the management of the firms can jointly play a major role in regularizing, registering and recording the CSR efforts in Khyber Pakhtunkhwa, Pakistan. Once CSR established in the Government Sector and the private sector firms then it can be a very useful activity for the benefits of the government, the firms and the society.

Research Questions (RQ)	Interview Questions (IQ)	Outcomes
RQ1. What is the understanding of Managers about CSR in Food, Beverage and Tobacco Sector of Khyber Pakhtunkhwa?	IQ 1. Are you familiar with the concept of Corporate Social Responsibility (CSR)? If Yes, What is it? IQ 2. Do you think that organizations have some obligations towards society in addition to serving the owners? If Yes, what are these? IQ 3. In your opinion, is spending on organizational employees a cost or revenue for the business/organization? If cost how? And if revenue how? IQ 4. What type of employment does your organization offer to its employees? Permanent, contract, daily wages IQ 5. Does your organization offer any post-pensionary	a)Understanding /knowledge of CSR

	benefits to its employees? If yes, what are these benefits? IQ 6. Do you think it is essential for a business to be profitable first to practice CSR? If yes Why? If No, Why?	
RQ2. What is the Managers' attitude towards CSR?	IQ 7. Do you agree that organizations should traditionally be taking part in charity activities? IQ 8. Do you believe that emphases on CSR are increasing in this part of the world now-a-days? IQ 9. What do you think is the main reason for organizations to practice CSR? Improve image, because it is their duty, to earn profit, any other reason IQ 10. Why do you think Management is reluctant to invest in CSR?	b) Attitude towards CSR

Figure 1 (Questions and Outcomes)

Finding 1.1	The Management of Flour Mills Industry does not have proper understanding of CSR
Finding 1.2	'Employees' welfare', 'provision of quality product' and 'supporting charity' are the top three main obligations of the firms towards the society
Finding 1.3	The CSR activities are mostly individual centered and have little impact on the overall development of the society
Finding 1.4	Spending on employees is expense for the firms
Finding 1.5	Type of employment varies according to the nature of the

	businesses
Finding 1.6	Seasonal businesses have contractual employees
Finding 1.7	Firms need to be profitable first to practice CSR

Figure 2. Findings from Research Question 1

Finding 2.1	Firms support practicing part in the charity from the very outset
Finding 2.2	There is a very slow growth regarding increase of emphasis
Finding 2.3	‘Ethical considerations’ and ‘improvement of image’ are the main two reasons for practicing of CSR by the firms
Finding 2.4	Firms are reluctant to practice CSR because they are unaware of the CSR concept

Figure 3. Findings from Research Question 2

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