4th International Conference on CSR, Sustainability, Ethics & Governance

“Responsible Business for Uncertain Times and a Sustainable Future”

26 – 28 July 2017, Perth, Western Australia

FULL PAPER SUBMISSIONS
<table>
<thead>
<tr>
<th>Author Names</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilal Al-Salmi</td>
<td>The impact of corporate social responsibility programs in building corporate citizenship in Oman’s oil and gas industry</td>
</tr>
<tr>
<td>Maria Aluchna &amp; Boleslaw Rok</td>
<td>Closing the loop – circular economy through sustainable innovation lens</td>
</tr>
<tr>
<td>Michelle (Sitong) Chen, Gabriel Eweje &amp; Jeffrey Kennedy</td>
<td>Achieving holistic sustainability in Chinese and New Zealand Business partnerships: An integrative approach</td>
</tr>
<tr>
<td>Armando Garcia Chiang</td>
<td>Corporative social responsibility in the Mexican oil industry. The social impact assessment as a tool for local development</td>
</tr>
<tr>
<td>Eva Dobozy, Rocio Bona, Shirley Bode, Peter Devereaux, Carol Dowse &amp; Lena Geraghty</td>
<td>Curtin University sustainability framework: A case study of complex systems thinking in action</td>
</tr>
<tr>
<td>Fauzanah Fauzan El Muhammady</td>
<td>Institutional transformation: Reviewing its sustainability impact to the quality improvement of Islamic higher education institutions in Indonesia</td>
</tr>
<tr>
<td>Kamran Iqbal, Muhammad Sarwar Zahid &amp; Muhammad Arif</td>
<td>How does socially responsible human resource management influence employee well-being?</td>
</tr>
<tr>
<td>Tomayess Issa &amp; Theodora Issa</td>
<td>CSR, sustainability and green IT in higher education: An Australian perspective</td>
</tr>
<tr>
<td>Majid Khan, James C. Lockhart &amp; Ralph J. Bathurst</td>
<td>Institutional impacts on corporate social responsibility: A comparative analysis between the jurisdictions of New Zealand and Pakistan</td>
</tr>
<tr>
<td>Wanpen Klinphanich, Dararat Phoprachak &amp; Upawadee Neungvanna</td>
<td>The study of causal relationship model on sustainable corporate social responsibility report of companies listed on the stock exchange of Thailand</td>
</tr>
<tr>
<td>Jiraporn Kradphet &amp; Dararat Phoprachak</td>
<td>The professionalism of accountants related to earnings quality: A case study of industrial estate in Ayutthaya</td>
</tr>
<tr>
<td>Flavio Macau, Hamilton Dos Santos &amp; Roberto Bazanini</td>
<td>Top management environmental strategy rhetoric and employee perception in a sustainability flagship company in Brazil</td>
</tr>
<tr>
<td>Dalia Maimon Schiray, Cristine Carvalho, Ana Paula de Sá Campello &amp; Gabriel Orsi Tinoco</td>
<td>Creative economy as a social innovation: lessons from Rio de Janeiro Pontos de Cultura</td>
</tr>
<tr>
<td>Dalia Maimon Schiray</td>
<td>Brazilian SRI funds</td>
</tr>
<tr>
<td>Siripron Malapia, Dararat Phoprachak &amp; Upawadee Neungvanna</td>
<td>The influence of corporate social responsibility reporting based on firm characteristics on firm value of the companies listed on the stock exchange of Thailand</td>
</tr>
<tr>
<td>Gary Marchioro</td>
<td>The interpretation and implementation of CER (corporate environmental responsibility) policies and practices within the Bali international hotel sector</td>
</tr>
<tr>
<td>Nayan Mitra, Asif Akhtar, Ananda Das Gupta</td>
<td>Communicating corporate social responsibility in the post mandate period: Evidence from India</td>
</tr>
<tr>
<td>Norita Mohd Nasir, Mahendhiran Nair &amp; Pervaiz Ahmed</td>
<td>Maqasid al-Shariah and the framework for corporate environmental care in Malaysia</td>
</tr>
<tr>
<td>Shobod Deba Nath &amp; Gabriel Eweje</td>
<td>Why supply chain sustainability matters for developing country apparel supply chains: An integrated framework</td>
</tr>
<tr>
<td>Authors</td>
<td>Title</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>Giang Nguyen &amp; Tapan Sarker</td>
<td>Sustainable coffee supply chain management: A case study in Buon Me Thuot City, Daklak, Vietnam</td>
</tr>
<tr>
<td>Minh Nguyen, Stephen Kelly &amp; Jo Bensemann</td>
<td>Contextual factors affecting corporate social responsibility in an emerging country: A conceptual framework on the nature of the CSR concept in Vietnam</td>
</tr>
<tr>
<td>Dararat Phoprachak &amp; Upawadee Neungvanna</td>
<td>The influence of corporate social responsibility reporting based on firm characteristics on firm value of the companies listed on the stock exchange of Thailand</td>
</tr>
<tr>
<td>Dararat Phoprachak, Tharinee Pongsupatt, Sillapaporn Srijunpetch, Titaporn Sincharoonsak, Suree Bosakoranut &amp; Montree Chuaychoo</td>
<td>The impacts of CSR disclosure on firm’s value of companies listed on the stock exchange of Thailand</td>
</tr>
<tr>
<td>Senee Puangyanee &amp; Supisarn Bhakdinarinath</td>
<td>Causal relationship model of firm characteristics factors and good corporate governance affecting the performance of the companies listed on the stock exchange of Thailand</td>
</tr>
<tr>
<td>Daniel Shepis</td>
<td>Corporate approaches to Indigenous stakeholders: Analysing an emerging reconciliation reporting framework</td>
</tr>
<tr>
<td>Jane Stewart &amp; Colin Hocking</td>
<td>Adaptive sustainability business management in an age of disruption and transformation</td>
</tr>
<tr>
<td>Boris Herbas Torrico, Björn Frank &amp; Carlos Arandia Tavera</td>
<td>Corporate social responsibility in Bolivia: Meanings and consequences</td>
</tr>
<tr>
<td>Anita L. Wheeldon &amp; Bronte van der Hoorn</td>
<td>Beyond the numbers: Researching the real experience of burnout</td>
</tr>
<tr>
<td>Ida Ayu Putri Widawati &amp; Ni Luh Riska Yusmarisa</td>
<td>Practice of CSR in 4 and 5 star hotels in the province Bali</td>
</tr>
</tbody>
</table>
The Impact Of Corporate Social Responsibility Programs In Building Corporate Citizenship In Oman Oil And Gas Industry

Hilal Al Salmi

Abstract

Corporate social responsibility (CSR) has gained far more importance within the oil and gas industry context in the sultanate of Oman to face a score of challenges namely sustainable development, globalization, governance, corporate sector impact, communications, finance, and ethics among others. The oil and gas industry is a leading sector of business that has to continuously engage in CSR practices such as social, economic, political, legal, technological and environmental areas. An in-depth analysis of oil and gas companies’ website and annual CSR reports uncovered that Oman oil and gas companies engage in corporate social responsibility activities focusing on health, sports, education and environment. However, there are some challenges have been identified as lack of awareness; gaining top level supports; youth unemployment (i.e., lack of engaging CSR as social entrepreneurship); lack of recycling and environmental concerns (i.e., lack of engaging CSR as an environmental movement); difficulty in quantifying the bottom line of CSR. Underpinned by social exchange and social information processing theories, this study aims at scrutinizing the impact of CSR programs in building corporate citizenship and in the further stage proposing a conceptual research model, which investigates employers’ perceptions of corporate social responsibility practices within oil and gas industry context. The results have important implications about employees’ perceptions of corporate social responsibility practices and the previously mentioned outcomes.

Key words: corporate social responsibility, corporate citizenship, oil and gas industry.

1.1 Introduction

The corporate social responsibility has been spreading across the globe; it is known as the notion that companies have a responsibility for their impact on society beyond a narrow economic one (Blowfield & Murray, 2014; A. Carroll & Buchholtz, 2014; Visser & Tolhurst, 2010). Globalisation has rapidly changed the conduct of international business in response to key factors, such as depletion or shortage of resources, economic recessions, disruptive innovation, environmental pollution, and society's expectations of the corporate world (Abro, Khurshid, & Aamir, 2016; Welford, 2013).

The Middle East is not lagging behind in the adoption of CSR practices in business organisations, particularly in the Gulf Co-operation Council (GCC) countries (e.g., UAE, Oman, Qatar, and Saudi Arabia) (Abro et al., 2016). As the largest economy in the Arab world and the world's largest oil producer, Saudi Arabia, which is an active GCC member, has started paying attention and has begun to show greater commitment to instituting CSR guidelines and programs. Notably, CSR is a growing concern globally, especially in developing countries such as Oman (Khan & Al Mamari, 2016).

Most Omani companies seem to focus their CSR activities on the local communities in which they operate. They have a relatively unstructured orientation to CSR philanthropy, so their CSR activities are less formalised, primarily oriented toward local concerns, and reflect a mix of personal, religious, and cultural motivations (Khurshid, Zhou, Caesar, & Godfrey, 2013). Generally, social expectations and definitions of CSR in many empirical studies have been indicating that social expectations of corporations over time in any place is due to a variety of universal drivers such as “local needs (community expectations)/public pressures, competition, regulation, globalisation (including transnational and multinational influences), firm’s success, and public relations (branding)” (Gjølberg, 2010; Werther Jr & Chandler, 2010).

Therefore, it has been shown that the good CSR or good “corporate citizenship” involves (1) ensuring that the programs [invested] is in fit with [corporate] business, (2) achieving real business-oriented goals, as well as societal one and (3) engaging employees and customers” (Harris, 2005). For example, within Gulf countries, in a study of CSR in Saudi Arabia, Ali and Al-Aali (2012) reported that Saudi executives who have a broad understanding of CSR are both attentive and receptive to the government's CSR regulations and initiatives (A. J. Ali & Al-Ali, 2012). Their response contradicts widespread belief that executives in Saudi Arabia and throughout the GCC focus primarily on the charitable aspects of CSR. This is the same issue in Oman, and Omani
The practice and philosophy of corporate social responsibility (CSR) have been examined from a variety of perspectives in several empirical studies.

As a result of the rapid growth of the country in all aspects of life, corporate social responsibility has also been expanding very fast in Oman. Decisions makers in this small country in area and population have been putting a lot of emphasis on CSR. The government is now in the process of setting criteria, professional international standards and regulations to maximise the benefits of CSR. Moreover, based on the annual CSR reports and in-depth analysis of oil and gas companies’ website, it has been uncovered that Oman gas and oil companies have been engaged in corporate social responsibility activities focusing on sports, environment, health and education (INFORMA, 2016). However, some challenges have been also identified, like: gaining top level supports, lack of environmental concerns and recycling (i.e., lack of engaging CSR as an environmental movement), measuring the bottom line of CSR are harder to quantify, lack of awareness and youth unemployment (i.e., lack of engaging CSR as social entrepreneurship (INFORMA, 2016; OOCEP, 2014).

In Oman, the private sector is a main player in the developing of the economy. So, the emergence of industrial sectors and ports lead to some environmental responsibilities in Oman (Khan & Al Mamari, 2016). The oil and gas industry have been a leading sector of business that needs to continuously engage in corporate social responsibility practices such as legal, social, technological and environmental areas, economic and political (Frynas, 2005). Due to the nature of activities they practice and their potential threats, particularly on the environment, the increasing importance has been attached to CSR within the oil and gas corporates (M. Arruda, 2014). These practices have been including the following: potential environmental damages, which have been causing during the processes of oil transportation, refining, exploration and production.

Likely the most remarkable ones are wastewater pollution, carbon dioxide emissions and pipelines leakages (Gautam & Singh, 2010). The peculiarity of CSR about the oil and gas companies has been the fact that they undergo the greatest pressure from societies and have been facing constant demands of people for corporate social responsibility from the industry since they have been serving continuous and strong global demands for their products.

Mostly, it has been expected that such firms would self-regulate, which induce them to do more for protecting the society against potential risks than merely abiding by the laws. It has been demonstrated that such challenging technicality in the industry could not always prevent accidents. From this point of view, CSR in the oil and gas industry must be taken extra miles to give back to society and ensure about its goodwill (Kirat, 2015). Some of the initiatives that have to be taken into account are investing in biodiversity and moving forward to be green, long-lasting materials have been used for pipelines, alternatives have been proposed to the consumed and energy has been produced and has been given back to society in all aspects (Musa, Yusuf, McArdle, & Banjoko, 2013).

The gas and oil companies all around the world have been driven to engage in social investments. They have been taking initiatives to satisfy both non-governmental organisations (NGOs) and stakeholders, which have been promoting social welfare rather than economic power, and the host countries and direct consumers, who pay more attention to the operational performance of the oil and gas corporates (Pegg, 2012). This has been meaning that they were practising CSR genuinely for the goodwill of the society as a whole, just “doing the right thing”, and also to perform CSR practices to manage a positive reputation and external perception, as well as obtaining a competitive advantage.

However, not all the social initiatives that these corporations perform are successful, especially those that have been aiming to accomplish corporate and business objectives rather than social welfare (A. B. Carroll & Shabana, 2010). Some of them have been even using a public relation instead as a cover to play the part of being a socially responsible oil firm, hence achieve what PR could have achieved and attributed the successfully gained effects to CSR activities. To do so, CSR in the oil and gas industry has been observing as merely an elaboration of PR work (Soreh, 2012). Although the importance of CSR is highlighted by the government but still some companies ignore the importance, for example, they do not provide a report of their activities (Khan & Al Mamari, 2016) this means the government is lacking a policy in this case. It was in this context that the author undertaken a research about the influence of Corporate Social Responsibility.

Programs in Building Corporate Citizenship in Oil and Gas Industry in Oman. To improve performances and to meet the international and local challenges, CSR must be enforced by law and be implemented according to international standards. CSR in Oman oil and gas industry has been developing fast with barely a decade of experience and practice, however, it also has to move to the next step where the focus should be given to developing strategies and policies and through institutionalising it. This study aims at examining the relationship between CSR programs and corporate citizenship, to examine the relationship between Transfer CSR structures
and corporate citizenship, and to investigate to what extent to which transfer CSR structures mediate the relationship between CSR programs and corporate citizenship.

It argued that this study contributes both societally and theoretically in three ways: The research is a valuable contribution to the development and promotion of CSR principles in Oman which provides an insight into the current situation in the country. Managers and policy makers may revise their strategies and policies with the expectations of the general public. The research contributes to the limited scope of literature on the attitudes towards CSR in Oman. The importance of this study and its findings is because it provides the significant insight into the oil and gas sector in Oman. Regarding theoretical and practical contribution, this study has been proposing to fill the gap in the body of knowledge by addressing the following issues: The first one is linked to CSR programs’ trend and implementations, the second one is related to developing a comprehensive framework to emphasise the importance of engaging in CSR programs toward building a corporate citizenship. The third one is linked to establishing recommendations and a roadmap for implementation.

1.2 Literature Review

The growing concern that business has been enjoying a great deal of power with little responsibility gave rise to scholarly debates that centred on some fundamental questions including What are the nature and scope of corporate responsibilities to society? Should corporations be morally responsible for their actions? Are they capable of assuming social responsibility? The early challenge that has been facing the study of CSR was that the concept had no agreed definition and was undeveloped methodologically and conceptually (Cooke & He, 2010; Idemudia, 2011).

Clarkson (1995) has argued that CSR remained unbound as a concept, as establishing a single commonly accepted definition or commonly accepted the classification of its main components was difficult. This work, which has been epitomised in Bowen’s seminal book Social Responsibilities of the Businessman, focused on the social responsibility of business, an early attempt to define the responsibilities of business to society (Bowen, 2013). In this work, it has been advocated that the business community should accept social responsibility. Bowen (1953) has argued that policy objectives by the objectives and values of society must be pursued as the primary motivation of a business enterprise.

He has been pointing out whether profit subsequently arises from social actions is not so much matter, but whether profit or altruism is the main reason for action in the first place is important. First one was “social power equation”, which has been stating that social responsibilities of businessmen were raised from the amount of social power that they had, and the second one was ‘the iron law of responsibility’ which has been referring to the negative consequences of the absence of use of power (Bowen, 2013). Consequently, it has been demonstrated that business must use its resources to serve the economic, human and social needs of society beyond its economic/financial pursuits. According to Davis (1960), the social power equation has to be understood through the functional role of business and managers.

Pressures from different constituency groups have been associated with limits of functional power, which restricted organisational power in the same way that a governmental constitution does. Based on this corporate constitutionalism view, the constituency groups have been defining conditions for its channel organisational power and responsible use in a supportive way to protect other interests against unreasonable organisational power (Njehia, 2013). It has been declared that the social responsibility of people in business in business was set up to oversee the operation of an economic system that accomplishes the expectations of the public (Blowfield & Murray, 2014). It has been indicated that responsibility rested with the management to ensure that the factors of production were employed in such a way that distribution and production enhance the socio-economic well-being of society (Akinyomi, 2012).

As such, he has defined CSR regarding the willingness of the corporation to deploy its resources to serve the broader needs of society beyond stockholder satisfaction. In the same manner, it has been has pointed out that business had defined CSR narrowly. Corporate managements aims to address the problems of social change, which they partly have been created, and argued that the issues concerning with cost of CSR obligations should not be an obstacle (Hopkins, 2012). The attention was shifted to social responsibility of business from social responsibility of people in business to the social responsibility of business.
By drawing attention to the fact that business activities have acted upon a larger system of social relationships within which the business corporation has been grounded, it has further emphasised this social embeddedness of the business corporation, as a justification for its social engagement. Business decisions should reflect the social realities of the corporation, he also conceived the business-society relationship regarding ‘business in society’ implying that business was an integral part of society (A. Carroll & Buchholtz, 2014).

Any separation of business economic decisions from the social impacts of corporate actions was misguided and false (A. Carroll & Buchholtz, 2014). The particular business must play an active role in shaping its institutional environment, for instance by respecting the laws and existing codes of practice, by using its abundant resources to solve the problems faced by society or by strengthening the political structure (Cohen, 2012). To solve a social problem, the broad vision of CSR as a framework, which has been enabling the creation of partnerships between institutions. CSR concept has been related to moral and ethical issues concerning corporate behaviour and decision-making (Benn & Bolton, 2011; Mutti, Yakovleva, Vazquez-Brust, & Di Marco, 2012). The controversy has been over the responsibilities firms have regarding their activities.

It has been imperative to establish when the corporation should undertake certain activities or refrain from doing so because they are respectively beneficial or harmful to society. The dominant conception is that firms voluntarily integrate social and environmental concerns in their operations and interactions with stakeholders. CSR should be a voluntary initiative, which has to be implemented regardless of whether it had economic benefits or not, and despite the fact that it has involved some costs (Rüngeler, 2009). Voluntary endeavour and based on altruistic incentives and a moral imperative, CSR was a form of self-control (O’Sullivan, 2014).

The assumption that firms can be trusted to address on their own any problems their operations may cause leads to the need to understand what kind of motivations companies have to engage in social responsibility activities. CSR is known as a corporate endeavour, which could help solve social problems that a certain corporation may have caused or been part of (Juščiūs & Šnieška, 2015). A distinction between social and non-social problems should be made by corporation. The definition of CSR regarding problem-solving focuses on social problems have been implicating the corporation and has been applying forces to scope the limits of the responsibility it has been faced.

While this definition has narrowed the scope of the CSR concept, the point of departure for Fitch’s conception has been negative outcomes of corporate activities to which the corporation must respond. However, others have been arguing that as suggested by Fitch (1976), the scope of the corporation’s social responsibilities should be widened to include not only preventive actions against possible negative impacts caused by corporate activities (such as ensuring employee safety or prevention of pollution) but it also must extend to positive initiatives such as development investments to improve the living conditions of host communities (Juščiūs & Šnieška, 2015).

Accordingly, CSR scope must include some actions benefiting external stakeholders, benefiting internal stakeholders, and actions taken by the corporation. Per se, ‘stakeholder’ and ‘stakeholder’s needs’ have become an integral part of CSR as a definitional construct. Moreover, CSR has been drawing heavy criticism from and produced bitter controversy among different schools of thought. It has been suggested that the seemingly eroding relationship between Western corporations and the public have been dramatised by the protests of the 1960s, while the widespread public prejudice against corporations has been putting corporate executives on the defensive (Bernays, 2015).

However, Burton (2000) has been arguing that CSR was mostly a reflection of public relations strategy adopted by corporations at the top level and that it was rarely embraced or implemented at all levels within organisations (Burton, 2000). Mid-level managers have been considering CSR as damage to the financial performance of their organisations, so most of them have paid it only cursory attention (Jin & Drozdenko, 2010). The debates opposed those that viewed CSR as a means of business reaching out to the communities, and vice versa; and those that were reluctant to accept the idea that business should assume more functions. The most prominent objection to CSR was the classical economic argument proposed by Milton Friedman (1962, 1970).

While many researchers accepted Bowen’s (1953) assumption of the corporate obligation to society and simply moved on to address his two key questions regarding the content and process of CSR (Fitch, 1976), opponents of CSR challenged Bowen’s basic assumption and its validity. Their premise was that social responsibility and the provision of welfare was a government responsibility. They argued that although the corporation was the bearer of rights, it had no moral responsibilities, and that any responsibility for corporate actions should be a bum by its founders.
Henderson (2001) and Jensen (2001) further supported Friedman’s position by arguing that the pursuit of any other goal by management than profit making, constituted a betrayal of its social responsibilities to the shareholders. Proponents of the stockholder view do not preclude the adoption of CSR actions, but only their being carried out for reasons of self-interest (Jensen, 2001). The validity of a positive contribution to society is not disputed if it is instrumentally regarded as a long-term investment, aimed to maximise the long-term profit of the corporation. They argue that such activities are not CSR, but merely profit maximisation under the guise of social responsibility (Fleming, 2012).

Advocates of CSR (Bucholtz & Carroll, 2003; French, 1997) systematically dismissed the stockholder view, asserting that since CSR is grounded in moral principles, it is an opportunity for the Corporation to clarify its moral status and purpose in society. Although corporations have legal independence from their members, the corporate agency is independent and may not be assigned to any individual action. The majority of corporate actions stemmed from the firm’s internal decision-making culture, which directed corporate decisions in line with pre-determined goals (Fox, 2013). As such, the organised decision-making framework of a corporation transcends an individual’s framework of responsibility whose agency is based on the beliefs and values of the corporation.

The two decades following Bowen’s publication were characterised by acrimonious controversies over the legitimacy of CSR (Wartick & Cochran, 1985). However, the two sides in the dispute could not carry on a constructive dialogue, and very little theoretical advancement was achieved beyond what Bowen had already laid down. The primary cause of this intellectual stalemate over CSR was that the concept of CSR remained detached from the day-to-day operations of business organisations with no signs of reconciliation. Although many experts noted the outward growth of CSR, few noticed that CSR was changing internally in meaning. The concept of CSR, particularly regarding how it relates to other organisational goals, has been steadily evolving since the concept was introduced half a century ago.

1.2.1 Theoretical Foundation

SET proposes that if the two parties such as the organization and employees adhere to certain rules of exchange (i.e., reciprocity), they possess relationships that transform into trusting, loyal, and mutual commitments over time (Cropanzano & Mitchell, 2005). When employees establish social exchange relationships with the employer, which “…tend to involve the exchange of socioemotional benefits” and are associated with “…close personal attachments and open-ended obligations”, they are likely to display affective and behavioural outcomes. Management's investment in CSR practices creates an obligation on the part of employees to be highly engaged in their work and contribute to the organizational performance. Such employees also reciprocate with positive attitudinal and behavioural outcomes such as career satisfaction and voice behaviour.

The extant literature delineates empirical studies that have linked high-performance work practices or job resources to WE and various employee outcomes using SET as a theoretical framework. For example, Saks (2016) found that job characteristics such as autonomy and feedback from others fostered WE, which in turn led to positive outcomes such as job satisfaction and organizational citizenship behaviours. Karatepe's (2013) study in Iran showed that high-performance work practices as well as work social support made employees become highly embedded in their jobs (Karatepe, 2013). Glavas (2016) reported that CSR practices enhanced employees’ perceptions of organizational support (Glavas, 2016).

SIP theory proposes “…individuals, as adaptive organisms, adapt attitudes, behaviour, and beliefs to their social context and to the reality of their own past and present behaviour and situation”. Employees work in a social environment. In such an environment, employees obtain cues about attitudes and needs and acceptable reasons for action (Salancik & Pfeffer, 1978). Employees utilize these cues to interpret events in the workplace and develop attitudes and behaviours. Investment in a number of CSR practices (e.g., voluntary activity for community, business conduct, and employee relations) sends signals to employers that management of the Oil and gas company is highly concerned about CSR. Under these circumstances, employers are highly engaged in their work and exhibit desirable outcomes such as career satisfaction and voice behaviour. In empirical terms, Karatepe et al. (2014) indicated that high-performance work practices increased hotel employees' service recovery and creative performances in Northern Cyprus. The results of a recent study illustrated that employee-customer CSR intrinsic causal meta-attractions were positively related to employee corporate social performance perceptions (Panagopoulos et al., 2016).

A multiple method approach was used to permit a “triangulation” of data collection to provide valid observations of coordinated purchasing activities and decisions. Data from direct observation, a review of company records, personal interviews, and a literature review were compared and contrasted in an attempt to produce clarity our research to reach to the valid research model.
As demonstrated in Figure 1, the main characteristic of systematic combining is a continuous movement between an empirical world and a model world. During this process, the research issues and the analytical framework are successively reoriented when they are confronted with the empirical world. Systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously. The proposed systematic combining is an argument for a stronger reliance on theory than is suggested by true induction (Dubois & Gadde, 2002).
1.2.2 Conceptual Framework

1.2.3 CSR programs

After the industrial revolution and Victorian times in Britain, the significant ecological footprints and social costs as a result of business corporation’s activities have become obvious, which despite their growing financial power, have not been held accountable (Bowen, 2013; A. B. Carroll, 1977). The emergence of CSR has been linked to some ecological and social problems, which has been associated with the activities of the principal actor in the industrial growth, unprecedented global economic expansion and business enterprise throughout the 19-21st centuries. CSR has become almost universally sanctioned and promoted by all constituents in society from governments and corporations to NGOs, and individual consumers (Benn & Bolton, 2011).

For instance, CSR has been endorsed by major international organisations such as OECD, ILO and UN, they also have been establishing guidelines and have been permanently staffed divisions to research and promote CSR. In 1997, only less than half of the Fortune 500 firms even mentioned CSR in their annual reports, however by ends of 1990s close to 90% of Fortune 500 firms not only embraced CSR as an essential element in their organizational goal, but they have been actively promoting their CSR activities in annual reports (Benn & Bolton, 2011; Boli & Hartsuiker, 2001).

The changes which have been made was so dramatic that both the former CEO of HP-Compaq, Carly Farina and Chief Executive Officers of General Electric both have declared that the world has been changing and that a new reality of business has been emerging (Berber, Susnjar, Slavic, & Baosic, 2014; Lee, 2008). Concern over the issues surrounding the role of business in society is longstanding. Even though the CSR concept has been formalised only recently, but there has been a long history of both West and East concerning the commitment to social philanthropy believing that creation of wealth has been primarily geared to social good (Berber et al., 2014). This has been prompting an avalanche of negative protests against MNCs, occurring from the integration of anti-globalization activists, global environmental justice movement and local community activists. The industry has been facing pressure from the external institutional environments comprising NGOs, community activists and consumers, which slowly have been convincing corporations that they were facing an irreversible movement. It was argued that this pressure has been strengthened the case for CSR and its position within the business community, and has been leading to a realisation that a global shift in values was taking place (Berber et al., 2014).

It has been further asserting that societal pressures have prompted a re-examination by the business community to the extent which CSR has been undermined potentially strengthened the competitive advantage of the corporation. For instance, major corporations have made a realisation, which caused development partnerships, marketing and environmental concerns to make a good business sense regarding employee satisfaction, reputation building and materials recycling and have prompted some enthusiasm in the business community regarding the CSR’s commercial potential.

CSR has increasingly been seized upon as a means for successful corporations, and through innovative strategies that involve improved relations with society, and responsibility for the impacts of their business activities on communities and the environment, some improvement has been made in their environmental and social practices (Becker-Olsen & Guzmán, 2017). For instance, it has been declared by W. K. Shireman I that “The companies that excel today are those that restructure themselves as creative, sustainable, adaptive and resilient as ‘living companies’ with the capacity to change and learn and”.

These companies have been increasing their profits by providing continuous innovations. They have been turning waste into new products, leasing and remanufacturing billions of dollars of equipment, which previously have been used to be thrown away, results in driving pollution and waste towards zero, and systematically have been eliminating products and even whole industries, meanwhile they have been continuing to provide the services that are actually wanted (Becker-Olsen & Guzmán, 2017). Other names have also been known for Corporate social responsibility (CSR), including responsible entrepreneurship, corporate citizenship or stewardship,
Corporate accountability, corporate responsibility, sustainable development and environment and corporate ethics (Becker-Olsen & Guzmán, 2017).

As CSR issues have become increasingly integrated into modern business practices, the trend has been shaped toward referring to it as “corporate sustainability” or “responsible competitiveness”. It is important to note that CSR is an evolving concept that currently does not have a universally accepted definition (Rasche, De Bakker, & Moon, 2013). CSR has been understood as the way firms integrate economic, social and environmental concerns into their culture, decision making, operations, values and culture in an accountable and transparent manner, thereby would be establishing better practices within the firms, improve society and create wealth (Rasche et al., 2013).

CSR has been defined by United Nations as follows: “Generally CSR has been understood as being the way to which a company achieves a balance of economic, environmental and social imperatives, meanwhile would be addressing the expectations of shareholders and stakeholders” (Hohnen & Potts, 2007). The true nature of CSR has remained uncertain, however by looking back at history, the nature of CSR and how it would be developed throughout the years can be observed, it can also be seen that how it became a vital aspect of almost every international, national and global organisation. The beginnings were in the 1950’s when it was referred to as Social Responsibility.

In 1950, organisations and corporations were still unfamiliar with the idea of giving back or losing profit for a substantial matter. However, Howard. Bowen has revolutionised this idea by his publication Social Responsibilities of a Businessman which rewarded him with the title of the father of Social Responsibility, in his book he gave a clear understanding of why the modern – at the time – the businessman owed back to the community. And because of this definition of SR did the modern understanding of CSR come to be (Leipziger, 2015; Rasche et al., 2013). In the 1960’s, the literature of SR has been expanded and provided a better understanding on SR.

Keith Davis is the prominent figure of the era, who has been writing articles and textbooks in regards to SR. The 1980’s, more research and cementation of the idea of CSR have been investigated instead of findings definitions, and they were characterising what has been meant for a company to create a CSR program for the community at large. Thomas M. Jones then entered this field with a CSR definitions and had argued on finding a true agreement as what represents social responsibility.

Different themes have been provided within the umbrella of CSR in 1990’s. The themes of corporate citizenship, business ethics theory and stakeholder theory were developed in this era. While the CSR concept has been serving as a base point for many themes, it will remain an essential part of the business language and practice, because it holds the basic foundation for many theories as well as holding up what the public expects from a company. In each era, different definition for SR or as today called CSR had been evolved or had been re-written from Bowen in 1953 definition to Hopkins in 1998 and to finally the UN’s definition of CSR.

Moreover, it deals with development and investment, industrial relations and community involvement (cultural activities, health care, educational projects, sports), corporate philanthropy, the involvement of and respect for diverse cultures and disadvantaged peoples and employee volunteering. CSR has also been concerned by customer satisfaction and adherence to principles of Anti-bribery and anticorruption measures, supplier relations for both domestic and international supply chains, fair competition, transparency and performance reporting and accountability. Many foci has been given to the concepts of corporate social responsibility and corporate social performance, since the 1970s. However it has been still an interesting concept today (Albdour & Altarawneh, 2012).

Business managers and academics have been noticing how corporate social responsibility was a doubtful and irrelevant ideas and how it has become a crucial topic on research agendas (Moura-Leite & Padgett, 2011). Organisations have been reaching to the terms that adopting a socially responsible view of its activities have been vitally importance. They have been realizing this, due to the fact that organizations have been facing various social, ethical, environmental, legal and economic challenges, which has been affecting their behavior, and also because they were focusing solely on economic management to achieve objectives, which has been no longer feasible (Rigoberto Parada Daza, 2009).
Furthermore, organisations have been facing some pressures by a range of stakeholders such as nongovernmental organisations, socially responsible investors, activists, regulators, communities, etc. to become socially more responsible and to behave as responsible corporate citizens (Gross & Holland, 2011). Accordingly, organisations have been engaged in corporate social responsibility for a different number of reasons which helps them to improve their overall financial portfolio (Turcsanyi & Sisaye, 2013). Followings are some of these reasons: providing transparency for investors, government regulations, improving economic performance and improving public image. Corporate social responsibility can be traced on a continuum.

At one end of continuum, it has been a reflecting of philanthropic activities, which had a contribution to social and environmental requests received by the company or gaps that have been identified by top management. These activities had shown no effect on a company’s technologies, business model or core activities. At the other extreme, it has been reflecting a set of practices, which has been created to place demands on society and the activities of the organisation by various dynamic forces (Lenssen, Tyson, Pickard, Bevan, D’Amato, et al., 2009). Corporate social responsibility in total can be defined as an ongoing commitment, which has been made by organizations to act in an ethical manner and enhance economic development while at the same time improve the quality of life of employees and their families, local community, and society as a whole (Al Azmi, Al-Lozi, Al-Zu’bi, Dahiyat, & Masa’deh, 2012; Obeidat, 2016; Turcsanyi & Sisaye, 2013).

Corporate social responsibility can also be seen as “the firm’s considerations of, and responses to, issues beyond the narrow economics, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks”. The proposed idea behind corporate social responsibility is that organisations are supposed to try to achieve a balance between profits achieved and expenses made by maximising the positive influence, meanwhile try to minimising the negative effects in achieving the contribution for society (Kaufmann, Tarba, Grbac, & Loncaric, 2009).

1.2.3.1 Internal CSR

Internal corporate social responsibility has been related to all the internal operations of the company (Steven, Millington, & Rayton, 2005). Accordingly, internal CSR has been focusing on how to improve the well-being of employees, their lives, and productivity, and what exactly can be done inside in the organisation to make that happen, which in turn would affect the organisation’s profitability and bottom line (Pietersz, 2011). Internal CSR practices have been referring to “CSR practices which are directly related to the psychological and physical and working environment of employees”.

This focus on employees is because they have been considered as very important internal stakeholders to the organisation (Skudiene & Auruskeviciene, 2012). Hence, internal CSR practices can be classified into four groups named “value classes” (Longo, Mura, & Bonoli, 2005). These classes are related to the development of employees’ skills, well-being and satisfaction of the worker, quality of work, health and safety at work and social equity.

1.2.3.2 External CSR

External corporate social responsibility has been referring to corporate socially responsible actions, which has been directed outside the boundaries of the organisation. Positive impacts of activities and operations on society and natural environment has been promoted by external CSR (Pietersz, 2011). External CSR activities have been related to external stakeholders such as local communities, customers and business partners. Socially responsible companies have been required to provide services or products in an efficient, environmentally friendly and ethical manners with regards to customers.

Here, customers are looking forward to receiving a high-quality products and services, which comply with responsible social criteria, they also look for a quality relationship with organisations that provide these services and products where they can provide complaints, suggestions and proposals without any problem (Longo et al., 2005). Regarding business partners, socially responsible companies have been required to be good partners to their business partners and control the labour standards in compliance with legal requirements, they have also
been required to having in place complaints procedure for their suppliers and other business partners (Graafland, 2006; Longo et al., 2005).

In the other hand, regarding local communities, socially responsible companies have been requiring to take philanthropic initiatives such as sponsorship activities. Also, if organisations make infrastructure investments launch community development activities, they would be considered socially responsible, where they should encourage their employees to participate in community projects and provide financial support to social and other non-commercial community projects (Papasolomou-Doukakis, Krambia-Kapardis, & Katsioloudes, 2005). These initiatives and activities have been adding value to both the company and community.

**Hypothesis 1.** CSR programs are positively related to corporate citizenship.

### 1.2.4 CSR: programs and evolution

In the 1950s and 1960s, CSR was understood as a moral obligation of corporate managers to do their share in improving society, whereas there was no link between this obligation and profit generation. These two responsibilities of a commercial organisation were conceived to be exclusive. In the 1970s and 1980s, new theoretical developments attempted to make CSR more appealing to the broader corporate and investment communities. The mechanisms linking CSR and profitability were suggested, although it was not until the late 1980s through to the 1990s that the concept of CSR became much more closely related to market outcomes through a number of empirical and theoretical studies (Cheng, Kotler, & Lee, 2011; Orlitzky, Schmidt, & Rynes, 2003; Porter & Kramer, 2002).

Therefore, a growing number of shareholders began to accept the idea that strategic adoption of CSR could, in fact, lead to financial rewards in the end (Lee, 2008; Werther Jr & Chandler, 2010). What changed shareholders’ attitudes regarding CSR were the changes in their perceptions of the relationship between CSR and bottom-line performance of the organisation. Regarding theoretical orientation, Preston (1978a) argues that researchers have moved from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies. The shift in the conceptualization of CSR did not occur instantly.

Rather, it was a gradual and arduous process (Jamali & Mirshak, 2007). As mentioned previously, it is well known that public intellectuals, such as Milton Friedman, vehemently opposed the idea of CSR because it imposed an unfair and costly burden on the shareholders. Moreover, because most midlevel managers saw CSR as a cost with highly uncertain outcomes, until the late 70s there was significant resistance from the ranks of management within corporations to implementing CSR. Figure 1 depicts CSR transverse structure.
They were simply not ready to jump on the CSR bandwagon. However, during the last two decades, the concept of CSR has become more harmonised with corporate financial performance (Doh & Guay, 2006; Donaldson & Preston, 1995; Van Marrewijk, 2003). The shift has occurred in three main evolutionary stages. Firstly, the classical view of the relationship between corporate social performance and CSR is that they are mutually exclusive. The main assumption in the classical view is that a business organisation is a unique social entity created just to engage in economic transactions, and the primary goal is to create profit through organisational efficiency or technological innovation. In that sense, it has no immediate or apparent responsibility toward public welfare. However, its activities are likely to generate unintended public good (Gilbert, 2002).

In the second stage, a new view emerged in which the relationship between corporate financial performance and CSR was seen as not necessarily mutually exclusive, but that there was a considerable overlap between them. In the short run, engaging in CSR might erode a corporation’s short-term profits, but in the end, it would help all social constituents including the corporation itself. The view of CSR as an investment in long-term competitive advantage is based on the assertion that in certain conditions, the satisfaction of stakeholder interests can contribute to maximising shareholder value (Branco & Rodrigues, 2006; A. B. Carroll & Shabana, 2010; Edmans, 2012; Hillman & Keim, 2001).

The main premise is that corporations and society depend on one another for their well-being and that the cooperation between corporations and society is mutually beneficial in the long run. Thus, although CSR may not produce immediate benefits regarding financial outcomes and there are no unambiguously proved causal linkages between CSR and profit, the interaction between the two spheres is necessary and useful for corporations. Most of the research that followed in that decade conceptualises CSR as supporting the corporation’s long-term interest by strengthening the environment to which corporations belong (Fairbrass & Zueva-Owens, 2012; Lee, 2008; Visser, Matten, Pohl, & Tolhurst, 2010).

Therefore, it is in the corporation’s long-term interest to support the well-being of its environment. In the third phase, the integration of CSR and the firm’s financial performance took another step forward, with the assertion that there is a business case for CSR. In other words, firms can perform better financially by doing good. The alleged link between profitability and CSR prompted extensive empirical research into whether the two are positively linked. Some found evidence of a positive association (Margolis & Walsh, 2003), while others concluded that the firm’s economic performance was not directly linked, either positively or negatively, to its social responsiveness.

Moreover, these empirical assessments were complicated given the imperfect nature of the studies (problems related to the measurement of both CSR and financial performance, criticisms of omission of controls,
lack of causality and other methodological problems) (Margolis & Walsh, 2003). Even if managers’ personal values are aligned with CSR values, it will be very difficult for them to decide to engage in social responsibility activities if they do not see the possibility of furthering financial performance.

To do so the following hypothesis is developed:

**Hypothesis 3.** Transfer CSR structures are positively related to corporate citizenship

### 1.2.5 Mediating role of Transfer CSR Structure

The proponents of the resource-based view (RBV) of the firm (Barney, Wright, & Ketchen, 2001) further picked up the view of CSR as a strategy for achieving competitive advantages. The number of studies devoted to CSR which adopt an RBV (albeit, in many cases, combining it with other theoretical perspectives), has grown in recent years. This tendency began with a focus on environmental aspects but has subsequently extended to more general issues of CSR (Branco & Rodrigues, 2006). This perspective maintains that the ability of a firm to perform better than its competitors depends on the unique interplay of human, organisational and physical resources over time. To do so, following hypothesis is developed.

The resources that are likely to lead to competitive advantage are valuable, rare and inimitable, and must be deployed effectively by the organisation. They include the assets that firms use to accomplish the activities they are engaged in to convert inputs into outputs, and can be classified as tangible (physical and financial assets) or intangible (corporate reputation, employees’ knowledge, experiences and skills, and commitment and loyalty). Firms provide social members with the products or services that will fulfil their needs and establish relations with each other. They control the resources needed for such activities, build the processes through which resources are used, regarding their goals.

Dynamic capabilities refer to the organisational and strategic routines that enable managers to acquire resources, modify, integrate and recombine them to generate new value-creating strategies. This approach is focused on the drivers of the creation, evolution and recombination of the resources into new sources of competitive advantage (S. H. Ali & O'Faircheallaigh, 2007). Capabilities refer to a firm’s capacity to deploy different resources in a coordinated fashion, using organisational processes, to achieve the desired objective. Firms use them to develop and implement their strategies. Galbreath’s analysis (2005) establishes a typology consisting of tangible and intangible resources (Galbreath, 2005). Transferring CSR structure is a must do to build corporate citizenship. To do so, the following hypothesis is developed.

Organisational assets, such as culture, human resource management policies and organisational structure, can also resist the imitation efforts of competitors, as they represent high levels of asset specificity and time compression diseconomies (Branco & Rodrigues, 2006). A firm’s stakeholders are seen as those who supply critical resources, place something of value ‘at risk’, and have sufficient power to affect its performance (Branco & Rodrigues, 2006; Post, Preston, & Sachs, 2002). The principal means of sustaining and enhancing a firm’s wealth-creating capacity are the linkages between the firm and its multiple constituencies. For involuntary stakeholders, on the other hand, “particularly those that may be negatively affected by externalities such as pollution or congestion, the guiding principle has to be a reduction or avoidance or harm and the creation of offsetting benefits.

These stakeholders expect that they will be at least as well off as they would be if the firm did not exist”. Social capital resides in the structure of relationships among people, which makes it a resource that does not lie with one individual, but rather is jointly owned, and has three dimensions: structural, cognitive and relational regarding the organisation, norms and shared systems of meaning among parties. In effect, CSR involves
recognition on the part of the society of both its significance and the efforts of a firm to gain society’s approval of its behaviour and relates to society’s stakeholder expectations about corporate behaviour that firms have to identify and try to conform to (Castelo Branco & Lima Rodrigues, 2007).

Consequently, stakeholder expectations about what constitutes desirable and undesirable firm performance, define the norms for corporate behaviour and the basis for evaluating the outcomes of firms’ behaviours regarding how they have met expectations and have affected the groups and organisations in their environment (Friedman, Parent, & Mason, 2004).

- **Hypothesis 4**: the Transfer CSR Structures mediated the relationship between CSR programs and corporate citizenship.

- **Hypothesis 5**: The economic, legal, ethical, and philanthropic indicators of CSR jointly exert positive effects on employees’ WE.

### 1.2.6 Hypothesis Formulation and Conceptual Framework

Following figure represents the conceptual framework:

![Figure 2. Conceptual framework](image)

**Conclusion**

Above-mentioned variables within the Oman context can be seen as utmost important in order to build up the corporate citizenship. Corporate Social Responsibility (CSR) is new phenomena to Oman business environment. Although CSR topic has been researched in academia in many countries with state of saturation from various perspectives and dimensions. It is still not the case in Oman. It could be described as in its cradle stage. However, a small number of CSR studies discussed the topic in Omani setting, whether in one specific industry. In
conclusion, despite many multinational companies operating and practising CSR with different approaches and shapes, the corporate social responsibility still in its cradle stage in many industries in Oman. This proposed framework can be a good source of conducting future research.

References


Hopkins, M. (2012). *Corporate social responsibility and international development: is business the solution?*: *Earthscan*.


Pietersz, G. (2011). Corporate social responsibility is more than just donating money. *KPMG Advisory Services BV, KPMG Caribbean Network*.


Closing the loop – circular economy through sustainable innovation lens.

Work in progress

Maria Aluchna¹ & Boleslaw Rok²

Abstract

Circular economy is an innovative approach to operationalize the environmental principles of sustainability management. The concept is based on the ‘closing the loop’ of product lifecycles and is expected to bring benefits for the environment and the economy as well as to contribute to the responsible business conduct. Circular economy promises significant environmental and economic benefits. These benefits refer to reduced usage of resources, lower impact on environment, cost savings and jobs creation. The implementation of circular economy has a dramatic impact on company operation and leads to the emergence of new business models. While the concept still remains significantly unexplored, few studies outline practical approach to implement principles of circular economy in companies.

We would like to add to this literature examining the practice of circular economy business models. Using the framework proposed by Lacy and Rutqvist (2015) we discuss how companies adopt the concept of circular economy with the reference to five models of closing the loop. We offer case study analysis to illustrate the transition of organizational processes revealing implications for further practice.

Introduction

Circular economy based on the ‘closing the loop’ of product lifecycles is expected to bring benefits for the environment and the economy as well as to contribute to the responsible business conduct (Deloitte, 2013). Circular economy promises significant environmental and economic benefits. These benefits refer to reduced usage of resources, lower impact on environment, cost savings and jobs creation. The biggest promise of circular economy is the

¹ Ph.D., Associate Professor, Department of Management Theory, Warsaw School of Economics, Al. Niepodleglosci 162, 02–554 Warsaw, Poland, phone/fax: 0048 22 654 86 20, e–mail: maria.aluchna@sgh.waw.pl
² PhD, Professor of Management, Business Ethics and Social Innovation Centre, Kozminski University, Jagiellonska 57, 03-301 Warsaw, Poland, email: brok@kozmmski.edu.pl
economic growth decoupled from resource use. For financial investors, the promise is even more exciting and means decoupling value creation from resource consumption. The economy as we know it still operates largely on a take–make–dispose basis. Circular economy contrasts with the linear economy approach. While it is understood as the necessity in the light of declining resource, it is also viewed as one of the most influential concepts in sustainability management expected to add to the transformation towards resource-efficient and low-emission economy (COM(398), 2014; COM (33), 2017). The concept of circular economy rests on three principles: to preserve and enhance natural capital, to optimize yields from resources in use, and to make the system more effective by removing negative externalities (Taranic et al., 2016). These measures are supported by the legislative actions as well as industrial and engineering know-how.

We would like to add to this literature examining the practice of circular economy business models. We use the framework proposed by Lacy and Rutqvist (2015) and document how companies adopt the concept of circular economy with the reference to five models of closing the loop. The case study analysis illustrates the transition of organizational processes and it indicates benefits and challenges for companies revealing implications for further practice. The paper is organized as follows. First, we outline the concepts of sustainability and circular economy indicating the waste management problem. Then we discuss the idea of circular economy which is based on the fundamental principle of ‘closing the loop’ of product lifecycles contrasts to the traditional linear economy following the take–make–dispose framework. We enumerate the direct and indirect effects of circular economy for companies, industries and markets. We also show how circular economy changes traditional firm arrangements into innovative business models using the approaches offered by Taranic et al. (2016), Lacy and Rutqvist (2015) and Ellen MacArthur Foundation (2013, 2015). The last section shows four short case studies of the adoption of circular economy in companies. Final remarks are presented in conclusion.

1. Sustainability and circular economy

Circular economy is an innovative approach to operationalize the environmental principles of sustainability. Sustainability is a concept which aims at providing balanced strategies for economic and social growth assuring for the global (international and interregional) and inter-generational equilibrium and fairness with respect to the use of natural resources and income distribution (Murray et al., 2017). It is understood as “the organization’s capacity to meet
demand and expectations of constituencies beyond those linked directly to its products and markets” (Marcus, 1996:89). Sustainability calls for a more holistic approach in the process of measuring firm performance and formulating strategic development, specifically adding social and environmental impact of business (Malone et al., 2009). Thus, sustainable business is expected to balance financial, social and environmental activities linking them strategically to offer innovative organizational processes, structural arrangements, product and service offered to numerous constituencies. While, sustainability has been evolving in response to stakeholder pressure and regulatory activity, it becomes also a driving force for significant shift in the way business is done. Sustainable business strategically integrates the principles of social and environmental responsibility with economic efficiency and governance efficacy and is expected to result in the emergence of new business models which bring structural transformation of business responding to stakeholder expectations (Rainey, 2006).

Conceptually, circular economy represents the environmental dimension of sustainable business which addresses the problems of waste generation and management (Kopnina, 2014; Lütkehus, 2014; Murray et al., 2017). The environmental component of sustainable business is to large extend driven by the advanced methods of measuring the consumption versus limited resources. It takes into consideration 1) physical capital 2) agriculture, forestry and fisheries, 3) urban land and 4) mineral and energy wealth (Hamilton and Atkinson, 2006) and indicate the scope of the environmental damage caused by humans and the unsustainability of the existing pattern of behavior and operation. For instance Millennium Ecosystem Assessment Report revealed the scope and size of human impact upon the environment (MEA, 2010) indicating dramatic degradation of ecosystems largely to meet rapidly growing demands for food, fresh water, timber, fiber, and fuel and allow for substantial net gains in human well-being and economic development. Specifically, circular economy refers to waste generation and management being amongst a series of negative impacts on the natural environmental such the ecological footprint, CO₂ and other greenhouse gases emission, excessive water consumption, natural resources depletion (air pollution, land degradation, mineral resources, deforestation, biodiversity under threat, animal exploitation production) and climate change. Waste generation is a simplest contributors to excessive consumption and depletion of natural resources and inefficient waste management becomes a burden for the society and environment as well as increases production costs. Waste generation contributes
to carbon emission, overall pollution and causes danger for many animals who may swallow waste and die. The term of waste typically includes (Pipatt et al., 2006):

- Municipal Solid Waste (MSW) which covers food waste, garden (yard) and park waste, paper and cardboard, wood, textiles, nappies (disposable diapers), rubber and leather, plastics, metal, glass (and pottery and china), other (e.g., ash, dirt, dust, soil, electronic waste) and can be divided into (Clean Energy, 2010):
  - Household waste
  - Garden (yard) and park waste
  - Commercial/institutional waste
- Sluge (sewage) which is water waste
- Industrial waste is generated by different types of industries, although many of the waste types can be included in both of industrial waste and MSW
- E-waste is waste generated by ICT industry very often driven by technology (hardware and software) innovation

Studies on global waste generation show that waste generation is correlated with economic development – the higher the income level and the rate of urbanization, the greater the amount of solid waste produced (The World Bank, 2010). The OECD countries produce almost half of the world’s waste, while Africa and South Asia regions produce the least waste. According to the World Bank (2012) global MSW generation levels are estimated as 1.3 billion tons per year, and are expected to increase to approximately 2.2 billion tons per year by 2025. This represents a significant increase in per capita waste generation rates, from 1.2 to 1.42 kg per person per day in the next fifteen years. Table 1 provides a general overview of waste generation and projections for 2025 by region.

Table 1: Projection for waste generation till 2025

<table>
<thead>
<tr>
<th>Region</th>
<th>Current available data</th>
<th>Projections for 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total urban population (millions)</td>
<td>Urban waste generation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Per capita (kg/capita/day)</td>
</tr>
<tr>
<td>AFR (Sub-Saharan Africa)</td>
<td>260</td>
<td>0.65</td>
</tr>
<tr>
<td>Region</td>
<td>Code</td>
<td>Increase</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------</td>
<td>----------</td>
</tr>
<tr>
<td>EAP (East Asia Pacific)</td>
<td>777</td>
<td>0.95</td>
</tr>
<tr>
<td>ECA (Eastern and Central Asia)</td>
<td>227</td>
<td>1.1</td>
</tr>
<tr>
<td>LAC (Latin America and the Caribbean)</td>
<td>399</td>
<td>1.1</td>
</tr>
<tr>
<td>MENA (Middle East and North Africa)</td>
<td>162</td>
<td>1.1</td>
</tr>
<tr>
<td>OECD</td>
<td>729</td>
<td>2.2</td>
</tr>
<tr>
<td>SAR (South Asia Region)</td>
<td>426</td>
<td>0.45</td>
</tr>
<tr>
<td>Total</td>
<td>2,980</td>
<td>1.2</td>
</tr>
</tbody>
</table>


Waste is either burnt in incinerators or dumped into landfill sites (67%) which both create environmental damage. “Landfilling not only takes up more and more valuable land space, it also causes air, water and soil pollution, discharging carbon dioxide (CO₂) and methane (CH₄) into the atmosphere and chemicals and pesticides into the earth and groundwater: what is harmful to human health, plants and animals” (EMAS, 2007). EU studies show that the increase of wealth of European society brought increased waste generation. Each year in the European Union waste generation is estimated over 3 billion tones, with some 90 million tons of it hazardous (EU, 2010). According to Eurostat this amounts to about 15 tons of material annually while generating 5 tons of waste, with half going to landfill. The European Commission observes that during the 20th century the world increased its fossil fuel use by a factor of 12, whilst extracting 34 times as many material resources (Lütkehus, 2014). By 2020, the OECD estimates the increase of waste generation at 45% as compared to 1995, while globally the MSW generation will double by 2025 (The World Bank, 2010). Table 2 provides a general overview by Eurostat of the dynamics of waste generation in Europe.
Table 2: Municipal waste generated by country in selected years (kg per capita), 1995-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union (28 countries)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union (27 countries)</td>
<td>473</td>
<td>523</td>
<td>517</td>
<td>505</td>
<td>477</td>
<td>0.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>456</td>
<td>471</td>
<td>482</td>
<td>456</td>
<td>419</td>
<td>-7.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>694</td>
<td>612</td>
<td>588</td>
<td>554</td>
<td>419</td>
<td>-39.6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>302</td>
<td>335</td>
<td>289</td>
<td>318</td>
<td>316</td>
<td>4.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>521</td>
<td>664</td>
<td>736</td>
<td>789</td>
<td>789</td>
<td>51.4</td>
</tr>
<tr>
<td>Germany (until 1990 former territory of the FRG)</td>
<td>623</td>
<td>642</td>
<td>565</td>
<td>602</td>
<td>625</td>
<td>0.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>371</td>
<td>453</td>
<td>433</td>
<td>305</td>
<td>359</td>
<td>-3.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>512</td>
<td>599</td>
<td>731</td>
<td>624</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td>412</td>
<td>412</td>
<td>442</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>505</td>
<td>653</td>
<td>588</td>
<td>510</td>
<td>434</td>
<td>-14.1</td>
</tr>
<tr>
<td>France</td>
<td>475</td>
<td>514</td>
<td>530</td>
<td>533</td>
<td>502</td>
<td>5.7</td>
</tr>
<tr>
<td>Croatia</td>
<td>262</td>
<td>336</td>
<td>379</td>
<td>393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>454</td>
<td>509</td>
<td>546</td>
<td>547</td>
<td>486</td>
<td>7.0</td>
</tr>
<tr>
<td>Cyprus</td>
<td>595</td>
<td>628</td>
<td>688</td>
<td>689</td>
<td>638</td>
<td>7.2</td>
</tr>
<tr>
<td>Latvia</td>
<td>264</td>
<td>271</td>
<td>320</td>
<td>324</td>
<td>433</td>
<td>64.0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>426</td>
<td>365</td>
<td>387</td>
<td>404</td>
<td>448</td>
<td>5.2</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>587</td>
<td>654</td>
<td>672</td>
<td>679</td>
<td>625</td>
<td>6.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>460</td>
<td>461</td>
<td>461</td>
<td>403</td>
<td>377</td>
<td>-18.0</td>
</tr>
<tr>
<td>Malta</td>
<td>387</td>
<td>533</td>
<td>623</td>
<td>601</td>
<td>624</td>
<td>61.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>539</td>
<td>599</td>
<td>599</td>
<td>571</td>
<td>523</td>
<td>-3.0</td>
</tr>
<tr>
<td>Austria</td>
<td>437</td>
<td>580</td>
<td>575</td>
<td>562</td>
<td>560</td>
<td>28.1</td>
</tr>
<tr>
<td>Poland</td>
<td>285</td>
<td>320</td>
<td>319</td>
<td>316</td>
<td>286</td>
<td>0.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>352</td>
<td>457</td>
<td>452</td>
<td>516</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>342</td>
<td>355</td>
<td>383</td>
<td>313</td>
<td>247</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>596</td>
<td>513</td>
<td>494</td>
<td>490</td>
<td>449</td>
<td>-24.7</td>
</tr>
<tr>
<td>Slovakia</td>
<td>295</td>
<td>254</td>
<td>273</td>
<td>319</td>
<td>329</td>
<td>11.5</td>
</tr>
<tr>
<td>Finland</td>
<td>413</td>
<td>502</td>
<td>478</td>
<td>470</td>
<td>500</td>
<td>21.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>386</td>
<td>428</td>
<td>477</td>
<td>439</td>
<td>447</td>
<td>15.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>496</td>
<td>577</td>
<td>581</td>
<td>509</td>
<td>485</td>
<td>-2.6</td>
</tr>
<tr>
<td>Iceland</td>
<td>426</td>
<td>462</td>
<td>516</td>
<td>481</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>624</td>
<td>613</td>
<td>426</td>
<td>469</td>
<td>422</td>
<td>-32.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>600</td>
<td>656</td>
<td>661</td>
<td>708</td>
<td>725</td>
<td>20.8</td>
</tr>
<tr>
<td>Montenegro</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>533</td>
</tr>
<tr>
<td>Former Yugoslav Republic of Macedonia, the</td>
<td></td>
<td></td>
<td>351</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>363</td>
<td>259</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>441</td>
<td>465</td>
<td>458</td>
<td>407</td>
<td>400</td>
<td>-9.3</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>332</td>
</tr>
<tr>
<td>Kosovo (under United Nations Security Council Resolution 1244/99)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>178</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat.
Reports reveal significant progress of waste management practices made over recent decades. Still however 2 to 3 billion people, often in the least developed countries, still lack access to regular waste collection and/or controlled disposal services for municipal solid waste. The studies on waste generation also refer to the hazardous waste which poses substantial or potential threats to public health or the environment (US Environmental Protection Agency, 2012). The hazardous wastes are materials that are known or tested to exhibit one or more of the following four hazardous traits: 1) ignitability (flammable), reactivity, corrosivity and toxicity. However, calculating the amount of waste being generated remains a significant problem due to the lack of reporting by many countries and inconsistencies in their reporting regimes. The Basel Convention has estimated the amount of hazardous and other waste for 2000 and 2001 at 318 and 338 millions tones respectively, while the amount was calculated at 4 billion tones by the OECD as generated by their 25 member countries in 2001 (http://www.grid.unep.ch/waste/html_file/08-09_waste_generation.html). According to the world calculator (www.theworldcounts.com):

- more than 400 million tons of hazardous wastes are produced per year (13 tons every second)
- this is almost 60 kg for every person in the world and increasing (in just one generation the production of man-made chemicals has increased by 40,000% from 1 million to 400 million tons).

Finally, international studies predict a dynamic growth both for consumption and waste generation as by 2050 century the global population will increase to 9.7 billion people from current 7.3 billion occurring mostly in Asia and Africa. In addition, “between 2014 and 2030 2.5 billion new middle-class consuming mostly will join the crush, guzzling their way to a better standard of living” (Economist, 2014).

2. Circular economy
2.1. The concept

Circular economy is the concept based in the fundamental principle of ‘closing the loop’ of product lifecycles in contrast to the traditional linear economy following the take–make–dispose framework (Liu, 2014). The emergence of the concept of circular economy is associated with the development of ideas from industrial ecology and ecological economics as
well as the progress of resource management and recycling in initiated in Germany and Japan (Yong, 2007; Mathews et al., 2011). Historically the conceptualization of circular economy dates back to 1970s. It developed in line with the raising interests to reorient the industrial processes towards lower consumption of natural resources and limited waste at disposal (Erkman, 1997; McDonough and Braungart, 1998; Cohen-Rosenthal, 2004). As argued by Mattews et al. (2011) the idea of a closed cycle of material and energy flows emerged from the concept of as Boulding’s ‘economics of Spaceship Earth’ (1966) and Daly’s (1980) notion of the ‘steady-state economy’, which could limit its demand for resources while maintaining the pace of development. The idea was developed by the concept of ‘industrial ecosystems’ (Frosch and Gallopolous, 1989) as well as ‘industrial symbiosis’, ‘industrial ecology’ or ‘industrial metabolism’. These concepts suggest structural changes via optimization of industrial processes to reduce the consumption material and energy (Ayres, 2004; Chertow, 2007). Circular economy is often also referred to zero waste economy setting ambitious targets with respect to recycling of municipal and packaging waste, and the banning of burying recyclable waste in landfill (COM(398), 2014; Lütkehus, 2014). Today, the concept of circular economy rests on three principles: to preserve and enhance natural capital, to optimize yields from resources in use, and to make the system more effective by removing negative externalities (Taranic et al., 2016). Overall, the concept of circular economy advocates the reorientation of the industrial model toward a system (Braungart and William, 2002) which is self-sustainable and based on renewable energy, minimizes the use and generation of toxic substances and reduces waste by implementing this measure in the design process.

Circular economy is viewed as a development strategy or a framework to operationalize the significant restructuring of industry and structural transformation of business towards low-emission and resource-resource-efficient models (Liu, 2014). With the alternative terms of “recycling economy” and “recycling society” circular economy is based on the fundamental principle of reduce, reuse, and recycle (the 3Rs) and offers new economic models to effectively resolve the problems of resources consumption suing the material flow management to measure the eco-efficiency of undertaken activities (Yong, 2007). In sum, “circular economy advocates the establishment of continuously recycling the material on the basis of the model of economic development, it requires that the economic activities in accordance with the mode of natural ecosystems, take full account of the carrying capacity of natural ecosystems as much as possible to conserve natural resources, and continuously
improve efficiency in the use of natural resources, recycling of resources, organized into a “resources-products-renewable resources-recycled products”, the substance cyclic flow process, only in a virtuous cycle within the carrying capacity of the resources in order to allow ecosystems to a balanced development, making the whole economic system, as well as production and consumption process basically does not produce or produce very little waste, so as to save resources, reduce pollution, and the purpose to create a healthy social wealth” (Liu, 2014:26-27). In addition, companies are expected to introduce principles eliminating the built-in obsolescence which is viewed as development strategy and is attributed to the emergence of the today’s “throwaway society” (Wieser, 2016).

Since the concept of circular economy is adopted at different institutional and organizational levels, it has an effect on companies, sectors and the economy (Yong, 2007; Murray et al., 2017). At the company level circular economy requires the structural transformation of the business model and the respective adjustment of distinct management functions such as production, sales, logistics and accounting (Kopnina, 2014; Wang, 2014) offering a number of direct and indirect effects. The most important benefits include (Liu, 2014):

- Reducing the total material input – circular economy advocates to reduce total material inputs, improve waste re-use and recycling to increase the cycle frequency of resources, extend the life of the resources, reduce the initial resource investment, and in result reduce investment in the total amount of the substance
- Increasing the efficiency of resource use – circular economy offers green technology and logistics, allows to holistically perceive relationship between material input and product output, and improve the conversion efficiency between the substances, products, technology, and process modification, to improve the efficiency of resource utilization to achieve with minimal material input to achieve the expected economic target.
- Reducing final waste emissions via the use of green technologies, efficient use of resources, increased the circulation of materials and reduction of the total material input

While for customers circular economy offers access to sustainable products and services characterized with lower ecological footprint, for financial investors, the promise is even
more exciting and means decoupling value creation from resource consumption. Circular economy increases the availability of high-quality secondary, recycled raw materials, what can have a positive impact on the economy and help reduce demand for imported raw materials (Lütkehus, 2014).

Finally, circular economy is viewed as driver to transform economy and impact labor market. According to Global Waste Management Outlook (ISWA, 2013) it offers a systematic approach to management of 2 billion tons of municipal solid waste and 7-10 billion tons of ‘urban’ solid waste from households, commerce, industry and construction generated per year. The report estimates the potential impact of improved waste management on reducing GHG emissions across the economy at the level 15-20%. Circular economy can also contribute to the reduction of emissions of methane, a powerful greenhouse gas (GHG) and prevent 1.3 billion tons of food waste generated per annum enough to feed all the undernourished people in the world twice over, could save 9% of total worldwide GHG emissions. Finally, it is expected to promote reduction, reuse and recycling all displace virgin materials and products, and the GHG emissions in their manufacture. Global Waste Management Outlook (ISWA, 2013) reveals that in the years 2000-2010 in Europe employment in waste and resource management doubled to reach 2 million people, while approximately 15-20 million people work in the small-scale entrepreneurial ‘informal’ waste sector worldwide. Finally, the report predicts the worldwide potential for new jobs in the circular economy to be between 9 and 25 million employees.

### 2.2. Business models

The concept of sustainable business in general and circular economy is particular offers a set of guidelines and principles for business transition towards resource-efficient business models. The general guidelines suggest to implement circular economy is companies according to micro, meso and macro (Yuan et al., 2006; Ormazabal et al., 2016). At the micro companies target their processes and practices using cleaner production process, eco-design products and services, clean energy and raw materials and different technologies and equipment (Park et al., 2010). Meso level refers to the development of eco-industrial parks, industry associations, clusters, and networks that will balance economic and environmental objectives (Geng et al., 2012). Finally, at the macro level circular economy addresses changes in cities, municipalities or regions via the adoption of environmental policies and institutions. The existing literature fails however to provide a comprehensive action plan and a strong
conceptualization of how value is created and captured (Ormazabal et al., 2016). Studies offer a number of frameworks such as seminar canvas model (Osterwalder and Pigneur, 2010), value chain (Kavadias et al., 2016), structural components and process approach (Høgevold et al., 2014) or key elements perspective (Weill and Vitale, 2001). Still however case study approach remains prevalent method to study and identify the operationalization and implementation of circular economy at the organizational context. Significant shortcomings relate also to the possibility to measure, monitor and report the use of materials, particularly in the case of open market economies (Lütkehus, 2014).

In order to operationalize the concept of circular economy the contributors of the report issues by Ellen MacArthur Foundation (2013:7) identify four “clear-cut sources of value creation that offer arbitrage opportunities in comparison with linear product design and materials usage”:

- The ‘power of the inner circle’ suggest minimizing comparative material usage as compared to the linear production system. “The tighter the circle (the less a product has to be changed in reuse, refurbishment and remanufacturing) and the faster it returns to use, the higher the potential savings on the shares of material, labor, energy, and capital embedded in the product and on the associated rucksack of externalities (such as greenhouse gas (GHG) emissions, water, toxicity)” Ellen MacArthur Foundation (2013:8)

- The ‘power of circling longer’ which maximizes the number of consecutive cycles (be it reuse, remanufacturing, or recycling) and/or the time in each cycle

- The ‘power of cascaded use’ addresses diversifying reuse across the value chain (e.g. cotton clothing reused first as second-hand apparel, then crosses to the furniture industry as fiber-fill in upholstery, with the later reuse of the fiber-fill in stone wool insulation for construction, while finally cotton fibers are safely returned to the biosphere)

- The ‘power of pure circles’ refers to the fact that uncontaminated material streams increase collection and redistribution efficiency. On the other hand maintaining quality of technical materials extends product longevity and increases material productivity
Circular economy changes traditional companies into new arrangements. Structurally it is described as combination of blocks which represent industrial symbiosis, material resource efficiency, renewable energy and energy efficiency, adoption of biological products, product life-cycle extension adopting new technologies of sharing economy and internet platform (Taranic et al., 2016). Similar to the approach of combined block Ellen MacArthur Foundation (2015a) proposes six business models of regenerate, share, optimize, loop, virtualize and exchange such implement the principles of circular economy.

One of the operationalization approach to circular economy is offered by Lacy and Rutqvist (2015) in their seminal Accenture report which estimates “$4.5 trillion reward for performing circular economy business models by 2030” which is “not just waste in the traditional sense of rubbish, but the significant underutilization of natural resources, products and asset” (Lacy and Rutqvist, 2015:3). They offer business models to internalize the principles of circular economy in the firm operation. Bases on the analysis of more than 120 companies that generating resource productivity improvements in innovative ways five following business models are identified:

- **Circular Supply-Chain** refers to the model of finding alternative resources. With this model renewable, recyclable or biodegradable materials are introduced to the production system and can be used in consecutive lifecycles to reduce costs and increase predictability and control.

- **Recovery & Recycling** model creates “production and consumption systems in which everything that used to be considered waste is revived for other uses. Companies either recover end-of-life products to recapture and reuse valuable material, energy and components or they reclaim waste and by-products from a production process” (Lacy and Rutqvist, 2015:4).

- **Product Life-Extension** model addresses the problems of discarding products which customers do not value any more, are broken, out of fashion or no longer needed. Yet, these products still hold certain value which may be recapture when they are utilized within the Product Life-Extension model. Repairs, upgrades, remanufacturing or remarketing extend the life of products which companies can economically use as long as possible. Instead of disposing things are actively kept alive and relevant, while customers transfer from transactions to relationships participating in the upgrades and alterations schemes.
Sharing Platform model is supported by the use of new forms of digital technology and is addressed to products stored in a typical home and are used only once a month. According to estimates 80% of kept thing follow this pattern of usage. Sharing Platform model stipulates “relationships and business opportunities for consumers, companies and micro-entrepreneurs, who rent, share, swap or lend their idle goods” (Lacy and Rutqvist, 2015:4). As a result fewer products are needed and fewer resources are consumed for production. Existing products are used more frequently, while consumers have a new way to both make and save money.

Product as a Service proposes an alternative model in which manufacturers and retailers bore the total cost of ownership. Such strategy of shared cost is expected to impact behavior of manufacturers and retailers who would focus to longevity, reliability and reusability of offered products. As argued by (Lacy and Rutqvist, 2015:4) “when consumers lease or pay for products by use through the Product as a Service model, the business model fundamentally shifts—in a good way. Performance trumps volume, durability tops disposability, and companies have an opportunity to build new relationships with consumers”

In sum, the circular economy business modes assume efficiency of the product use, green technology adoption and decoupling growth from the ever more voracious consumption of resources. The business evolution is enabled by legislation that encourages firms to shift toward sustainable business, active stakeholder who promote eco—friendly behaviors and technology which provides support for sharing and collaborative consumption.

3. Circular economy – case study analysis

Our aim is to draw upon the practice of circular economy in Poland. We conducted a case study analysis examining selected companies. It is the first step of our analysis based on desk research and consultation with managers and experts specializing in the implementation of circular economy. The analysis included four case studies of Carlsberg Circular Community, Bioelektra Group S.A., Hewlett Packard and PROTE-MOS which are discussed below.
Carlsberg Circular Community (CCC)

Carlsberg Circular Community (CCC) is a global program aimed to reduce waste generation and to introduce optimal management of packaging via the creation of the closed loop. One of the key elements of the CCC scheme is the system of refund bottle adopted by breweries. Studies reveal that the single glass bottle can be used 20 times circulating between the brewery and the customer. Currently in Poland the circulation is estimated at 8-12 times. In order to increase the rotation of the bottle Carlsberg Polska established an educational campaign and initiated the cooperation of with NGOs.

The increase rotation of bottles has the potential to mitigate the negative impact on the natural environment. According to estimates the production of one tone of glass requires 600kg of sand, 280 kg limestone, 230 kg of soda, 30 kg of dyes and a large amount of energy. Should the glass bottles not be refunded and replaced with other packaging, the additional waste generated would account to extra 600,000 tons of industrial waste.

Bioelektra Group S.A.

Bioelektra Group S.A elaborated a new innovative technology of the mechanic-thermal recycling of municipal waste (RotoSTERIL). While the European Union guidelines recommend increasing recycling up to 65% by 2030, this technology allows to recycle as much as 96% of mixed municipal waste. It is based on the combination of sterilization and mechanism sorting and is currently introduced in plant specializing in waste recycling. This technology is much more efficient as compared to the operation of traditional garbage incinerator or mechanical-bio recycling. It offers:

- recycling at the level of 65% (resources recovered include: glass, plastic, ferrous metals, aluminum, biomass used as a substratum to construction materials or soil fertilizer)
- elimination of odors
- minimal landfill of waste at the level of 4%
- simple waste collection
HP Planet Partner Program

Planet Partner Program was introduced by HP 25 year ago. It is based on the closed loop where customers support the components for cartridge refuels. It also targets computers, printers and media used in the business graphics. Plastics generated from old ink containers are used in the production of new cartridges. Currently, the recycled plastic is included in 80% of all original cartridges and 100% of all original toner models. The recycled plastic makes up to 75% in the new products.

PROTE-MOS

PROTE-MOS is a company which offers an innovative no cost technology of minimal sewage sludge. The technology is aimed to improve the functioning of sewage treatment plants in order to lower the operation costs. It reduces the generation sewage sludge and increases the quality of effluent. The technology is based on the biological approach excluding the use of any chemical reagents or additional process installations. The original PROTE-MOS solutions create optimal environment for the microflora development and intensify the process of biological treatment of sewage. The optimal steering of the technological process leads to the increase microbiological diversity in the ecosystem of sewage treatment and supports the dominance of stronger and more adaptive organisms what allows for the modifications of sludge.

Conclusion

The implementation of the principles of circular economy at the company level remains still at the very initial stage. First, circular economy solutions are not widely adopted and the popularity of the concept is low. Second, the awareness of the economic potential and environmental benefits appears to be higher is large multinational companies, while the interest and understanding for this operationalization of sustainable business fails to be recognized by small firms. Third, activities covered by the concept are fragmented and rather address separated issues than cover the whole value chain.

References:


Achieving Holistic Sustainability in Chinese and New Zealand Business Partnerships: An Integrative Approach

Conference Paper

AUTHOR
Michelle (Sitong) Chen
PhD Candidate
School of Management, Massey University

CO-AUTHORS
Associate Professor Gabriel Eweje
School of Management, Massey University

Dr Jeffrey Kennedy
School of Management, Massey University

May 2017

Word (Body): 8523
Abstract

Sustainable development presents many challenges and tensions, which require acceptance and continuous efforts to manage by organisations in their wider sustainability journey. The problem is, most global firms find it difficult to rationalise the nature of tensions, their dynamic relationships in sustainability, and how to systematically address their complex relationships simultaneously. In this regard, firms are faced with a great deal of ambiguity and difficulties in understanding these tensions, their implications, and the managerial strategies in respond to them.

This begs the questions of what is the nature of tensions in sustainability and how to manage these tensions into a dynamic equilibrium. Reduced trade barriers have enabled Western and Eastern firms to establish trading relationships with each other. Specifically, by catching the opportunity of the China and New Zealand Free Trade Agreement, many business partnerships have been established between Chinese and New Zealand firms, and these are mainly driven to seek for mutual financial benefits. However, emphasizing only financial prosperity is insufficient to achieve holistic sustainability. In fact, these firms are facing challenges in how to address contradictions arising from divergent sustainability demands. Additionally, different responses to tensions influenced by different cultural backgrounds make tensions more complex to deal with. If tensions cannot be managed effectively, it will not only have a negative impact on both parties’ financial profits, but could also put their partnerships at risk.

To address inherent tensions, most studies in sustainability have downplayed the interdependence and interconnections by frequently prioritizing one dimension over the others. Even though some scholars in the field have used an integrative approach, they simply integrate sustainability elements equitably by raising the profile of environmental and social dimensions. However, this integrative approach has failed to achieve a holistic view because of the inability to recognise the nature of tensions, and their characteristics, and address their complex relationships. So far, very few studies have addressed tensions grounded on paradox, but those who have, lack consistency and a theoretical base for how to manage tensions dynamically. In addition, there is a lack of conceptual and empirical studies that investigate these sustainability tensions in a specific context. In order to fill these gaps, this study will conduct empirical research by examining tensions arising from sustainability management in the context of Chinese and New Zealand trading partnerships. It is hoped that this study will enrich the existing literature of tensions inherent in sustainability and closely explore their complex relationships by conducting empirical research in Chinese and New Zealand business partnerships context. This will not only contribute to Chinese and New Zealand trading firms to better manage tensions, but also for global firms who are dedicated to achieving holistic sustainability.
Introduction

The objective of this study is to enrich the identification of tensions inherent in sustainability and to explore how to systematically manage these tensions particularly in partnership agreements between Chinese and New Zealand firms, ultimately to establish a comprehensive framework in achieving holistic sustainability.

Based on the definition of sustainability arising from the World Commission on Environment and Development (1987), as well as the triple bottom line of sustainability concept, the trend in the past decade has moved into a holistic picture in sustainability management research (Gimenez, Sierra, & Rodon, 2012). Holistic sustainability, in this study, can be defined as a dynamic concept which aims to address seemingly conflicting yet interrelated perspectives simultaneously, such as environmental protection, economic prosperity, and social justice in both the present and future (Hahn, Pinkse, & Preuss, 2015). Accordingly, sustainability management can be described as firms’ or decision-makers’ capacity to manage two or more seemingly opposing yet interdependent demands for organisational development in the short term, and societal prosperity over time (Gao & Bansal, 2013).

However, Wu, Subramanian, Abdulrahman, Liu, and Pawar (In Press) point out that “existing empirical studies on sustainability have failed to capture a holistic picture” (p. 10). In general, most global firms find it difficult to understand the nature of tensions inherent in sustainability management, and how to systematically address their complex relationships without favouring one over another. Clearly, tensions in sustainability have not been well addressed, very few studies have addressed tensions grounded on paradox theory, but those
who have, lack consistency and a theoretical base for how to manage tensions dynamically (Van der Byl & Slawinski, 2016).

To better understand tensions in sustainability research, this study will illustrate traditional Chinese philosophy *yin yang*, whose uniqueness in denoting tensions or paradox lies in holistic, dynamic and dualistic tenets (Li, 2016). Tensions in sustainability, from this perspective, can be understood as two or more needs, when taken individually seem to be not opposing, but together seem to be contradictory with each other. Indeed, they are interdependent and interrelated demands that co-exist in a dynamic equilibrium, which require acceptance and continuous effort to manage. In short, managing sustainability holistically highlights the “development of complex connections among the differentiated characteristics” (Bartunek, Gordon, & Weathersby, 1983, p. 274).

Hahn et al. (2015) argue that there are several tensions embedded in sustainability. First, “sustainability requires firms to address economic prosperity, environmental protection, and social justice simultaneously” (p. 298). They claim that this might result in a risk of unpremeditated consequences, “because a solution to one goal may have a negative impact on another” (p. 298). Second, as sustainable development meets “the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 27), firms need to address short-term business targets and long-term societal goals at the same time. This indicates that the long-term nature of the benefits that business provides to the future generations or society (Schwartz & Carroll, 2008) may be in conflict with short-term focus of managerial decision making (Held, 2001; Slawinski & Bansal, 2012). Firms and managers, therefore, provoke what Slawinski and Bansal (2015) call a “intertemporal tension” (p. 531), where “the demands of today differ from the needs for tomorrow” (Smith
& Lewis, 2011, p. 389). Third, sustainability involves divergent and often conflicting demands from a wide set of stakeholders, who have different logics from shareholders and managers (Wu et al., In Press). For instance, while some stakeholders have the motivation to address a social or environmental issue and see their organisation as a means to do so, others will not see sustainability as an issue their organisation should address (Hahn et al., 2015).

In particular, Hahn et al. (2015) identified that there are spatial tensions regarding different sustainability standards when multinational firms trade with each other. Further, as being influenced by different cultural values, Li (2016) argues that Western and Eastern managers tend to have different responses to the opposing elements, which may make it more complex to address tensions arising from sustainability practice.

To address these tensions above, Van der Byl and Slawinski (2016) discovered that the majority of strategies still focus on instrumental logics where economic prosperity takes precedence over social justice and environmental protection. However, firms that aim for financial benefit alone dismiss situations where tensions exist, and are not aware of how social and environmental goals can be aligned with financial prosperity (Hahn et al., 2015; Hahn, Preuss, Pinkse, & Figge, 2014). In addition, they demonstrate that there is still a lack of consistency for portraying sustainability in a holistic picture. Further, Wu et al. (In Press) stress that “so far, there is no systematic explanation from the theoretic lens of how firms can best balance short- and long-term sustainability to ensure short-term efficiency and long-term prosperity” (p. 10). Moreover, spatial and cultural tensions arising from sustainability in multinational business partnerships are missing from the existing empirical studies in sustainability research. Therefore, this study will expand on Smith and Lewis (2011), Hahn and his colleagues’ (2015) discoveries of tensions in sustainability management by
incorporating Peter Li’s (2008) notion of ‘geocentric integration’ into implications of the West-meeting-East trend: Chinese and New Zealand business partnerships.

Following the introduction this paper explores the research background, justifications, objectives, research questions, and the significance of the study. To isolate gaps in the existing knowledge, the next section will critically evaluate the sustainability literature, understanding tensions through *yin yang*, and recent strategies in managing those tensions. This will be followed by a brief outline of the methodology, focusing on the research philosophy and approach, research strategy, data collection, and data analytical methods.

**Research Background**

It is well known that the China–New Zealand Free Trade Agreement has provided more opportunities for Chinese and New Zealand organisations to establish business partnerships (New Zealand Foreign Affairs & Trade, 2012). A business partnership can be understood as a company that has some degree of involvement with another entity’s business dealing, where the participants agree to share the relevant risks and rewards proportionately such as alliances, co-production agreements, joint ventures, or other tools among leading firms (Oumlil, 2015).

Specifically, New Zealand was the first developed country, to sign a Free Trade Agreement (FTA) with the People’s Republic of China on the April 7, 2008. This provided opportunities for both Chinese and New Zealand companies to trade with each other. Then, in 2013, China overcame Australia to become the largest trading partner with New Zealand. It was reported by Statistics New Zealand (2016) that New Zealand’s trade relationship with China has
nearly tripled over the past decade, with two-way trade rising from $8.2 billion in the year ended June 2007 to $23 billion in the June 2016 year (see Figure 1). The Ministry for Foreign Affairs and Trade reported that “we have traded more with China since the Free Trade Agreement entered into force in 2008 than in all our previous history, and growth is faster with China than any of our other major trading partners” (New Zealand Foreign Affairs & Trade, 2014).

**Figure 1: New Zealand’s trade in goods and services with China rolling annual 2007-2016**
(Source from Statistics New Zealand (2016))

During the state visit of President Xi Jinping of the People's Republic of China to New Zealand in 2014, a series of commercial partnerships and agreements were confirmed such as a statement of intent on proposed strategic alliance between Air New Zealand and Air China, Huawei Technologies and Spark New Zealand Trading 3G/4G Project, and the Chinese technology manufacturer Haier’s joint venture with Fisher & Paykel New Zealand (New Zealand Trade & Enterprise, 2014). Furthermore, it was reported on March 27, 2017 that China Prime Minister Li Keqiang and New Zealand Prime Minister Bill English have agreed
to update China-New Zealand Free Trade Agreement in April, 2017 (O'Sullivan, 2017). English said this FTA upgrade would help achieve the Government's target of $30 billion in two-way trade by 2020. Therefore, China and New Zealand trading partnerships not only strengthen the ties between the two parties in business relationships but also benefits both economies, and this is expected to be continued in the future.

By catching the above opportunities, more and more Chinese and New Zealand firms have established their trading partnerships in order to seek financial benefit. However, the desire for financial prosperity alone is insufficient, and as Chinese and New Zealand firms continue to develop partnerships, big challenges are anticipated around tensions arising from sustainability, particularly by different cultural backgrounds, and different logics in response to tensions. If these tensions cannot be managed into a balanced situation, then it will not only have a negative impact on mutual financial profits, but could also put business partnerships in danger.
Justifications of the Study

Hahn et al. (2015) argue that tensions inherent in sustainability have become the most unsettling challenge for organizations in a global business setting. Accordingly, Wu et al. (In Press) noticed that the majority of global firms failed to capture sustainability in a holistic picture, because they lack effective strategies in how to address the complex relationships among tensions. Additionally, when confronting two or more conflicting sustainability demands, Van der Byl and Slawinski (2016) observed that most global firms often prioritize the economic dimension over social and environmental domains and/or adopting “an instrumental logic where firms seek immediate financial gains from their social and environmental investments” (Gao & Bansal, 2013, p. 241). For example, organisational decision-making cannot address the long-term nature of the benefits that business provides future generations and society (Schwartz & Carroll, 2008). If tensions are managed by following this instrumental logic, then ultimately, it will impact negatively on all the stakeholders involved and for sustainability development as a whole.

Potential tensions may arise when Chinese and New Zealand organisational decision-makings have divergent sustainability opinions in addressing economic, social and environmental outcomes. Hahn et al. (2015) argue that most global firms have different decision-making processes in how to address economic prosperity, environmental protection, and social justice simultaneously. For instance, as Li (2016) illustrated, diverse opinions surface when social value is in conflict with financial profit, and this impacts on organizational decision-making. While some companies may favor financial profit over social value, others focus on social value with little concern for financial profit.
In addition, tensions may occur when Chinese and New Zealand firms in trading partnerships have different views in how to balance short-term financial prosperity for business and long-term profit from a societal perspective. Slawinski and Bansal (2015) observed that companies tend to have different strategies in addressing short-term business success and long-term societal prosperity by exploring five selected firms operating in Alberta’s oil sands. Slawinski and Bansal found that two companies tended to focus more on how to reduce financial cost, which then produced more greenhouse gas. In contrast, the other three firms tended to explore effective strategies for addressing both organisational success and societal issues.

Further, tensions may arise when stakeholders have divergent or conflicting sustainability beliefs in addressing economic, social and environmental outcomes (Hahn, 2012). This is because sustainability involves the simultaneous recognition of varying, but often conflicting demands of a wide set of stakeholders (Clarkson, 1995; Maon, Lindgreen, & Swaen, 2008) who tend to apply different individual logics than firms. As an illustration, Chinese and New Zealand firms in trading partnerships may encounter tensions when their decision-making confronts stakeholders’ divergent sustainability beliefs in addressing economic, social and environmental goals.

In particular, when confronting pressure from different national standards in practicing sustainability, tensions may arise when Chinese and New Zealand firms in business partnerships confront the challenge of either obeying New Zealand or China’s country standards. Hahn et al. (2015) argue that when firms operate sites in developed and developing countries with different sustainability standards, these multinational firms confront the challenge of either obeying host country or their own home country standards (Okereke, 2006). For instance, China and the US government have diverse strategies and beliefs on how
to maintain energy security, while “the US advocates improving the transparency and efficiency of the energy market, China emphasizes the influence of the political environment on energy stability. The different views held by the two nations directly lead to varying behaviours in their respective energy markets”(Wan & Craig, 2013, p. 95). Accordingly, the differences between China and New Zealand national sustainability standards result in divergences in their organisational strategies, as an approach from one party may be refused by another.

Additionally, as being influenced by Eastern and Western cultural backgrounds, Chinese and New Zealand firms tend to have divergent responses to conflicts or contradictions, which make managing them more complex, ultimately creating more difficulties for them to capture sustainability holistically. Li (2016) argues that as influenced by different cultural values, the West and East tend to have different epistemologies in response to tensions, such as a situation where social value is conflict with financial profit. Li explains that Westerners tend to find the distinctions between conflicting elements by following an ‘either/or’ logic through choosing one goal over another. In contrast, Easterners tend to synthesis the links among the opposites by taking these elements together. Here, the East refers to “the geographical areas traditionally influenced by the ancient Chinese civilization” (Li, 2012, p. 850), while the West was originally defined as countries including “the United States, Canada, the European Union nations, Australia and New Zealand, which are traditionally influenced by ancient Greek civilization” (Hayford, 2009, p. 893). In this regard, the researcher is encouraged to explore how Chinese and New Zealand firms interpret and respond to tensions in sustainability beliefs and values.
In order to manage tensions holistically, Smith and Lewis (2011) established a dynamic equilibrium model through virtuous cycles in managing tensions between short-term and long-term sustainability goals in organisations; drawing on acceptance and resolution strategies (separation and synthesis). Based on this model, Hahn et al. (2015) has built a similar model of managing tensions in sustainability through two stages, which requires firms to acknowledge tensions and understand their nature first, and then apply acceptance and resolution strategies in response to them.

Further, Li (2016) found that Western epistemologies tend to adopt separation strategies in managing tensions, while Eastern epistemologies tends to favour synthesis strategies in dealing with two or more opposing elements. In this way, he established a duality map in balancing social value and financial profit by integrating Western and Eastern epistemologies into a geocentric-meta system, which can be best illustrated by yin yang. Li explains that Western ‘either/or’ logic tends to “treat opposites as fully conflicting without complementary, while Eastern ‘both/and’ logic tend to treat opposites as fully complementary without conflict” (p. 60).

According to his view, too much of either of views create an unbalanced situation, which is insufficient to manage tensions in a holistic view. Tension between social value and financial profit cannot be resolved, but can be managed from an unbalanced position to a healthy, balanced situation where they are partially opposing and partially complementary with each other. Li (2016) argues that “yin yang balancing is unique because it has the ability to integrate Western ‘either/or’ and Eastern ‘both/and’ systems into a duality which situates tensions in a partial conflicting and partial complementary position” (p. 60). In this way, tensions can be effectively managed into a dynamic, holistic situation, and he has closely
examined the complex and dynamic relationships among tensions compared to Smith and Lewis (2011) and Hahn et al. (2015).

Although Li (2016) proposed that his duality map can be applied in managing the conflict between social value and financial profit by integrating Western and Eastern epistemologies, this proposition still lacks conceptual and empirical studies in exploring within specific context. Therefore, this research is particularly designed to fill these gaps by integrating Smith and Lewis (2011), Hahn and his colleagues’ (2015) discoveries of tensions in sustainability management and Peter Li’s (2008, 2016) notion of ‘geocentric integration’ into implications of the West-meeting-East trend: by exploring tensions arising from sustainability in a specific context of Chinese and New Zealand business partnerships.

**Research Objectives**

The objectives of this research are:

- To deepen understandings of tensions arising from divergent sustainability demands and their complex relationships in the specific context of Chinese and New Zealand organisational trading partnerships;
- To explore how do these firms manage these tensions and their complex relationships holistically for sustainability development;
- To investigate the similarities and differences between Chinese and New Zealand organisational decision-makings in response to tensions in sustainability.
Research Questions

- What are the tensions that emerge frequently in sustainability in the context of Chinese and New Zealand organisational trading partnerships?
- How do these firms address these tensions inherent within a holistic sustainability agenda?
- What are the similarities and differences between Chinese and New Zealand organisational decision-makings in response to these tensions?

Research Potential Contributions

The potential contributions of this research are two-fold: both to theory and practical application. Theoretically, this study will enrich the existing literature of tensions inherent in sustainability and closely explore their complex relationships by conducting empirical research in Chinese and New Zealand business partnerships context. Moreover, this study will contribute to a more refined framework by enriching Smith and Lewis (2011), Hahn et al. (2015) and Li’s (2016) strategies and propositions in how to effectively manage tensions inherent in sustainability.

As for the application of the theory, a refined framework is expected to provide firms with better understanding of tensions, their characteristics, and how to manage them holistically. It is expected to add more value on yin yang by investigating tensions arising from sustainability particularly located within Chinese and New Zealand business partnerships. In addition, this study will guide those Chinese firms who are doing business with New Zealand firms in addressing tensions arising from sustainability management.
Literature Review

Conceptualising Holistic Sustainability

Hahn et al. (2015) argue that sustainability is a holistic concept which requires seemingly conflicting yet complementary environmental protection, economic prosperity, and social justice outcomes to be satisfied simultaneously in both the present and future. This understanding can be explained from the definition of sustainability and an integrative view in depicting sustainability from paradox theory.

When dating back to earlier literature, the concept of sustainable development was brought into common usage by the Brundtland Commission in 1987 in its report *Our Common Future*, defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 27). In this regard, Dyllick and Hockerts (2002) suggested that a two-dimensional perspective consisting of short-term survival and long-term sustainable development is applicable to understanding the concept of sustainability. From this perspective, Bansal (2002) posits that sustainability is a society-level concept which requires firms to not only contribute to organisational prosperity in the short-term but to the development of the whole society in the long run. Further, Hörisch, Freeman, and Schaltegger (2014) argue the necessity for the co-existence of both a short-term and a long-term perspectives in a sustainable enterprise. In other words, firms are suggested to “meet the needs of firms’ direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.) without compromising their ability to meet the needs of
future stakeholders” (Dyllick & Hockerts, 2002, p. 131) for sustainability development as a whole.

In addition, Elkington (1994) introduced the triple bottom line as a measurement for organisational sustainability practice and he encouraged that organisational business activities should take into three distinct bottom lines into consideration. In his 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, he described the elements of the triple bottom line as the economic bottom line which considers ‘the profit’, ‘the people’s’ bottom line which contains social responsibility and ‘a planet’ bottom line which takes into consideration the environmental impacts of any given activity.

According to Elkington (1997), “People” is referred as social sustainability which has the ability of a social system, such as a country, to function at a defined level of social well-being indefinitely. “Planet” refers to sustainable environmental practices, which describes the capacity to benefit the natural order as much as possible or at the least do no harm and minimize environmental impact. “Profit” is referred as economic sustainability which is the ability to support a defined level of economic production indefinitely. The main concerns of these three dimensions are shown in Table 1 below:

**Table 1: Measures of Sustainability Dimensions: Adapted from Savitz and Weber (2006).**
It is argued that sustainability must develop synergistically with three non-substitutable kinds of capital relevant for coevolution: economic, social and environmental (Dyllick & Hockerts, 2002, p. 132) as an integrated concept. This sustainability triple bottom line “recognises that organisational growth and profitability are important, but it requires global firms to pursue societal goals, especially those relating to sustainable development – environmental protection, social justice and equality and economic development” (Wilson, 2003, p. 1).

With the development of sustainability literature, an integrative view emerges that “seeks to bring together the three elements of sustainability holistically – economic, environmental and social – without favoring any one element” (Van der Byl & Slawinski, 2016, p. 58). In fact, the integrative view holds that “counterbalancing the heavy focus on economics with an

<table>
<thead>
<tr>
<th>Environmental Sustainability</th>
<th>Economic Sustainability</th>
<th>Social Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• SO2 concentration</td>
<td>• Income</td>
<td>• Rate of unemployment</td>
</tr>
<tr>
<td>• Concentration of Nitrogen oxides</td>
<td>• Cost of under or un-employment</td>
<td>• Gender diversity i.e. female labour force utilization</td>
</tr>
<tr>
<td>• Universally accepted priority Pollutants</td>
<td>• Size of establishment</td>
<td>• Median household income</td>
</tr>
<tr>
<td>• Power consumption</td>
<td>• Job growth in terms of monetary measures</td>
<td>• Poverty rates</td>
</tr>
<tr>
<td>• Fossil fuel utilization</td>
<td>• Employment distribution based on sectors</td>
<td>• Percentage of population with education over post-graduation</td>
</tr>
<tr>
<td>• Waste Management</td>
<td>• Percentage of firms in each sector</td>
<td>• Life expectancy changes</td>
</tr>
<tr>
<td>• Hazardous waste management</td>
<td>• Revenue of sector contribution to GDP</td>
<td></td>
</tr>
</tbody>
</table>
approach that places more weight on environment and social considerations” in achieving sustainability without favouring one over another (p. 59).

Moreover, Smith and Lewis (2011) discovered sustainability elements sometimes are contradictory with each other. It is difficult to handle by simply placing more efforts on environmental or social goals in an integrative view. In order to manage these conflicting demands, Hahn et al. (2015) capture sustainability in an holistic view based on paradox theory, which is built on the literature of strategic tensions, contradictions and paradoxes (Ford & Ford, 1994; Poole & Van de Ven, 1989).

**Theoretical Perspective: Paradox Theory**

Heijenoort (1967) regards paradox as logical and his rhetorical studies have described it as “consist[ing] of two contrary or even contradictory propositions to which we are led by apparently sound arguments” (p. 45). Individually, each proposition is incontestable, but together they imply tension. By contrast, Poole and Van de Ven (1989) argue that paradox has come to mean a condition or relationship that is beyond reason or logic, and is composed of the Greek words *para*, for “past” or “contrary to,” and *dox*, for “opinion”. Moreover, Poole and Van de Ven observe that when regarding ‘opinions’ together they appear to be incompatible. Paradox thus is helpful for “understanding how to work with theoretical contradictions and oppositions embedded in complex traditions” (p. 563). Further, Cameron and Quinn (1999) argue that “paradox includes and embraces ideas that seem to clash irreconcilably, suggesting that the seemingly contradictory or mutually exclusive elements out of which a paradox is constructed actually operate simultaneously” (p. 2). They also illustrate that, in a paradox, no choices need to be made between two or more contradictions
or opposing voices. Echoing Cameron and Quinn, Lewis (2000) notes that “paradox denotes contradictory yet interrelated elements – elements that seem logical in isolation but absurd and irrational when appearing simultaneously” (p. 760).

Recently, some scholars in sustainability research started to apply paradox theory to better understand the concept of holistic sustainability. Berger, Cunningham, and Drumwright (2007) described a “syncretic steward” model where “diverse perspectives could be negotiated, balanced, and integrated, and [have] to co-exist with strong economic forces” (p. 147) in a dynamic position. Smith and Lewis (2011) stated that sustainability embeds “contradictory yet interrelated elements that exist simultaneously and persist over time” (p. 382) in exploring the peak performance for both short-term and long-term sustainability demands.

Therefore, in this study, sustainability can be understood as a holistic concept which requires seemingly conflicting yet complementary environmental protection, economic prosperity, and social justice outcomes to be satisfied simultaneously in both the present and future (Hahn et al., 2015; Van der Byl & Slawinski, 2016). However, in order to achieve holistic sustainability, most global firms are facing challenges on how to address tensions inherent in sustainability (Xu, Yang, Quan, & Lu, 2015). In the next section, potential tensions will be identified in the context of Chinese and New Zealand trading relationships:
Identifying Tensions Arising from Sustainability in the context of Chinese and New Zealand Trading Partnerships

Based on the literature, several potential tensions may arise from sustainability when Chinese and New Zealand firms enter business partnerships: First, Hahn et al. (2015) argue that most global firms have different decision-making in how to address economic prosperity, environmental protection, and social justice simultaneously. For instance, Li (2016) illustrated organizational decision-makings have diverse opinion when social value is in conflict with financial profit. While some companies may favor financial profit over social value, some focus more on social value with little concern for financial profit, others may focus more on financial profit than social value or emphasize social value over financial profit. In this regard, tensions may arise when Chinese and New Zealand firms in partnerships have divergent focuses or priorities in addressing environmental, social and economic outcomes.

Second, Hahn et al. (2015) demonstrate that tensions arise from individual agendas and organisational decision-making, where individuals who have divergent views which are in conflict with organisational perspectives. This is because sustainability involves the simultaneous recognition of varying, but often conflicting demands of a wide set of stakeholders (Clarkson, 1995; Maon et al., 2008) who tend to apply different individual logics than firms (Hahn, 2012). Stakeholders are “all individuals with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another” (Donaldson & Preston, 1995, p. 68). Hahn et al. (2015) argue that although these stakeholder groups have different interests, even
sometimes conflicting requirements of firms. For instance, while some stakeholders might have the motivation to address a social or environmental issue and see their organisation as a means to do so, others will not see sustainability as an issue their organisation should address. Firms must address demands of major stakeholders who have the potential to damage organisational reputation in the marketplace (Eweje, 2006). In parallel, stakeholder theory holds that effective management requires the balanced consideration of and attention to the legitimate interests of all stakeholders (Hörisch et al., 2014).

Third, Slawinski and Bansal (2015) observed that companies tend to have different strategies in addressing short-term business success and long-term societal prosperity by exploring five selected firms operating in Alberta’s oil sands. The Alberta oil sands in Canada contain the third-largest oil reserves in the world, behind Saudi Arabia and Venezuela. The heavy oil contained within Alberta’s oil sands has the consistency of thick, sticky tar and in 2009, accounted for 6.5% of Canada’s greenhouse gas (GHG) emissions, and were expected to double from 2010 to 2020 (Department of Natural Resources Canada, 2012). Companies operating in Alberta oil sands are faced with dilemmas. They can either mitigate climate change ahead of regulations by investing in technologies that reduces GHG emissions with high cost and uncertain benefits, or reap short-term profit by extracting the oil while waiting for the government regulations to take effect (Keith, 2000). Similarly, tensions may arise when Chinese and New Zealand firm in trading partnerships have different organisational practice in addressing short-term business success and long-term societal prosperity.

Further, Hahn et al. (2015) identified that spatial tensions occur when multinational firms trade with each other. For instance, when firms operate sites in developed and developing countries with different sustainability standards, these multinational firms confront the
challenge of either obeying host country or their own home country standards in sustainability (Okereke, 2006). For instance, China is the largest developing country and the largest carbon emitter in the world. Although China has made some regulations to reduce the greenhouse gas, it still faces challenge in formulating carbon allowance allocation policy. In order to improve the system complexity and information incompleteness, in 2012, Chinese government has launched a regional ETS (Emission Trading System) to investigate an efficient way to for national CO2 reduction by focusing on carbon emission intensity (Ye, Jiang, Miao, Li, & Peng, 2016). As a result, Shenzhen has become the first regional ETS in China for its implementation. In contrast, New Zealand has already has an advanced national ETS which covers the sectors of industrial process, transport fuel, agriculture and electricity production for reducing greenhouse gas volume (New Zealand Ministry for the Environment, 2015). Therefore, it can be seen that China and New Zealand have different strategies in reducing greenhouse gas emission. China still needs to establish its own ETS for CO2 reduction by exploring and testing the results of regional ETS, while New Zealand’s ETS is developing at a highly-advanced stage in the world. On the one hand, Chinese CO2 policies mainly focused on how to reduce the intensity while New Zealand’s emphasis on reducing the total volume of the CO2. As an illustration, as being influenced by different national sustainability regulations and standards, tensions may arise when Chinese and New Zealand firms in partnerships have different focuses on sustainability issues.

Additionally, due to Eastern and Western cultural backgrounds, Chinese and New Zealand firms tend to have divergent responses to conflicts or contradictions, making them more complex to manage. For instance, the conflict between financial profit and social value. Li (2016) argues that Western and Eastern cultures tend to have different responses to tensions
or contradictions. In parallel, Peng and Nisbett (1999) believe that fundamental cultural
differences in ontology and epistemology at a philosophical level lead to substantial cognitive
differences in approaching opposing elements. In their study of divergent cultural approaches
to contradictions, they found that “the Chinese take a dialectical, or compromise, approach
that retains basic elements of opposing perspectives, rather than polarizing the contradictions
as in Western thought” (Chen, 2002, p. 186).

To explain, Chen (2002) suggest that “in many respects, Chinese and Western worldviews
are philosophically opposed” (p. 183). In terms of Western philosophy, Li (2012) describes
that there are two core epistemological systems in the West, namely Aristotle’s “either/or”
formal logic and Hegel’s dialectical logic as the “both/or” system, which has dominated in
the Western (p. 47). Characterised by this analytical view, Western firms tend to regard
tensions as independent objects, thus denoting a “loosening” or “breaking apart” by
polarizing contradictory perspectives to determine which fact or position is deemed to be

In contrast, Chen (2002) argues that “Chinese philosophical origins are deeply rooted in the
‘middle way’ teachings of such influential philosophers as Confucius and Lao Tzu (the
founder of Taoism)” (p. 183). Confucian philosophy recommends zhong he, a concept based
on middle way thinking. Literally, the “middle way,” zhong, and “harmony,” he, is the key to
achieve prosperity: “If zhong he is reached, writes Confucius in The Book of Means, “heaven
and earth will be in place, and all things will grow”(Chen, 2002, p. 183). Even today, Chinese
culture continues to place a high value on the middle way. At the deepest level the “middle
way” is a both/and dialectical epistemology, which is distinct from the formal logic paradigm
dominating in Western traditions (Liu, 1974; Lloyd, 1990). Li (2008) argues that the Chinese
“both/and” thinking may enable tolerance for contradictions or even appreciation of tensions, consequently maintaining an integrative view by synthesizing the link between the opposites.

From the above discussion, Chinese and New Zealand firms in trading partnerships are confronting several tensions arising from sustainability (see Figure 2), which needs both parties to make efforts in managing them.

**Figure 2: Potential Tensions Arising from Sustainability in Chinese and New Zealand Firms in Trading Partnerships: Adapted from Hahn (2012), Hahn et al. (2015), Sławinski and Bansal (2015) and Li (2016).**

In order to better understand tensions and their complex relationships, the next part will explore traditional Chinese philosophy: *yin yang.*
**Yin yang Denotes Tensions in Sustainability Management**

*Yin yang*, an ancient Chinese philosophical principle, is regarded as the best-known symbol in East Asia. Figure 3 below represents *yin yang* symbol, a curvy line has divided the whole into two equal halves, namely, the black half is *yin* and the white half is *yang*. According to *yin yang* philosophy, all universal phenomena are formed by two opposite immense energies with *yin* representing ‘female’ energy while *yang* being ‘male’ energy. For instance, the *yin* ‘female’ energy contains the moon, night, weakness, darkness, softness, and femininity. In contrast, the *yang* ‘male’ energy includes the sun, day, strength, brightness, hardness, and masculinity. A black dot in the white area and the white dot in the black area signify that each of them exists in other and they both coexist in everything in the world. The curvy line between *yin* and *yang* shows that although they are contradictory elements, there is no absolute separation between them. Opposite elements will mutually transform in to each other in a process of balancing under various conditions at different time.
According to *yin yang* philosophy, Smith and Lewis (2011) argue that “the distinguishing characteristics of paradox are illustrated by Taoism philosophy symbol of *yin yang*” (p. 386), which enables a better understanding of tensions in sustainability management. For instance, opposing sustainability elements A and B are shown in Figure 4. Their distinctions are tinted by the borders which emphasises differences between A and B. At the same time, their synergies are also highlighted by the external border which functions the interdependence and interconnections between A and B. In this way, a dynamic relationship will be created between A and B thus ensures their persistence over time.
Consistently, Wu et al. (In Press) suggest that *yin yang* philosophy can be seen as a theoretical base which can be applied to the short-term and long-term sustainability context. They said

short-term and long-term sustainability can be resembled by *yang* and *yin* because they are seemingly conflicting but in nature, they depend on the other and keep changing to the form of the other. On the one side, an over emphasis on either short-term profit benefit or long-term societal development might harm one over another. On the other hand, if short-term sustainability practices be managed properly, then gradually it will turn into profound long-term prosperity. Long-term sustainability practices can also bring firms with unexpected benefits which can facilitate the function of short-term sustainability (p. 9).

**Recent Strategies in Managing Tensions in Sustainability**

By reviewing the past 11 years from 2003 to 2011 of the top management and sustainability journal articles, Van der Byl and Slawinski (2016) found there are four general approaches in how tensions in sustainability are managed by firms: win-win, trade-off, integrative, and paradox (see Table 2).
Table 2: Approaches to Tensions: Adapted from Van der Byl and Slawinski (2016, p. 57).

<table>
<thead>
<tr>
<th>Approach</th>
<th>How tensions are managed</th>
<th>Articles</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win-win</td>
<td>Tension avoided through alignment or optimization of sustainability elements.</td>
<td>60</td>
<td>Instrumental (economic focus on shareholders and profit maximization)</td>
</tr>
<tr>
<td>Trade-off</td>
<td>Tension avoided as one sustainability element chosen over another.</td>
<td>42</td>
<td>Instrumental (economic focus on shareholders and profit maximization)</td>
</tr>
<tr>
<td>Integrative</td>
<td>Tension managed by shifting focus from economic to social and/or environmental</td>
<td>39</td>
<td>Integrative (rebalance from instrumental to equal weighting of sustainability elements)</td>
</tr>
<tr>
<td>Paradox</td>
<td>Acceptance and exploration of tensions.</td>
<td>8</td>
<td>Paradox.</td>
</tr>
</tbody>
</table>

However, they noticed that most organisational strategies focus on “an instrumental logic where firms seek immediate financial gains from their social and environmental investments” (Gao & Bansal, 2013, p. 241), thus prioritizing the economic dimension and downplaying the interdependence and interconnections among divergent sustainability demands such as win-win and trade-off.

**Win-win and Trade-off Approaches**

By following an instrumental logic, the win-win approaches motivate firms to look for alignment between social, environmental and economic goals. The alignment logic reflects “beliefs in a unitary truth which means inconsistencies cannot fundamentally coexist” (Smith & Tushman, 2005, p. 522). In other words, by looking for the business case between economic and social and/or environmental goals, researchers avoid addressing the tensions between these often disparate sustainability objectives (Bonacchi & Rinaldi, 2007). Some critics argue that the win-win approach is too simplistic, that it ignores the complexity and
dismisses tensions by viewing sustainability through the lens of profit maximization (Hahn, Figge, Pinkse, & Preuss, 2010; Hahn et al., 2015; Van der Byl & Slawinski, 2016).

Similarly, a trade-off approach is defined as “an exchange of one thing in return for another: especially relinquishment of one benefit or advantage of another regarded as more desirable” (Angus-Leppan, Benn, & Young, 2010, p. 231). Further, Hahn et al. (2010) stated that a trade-off may entail “accepting a relatively small loss in economic performance to generate a substantial social or environmental benefit (that) might well result in a greater positive contribution to sustainable development compared with a situation of minor gains in economic performance alongside modest improvements in environmental or social performance” (p. 220).

Consequently, trade-off approaches may result in a situation where tensions have been eliminated when firms are pressed to make a choice among divergent sustainability demands. Moreover, Slawinski and Bansal (2015) posit that if firms are pressed to make a choice, typically they tend to favour financial goal. In practice, this makes sustainability goals secondary. In this way, “a win-lose proposition is thus formed where the net sum gain to sustainability is positive but the impact on any of the sustainable dimension is negative” (Van der Byl & Slawinski, 2016, p. 58).

An Emerging Integrative Approach

During Van der Byl and Slawinski’s (2016) review, also found that while win-win and trade-off approach still lead the field, an integrative approach has emerged in addressing tensions in sustainability. Moving beyond the win-win and trade-off approaches, an integrative approach
suggests that the environmental, social and economic sustainability dimensions should be balanced without favouring one over another. In other words, it emphasises how to integrate sustainability dimensions equitably by placing more weight on the environmental and social perspectives to counterbalance the overweight on economic prosperity. For instance, by simply integrating sustainability elements or theories, this integrative approach is hard to capture the nature of tensions and how to address them systematically.

Different from win-win, trade-off and integrative approaches in managing tensions in sustainability context, Van der Byl and Slawinski (2016) calls on a paradox approach for organisations to manage the seemingly contradicting yet interrelated sustainability dimensions systematically. Unfortunately, they discovered that there is “a limited number of empirical studies that examine tensions using an integrative or paradox lens” (p. 57). For instance, Smith and Lewis (2011), Hahn et al. (2015) and Li (2016) have established their models in addressing tensions in sustainability holistically by adopting a paradox lens. Based on their models, the initial theoretical framework will be displayed on how to address tensions in sustainability within Chinese and New Zealand business partnerships.

**Theoretical Perspectives**

Based on paradox theory, Smith and Lewis (2011) established a dynamic equilibrium model through virtuous cycles in managing tensions between short-term and long-term sustainability goals in organisations. Based on Smith and Lewis’s (2011) model, Hahn et al.’s (2015) model has divided how to manage tensions in two stages. In the first stage, firms need to acknowledge tensions and understand their nature. The second stage consists of acceptance and resolution strategies. When tensions arise from sustainability, an acceptance strategy
fosters firms to have divergent opinions in understanding and interpreting problems by reducing defensiveness (Cameron, 1986). This provides firms with more opportunities for constructive debate over tensions, which encourages an atmosphere of creativity and participation. In this way, it not only keeps the paradox open without eliminating or favouring one idea over another, but also provides firms with a better understanding tension (Beech, Burns, Caestecker, MacIntosh, & MacLean, 2004). Resolution strategy does not “imply eliminating a tension but, rather, finding a means of meeting competing demands or considering divergent ideas simultaneously” (Smith & Lewis, 2011, p. 386) by means of separation and synthesis. Separation strategies enable firms to identify the distinctions in each of the two opposing domains, thus developing skills for addressing each opposing pole while avoiding disruption stemming from the oppositional pole (Smith & Tushman, 2005). By synthesising the link between two oppositional poles, firms are offered an alternative way of making sense of tensions through a mediating logic.

By observing the differences of Western and Eastern epistemologies in approaching tensions, Li (2016) has closely examined the dynamic relationships among tensions by linking separation strategy with Western epistemology and synthesis strategy with Eastern epistemology into a geocentric-meta system. This will be best illustrated by yin yang balance. His argument is that too much Western ‘either/or’ logic (separation) or too much Eastern ‘both/and’ (synthesis) logic creates unhealthy situations where tensions cannot be managed into a dynamic equilibrium. The uniqueness of yin yang is “it has the ability to integrate the ‘either/or’ and ‘both/and’ systems into duality (thus be ‘either/and’ system) by reframing the systems as opposites in unity” (Li, 2016, p. 60). Its duality characteristic keeps tensions partially contradictory and partially complementary in a dynamic and healthy positon.
In this regard, Li (2016) has established a duality map which he proposed that it can be applied for organisations to balance social value and financial profit in sustainability context. To explain, he scenarios four groups who have divergent opinions to deal with social values and financial profit. In this duality map, he proposed that an unhealthy tension occurs when both opposite goals are pursued with an extremely symmetrical intensity, or if the opposite goals are pursued at the expense of the other. This duality map also posits that “a minimal level of tensions arising from the fundamental distinctions between the opposite element is necessary of harmony because harmony cannot occur without a complementary diversity” (p. 66).

However, his proposition still needs to be explored and enriched by conducting more empirical studies in exploring tensions in sustainability research. More importantly, specific context is missing in Smith and Lewis (2011), Hahn et al. (2015) and Li’s (2016) models. To fill this gap, the proposed theoretical framework (Figure 5) for this study as below has integrated their models into addressing tensions arising from sustainability in Western meeting Eastern trends: particularly in the context of New Zealand and Chinese business partnerships.

**Proposed Theoretical Framework**

To explain, the proposed theoretical framework aims to manage unhealthy tensions in sustainability into a balanced, holistic and dynamic situation. This framework is composed of virtuous cycles. It starts with the blue that implies Chinese and New Zealand firms in partnerships need to acknowledge tensions and understand the very nature of tensions in sustainability through exploring the characteristics, which provides vital groundwork. Then,
following the integrative view, managers need to accept and embrace the tensions inherent in sustainability and acknowledge the need to combine different desirable but seemingly incompatible sustainability aspects without emphasising one aspect over others. Then it comes into the green circle, which needs to integrate Western and Eastern epistemology into a geocentric-meta system in managing tensions. By seeking valued differences between competing forces while also identifying potential synergies, tensions will be more acceptable and managed into a balanced situation, ultimately achieving holistic sustainability. It is expected that after conducting this empirical study, more values will be added into this initial framework, which will not only provide implications to New Zealand and Chinese firms in better managing tensions in sustainability, but also for other multinational companies who are confronting similar issues.

**Figure 5: A Dynamic, Geocentric Integration Model based on Smith and Lewis (2011), Hahn et al. (2015) and Li (2016)**
Methodology

Research Philosophy

To address the research questions, a qualitative, interpretive exploratory study in an abductive reasoning with a multiple-case study design will be conducted in this research. Interpretivism is a contrasting epistemology to positivism which advocates a constructionist ontology that requires a strategy to respect the differences between people and the objects of the natural sciences, and therefore requires the social scientist to grasp the subjective meaning of social action, and the social meanings that are continually being accomplished by social actors (Bryman & Bell, 2003; Creswell, 2013). Researchers embedded with interpretivism and constructionism tend to adopt qualitative research methods. Qualitative research is “a research strategy that is based on an interpretive epistemology and constructionist ontology understand the world through eyes of people involved in an empathetic way” (Bryman & Bell, 2003, p. 26). The reasons why a qualitative method is proposed is that it addresses “what, how and why?” questions (Eisenhardt & Graebner, 2007, p. 27). Although the collected data is subjective, it helps researchers know what people think in detail (Babbie, 2007). In addition, it allows researchers to see the world through the eyes of the participants (Gavin, 2008). It is the explanation and description of the world from informants’ perspectives that provide an account of the context within which people’s behaviour takes place (Perry & Kraemer, 1986).

An abductive reasoning will be adopted for this study, because it provides a third way between deductive and inductive approaches, in which the inquiry starts with a basic theoretical knowledge before collecting empirical data, continues with the theory matching,
and ends with a new theory or expansion of the existing framework (Peirce, 1974). In this regard, the existing theoretical models have been found in how to address tensions in sustainability context from the current literature. The hope of this study is to establish a new model which enriches the proposed theoretical framework.

**Research Method**

In order to establish a comprehensive theoretical framework, multiple-case studies will be conducted in exploring tensions inherent in sustainability management and how to manage their relationships in the China–New Zealand business context. Calling on Lewis’s (2000) argument, it is necessary to rely on ethnographies and case studies when conducting empirical studies of paradoxical sustainability tensions. The case study enables a researcher to closely examine the data within a specific context (Tellis, 1997), focusing on understanding the dynamics present within single settings (Eisenhardt, 1989). Further, the multiple-case study is more suitable than a single-case study for theory building (Eisenhardt & Graebner, 2007), because it uses replications, contrasts, and extensions of each case.

Another merit of the multiple-case study design is comparative design (Yin, 1994). A variety of data sources enables the researcher to compare and contrast the findings deriving from each of the cases. This in turn encourages researchers to consider what is unique and what is common across cases, and frequently promotes theoretical reflections on the findings. Moreover, Stake (1995) states that the goal of the case study should concentrate on the unique and particularization of the case in order to develop a deeper understanding of the complexity of tensions inherent in sustainability management, the differences and common
understandings, and responses towards tensions from Chinese and New Zealand firms’ perspectives.

**Case Selection, Sampling and Participants**

Purposeful sampling and snowballing techniques will be used for case selection and choose potential participants. The empirical study will be conducted at head offices, regional offices of New Zealand large organisations in business partnerships with Chinese large overseas subsidiaries operating in New Zealand. Theoretical sampling, as a form of purposeful sampling, is often adopted in multiple-case study, and simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs (Eisenhardt & Graebner, 2007). Compared to random sampling, purposeful sampling is chosen for this research mainly because it increases the representative of cases, thus strengthening the theoretical generalisation (Yin, 2003), reliability and validity of the research (Eisenhardt, 1989; Patton, 1990). Accordingly, the initial criteria for selecting companies are set as below:

1. The number of cases is based on the replication logic (Yin, 1994). A number of 10–12 large Chinese and New Zealand organisations who are in business partnerships will be selected as 5–6 cases;

2. Large New Zealand firms and Chinese large overseas subsidiaries operating in NZ are selected and categorised by Statistics New Zealand (Ministry of Business Innovation and Employment, 2016);
3. Selected companies should be dedicated to pursuing all three objectives of the triple bottom line, which ensures that companies have relatively mature sustainability strategies and implementation report and participants are knowledgeable in the practice of sustainability.

The initial criteria of participants for the interview are shown as below:

1. A number of 20–24 managers as participants whose responsibilities lie in management and sustainability;
2. In order to increase the variety of the sample, the informants’ come from a diverse range of industries such as health and safety, energy and power, aviation, dairy, IT and technology, chemicals, transportation and other areas. The informants also vary in years of experience in management, ranging from new entrants to more than 30 years of professional experience.

At the end of each interview, informants are asked to introduce other target participants whose responsibility mainly lies on management and sustainability. In order to gain access to potential informants, snowballing through e-mail, Skype and Wechat will also be used.

**Data Collection**

Semi-structured face-to-face in-depth interviews and focus group discussion will be utilised for data collection. In the first part, semi-structured format face-to-face in-depth individual interviews, which provides the opportunity for the interviewer to explore particular themes or responses further. Semi-structured interviews can gain a broad picture of the situation in the company from various perspectives. Interviews will take place in cafés, offices or other quiet
places, which provides flexibility and freedom for informants, increasing the chance of exploring deeply data, with each interview lasting about 40–60 minutes.

In the second part, ideally four to five focus groups from the selected companies (4–5 participants each group) will be conducted with key personnel who are involved in management and decision-making in the companies. Morgan (1996) defines the focus group as “a research technique that collects data through group interaction on a topic predetermined by the researcher” (p. 130). The reason why focus groups will be adopted in this study is that: first, focus group is considered an easy-to-organise and inexpensive technique for data collection (Stokes & Bergin, 2006). Second, “the focus group for data collection is not solely on what people think but on how they articulate, rationalise, challenge each other’s views and potentially question their own views” (Säynäjoki, Säynäjoki, & Junnila, 2014, p. 6625). Though informal interactive discussion, it enables interaction among participants and maximises the collection of high quality information in a short time (Acocella, 2012). Group dynamics, the type and range of data generated through the social interaction are often deeper and richer than those obtained from one-to-one interviews (Rabiee, 2004). The dynamic interaction also encourages the participants to explain the reasoning behind their thinking, providing the researcher with unexpected findings and insights in relation to other perspectives (Skop, 2006). Third, focus groups could provide information about a range of ideas and feelings that individuals have about certain issues, as well as illuminating the consensus and differences in perspective between groups (Morgan, 1998; Zikmund, 1997).
Data Analysis

Thematic analysis based on grounded theory method will be used for data analysis, which emphasises the intimate dialectical interaction between data collection and theory development through interaction, comparison, and it is beneficial for the reliability and validity of this study through coding process.

Coding in qualitative research is one way of exploring bits of information in the data, and looking for similarities and differences with in these bits to categorize and label the data (Padgett, 1998; Patton, 1990; Tutty, Rothery, & Grinnell, 1996). To code, data are broken down, compared, and then placed in a category. Similar data are placed in similar categories, and different data creates new categories. Coding is thus an iterative, inductive, yet reductive process that organizes data, from which the researcher can then construct themes, essences, descriptions, and theories (see Figure 6).

Figure 6: The Process of Coding Figure: Adapted from Corbin and Strauss (1990, p. 266).
References


Corporative Social Responsibility in the Mexican oil industry. The Social Impact Assessment as a tool for local development.

Armando García Chiang

The development of Corporate Social Responsibility (CSR) in Mexico during the last two decades is closely linked to the various initiatives within the business sector. The first organizations that were involved with CSR (in the second half of the decade of 1990) rose as a central objective to integrate the concept of CSR in the sphere of business.

In Mexico, during the past few years, especially after the second decade of this century, the national and international contexts have been crucial for the incorporation of new actors within the debate on social and environmental responsibility: state owned companies Petróleos Mexicanos (PEMEX) and Comisión Federal de Electricidad (CFE).

About that, it should be noted that in 2012, a new type of contracts were created in Mexico that allowed foreign companies to participate in the phases of exploration, well development and production for the first time in over sixty year although they had to sell their production to the state owned company Petroleos Mexicanos (Pemex) who oversaw the contracts. In addition, to meet the requirements of the “Integral Contracts for Exploration and Production”, the new operators had to set up Corporative Social Responsibility plans founded in Social Baseline Studies.

The so-called Mexican energy reform allowed a completely independent participation of private companies. The supervision of the contracts went to the Ministry of Energy and the National Hydrocarbons Commission (Comisión Nacional de Hidrocarburos, CNH), the social baseline studies became social impact assessments that fulfilled the international standards in the matter and the Corporative Social Responsibility plans turn out to be Social Management Systems. In this context, it is possible to sustain that the participation of private oil companies with corporate social responsibility schemes can contribute to the local development but the application of social responsibility actions does not imply by itself an impact on local development.

Based in the experience of a team of the Universidad Autonoma Metropolitana (UAM), this paper aims to demonstrate that there are 2 essential conditions for actions to actually result in local development of the regions where oil is exploited.

a) Territorialization of the proposals
b) The creation of different types of social responsibility actions.

1 The social responsibility ant the oil industry in Mexico

The development of Corporate Social Responsibility (CSR) in Mexico during the last two decades is closely linked to the various initiatives within the business sector. The first organizations engaged in CSR came about in the second half of the 1990’s. The integration of CSR became a central objective in the sphere of business.

In previous years and until recently, these organizations have developed and implemented various strategies to promote and encourage the integration of the paradigm of social responsibility to the functional schematics for the majority of businesses in Mexico, from the largest and most up to Small and Medium-Sized Enterprises (SMES).

In parallel, the very development of the operational concept of CSR in Mexico has been closely linked to the same group of organizations in the private sector involved in its promotion since the 80s. There has been a close relationship between the Mexican business sector and Social Responsibility regarding CSR development.
During the last five years the development of CSR in Mexico has taken on greater momentum. It is throughout this period when we can find the first alliances between private sector.

During the past few years, especially after the second decade of this century, the national and international contexts have been crucial for the incorporation of new actors within the debate on social and environmental responsibility: state owned companies (PEMEX and CFE)

Between these emerging actors, little by little has been done in terms of relevant development of CSR. For the last 5 years in Mexico, agreements have been signed with international organisations, especially through the bilateral cooperation in the field of CSR, and political statements and initiatives that involves actions in the field of the Mexican legislation and the establishment of agencies specifically dedicated to the development of CSR in Mexico. Another relevant actor during the last five years has been civil society organisations that have expressed their concern about the impacts private sector activities and state owned companies in the field of human rights, environment, corruption, indigenous questions and gender.

The current political and economical situation in Mexican offers the conditions for the civil society to develop links with other actors on an international scale, where CSR is much more developed. This situation is pressing the State and the private sector for further development of CSR and as its benefits could be implemented in a more effective way, beyond the stigma of the philanthropy, or just marketing oriented actions that generate the traditional CSR certifications.

According to the national report prepared by the EU-LAC between the years 2013 and 2015, the Mexican State, through the Federal Government, "undertook to promote the sustainable growth of the country through five main goals, that were included in the National Development Plan 2013-2018: Mexico in peace, Mexico inclusive, Mexico with quality education, Mexico prosperous and Mexico with global responsibility."

In addition, the country as a member of the OECD has put in considerable effort in the implementation of the Development Agenda of the United Nations after 2015, which drives a perspective of social and economic inclusion as a guiding principle".

To have a clearer picture on the current situation of CSR in Mexico surrounding human rights, indigenous peoples, conflicts between communities and businesses and its linkage with the international agreements, it is worth taking into account the perspective of two fundamental actors: the State and non-governmental organisations.

The Mexican State has signed two important international agreements concerning CSR: the first one of them is the Declaration of Santiago (2013) where Mexico, through the Bilateral Cooperation between the EU and the CELAC, promised to realize efforts about the legislation concerning the CSR, as well as in the elaboration of a National Action Plan aligned with the recommendations about CSR that are already contemplated in the majority of the European Union States. The second major agreement signed by the Mexican State is the implementation of the OECD Guidelines for Multinational Enterprises for which there is an operational instance at national level: the National Contact Point created in 2011 (Garcia-Chiang, 2016)

Concerning the oil extraction and its production chain: exploration, drilling, development, marketing and processing, it is clear that they cause a major territorial impact wherever they are, not only in environmental terms, but also in economic and social terms.

In many countries, this impact has resulted in an ethical requirement for the oil industry. The minimization of the impact and the supposed reversibility of the effects of the oil industry seems to be the axioms on which oil companies continue to move and is allegedly linked to social responsibility policies, but this is still far from a true implementation of corporate social responsibility. It is necessary to achieve a holistic sense in that application, which occurs both within companies and in relation with to outside, with agents that have an impact on their activity. Not in vain, corporate social responsibility should pursue voluntary integration by the company of social and environmental concerns in its business operations by promoting a sustainable relationship with all stakeholders impacted by the company’s activity (Navarro, 2013: 70-71).
In Mexico, the principal petroleum company is Petróleos Mexicanos (PEMEX), a state-owned public company incorporated as an independent agency of the federal government, established according to the decree of June 7, 1938. Its basic objective is the central and strategic management of the activities of the oil industry in Mexico. It consists of four subsidiary bodies: the one dedicated to extraction is PEMEX Exploration and Production (PEP), which exercises exploration, production, processing and marketing of crude oil and natural gas in both the internal and external market. PEMEX is a major generator of economic resources, jobs and opportunities for national development; it has been a key factor in its economic life and industrial development, becoming, since the second half of the seventies, the lever of takeoff and growth for Mexico. PEMEX Exploration and Production (PEP), is responsible for the exploration and exploitation of oil and natural gas in Mexico, and it is divided into four operating regions: North Region, South Region, Northeast Marine (RMNE) Region, and South Marine Region (RMSE).

In 1995 and 1996, as a result of a number of serious accidents occurring in its facilities, PEMEX PEP sought to implement stringent security and environmental protection practices. This aimed to identify strengths and weaknesses in the management of those aspects; to achieve this, the Corporate Industrial Safety and Environmental Protection Division (formerly Industrial Systems Security) was created for the purpose of developing and implementing management systems in order to exploit "safer and more environmentally friendly operations, incorporating best known practices."

In 2006, PEMEX developed a new model of a so called sustainable development which is part of the corporate strategy. The objectives of the model were: environmental regulatory compliance; disposal of non-regulated environmental risks; and ensuring the viability and sustainability of the development plans of the business. Thus was conceived the future implementation of the guidelines on corporate social responsibility. Since joining the Global Reporting Initiative (GRI) and the Global Pact, it has sought to reconcile its business interests, with the values and demands of civil society, in areas related to human rights, labor, the environment and corruption.

PEMEX, in its 2010-2025 Business Plan, has defined Corporate Responsibility as one of the four lines of action which allows for addressing the 23 major challenges which cover different aspects of the business. With this, it seeks to improve its image and relationships with stakeholders, and incorporate environmental protection and social responsibility as key elements in its operation. Also, in documents such as the External Affairs (AE) annexes to contracts, PEMEX defines social responsibility as: the willingness of companies to integrate policies, programs and practices, beyond their legal obligations, contributing to the sustainable development of society, improving the quality of life for individuals and their families.

The 2008 energy reform was carried out during the government of Felipe Calderón (2006-2012), which focused on the reform of the regulatory law of Article 27 of the Constitution, establishing: "Petróleos Mexicanos and its subsidiary entities may execute, with the individuals or corporate entities, the contracts for works and provision of services required for better implementation of its activities." This was made apparent to other oil operators in the Mexican context, some of which already had contracts with Pemex. It was a new step forward in terms of corporate social responsibility.

This reform allowed private companies to become more involved in the process of oil extraction and laid the foundation for a new type of contract: the Integrated Petroleum Exploitation Contract (EP Contract).

1.2 Integrated Contracts and contractual areas

On March 1, 2012, Pemex Exploration and Production (PEP) launched the first round bidding for the Integrated Oil Exploration Contracts. The interest generated by this process among firms in the industry, both domestic and foreign, according to Petróleos Mexicanos, was reflected in the purchase of over 50 bidding packages by 27 operator and service companies, for the three contractual areas, according to information from Petróleos Mexicanos. The result of this process was the entry, for the first time, of private companies as Pemex partners, after the nationalization of the oil industry in 1938, which would exploit fields in Tabasco. The winners of this round were companies of British origin, Petrofac Facilities Ltd., which was awarded the Santuario and Magallanes blocks, and the Texas firm Schlumberger, which was awarded the Carrizo block, near the city of Villahermosa. On June 19,
2012, Petróleos Mexicanos announced the results of a second round of bidding for Integrated Contracts for Exploration and Production of mature fields for the north region of Veracruz in Tamaulipas, in which 28 companies participated. The winners were the company Monclova Pirineos Gas and its subsidiaries Oleorey SA de CV, which was awarded the San Andres block, and Petrolíferos de Tierra Blanca SA de CV, which was awarded the eponymous Tierra Blanca block. The company Petro SPM Integrated Services was awarded the Pánuco block (between Veracruz and Tamaulipas), Petrofac Facilities Ltd. won the Arenque maritime contract area, opposite the cities of Tampico and Madero, and Pico-Cheiron Ltd., of Egyptian origin, won the Altamira block in Tamaulipas.

On July 11, 2013, a third round of bidding was held in which three of the six blocks offered by Petróleos Mexicanos of the Chicontepec area - under the concept of Integrated contracts for exploration and production of crude oil -- Amatitlán, Pitepec and Miahuapan, were declared void due to lack of proposals made. The remaining three blocks were allocated to subsidiaries in Mexico of U.S. companies Halliburton (Humapa) and Petrolite (Soledad), and the Mexican Operadora de Campos DWF (Miquetla).

On August 13, 2014, after the approval of the so-called energy reform, the Ministry of Energy presented three bidding processes of oil blocks which were called Rounds and identified as Zero, One and 0.5. The first, Round Zero is the process in which it is stipulated that Pemex has the first assignment to choose the fields in which it wishes to work individually or in alliance with the private initiative,

Round 0.5 refers to the contracts that Pemex and its contractors have the possibility of migrating, the Comprehensive Exploration and Production Contracts (CIEP) and the Public Works Funded (COPF), to the new contractual modalities of exploration and extraction.

Round One means the opening of processes in which private initiative can participate without the need to associate with Pemex in a bid for oil exploration and production contracts for hydrocarbons.

The first phase of Round 1 Aguas Someras "tendered 14 exploration contracts, the adjudication of which was scheduled for July 15, 2015. The second call in September 2015 comprised 9 fields in 5 areas located in shallow waters of the Gulf from Mexico. Round Three of Round 1, which took place in December 2015, consisted of landfills for the extraction of hydrocarbons. The blocks were grouped into three geographic areas identified as Campos Burgos; Campos Norte and Campos Sur. The fourth stage comprises 10 areas located in deep waters of the Gulf of Mexico, within the oil provinces Lost Belt and Salt Basin.

The three generations of Integrated contracts made by Pemex addresses, in Clause 19.8 and Annex 18, issues related to the impact of oil operations on communities and specifies that each winning company of the tender must exercise 1% of its Annual Operating Expenses on actions of social responsibility in three main areas: a) Environment, b) Social Development, and c) Economic Development. This type of contract gave the contractor the freedom to specify the amount to be invested in contributions to the sustainable development of the area where they work.
The Energy Reform did not contemplate this clause but established important changes in the diagnosis, execution and development of the social development works that must be carried out by oil companies (Articles 118 and 121 of the Hydrocarbons Law, as well as those relating to Section 4, 117 and 120 of the Law of the Electrical Industry). In this direction, the new law establishes that it is the responsibility of the Ministry of Energy to comply with the principles of sustainability and respect for the human rights of communities and peoples where the Energy Sector Projects are to be developed, to comply with the provisions of social impact and sustainable development established in those regulations, as well as carrying out a Social Impact Assessment and to obtain all the legal authorizations.

In this regard, it should be emphasized that the establishment of the Regulations of the Law of the Electric and Hydrocarbons Industry were translated into significant changes in social impact studies.

Therefore, the type of activities for which it was mandatory to establish a social management program through a social impact assessment went well beyond the Integrated Oil Exploration Contracts (CIEP) by covering areas such as: shallow and deep waters exploration and production; terrestrial seismic exploration; oil treatment and refining; transportation and storage of hydrocarbons, petroleum and petrochemicals; distribution and sale of natural gas and oil; the compression, liquefaction, decompression and regasification of natural gas and the generation of electric energy.

2 CORPORATE SOCIAL RESPONSIBILITY. A REAL FINANCIAL CONTRIBUTION TO DEVELOPMENT?

The establishment of the Regulations of the Law of the Electric and Hydrocarbons Industry implied that social impact studies had become more complex, and should be said, more complete. In the case of CIEPs there was required to from oil and gas companies to carry out a baseline analysis of a socio-economic nature, initial environmental studies, establish social responsibility plans and define proposals to encourage the social
development of the population that lives in these petroleum contractual areas, but these studies were not carried out following a specific format and each company was free to perform it as best suited.

It is in this context that as of September 2012, a group of researchers from the Universidad Autónoma Metropolitana, Unidad Iztapalapa (UAMI), in the framework of the project Social and Environmental Aspects Related to the Oil Industry, developed 9 baseline studies of Socio-economic character that were the basis of social responsibility plans. Likewise, about 200 proposals for actions were developed whose objective is to encourage the development of the population that lives in those petroleum contractual areas.

Starting in the second half of 2015, the team initiated a series of methodological changes in the baseline social studies when carrying out projects to update the baselines and analysed the impact of social responsibility actions from three oil companies. These methodological changes allowed for a relatively comfortable transition towards the establishment of social impact assessments that fully complied with the requirements established by the National Hydrocarbons Commission and the Ministry of Energy Secretariat with regard to the social diagnoses that oil companies who won the new biddings to independently exploit oil fields (Garcia-Chiang and Hernández, 2015).

The establishment of the regulations of the Law of the Electric Industry and of the Hydrocarbons Law implied the establishment of a Social Impact Assessment (EVIS) created according to the international parameters in the matter, which was decanted in three formats denominated A, B And C. The first one deals with the sale to the public of gasoline and the generation of electric energy up to 2.5 MW. The second refers to the gas and oil storage and the generation of electric energy up to 50MW. The third format is dealing with more complex issues and is the one corresponding to the oil blocks that can exploit the private companies. Therefore, a correct establishment of this kind of studies and the implementation of social development actions correctly identified can contribute to local development.

2.1 Proposals of territorialized social responsibility actions

The methodology developed by the team UAMI can be implemented in other petroleum producing areas of the country, as well as their operational instruments, which allow oil companies and even other public agents to be able to implement, via the idea of the proposed social responsibility, proposals that improve the quality of life of the communities where oil is exploited.

This methodological approach has a quantitative phase in which the baseline and its complements are included, and a qualitative phase in which interviews and surveys were conducted.

The methodological framework that guided initially the projects, whose methodology presents this text, was the notion of “territorialized actor”. In this regard, it should be noted that for Hervé Gumuchian, Eric Grasset, Romain Lajarge and Emmanuel Roux (2003), the territory is a scene where existing representations are played in several acts, therefore, although the omnipresence of the actor, his action, from a geographically point of view, is not performed from a foreground (Garcia-Chiang, 2014).

The following diagram shows the elements that the concept of "territorialized actor," considered necessary to understand a territory.
The methodological integration enabled the creation of a "socio-territorial diagnosis," which was the basis for identifying areas of opportunity and social responsibility proposals focused on promoting local development through the improvement of the living conditions of the population which is directly or indirectly affected by the oil industry.

There are six steps: 1) creating a social baseline based on indicators on demography, economics, education, health, migration, religion, housing, availability of goods, among others; 2) Analysis of the socio-spatial impact of the oil industry, creating a geographic information system and designing a mapping methodology based on choremes evidencing the highly territorial nature of this industry through the relationship between its elements (wells, batteries, pipelines, etc.) and the various population centers; 3) Conducting a Socio-Economic Survey to identify social and economic factors that determine the needs, wants and/or demands of the communities in the oil areas; 4) Development of structured and semi-structured interviews with key social and institutional stakeholders in the study regions; 5) Creation of Social Matrices that generate a signalized structure of socioeconomic indicators according to the levels of impact of oil operations on the territories; 6) Development of a Social Responsibility Plan which establishes guidelines for company actions in the field, as well as proposals derived from the steps mentioned above.

3 DIFFERENT LEVELS OF SOCIAL RESPONSIBILITY ACTIONS

Bestratén and Pujol (2003) establish a classification of social responsibilities taking into account key stakeholders, the workers and the community. The second classification made by these authors is based on the differentiation of two levels: the first one is within the company and the second one is outside of it, with which they define primary, secondary and tertiary responsibilities. Primary responsibilities are "inherent to the specific activity of the company. Not responding adequately to that which represents the heart of the company to ensure its proper operation in every way, which is its rationale, could have serious consequences, even for its survival." "Secondary responsibilities consist of improving the effects resulting from the same specific activity in interdependent social groups with the companies, always beyond a required minimum, and tertiary ones extend to actions to improve certain aspects of their social environment beyond their specific activity."
These authors believe that to achieve such tertiary actions, which incorporate actions in the community that have nothing to do directly with the company's business, it is necessary to comply with the primary and secondary actions. They argue that the inside of a company should be good to later be able to do something for the community in which it operates.

Primary actions are confined to the inside environment of the company and excludes carrying out community action projects. In the case of secondary and tertiary actions, the community can be incorporated. In secondary actions, which are directly related with the productive activity of company, they can, for example: "facilitate employment and economic activity in the local community or county, providing advice and assistance to the community on matters stated therein and where the company has knowledge and resources, collaborate in the creation of apprenticeships for vocational and university students," among others.

As for the tertiary activities, companies are contributing to improve the socio-cultural environment, working in different ways with vocational and business education centers in their area of influence, sponsoring or offering patronage of arts and cultural activities, or assisting groups in need," (Bestratén and Pujol, 2003) among others.

Taking into account the above statements, we can infer that the establishment of different types of social responsibility actions reflects the need of the companies to ensure proper planning of strategic activities.

The experience gained through the technical assistance projects has led to a different classification of social responsibility actions, focusing on the relationship with the communities in which these companies work, and one of its main objectives is to facilitate operational continuity and to be equipped for the secondary and tertiary activities mentioned in the preceding paragraph.

Level I: Concrete actions for community care, which are generally short-term and targeted at a focused segment of the population. These include the reparation of school infrastructure, for example. This level may be cyclic.

Goal 1: The goal to accomplish at this level is to establish a relationship between the company and the communities. It seeks to immediately impact on the basic needs of the population while a first contact without hostilities is established, Moreover aggressive actions that can cause potentially causing a poor first impression are avoided.

Level II: Social support actions that affecting a broad spectrum of people in contractual areas, may be in short, medium or even, sometimes, long term.

Goal 2: The second goal should to be the integration with the community. At this point, the evolution of the shares should be canalized towards the extension of benefits to in the general population in general, targeting aspects such as medical services, building and / or remodeling of public spaces and family recreation facilities or ecological sanitation.

The completion of civil works, the execution times and the environmental and social impacts, can cause some discomfort in the communities, a situation that can be even more difficult if there is no previous public knowledge of the modus operandi of the company. Therefore, this level of action lies on the medium and long term.

Level III: Actions seeking to influence local development within the areas where the productive activity takes place. These are situated in the medium and long term. They might be productive initiatives, problem-solving research in the area of influence of the company or proposed land use, among others.

4 TO CONCLUDE

The amount of money invested in the Mexican oil blocks is relatively small, but it should be noted that each contractual area is between 300 and 1,000 km2. It should also be noted that one of the recurring criticisms of CSR
lies on the fact that the actions have no real impact on the development of the localities, since they generally focus on making visible works with a relatively low budget, such as remodeling schools or donation of medical supplies.

In this regard, we should emphasize that companies able to create symbiotic relationships with communities and local governments may be able to build a more stable environment for their operations. This necessarily implies a vision which goes beyond philanthropy and donations, as such actions only bring temporary benefits, and in the long term, they may be harmful to social stability and management of local expectations. However, the risk of cosmetic manipulation is high, with which businesses that practice it may fall into disrepute. It can be said that social responsibility is going through a transition stage where theory and practice must be developed symmetrically, because despite the existence of tools and application systems it is essential not to reduce it to mere aesthetic discourse, the fact is that it is also necessary to keep in mind its ethical foundations.

From our point of view and as mentioned above, there are two essential conditions to actually achieve results for local development through the investment in communities through within the context of social responsibility actions in oil-production regions. The first of these conditions is a territorialization of the proposals, and the second is the creation of different types of social responsibility actions.

At present, the integrated contracts are finishing in their two-year trial period. Therefore, many of the social responsibility actions responded to the need of immediately coming forward before/for the communities, This has led to give priority to Level I actions which, it must be accepted, have little impact in community development.

At the end of the trial period of each company, in agreement with Pemex, they decide whether to go ahead for the duration/length of the contract or not. That period, ranging from 25 to 30 years, will be the opportunity to prove that social responsibility can be a financing source for development.

In this context, undertaken responsibility actions should be more ambitious. The short term should not be prioritized, and projects and programs should be promoted in a way that can really contribute to local development.

5 BIBLIOGRAPHICAL REFERENCES


García Chiang, Armando (2016) Draft report on the technical seminar – Mexico for the project Promoting Corporate Social Responsibility (CSR) and Responsible Business Conduct (RBC) in Latin America and the Caribbean – Pilot phase. Ecorrys, College of Europe, IBF.


Núñez, Georgina (2003): La Responsabilidad Social Corporativa en el marco del Desarrollo Sostenible, CEPAL, Serie Medio Ambiente y Desarrollo No. 72


Abstract

This paper explores Curtin University’s sustainability agenda, which is reflected in a number of programs and achievements. However, many pressing global issues, such as CSR, Sustainability, Ethics and Governance require a systems understanding and the 2030 Agenda provides an appropriate framework for this. Complex systems, such as a university are made up of multiple, interrelated and interdependent departments. Systems thinking in higher education has much to contribute to sustainability discourses, providing a theoretical foundation and a university wide testing laboratory for inter-departmental discussions and alignment of goals and strategies and their implementation. Curtin University has identified the need for a coherent and sustainable systems approach. This paper outlines a theoretical model exemplifying how, using a complex systems thinking approach, the numerous projects can be integrated across the key stakeholders and measured against socially responsible and sustainable best practices. In particular the paper highlights the complexity, challenges and benefits of this approach as a demonstration in microcosm the challenges and opportunities for successful implementation of the Sustainable Development Goals.

Introduction

Corporate citizenship in universities requires a clear and sustainable strategy for the implementation of core institutional values, such as sustainability, ethics, and responsible governance, often referred to as Corporate Social Responsibility.

The Curtin sustainability agenda is reflected in a number of programs and activities that address Sustainability, Healthy Lifestyles, Diversity and Inclusion, Transport and Accessibility, and Corporate Social Responsibility. The programs and activities align with: ISO 26000, the Global Reporting Initiative and the Sustainable Development Goals which form part of the universal 2030 Agenda for Sustainable Development.

Many pressing global issues, such as CSR, Sustainability, Ethics and Governance require a systems understanding (Peter and Swilling 2014) and the 2030 Agenda provides an appropriate framework for this. Complex systems, such as a university are made up of multiple, interrelated and interdependent departments. Systems thinking in higher education has much to contribute to sustainability discourses, providing a theoretical foundation for inter-departmental discussions and alignment of goals and strategies. The difficulty of addressing sustainability across university organisational, research and teaching areas has been noted in the literature (von Hauff and Nguyen, 2014) highlighting also the importance of ownership by diverse stakeholders (de Lange, 2013). According to Baker-Shelley and colleagues (2017), a university transformation toward sustainability can ‘benefit the psychological welling of those who walk its corridors, drawing on integrated and systemic thinking to involve a diverse network of social actors across multiple disciplines and scales’ (p. 274). Curtin University has identified the need for a coherent and sustainable systems approach.
In 2017 Curtin successfully submitted its 2nd UN Principles for Responsible Management Education (UN PRME) report, renewing its commitment to develop staff and student capabilities to become ethical, responsible and sustainable members of society and work for an inclusive and sustainable global economy. The UN PRME report used a ‘leadership in the plural’ model in an attempt to combine influences and shared leadership to build awareness among Curtin University staff. The UN PRME report became a catalyst for ongoing work on in the crossing of organisational boundaries and the enabling of new interactions. Nevertheless, the challenge needs to be acknowledged to achieve genuine community-based collaboration, where staff, students and external stakeholders can work together to accomplish a shared vision of sustainable and ethical futures at the university level peckulating to all areas of the organisation.

The paper is structured as follows: First, the key tenets of complex systems theory are outlined, presenting the potential of systems thinking theory to be utilised for the tactical alignment of existing sustainability agendas and initiatives. Second, the UN Agenda 2030 is discussed in relation to Curtin University’s sustainability goals. Third, the strong link between the Sustainable Development Goals (SDGs) and the Curtin University Strategic Plan 2020 is made explicit. Fourth, the need to break through bureaucratic silos and embrace a networked approach to Curtin University’s sustainability discourse, bringing forth the interlinkage among various actions to maximise impact is discussed. Finally some conclusions will be drawn and implications outlined.

Complex systems theory explained

Programs that utilise systems thinking and sustainability are on the rise. The primary characteristic of systems thinking is a holistic understanding and appreciation of the interconnected nature of individual departments and strategic initiatives in large organisations, such as a university.

Deming’s systems thinking theory is now widely acknowledged to be of great use for strategic thinking and planning on a systems level and W. Edwards Deming is widely regarded as a key figure in the scholarship of systems thinking (Anderson, Rungtusanatham, Schroeder, 1994; Hales and Chakravorty, 2006; Hillmer and Karney, 2001; Jenkins, 2008; Walton, 1986). He referred to his theory as a system of profound knowledge (SoPK) and defines a system as a “network of interdependent components that work together to try to accomplish the aim of the system” (Wilcox, 2005). According to Deming (1986) the primary purpose of his systems thinking theory (the SoPK approach) is to understand the system as being organic and complex rather than static machine-like and controllable entity. Deming’s ideas are appealing because they provide a tool for perpetual improvement and innovation of the system allowing for strategic intervention to break down the silo mentality inherent in many large organisations. More importantly, Deming posits that organisations that follow his SoPK theory are able to develop intrinsic motivation and cooperation among workers and build a learning organisation (Hales and Chakravorty, 2006; Hillmer and Karney, 2001; Moreno and Gitlow, 1999; Wilcox, 2005).

Complex systems theory considers diversity of thought and action as a resource rather than seeing it as a problem (Hauk, 2014). This said, variation in a system is based on the premise that variation in the process and the outcomes are to be expected. The variation in a process or product will need to be captured to be understood (Deming, 1986). Systems thinking is, according to Deeming (1986) made up of the following four interrelated components that cannot be divorced from each other: (a) knowledge of
Knowledge of systems

The many processes present in an organisation collectively form a complex system. The interdependent components can be conceived as processes. Deming uses the example of an orchestra to illustrate how a network of individuals may choose to cooperate, combine, and communicate in order to produce a piece of music for the listeners to enjoy. An important point made by Deming is that there are no prima donnas in an orchestra and cooperation is key to ensuring a harmonious and sustainable performance. All components are not only interdependent, but equally important to provide successful and sustainable improvements. Not surprisingly, Deming’s systems thinking theory was perceived as being quite radical (Hillmer and Karney, 2006).

Knowledge of variation

Variation in a complex system is natural and should be expected. Understanding the root causes of variation in a process or product is important to implement strategies to assist reduce variation and to provide sustainable and predictable processes. However, variation per se is not alarming, and as Hillmer and Karney (2001) note that ‘if managers do not understand the basics of variation, they frequently make matters worse by overreacting and rushing to make changes in the system or by building elaborate costly procedures to deal with very infrequent occurrences’. It is vital to map the individual parts of any working system before insight can be gained about the variation in a particular system. The mapping process allows for the measurement of variation. Deming (1993) refers to the output of the measurement activity as the control chart, which helps detect variation that then can be mapped as special causes in a process, prior to the development of strategies to reduce variation, with the goal of providing stable and predictable processes. It is vital to chart variation, showing upper and lower control limits in data over time, allowing for natural process variation to be included. Variation that falls outside of acceptable limits can then be investigated and strategies put in place to reduce variation.
Theory of knowledge

The theory of knowledge or epistemology that Deming (1986, 1993) subscribes to is pragmatism. Deming was greatly influenced by the works of Shewhart (1939) and Lewis (1929), who in turn were influenced by early Greek philosophies and particularly by Heraclitus’s notion that one cannot step into the same river twice. The pragmatist philosophies underpinning Deming’s writing supported the notion that organisations as dynamic entities, similar to the universe, are in a constant state of flux. The control chart, measuring and uncovering common cause and special cause variation enables rational prediction to be made about the need for change. The pragmatist maxim as a logical principle is to provide the highest grade of clarity through analysed distinctiveness of continuity and variation. The pragmatist maxim provides an ontological position allowing for constructive accounts of the norms that govern organisational processes.

Human psychology

Human psychology concerns all aspects of human life and Deming (1993) made the following observation: ‘Psychology helps us to understand people, interaction between people and circumstances, interaction between a manager and his (sic) people and any system of management’ (pp. 107-8). A positive working environment provided the basis for intrinsic motivation. He was sceptical about reward systems, such as merit awards, which are the breeding grounds for competition and selfish behaviour in a workplace. Simply put, these tools designed to extrinsically motivate employees are demoralising, generating conflict and dissatisfaction (Wilcox, 2005). The central tenet of the need to understand human psychology is that extrinsic motivation underpins intrinsic motivation. What employees require is the opposite of ranking and rewards-based competition. They strive in an environment in which they have a voice and be part of the decision making process on issues that directly affect them (Hillmer and Karney, 2001). What needs to be nurtured in a dynamic organisation is cooperation and an understanding of how the system works as a whole. Hence, transdisciplinary teams are able to learn to ‘see’ the intricate interdependence of a dynamic and complex system and can commence to positively influence the system through targeted and systematic improvements. Building on work by Luthans and Avolio (2009) on organisational behaviour, Baker-Shelley et al. (2017) explore the relationship between ‘psychological capital’ and ‘positive organisational behaviour’ identifying how self-awareness, balanced decision-making, and ethical moral reasoning improve the human condition at multiple levels.

The potential of applying Deming’s systems thinking approach for the development of a sustainability framework, which integrates the multitudes of activities and initiatives currently underway at Curtin University may be able to assist the development of a successful strategy of implementation.

Curtin University and the United Nations Agenda 2030

The 17 Sustainable Development Goals (SDGs) and their associated 169 targets were agreed by Australia and 192 other countries at the United Nations in September 2015 and constitute a universal global framework of sustainable development priorities to 2030. The SDGs represent a triple bottom line (3BL – social, environmental and economic) approach to sustainability and corporate social responsibility. The global agreement, which has achieved multilateral success, aims to bring an end to extreme poverty, promote prosperity and well-being for all, protect the environment and address climate change, whilst encouraging good governance, peace and security.
Australia is currently ranked 20th on progress towards the Sustainable Development Goals according to the SDG index and dashboard produced by the Sustainable Development Solutions Network (Thwaites, 2016). Figure 1 shows an evaluation of Australia’s performance on each of the 17 Sustainable Development goals against 77 indicators (Thwaites, 2015).

- Not surprisingly, Australia tracks well in areas of ‘no poverty’ (SDG 1), ‘quality education (SDG 3) and ‘clean water’ (SDG 4) and not so well in areas of ‘climate action’ (SDG 13), and ‘global partnerships’ (SDG 17). However, there is a clear national commitment to the development of a national strategy to implement the SDGs and enable multi-sector engagement (Australian Council for International Development, 2017). For example, the SDG Summit held in September 2016 was a joint initiative of the Australian Council for International Development (ACFID), the Australian Council of Social Service (ACOSS), the UN Sustainable Development Solutions Network (SDSN) - Australia/Pacific, and the Global Compact Network Australia (GCNA). It brought together leaders and decision-makers from government, business, civil society and academia to identify how Australia could best move forward with the SDGs (Australian Council for International Development (ACFID) et al., 2016). The Summit concluded with the formulation to some specific commitments and most importantly the following pledges from Australian universities were sought:
  Sand promote the principles of the SDGs;

---

Figure 1: Australia’s Performance on each of the SDGs
• Undertake research that provides solutions to sustainable development challenges;
• Provide the educational opportunity for students to acquire the knowledge and skills needed to promote sustainable development;
• Contribute to the achievement of the SDGs by ensuring campuses and major programs are environmentally sustainable and socially inclusive, and
• Report on activities in support of the SDGs.

The UN Agenda 2030 is a framework to help interrogate the complexity of Curtin’s interdependent but separate and compartmentalised systems. Considering, through Deming’s lens, how the UN 2030 Agenda can support Curtin’s current and future sustainability work provides an opportunity for goal-oriented short term and longer term action.

Climate change action (SDG 13) which is an area the SDG index found Australia as a whole requires more work (see diagram above), is recognised as a research and teaching strength at Curtin University. The 17 SDGs seem to be all encompassing and Curtin University is engaged in many initiatives that would align with the majority of the above mentioned SDGs from campus planning to teaching and research activities. Curtin’s 2nd UN PRME report is testimony to innovative work in business, strategic planning and on social inclusion for example through the Centre for Aboriginal Studies (Curtin University, 2017). Moreover, some areas of Curtin University are currently engaged in the working on mapping sustainability initiatives, but no systematic attempt is made at present to provide a coherent snapshot of initiatives and actions across the university that would link them to the Sustainable Development Goals (SDGs). Curtin University recognises that through its research and teaching offerings, it has a unique opportunity to engage with the SDGs and find innovative solutions to social, environmental and economic problems. Curtin University is already setting examples with the implementation of the Greater Curtin Master Plan, which is creating a hub for business and communities that will transform the campus into a vibrant city university defined by synergies of teaching, research, business and entrepreneurial enterprise. The Greater Curtin Master Plan will see 114 hectares of the University’s Bentley campus transformed through urban regeneration over a 20-year period, linking to a number of SDGs, but most prominently with SDG 17 (Curtin University, 2017). Moreover, the concept of sustainable universities is a rapidly growing area for research (Alonso-Almeida, Marimon et al. 2015, Disterheft, Caeiro et al. 2015, Bice and Coates 2016, Baker-Shelley, van Zeijl-Rozema et al. 2017). Curtin aims to contribute to this emerging research area via collaborative research across faculties and centres and to draw from the university’s experiences with implementing sustainability measures.

The Curtin University Sustainability Policy Institute (CUSP) works on a range of sustainability issues through specific agreements reached with universities including the University of Science and Technology of China and with the Bangladesh Government Governance Implementation Unit and the Bangladesh Ministry of Public Administration. CUSP also works on sustainability across faculties and centres including the Centre for Aboriginal Studies and the Curtin Business School. Throughout the university there is extensive sustainability teaching and research initiatives within areas including the school of Environmental Science and the School of Built Environment.

What is lacking at present is a holistic reporting measure that captures what Curtin University is achieving in terms of sustainability through initiatives including the ‘Greater Curtin’ master plan and how this connects with research and teaching within the faculties and centres. Initial mapping s
beginning to address this reporting gap, however it requires organisational commitment to more broadly integrate this with other business planning. This mapping will address the question of what else Curtin University could be focusing on to better report on SDG related achievements and how to address specific SDGs.

The Western Australian SDG Network was formed following a workshop organised by the Curtin University Sustainability Policy Institute (CUSP) on the SDGs, attended by over 70 people from diverse sectors and organisations in WA. The network brings together a broad cross-section of members from business, higher education and the non-for profit sector. Prior to the formation of the WA SDG network under the leadership of CUSP, various activist groups, government and non-government agencies and the higher education sector worked in isolation and within their own silos with insufficient collaboration on shared societal goals. The WA SDG Network has engaged in the creation of a shared agenda for the achievement of the SDGs in Western Australia, and bringing together all the creative, intellectual, and community know-how and citizen engagement in the service of society.

The Greater Curtin Master Plan and GBCA’s Green Star Communities

The Green Building Council of Australia (GBCA), established in 2002, is the nation’s authority on sustainable buildings, communities and cities. GBCA’s vision is to create healthy, resilient and positive places for people and the natural environment. GBCA’s is leading the transformation of Australia’s built environment through the implementation of Green Star tools – a voluntary rating system - which benchmark projects against criteria which addresses specific aspect of sustainable building design, construction, building performance and community development.

In 2013, the GBCA released a report, The Value of Green Star, which analysed data from 428 Green Star-certified projects occupying 5,746,000 million square metres across Australia and compared it to the ‘average’ Australian building and minimum practice benchmarks. The research found that, on average, Green Star-certified buildings produce 62% fewer greenhouse gas emissions and use 66% less electricity than average Australian buildings. Green Star buildings use 51% less potable water than average buildings. Green Star-certified buildings also have been found to recycle 96 per cent of their construction and demolition waste, compared to the average 58% for new construction projects.

The Green Star – Communities tool was launched in 2012 and assesses the planning, design and construction of large scale development projects at a precinct, neighbourhood and/or community scale. It provides a rigorous and holistic rating across five impact categories: governance, liveability, economic prosperity, environment and innovation.

Curtin University is the heart of the largest concentration of innovative industry and research in Western Australia. The master plan entitled Greater Curtin was completed in 2013. It outlines a vision for 2030 to create an important economic and innovative hub, with diversity in culture and the arts in line with Western Australia’s Department of Planning Directions 2031 which identifies the Bentley/Curtin precinct as one of four Specialised Activity Centres within the Perth metropolitan region.

In 2015, within the context of the master plan, the Curtin Properties department ran a materiality assessment; an exercise in stakeholder engagement designed to gather insight on the relative importance of specific environmental, social and governance issues. The insight was used to inform
Curtin’s strategic planning, capital investment decisions, asset management, sustainability reporting and communications strategies. The assessment saw over 70 stakeholders including University Faculties, local councils, industry, student and staff representatives working collaboratively to develop a Sustainable Campus Framework that reflects the key Corporate Responsibility and Sustainability (CR and S) areas that matter most to Curtin and its future: Our Connected Community, Our Enabled Economy, Our People and Governance, Our Physical Environment.

Stakeholder’s were consulted and engaged using tools including the AA1000 Stakeholder Engagement Standard and IAP2 model of engagement. This engagement identified over one hundred programs that were then evaluated and mapped against globally recognised initiatives. These initiatives include the Sustainable Development Goals (SDGs), Global Reporting Initiative (GRI) and ISO 26000. The programs and activities identified reflect the university’s vision to demonstrate leadership within all its operations, from course delivery and research to its governance structures and facilities.

On that same year, Curtin was awarded Australia’s first 5-star Green Star Communities rating by the GBCA. The rating signifies ‘Australian Excellence’, and sets new sustainability benchmarks for Australia’s universities (to date, Curtin is the only University to hold such an accolade), and provides Curtin University with independent proof that its vision to transform its 114 hectares through urban regeneration over the next 20 years will deliver environmental, economic and social sustainability-driven outcomes.

It is estimated that upon completion the Greater Curtin precinct development will contribute an estimated $4.5 billion dollars per year to the Western Australian economy. This estimate encompasses knowledge exports, value added to industry, and significant employment opportunities. Within this, a 52% increase in indirect Greater Curtin employment and 45% increase in University staff is estimated by 2031, in addition to an estimated increase of university industry export of 31%.

Since then, Curtin has implemented a number of initiatives aimed at reducing its impact on the environment and further confirm its commitment to delivering a safe, inclusive, accessible and culturally rich community. For instance, 2016 saw the implementation of an energy management plan resulting in the rolling out of campus-wide electricity and thermal sub-metering and live monitoring of energy and water use. In addition, over 14,000 m2 of area have been retrofitted with LED lighting and occupancy sensors.

New performance benchmarks are being applied to all new buildings. For example, the School of Medicine includes a 50 kW photovoltaic array, a 50 kL rainwater harvesting tank and solar hot water. Curtin’s new facility in the Perth CBD at the Old Perth Boys’ School features a 6-Star Green Star Interiors certification and is predicted to achieve reductions of 55% in greenhouse gas emission and 35% in water use when compared to conventional design practices.

In line with Curtin’s Disability Access and Inclusion Plan goal to create the most accessible university campus in Australian by 2030, Universal Design Guidelines have been developed to reflect a commitment to equity and inclusion for all by ‘embedding Universal Design principles into project planning, design and delivery guidelines’. Furthermore, the Integrated Transport and Movement Plan ensures priority is placed pedestrian, cyclist and public transport initiative. Curtin’s annual commitment of $1.2 million funds public transport routes and accessibility bus services benefiting
approximately one million passengers per year. 2018 will see the completion of a new 200-bike hub and a new 80-bus route port at the Bentley Campus.

In the area of community development, Properties’ award-winning place activation program has seen largest food truck movement in Australia hosted at the Bentley Campus along with the delivery of over 50 community events per term, outdoor furniture and games.

Breaking through silos

Curtin University and universities in general are complex bureaucratic entities made up of interdependent, yet somewhat autonomous faculties, centres and departments. Each of these entities are governed by a number of committees and working parties and many of these committees report through to university level committees which in turn filter through to the highest level committees such as the university’s Academic Board committee and the University Council. The Council is governed by the Curtin University Act (1966) and in addition the university is governed by additional State and Commonwealth legislation.

In addition to the governance model, the university has a number of policies and procedures which guide students and staff in decision making; rights and responsibilities and communication. These policies and procedures are designed to uphold Curtin’s five (5) core values


- Integrity – to act ethically, honestly and with fairness
- Respect – to listen, value and acknowledge
- Courage – to lead, take responsibility and question
- Excellence – to strive for excellence and distinction
- Impact – to empower, enable and inspire

All university level committees and most working parties have representation from all faculties and centres to ensure buy-in from all stakeholders. However, in spite of all best intentions, there is still a sense of some areas working in “silos” and a concomitant feeling of a break-down in communication and at times a lack of information filtering back through to the general population of staff and students. This impacts what we are aiming to achieve via Curtin’s sustainability agenda. There are policies, programs and activities that promote the university’s core values and attributes and there has been a measure of success in the implementation and promotion of policies that govern sustainability, ethics and social responsibility. The aim therefore, is to improve the information flow. The sustainability agenda and its interdisciplinary and cross-departmental collaboration is one key initiative, amongst others, whereby the silos can be bridged and a matrix of communication and goal attainment achieved.

There is a plethora of research into organisational silos and the research spans across a number of fields including organisational behaviour (Dell, 2005; Greyvenstein, 2012), psychology and humanities (Kalb and O'Conner-Von, 2012) and systems thinking (Serrat, 2010).

Siloed structures and silo thinking is problematic for organisations aiming to achieve collaborative objectives such as sustainable practice outcomes. (Dell, 2005) states that silos in organisations ‘cause problems primarily because they focus of fulfilling a function rather than on achieving a process outcome’ (p. 34).
Many universities, Curtin University included, have moved towards the centralisation of functions, such as student services, finance, HR and travel in order to break down organisational silos and duplication of services within silos. However, Serrat (2010) suggests that “the objective should not be to tear down silos by centralising and standardising – even though some of that may be part of the solution” (p.2) rather that the organisation needs to understand what generated the silos and often silos exist due to the competitive nature of competing departments and people within the organisation.

When parts of an organisation work in silos they fail to build bridges to enhance collaborative cooperation and only focus narrowly on their own perceived needs and requirements and seeing other parts of the organisation as ‘other’ and at times as a threat. This then leads to sub-optimal performance, lowers efficiencies and encourages power plays for scarce resources.

Viewing silos from a psychological perspective there is a duality to the concept. Traditionally, silos are seen as ‘conscious, rational and objective entities’ (Cilliers & Greyvenstein, 2012), yet underlying this rationale is the subconscious and symbolic layer of silo mentality/thinking. Organisations, and therefore the people within them, are framed by their individual and collective understanding of the organisation and where they fit within the structure. Therein lies one of the problems with silo thinking. If communication lines are unclear and the stakeholders are not fully engaged, then it would be difficult to identify and disseminate shared goals. Thus, the ability to build bridges across organisational silos will not be made and the organisation will continue to struggle to achieve its overall strategic goals.

An example of moving from siloed to interdisciplinary and cross-departmental collaboration was conceived during the development of the UN PRME report by the Curtin Business School (CBS). During the writing phase, university wide consultation was undertaken, which is the norm when undertaking reports of such breadth and depth. However, this lead to discussions on matters of sustainability, social corporate responsibility, social inclusion, diversity and healthy lifestyles with colleagues from other faculties and departments, particularly those working in the division of Properties, Facilities and Development. The need to better understand work conducted in various and disparate areas of the university then brought about a research collaboration amongst people who normally would not see themselves as closely aligned. The move at Curtin to a collaborative environment through the shared interest of ‘sustainability’, which is working to break down silos, is depicted in Figure 2.
Systems Thinking Applied to Entrepreneurial Communities

The cross-departmental collaboration among the research team made apparent the close relationship between the systems thinking approach outlined above and a need for open-mindedness, an innovative spirit and an entrepreneurial mindset for active community building within and across Curtin University, where individuals with particular skills, expertise or resources and a common purpose, bridge silos to achieve aligned objectives (Arthur, Khapova and Richardson 2017). Three dimensions of entrepreneurial communities include:

1. Establishment of a joint enterprise reflecting commitment to succeed – PRME was the imperative that drove this initially and will continue to as the commitment develops
2. Develop a shared repertoire of interests and goals through relationships with personnel across the University that have complementary expertise
3. Promote mutual engagement which strengthens the enterprise and over time expands to include other interested and aligned parties (Arthur et al. 2017, p. 152).

How the objectives of an entrepreneurial community align with the Complex Systems Theory adopted in this paper is depicted in Table 1.

Table 1: Complex Systems Theory Alignment with Entrepreneurial Communities

<table>
<thead>
<tr>
<th>(a) Complex Systems Theory</th>
<th>(b) Entrepreneurial Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holistic approach</td>
<td>Across organisational approach</td>
</tr>
<tr>
<td>System of interdependent components working together to accomplish an aim of the system</td>
<td>Develop a shared repertoire of interests and goals through relationships with personnel across the University that have complementary expertise</td>
</tr>
<tr>
<td>Organic and complex to build a learning organisation</td>
<td>Break down silos</td>
</tr>
</tbody>
</table>

Alignment of (a) Components of Systems Thinking with (b) Entrepreneurial Community Objectives

| Systems thinking and action | Concern with the design of methodologies, process of engagement, methods and techniques – grounded in theory |
| Variation – diversity of thought as a resource | Complementary individuals come together across different areas |
| Knowledge – organisation as dynamic entities are constantly changing | Ongoing discussions across areas is an enabler of adaptability |
| Psychology – transdisciplinary teams are able to see the intricate interdependence of a dynamic system to positively influence the system though targeted improvements | Promote mutual engagement and shared motivation which strengthens the enterprise and over time expands to include other interested and aligned parties |
The need to write the 2nd UN PRME report proved to be the catalyst for the conversation that ignited the conversation underpinning the current work of the research group on a systematic and cross-departmental to develop a university wide sustainability framework. The evolution of this relationship, from the first UN PRME report in 2014, through the increased involvement in 2016 for the second report and then the proactive planning for the future third report in early 2019 is depicted in Figure 3.

Figure 3: PRME reporting in the Curtin Business School (CBS) leading to a University-wide strategic approach through an entrepreneurial community

Conclusion

Curtin University’s ambitious sustainability agenda is framed around a coherent and sustainable systems approach. Through a holistic entrepreneurial mindset that enables alignment across various areas at Curtin, the University is developing a collaborative approach to delivering on the six PRME principles. By designing methodologies, process of engagement, and techniques which are grounded in complex system theory, the University is looking to further develop its initiative to embedding the SDGs through diverse projects that may not have been developed if the full responsibly and drive was left to individuals or individual departments.
References


15


Institutional Transformation: Reviewing Its Sustainability Impact  
To The Quality Improvement of Islamic Higher Education Institutions in Indonesia

Fauzanah Fauzan El Muhammady, S, Sos, M. Si, MS 1 2
1 PhD Student in Education Studies at Department Integrated Studies (DISE), McGill University, Montreal, Canada
2 Staff of Directorate of Islamic Higher Education, The Ministry of Religious Affairs (MORA), Republic of Indonesia

Abstract. In the recent years, to respond the global challenge, the Ministry of Religious Affairs (MORA) Republic of Indonesia has designed policies to assist Islamic Higher Education Institutions (IHEIs) to improve their quality through “status” transformation. These policies were created to encourage the institutions to transform from a college into an institute, or from an institute to a university. To achieve status transformation, the IHEIs are required to improve their rank and reputation by improving the five important aspects such as budget allocation system, curriculum, lecturer’s qualification, facilities or infrastructure, and the pattern of university organisational structure. However, even after achieving status transformation, the quality of IHEIs is still debatable. After 15 years of status transformation, only a few universities have achieved a high standard. Therefore, the implementation of this institutional transformation policy can be questioned as to whether the goal of status transformation has truly brought significant improvement to the quality of IHEIs. This study seeks to clarify some of the issues around this ‘‘seeming failure’’ of reform policy to bring about sustained improvement of IHEIs. This paper, therefore, examines three aspects related to “the sustainability impact of the status transformation to the quality improvement of Indonesia’s Islamic Higher Education Institutions (IHEIs)”: policy making process; leadership roles; and educational reforms in the IHEIs. The purpose of this exploration is to gain a broader understanding of factors related to status transformation, such as the role of government (policy makers) and university leaders in improving the five aspects above, particularly the aspects of human resources and budget allocation system, and to consider the implication of the findings for policy making, policy decisions, and policy implementation in this context of Indonesia’s IHEIs institutional transformation.

Keywords: institutional transformation, educational policy reforms, human resources, budget allocation system

1. Introduction

An overview of the recent development of education system in Indonesia shows that the Indonesian government has made tremendous efforts to design effective policies to improve the quality of education at all levels. The Indonesian education system is not only supervised by the Ministry of Education and Culture (MOEC), which supervises both public and private general education, but also by the Ministry of Religious Affairs (MORA), which supervises both public and private religious education. Within education, the Directorate General of Islamic Education in MORA supervises Islamic Basic Education (Madrasah), Islamic Boarding Schools (Pesantren), and Islamic Higher Education Institutions. Under the Directorate of Islamic Higher Education, more than 627 Islamic Higher Education Institutions (IHEIs), both public and private are supervised. These institutions consist of universities, institutes, and colleges under the supervision of Directorate of Islamic Higher Education (DIHE).

In the context of IHEIs, recently, MORA has implemented a policy to assist the IHEIs, at these of three levels: Islamic Colleges, Islamic Institutes, and Islamic Universities. Since the 2000s, MORA has implemented a policy to assist IHEIs to improve their quality through status transformation. This policy has assisted some of the Islamic institutions to achieve status transformation from a college become an Institute and from an Institute become a university. By achieving status transformation, IHEIs are expected to be able to improve their reputation and credibility as accredited institutions which have met eligible standards both at national and international levels. To achieve the status transformation, IHEIs are required to improve their quality by providing a new general curriculum or non-religious curriculum which is called with “a wider mandate”, developing competent human resources (lecturer’s qualifications), improving budget allocation system, building adequate infrastructure, and restructuring the pattern of organisation.

In responding the policy with the government assistance, some institutions have made many efforts to improve the quality by designing new general studies, undertaking programs for the quality improvement of lecturers or staff, and providing adequate facilities and infrastructure. Currently, some of the institutions that have achieved the status transformation are still struggling continuously to develop their institutions in order to improve the rank, reputation, and the quality of their institutions. The implementation of the institutional and organisation transformation policy
has led to significant changes in the IHEIs institutional development. The changes have occurred in budget allocation system, the pattern of the university organisational structure, the level of human resources, the level of required facilities and infrastructures, the pattern of curriculum development, and the patterns of program studies development. However, the policy implementation cannot be separated from the involvement of the roles of policy makers and the university leaders. Both elements have a very important contribution to the successful of the policy implementation in terms of how to assist all elements of organisation from both government and university to be more active and responsive in designing effective strategies for achieving the policy mission. In this context, the role of leaderships should also be taken into account as important parts of institutional transformation.

Based on the experiences during the 15 years of policy implementation, the quality and reputation of IHEIs that achieved institutional transformation are still questionable in term of whether the status transformation has truly brought the IHEIs to significant improvement. There is only a small number of institutions have achieved high standards and successfully improved the quality. Based on the institutional accreditation status and rank, refers to data from the National Accreditation Body (BAN-PT) on March 2017, there are only three of the eight Islamic universities which have achieved the Institutional Accreditation Status A (the highest level of institutional accreditation status). Meanwhile, at the level of national rank, until January 2017, there are only three universities which have successfully reached the top 50 based on the 4ICU National Ranking and only four universities have reached the top 50 rank based on the National Webometrics Ranking. Therefore, based on the situation above, the implementation of institutional transformation policies should be analyzed in order to critically examine the development of IHEIs itself. This study is focused on exploring the current impact of the institutional transformation to the quality improvement of Islamic higher education institutions in Indonesia in terms of lecturer’s qualification, facilities, budget allocation system, curriculum, or infrastructure, and the pattern of university organisational structure. The exploration is focused on the experiences of both government and the IHEIs in implementing the effective programs for the quality improvement of IHEIs, particularly for the institutions that achieved the status transformation.

2. Educational Reforms in the IHEIs

The transformation of higher education is one of the central issues in education reform. Global challenges inherent in an increasingly mobile and technology-adept workforce have encouraged higher education institutions to achieve transformation in various ways, depending on needs and contexts. Transformation: (1) alters the culture of the institution by changing select underlying assumptions and institutional behaviors, processes, and products; (2) is deep and pervasive, affecting the whole institution; (3) is intentional; and (4) occurs over time. Transformation changes the institutional culture and requires major shifts in an institution’s culture, the latter which is considered the common set of beliefs and values that create a shared interpretation and understanding of events and actions (Eckel and Green, 1998, p. 3).

In the recent years, universities around the world have made tremendous transformation-oriented initiatives as a response to global pressures. For instance, some universities have improved their quality through reforming their financial management system, information technology system, curriculum, human resources, facilities, and infrastructure, with the aim of producing higher education graduates who can compete in the world marketplace. In Indonesian context, recently, to respond the global influences, through the Directorate of Islamic Higher Education (DIHE) under the Ministry of Religious Affair (MORA) has made tremendous efforts for the significant development of IHEIs. The number of IHEIs have developed into public and private institutions. The public Islamic institution is called with Perguruan Tinggi Keagamaan Islam Negeri (PTKIN) (which consists of three levels of Islamic colleges (STAIN), Islamic Institutes (IAIN), and Islamic Universities (UIN)) and the private Islamic institution is called with Perguruan Tinggi Keagamaan Islam Swasta (PTKIS). Currently, the number of IHEIs have rapidly developed which have reached more than 700 both public and private institutions across Indonesian regions. In terms of principle development, Islamic universities see themselves has basically the same role as the other universities in Indonesia in term of developing democracy but more with the Islamic orientation.

Since the 2000s, the some Islamic Institutes (IAIN) have made the institutional transformation from an institute into a university (UIN). The process of shifting the institution from lower level to higher level is called with the status transformation which required the institution to make changes and improvement in the aspects of budget allocation system, the pattern of the university organisational structure, the level of human resources, the level of required facilities and infrastructures, the pattern of curriculum development, and the patterns of program studies development. In the curriculum aspect, the institutional transformation has encouraged the IHEIs to design the new program of studies of general sciences. The status transformation has required the institutions to provide at least two
nonreligious faculties (Lukens-Bull, 2013, p. 16). The purpose of this transformation to ensure school graduates to be able to get proper jobs in the workplace and to save the Muslim Community from marginalization.

However, the status transformation has not only brought significant change to the existence of IHEIs but also has brought various impacts to the academic community and society. Based on the study of Ronald A. Lukens-Bull (2013) on *Islamic Higher Education in Indonesia* found that the transformation development has encouraged to form two groups: on and off campuses groups in contributing to the development of IHEIs’ status transformation. On campuses-group have concerned on a wider mandate that would teach more than religion by adding new programs like economic sciences, management, environmental engineering, architecture engineering, urban and regional planning, psychology, nursing, and public health without driving out the origin of religious studies and they are managed under existing religious faculties. Meanwhile, the off campuses groups have more concern on the quality of nonreligious programs which also assume that PTAIN is not the appropriate place to develop nonreligious studies.

Furthermore, during 2008 and 2009, the status transformation became debatable among the academia, society, and government itself. For academic community, the status transformation has led the positive impact to the development of new program of studies. Lukens-Bull’s study found that the collaboration of Islamic studies with nonreligious studies has driven the curriculum reforms, such as the collaboration between Islamic values from *Quran*, *Hadiths*, and *Fiqh* with the Economic Sciences, which necessary to enable the Muslim students with broader knowledge and skills to get a wider job opportunity in the workplaces. On the other side, the development of the new program of studies became a dilemma for the existence of Islamic studies. The government argued that how the PTAIN will remain distinctive with their Islamic sciences if a wider mandate will continuously be developed? This led a big question to the society, “Where is the Islam at PTAIN? (Lukens-Bull, 2013, p. 113). As the impact, in 2008, the Minister of Religious Affairs has taken considerations to restrict the development of status transformation.

However, the new change of leadership was always followed by the new change of policy design and its implementation. After 2008, the new government allowed the status transformation to be continued by providing a wider opportunity to IHEIs to prepare themselves to achieve the status transformation. This situation has led a significant improvement in the number of IHEIs that achieved the status transformation until present. A strong commitment and support to promote the institutional transformation was embodied on December 2014, when the President of Republic of Indonesia, Joko Widodo, had officially inaugurated the 12 (twelve) the IHEIs which consisted of nine Islamic Collages (STAIN) that had been transformed into Islamic Institutes (IAIN) and three existing Islamic Institutes (IAIN) had been transformed into Islamic Universities (UIIN).

![The Number of Islamic Higher Education Institutions (IHEIs) in Indonesia (2015/2006)](http://emispendis.kemenag.go.id/emis2016v1/)

Source: http://emispendis.kemenag.go.id/emis2016v1/

Figure 1. The Number of Islamic Higher Education Institutions (IHEIs) in Indonesia
3. Policy Making in IHEIs

Policy-making is the process by which governments translate their political vision into programs and actions to deliver outcome-desired changes in the real world (Wilson, 2006, p. 153). The policy reforms in Indonesia’s higher education have brought the significant influences to the policymaking process, policy decision making, and the policy implementation in the IHEIs. The policymaking is mainly addressed on the principles of the sustainability and continuity for supporting the existence and development of the IHEIs. Since the 2000s, MORA has created and implemented a policy to assist IHEIs to improve their quality through status transformation. The aim of the policy is to assist the IHEIs to achieve the status transformation. Through the status transformation, the IHEIs are required to improve their quality by providing a new general curriculum or non-religious curriculum which is called with “a wider mandate”, developing competent human resources (lecturers/instructors, university leaders, faculty members, and administrators), and building adequate facilities and infrastructure. In responding the policy with the government assistance, some institutions have made many efforts to improve the quality by designing new general studies, undertaking programs for the quality improvement of lecturers or staff, and providing adequate facilities and infrastructure. The implementation of the institutional transformation policy has also led the significant changes to the budget allocation system, the pattern of the university organisational structure, the level of human resources, the level of required facilities and infrastructures, the pattern of curriculum development, and the patterns of program studies development.

Based on the experiences of some IHEIs in the process of status transformation, there are some factors that influence the IHEIs to achieve the status transformation. Firstly, the global challenges have led the significant changes to the development of HEIs around the world. Some HEIs in many countries should force themselves to improve the quality of their institutions in all aspects through improving the basic skill development and workforce preparation skills to be survived in the global competitive levels. This situation has not only influenced the HEIs development at the international level but also at the national level. Secondly, as the impact of global competitive challenges in the level of higher education, some HEIs are vying to provide the program of general studies which based on the basic skill developments and workforce preparation skills to improve the number of students’ enrollment. This situation has caused the number of the applicants to apply for the religious studies has decreased significantly. The decreasing number of applicants to apply for Islamic studies is predicted will cause the negative impact to the development of Islamic sciences which is automatically will impact the existence of the IHEIs. Thirdly, the political interest in the level of elite campus is one of the factors that influenced the IHEIs to achieve the status transformation. Some IHEIs have forced themselves to achieve the status transformation for the reason to get more budget allocation and wider opportunities from the government to strengthen their institution. Fourthly, to respond the great ambition of the current policies which more addressed on assisting the direction of all IHEIs development toward World Class University and encourage them to be prestigious and Excellence University at the international level, some IHEIs have made great efforts to improve their reputation, rank, and credibility as accredited institutions though the status information.

4. Leadership Roles

In the global context, issues around leadership, especially at the level of higher education, have become a central issue. Higher education institutions have faced increasing pressures to restructure and change their organisation in line with global institutional demands. Most of the current leadership issues are focused on building a corporate university that is able to respond to market principles, economic ideology-driven policies and practices, alliances with big business and industry, and strategies to internationalize for increased revenue (Shultz & Viczko, 2016, p. 1). Therefore, based on this situation, the role of government as policy-makers and the role of university (academic) leaders should be taken into account, as both of them have interrelated central roles in influencing and determining the policy-making process, policy decision-making, and policy implementation.

In the context of higher education, university leaders have important roles in determining the direction and the quality of their institutions. In Indonesia’s IHEIs, many Indonesian scholars have brought significant change for their institutional developments. Based on the history of IHEIs, Indonesian scholars who graduated from the foreign universities have brought significant influence to the institutional development of Islamic Institutes and Islamic Universities. Some of them have become the founding fathers for the establishment of IHEIs in Indonesia. Based on the history of IHEIs development, it has shown that the influences of Muslim intellectual leaders cannot be separated from the development of the IHEIs. In the 1950s, two Indonesian scholars, Mukti Ali and Harun Nasution who graduated from McGill University in Canada have brought significant changes to IHEIs, especially to the
existence of the Islamic Institute (IAIN). Both of them was regarded as Muslim intellectuals who successfully became the leaders in leading the improvement of the Islamic Institutes, which now has already transformed into the universities. Mukti Ali has become a role model in term of his role in expediting the modernization of Indonesia’s institutes of Islamic education, particularly when he served as Indonesia’s minister of religious affairs. His efforts to establish the comparative study of religion as one of the prominent areas of investigation at the IAIN have had a significant impact on the development of interreligious dialogue and discourse in Indonesia (Jabali & Jamhari, 2003, p. ix). Furthermore, Mukti Ali has given an important contribution to the history of the IHEIs development and provided good service, ensuring that religion did not obstruct modernization, but remain compatible with it (Kaptein, 2002, p. 63).

In the recent years, MORA has built partnership programs with the foreign institutions for strengthening the capacity of leaders and human resources in IHEIs through leadership programs. The main objective of this agenda is to empower the IHEIs human resources and enable them with sufficient knowledge, skills, and ability to empower their institutions for its sustainability in the future. As an example, in 2011, MORA has initiated to build partnership program with SILE/LLD Project (Supporting Islamic Leadership (in Indonesia)/Local Leadership for Development). This project was a form of partnership program between MORA and Canadian Government as an effort to strengthening the leader’s capacity of IHEIs in empowering their institutions on strategic planning for university-community engagement (UCE) and for the changes UCE-related structures, systems and mechanisms (SILE/LLD Annual Work Plan, 2015, p. v). Through this program, two Islamic universities such as UIN Makassar and UIN Sunan Ampel Surabaya have been involved in order to empower their capacities in giving the contribution to the societies through the community engagement programs. The main objective of this program was to promote the wider dissemination of new ideas regarding the university-community partnership, service learning, asset-based community-driven development (ABCD), community-based research (CBR) and more effective modes of democratic governance (SILE/LLD Annual Work Plan, 2015, p. 2).

5. The Impact of the Institutional Transformation to the IHEIs’ Quality

The institutional transformation has encouraged MORA continuously improve the quality of IHEIs in the five aspect of human resources, curriculum, facilities and, budget allocation system, curriculum, or infrastructure, and the pattern of university organisational structure. As an effort to support the continuity of the status transformation, MORA has built partnership programs with some international nongovernment organisation such as United States Agency for International Development (USAID), Asian Development Bank (IDB), Department of Foreign Affairs, Trade and Development (DFATD) Australia and Canada. The partnership programs with the foreign institutions have not only a given contribution to the aspect of a human capacity building but also to other aspects such as curriculum development, facilities and, budget allocation system, curriculum, or infrastructure, and the pattern of university organisational structure. The next part is provided to show some examples of quality improvement programs with the foreign institutions as government efforts to improve the quality of IHEIs.

![Figure 2. The Five Aspects in the IHEIs Institutional Transformation](image-url)
5.1 Curriculum Development: Empowering Program Studies Development through the Implementation of Civil Society Engagement (CSE) and Environmental Management (EM) Programs

To achieve the status transformation, the IHEIs are required to develop new program studies especially for the institution which transforms from an institute into a university. Mostly, the new trend of curriculum development refers to nonreligious curriculum designs. Therefore, to facilitate nonreligious curriculum development, the government has provided a wider opportunity for the IHEIs to design a nonreligious curriculum which is called with “a wider mandate”. In the recent years, this trend has significantly developed in IHEIs as an impact of the greater efforts to achieve the status transformation. For the transformed universities, to improve the quality of their institutions, some of universities have attempted to develop some various and new nonreligious program of studies such as economic sciences, management, environmental engineering, architecture engineering, and urban and regional planning.

For the sustainability of their institutions after the status transformation, some universities have taken initiatives to empower the program of studies above through the capacity building programs for the lecturers. In this aspect, MoRA has initiated to design partnership programs with local and international nongovernment institutions to improve the quality of the lecturers, particularly in the areas of economic sciences, management, environmental engineering, architecture engineering, and urban and regional planning. The partnership programs are addressed in the efforts to strengthen the role of the Islamic universities in making a contribution to the social cohesion. During 2011-2016, MoRA has built partnership program with SILE/LLD Project as a form of a partnership program between MoRA, IHEIs, and Canadian Government. The main objective of this program was promoting the wider dissemination of new ideas regarding the university-community partnership, service learning, asset-based community-driven development (ABCD), community-based research (CBR) and more effective modes of democratic governance. The project has involved two Islamic Universities such as UIN Makassar and UIN Sunan Ampel Surabaya in order to empower their capacities in giving the contribution to the societies through the community engagement programs. This project has strengthened the individual lecturers’ capacity and knowledge that enabled them with the sufficient knowledge and skills to design effective learning modules, curriculum, methods, and strategies to empower the local social communities and environments through the several programs such as civil society engagement and environmental management.

For the civil society engagement (CSE) program, based on the SILE/LLD Annual Progress Report (January-June 2014), MoRA and SILE/LLD Project have initiated to implement this CSE program in order to promote democratic governance, especially by the university, an institution perceived as a change agent and a dynamic player in a democratic society (SILE/LLD Annual Progress Report (January-June 2014), p. 24). The main purpose of this program was to empower the universities (such as lecturers and university leaders) and local communities through promoting the principles of democratic governance for the engagement of the Islamic universities with local communities in responding the local issues through public forums, civic education and the advocacy of public policies (SILE/LLD Annual Work Plan 2015, p. 6). This program has strengthened both MoRA and Islamic Universities’ capacities in term of policy design for the quality improvement of IHEIs in terms of empowering and enhancing the roles of Islamic Universities to promote democratic governance principles and empower the local communities. As results, this program has successfully brought the community members and civil society organizations (CSO) to participate and involve to universities in enriching university teaching, research and service functions (SILE/LLD Annual Progress Report (January-June 2014), p. 24).

Furthermore, for the program of environmental management (EM), it has been implemented in order to encourage the related elements such as MoRA (policymakers), university leaders, lecturers, Islamic preachers, and local communities in improving the quality of environmental management system. The main objective of this EM program was promoting democratic governance as the important principle that requires a good environmental governance in order to build sustainable societies. SILE/LLD Project highlighted that good environmental and natural resource management as intimately linked to democratic governance, as well as being a key element of mobilizing assets approaches to community-driven development (SILE/LLD Annual Progress Report (January-June 2014), p 26). The implementation of EM program was focused on empowering the related elements such as lecturers and the university leaders with the sufficient knowledge and skills in considering and managing a good the relationships between people and their daily life activities with their environments such as plants, animals, and natural resources for the sustainability of the future life of the society. This program has been implemented through promoting University-Community Engagement (UCE) in teaching, research and community service. Based on the SILE/LLD Annual Progress Report (January-June 2014), this EM program has shown remarkable results: a) the increased awareness of interest in and ability to identify specific actions related to good environmental management practices in the 16 community engagement action plans from the lecturers, CSO members, and community core
group members; b) the increased awareness and understanding of the environmental/natural resource management issues and their relation to democratic governance from the Islamic preachers community; c) the confirmation of good environmental management as an important principle at the highest levels in the Strategic Plans for university-community engagement - either as core values or strategic objectives; and d) well-designed guidelines and a simple check-list were provided for the incorporation of actions related to good environmental management in the 16 community action plans (p. 26). The EM was continuously developed and implemented during the partnership programs between MoRA and SILE/LLD Project in terms of strengthening its principles to empower the Islamic universities, communities, and their environment in wider aspects and considerations. Based on the SILE/LLD Annual Work Plan 2015, the principle of good EM itself was based on five considerations: 1) improving human health; 2) sustainability of human livelihoods (for example fishing and farming); 3) conservation of the quality and quantity of community assets, including natural resources of air, land, and water, and of animals and plants, both domesticated for human use and “natural” or “indigenous”; 4) social and cultural implications of environmental decisions including gender-specific and special group needs, respecting local sacred and cultural practices, building strong communities (the ABCD or asset-based community-driven development approach); and 5) policies and practices related to the 'built environment' and physical property, including reducing, re-using, recycling and other aspects of waste management and other sustainable practices (p. H-1). The areas of program activities were focused on how to manage air and water pollution, natural resources and ecosystems, and the use of energy.

Figure 3. The Sustainability Impact Programs

5.2 Budget Allocation System

The government has an important role to play in the policy-making process, covering three main aspects: (i) provision, (ii) finance, and (iii) regulation. In providing educational programs, governments are at their most active and even most intrusive (Tooley, 1996) role (Heyneman, 2009, p. 143). In the provision aspect, government is responsible for taking action for budget allocation system in providing and supplying the tools, equipment, infrastructure, and facilities for schools; in the financial aspect, government is responsible for providing a budget to support schools; and in the regulation aspect, government is responsible for arranging policy, guidelines, and rules to manage schools to ensure they all achieve standards for better quality improvement and performance.

In the Indonesia’s IHEIs context, the issues of budget allocation system are still debatable in the institutional transformation. The status transformation has required the change of the university organisational structures which automatically has brought significant changes to the IHEIs budget allocation system. Even though the government has provided a national budget to support the IHEIs, however, each higher education institution is also required to enable themselves improve their revenue for the sustainability of their institutions. As a result, the impact of status transformation has led some issues in budget allocation system. For example, the study found that the development of the new program of studies become a dilemma in term of the budget allocation system for the establishment of the new nonreligious curriculum. Based on government regulation, the establishment of religious programs should be processed under MoRA, while for the nonreligious programs should be processed under MOEC. This becomes complicated procedures and decisions for PTAIN to balance the fully-control of government with autonomy for the curriculum development. Each campus has an effort to gain greater autonomy and to reduce the control MoRA has over curricular design. However, not all campuses would be able to administer themselves effectively. There are
also efforts for each campus to have greater fiscal control of their own budgets (Lukens-bull, 2013, p. 112). This situation as shown that the impact of the institutional transformation has led the emergence of financial interests from both government and the IHEIs which is wisely needed to be considered, particularly in designing an effective budget allocation system to support the quality of IHEIs.

5.3 Lecturers’ Qualification

Having high qualification lecturers is also one of the requirements should be obtained by IHEIs to achieve the status transformation. Some institutions are still facing a shortage of highly qualified academics (lecturers with a doctoral degree). To assist transformation process, MORA has created effective policies as the great efforts to improve lecturers’ qualification by providing effective quality improvement programs such as lecturers’ certification program, teacher/lecturer training, academic recharging, overseas short course program, research competitive grant, domestic and overseas scholarships, and 5000 Doktor Scholarship. Through the programs, each institution is expected can provide at least 60% lecturers with a doctoral degree to meet one of the requirements of the status transformation.

For improving the lecturers’ qualification, Since 2008 Indonesian government has initiated to perform Lecturer Certification Program as well as Teacher Certification Program. This policy initiative as a great effort of government to improve the quality of human resources in the education sector. The procedure and mechanism of certification program are equal-implemented to the general and religious higher education institutions. The study stated that the purpose of lecturers’ certification is to recognize lecturer performance through assessment and evaluation. The evaluation was given by peers at the department, and evaluation is given by tanned professors to access whether lecturers are eligible to pass certification (Elfindri at al, 2015, p.27). Based on the Technical Guidance of Status Transformation of IHEIs, qualified lecturers are strongly required to fulfill status transformation application with the composition 25% doctoral degree and 75% master’s degree (Panduan Rambu-Rambu. Pengembangan Kapasitas dan Perubahan/Alih Status Kelembagaan Perguruan Tinggi Agama Islam Negeri, Kementerian Agama RI, Direktorat Jenderal Pendidikan Islam, 2010, p. 8).

5.4 Facilities and Infrastructure

In the recent years, MORA has continuously made efforts to improve IHEIs in all sectors. Especially for infrastructure, the institutions are expected can obtain adequate facilitates and infrastructure to prepare themselves for status transformation. To assist the process, MORA has created the policy in providing an alternative budget to support IHEIs infrastructure development and renovation. To support the limited national budget, MORA has also initiated to build partnership program with other foreign institutions to support the implementation of status transformation through soft loans in improving the quality of IHEIs facilities and infrastructure. As an example, in 2014, the Minister of Religious Affairs has declared that MORA has provided budget from soft loans for the construction of 11 new buildings in the State Islamic Universities (UIN) Sunan Gunung Djati Bandung. The budget allocation was based on partnership program between MORA and Islamic Development Bank (IDB) in assisting the universities to strengthen and improve their qualities. This policy shows that MORA has taken continuously effort to support the quality improvement of IHEIs through effective partnership programs with the foreign countries.

5.5 The Pattern of IHEIs Organisational Structure

The status transformation has also led a significant change to the pattern of IHEIs Organisational Structure. The shifting of IHEIs from Islamic Collages (STAIN) into Islamic Institutes (IAIN) and from Islamic Institutes (IAIN) into Islamic Universities (UIN) have automatically changed the pattern of organisational structure. It has also automatically required some changes in some aspects such as human resources, budget allocation, and the pattern of faculties. In term of human resources, as an impact of status transformation, the increasing needs for competent human resources such as university leaders, faculty members, lecturers, students, and administrators cannot be avoided. The change of organisational structure has encouraged the IHEIs to enlarge the organisational structure which automatically requires the IHEIs to force themselves to provide competent human resources to support the organisational structure of their institutions for its continuity and sustainability in the future. Therefore, for some institutions, the human resources shortage has become the main important aspect to be seriously taken into account.
They have to force themselves to improve the quality and the number of human resources. Furthermore, the change of the organisational structure has led the significant increase for the needs of operational budget to support teaching and learning activities, employee’s wages, teaching and learning equipment, facilities, and infrastructures. This situation has become a big challenge for the IHEIs to prepare themselves in achieving the status transformation. Therefore, the IHEIs are highly expected to be able to empower themselves to overcome the obstacles in process of the organisational structure shifting.

6. Conclusion

Based on the explanation above, it can be seen that the status transformation has brought significant changes to the quality of IHEIs and its sustainability. Even though there is still an only small number of the transformed institutions have achieved a high standard, however, the significant changes have shown that the quality of IHEIs has improved particularly in the aspect of curriculum development. The development of the new program of studies such as economic sciences, management, environmental engineering, architecture engineering, and urban and regional planning has shown that MORA and IHEIs have become a milestone for the development of general science into religious higher education institutions. The implementation of partnership programs with foreign institutions has become an alternative solution for government to improve and maintain the quality of IHEIs through the effective capacity building programs. Furthermore, the institutional transformation has also facilitated the IHEIs to improve their roles for social cohesion. The development of new paradigm in environmental sciences has presented a good example of the IHEIs’ ability and capacity to empower Indonesia society through the programs of civil society engagement and environmental management.

However, it cannot be denied that the weaknesses are still exist in the implementation of institutional transformation policy in term of the quality control of curriculum, lecturer’s qualification, budget allocation system, the pattern of organisational structure, and facilities and infrastructure. Therefore, the quality and reputation of IHEIs that have achieved transformation are continuously needed to be reviewed. The implementation of institutional transformation policies should be evaluated comprehensively in term of reviewing its sustainability impact to the IHEIs quality improvement by considering the several aspects. Firstly, all related elements (government and university) should aware how well the policy implementation affects the existence and development of IHEIs government and university should intensively work together to continuously examine how far the policy well-implemented and to what extend the transformation has led to significant changes within the IHEIs. Secondly, the role of leaders should be taken into account in the process of status transformation in seeking how far the involvement of the leadership assist or dictate the policy implementation. The policy implementation cannot be separated from the involvement of the roles of policy makers and the university leaders. Both elements have central roles to assist all elements of organisation from both government and university to be more active and responsive to achieve the policy mission. Therefore, the role of leaderships should be taken into account to bring and to ensure the institutions can successfully achieve the transformation.

References:


Tooley, J. 1996. *Education without the State*.


Links:


How does socially responsible human resource management influence employee well-being?

Kamran Iqbal  
Sgd.kamran@gmail.com  
Bahria university, Islamabad

Drawing on social exchange and social identity theories, we develop a model examining the relationship between three dimensions of socially responsible human resource management (SR-HRM), namely legal compliance HRM, employee-oriented HRM and general CSR facilitation HRM, and employee well-being. We hypothesize that all three dimensions of socially responsible human resource management affect employee well-being via organizational identification. Data were obtained from 250 employees working in banking sector. SPSS and process macro for SPSS were employed to test the hypothesized model as per recommendation of Preacher & Hayes (2008). The results revealed that the relationship between all three dimensions of SR-HRM and EWB had an indirect effect via Organizational identification. This study makes a significant theoretical contribution to the literature as this study demonstrate the importance of SRHRM in wellbeing of the employees and fill the gap in literature by exploring the mechanism through which SRHRM affects EWB.

Keywords: Socially responsible HRM, Organizational identification, Employee well-being

Introduction

The topic of corporate social responsibility (CSR) has been getting attention of researchers and practitioners over the past decade. Issues related to CSR have been the subject of great debate among the researchers of management and social sciences. Organizations are implementing CSR as mean to enhance their reputation, build legitimacy and increase their performance (Lee, 2008; Porter & Kramer, 2006). CRS basically refers to company’s commitment to contribute for the welfare for the society. Socially responsible organizations not only cater their legal obligation and
economic requirement, but also consider their ethical responsibilities towards their employees. Resource based view suggests that employees are most valuable asset for an organization, because it is difficult for competitors to imitate it. By considering their need and concern, organizations can have better corporate image and increase employees’ commitment that ultimately leads to increase in profits and performance. CSR involves development of strategies and policies that consider the effect of organizational activities on its stakeholder including employees and the communities and in broader sense the societies in which they operate.

One important dimension of CSR is the strategies and policies directed at employees, which has been called as socially responsible human resource management (SRHRM) (Shen & Benson, 2016). Apart from providing employees with better compensation and caring environment, SRHRM may include recruiting and retaining of CSR staff, providing CSR related training, reward employees for their participation in CSR related activities in term of promotions, performance appraisal and compensation (Newman et al., 2015; Orlitzky & Swanson, 2006; Shen & Benson, 2016; Shen & Zhu, 2011). SRHRM is important tool for successful implementation of CSR initiative, because without employees’ involvement CSR objectives cannot achieved (Shen & Benson, 2014). Although, there are studies that tested the relationship between CSR and employee well-being (Bučiūnienė, & Kazlauskaitė, 2012; Yu & Choi, 2014). Researchers also explored the relationship HRM and employee well-being (Alfes, Shantz & Truss, 2012; Doherty & Tyson, 2000; Turner, Huemann & Keegan, 2008) but till to the date there is no study that tested the relationship between SRHRM and employees well-being. This study not only explored the relationship between three dimensions of SRHRM and employee well-being but also explored the mechanism through which SRHRM affects employee well-being.

**Theory and Hypothesis Development**
Shen & Benson (2016) defined SRHRM as “corporate social responsibility (CSR) directed at employees, underpins the successful implementation of CSR”. The concept of SR-HRM was first introduced by Shen and Zhu (2011). The concept of SRHRM has been derived from the literature of multiple fields i.e. CSR, ethics, HRM and organizational behavior. On the basis of literature Shen & Zhu (2011) proposed three components of SRHRM. Three components are named as legal compliance HRM (LCHRM), employee-oriented HRM (EOHRM) and general CSR facilitation (GFHRM)

Legal compliance HRM, HRM policies and practices are implemented by considering local labor laws and the labor standards set by the International Labour Organization (ILO), i.e. Workplace equality, health and safety regulations, working hours, evidence of no force labour or and child labor (Rhoades and Eisenberger, 2002; Shen, D’Netto and Tang, 2010). If organization do not consider above given points, employees may develop a poor impression about whole system (Richard and Kirby, 1999) and organization may also lose its worth in the eyes of other stakeholders.

Employee-oriented HRM practices include: Job design and work systems to satisfy the motivational needs of the employees, especially need for skill development, equality, Autonomy, participation and involvement, flexible working hours, employment, power sharing and self-actualization (Donaldson, 1991; Winstanley and Woodall, 2000; Waring and Lewer, 2004. These employee-oriented HRM practices help the employees to enhance their managerial and career related expertise (Veiga, Baldridge and Eddleston, 2004). The stakeholder theory suggests that employees should be involved in decision-making (Shen, 2011). Moreover, employees should be given opportunities for training and development as these development activities have substantial effects on employees’ motivation and their job performance. Family-friendly HRM (Chen et al.,
2016; Chou, & Cheung, 2013), work-life balance (Wiese, 2015) are famous employee-oriented HRM practices that are developed to help employees to meet their job related goals without any work/life conflict (Shen, 2011).

Third dimension of SRHRM is about the external stake holders of the organization including mainly supplier, shareholders, distributors, customers and shareholders in general CSR initiative (Shen, 2011). HR plays an important role in implementation of CSR in the organizations (Fenwick & Bierema 2008).

Organizational identification is defined as employee’s perception of oneness with, and feelings of being part of an organization (Ashforth & Mael, 1989). Rousseau (1995) suggested that the relationship between employee and his or her organization can be taken as an exchange relationship from a psychological point of view. Employees return the benefit they received from the organization in the form helpfulness and goodwill (Masterson et al., 2000). If employees perceive that they receiving lot from their organization, they may high organizational identification.

According to social identity theory, people tend to categories themselves into various social groups, such as religious affiliations, gender, and organizational membership (Tajfel & Turner, 1985). Employees develop their identities through their organizations (Dutton & Dukerich, 1991). Employees are particularly motivated to identify themselves with organizations that enhance their self-esteem (Ashforth, Harrison & Corley, 2008). Individuals who identify themselves with organization perceive themselves as psychologically intertwined with the fate of the organization and tend to take it personally the successes and failures of the organization (Foote, 1951; Dutton, Dukerich, & Harquail, 1994).
Social exchange theory (Blau, 1964) also helps to explain the effect of SRHRM on employees’ behaviors. Basic principle of social exchange theory is the rule of reciprocity. If one party provides benefits to other party voluntarily, invoking an obligation to reciprocate in the same manner (Whitener et al. 1998). I suggest that SRHRM initiatives invoke reciprocity between employees and their organizations. By implementing SRHRM, organizations provide benefits to employees beyond legal their obligations and employees in return feel an obligation to reciprocate. SRHRM leads the employees to develop higher identification with their organization, they feel proud being part of that organization and their trust on organization also increased, and then employees reciprocate in form of positive behavior that ultimately leads to favorable outcomes for the organization (He et al., 2014). Gavin and Maynard (1975) found positive relationship between fulfillment of organization’s social obligations and employee’s job satisfaction which is important measure of Employee well-being. The all above discussion imply that CSR may play important role in employees needs for security, belongingness, self-esteem, (Bauman and Skitka, 2012) which leads to positive effect of employee well-being.

Well-being (PWB) may be defined as a construct that focuses on the positive ways that people utilize to experience life (Diener, 1984). According to the observations of the psychologists, the well-being ensures a number of positive outcomes individually. Psychological well-being has been regarded as a significant predictor of work and family life satisfaction, the physical and mental health of individuals, the ability of individuals to think positively and their sense of motivation (DeNeve & Cooper, 1998). It is more of a subjective experience; which is based on the belief that employees are psychologically well only to the extent that the employees think they are (Wright & Bonett, 2007). Avanzi, van Dick, Fraccaroli, & Sarchielli (2012) mentioned that “According to Haslam (2004), there are many reasons for why identification may have a significant impact on
well-being. In particular, it helps satisfy important human needs, such as the needs for safety, belonging, self-enhancement, and uncertainty reduction (Ashforth et al., 2008; Hogg & Terry, 2000). Moreover, employees who are highly identified with their group tend to perceive individuals who belong to the same group (i.e. in-group members) more positively, and as a result will respond more positively toward their colleagues, which includes more cooperation and support. Therefore, employees who identify themselves closely with their organizations should report higher well-being than less identified employees. Following van Dick and Haslam (2012), organizational identification should have both direct and indirect (e.g. through social support) positive effects on well-being and indeed, there is evidence of such positive effects of identification on individuals’ well-being.” Thus on the basis of above literature, we hypothesize following hypotheses:

$$H1: \text{legal compliance HRM is positively related to employee well-being.}$$

$$H2: \text{legal compliance HRM is positively related to organizational identification.}$$

$$H3: \text{Organizational identification is positively related to employee well-being.}$$

$$H4: \text{Organizational identification mediates the relationship between legal compliance HRM and employee well-being.}$$

$$H5: \text{Employee-oriented HRM is positively related to employee well-being.}$$

$$H6: \text{Employee-oriented HRM is positively related to organizational identification.}$$

$$H7: \text{Organizational identification mediates the relationship between Employee-oriented HRM and employee well-being.}$$

$$H8: \text{General CSR facilitation HRM is positively related to employee well-being}$$

$$H9: \text{General CSR facilitation HRM is positively related to organizational identification.}$$

$$H10: \text{Organizational identification mediates the relationship between General CSR facilitation HRM and employee well-being.}$$
Methodology:
The data were collected through personal administered questionnaire at private banks in Sargodha, which is the 11th largest city in Pakistan. The author used his personal and professional contacts to get entry permissions from the concerned banks. Respondents were explained about the purpose and assurance about confidentiality of the information. The participation of the respondents was voluntary. Total 300 questionnaires were distributed, out of which 270 were returned back, and finally 250 completely filled questionnaires were used for analysis to test the hypotheses of the study.

The sample consists of 47.6 % males and 52.4 % females. Out of 215 respondents, total of 24.4 % have age up to 30, while remaining respondents (75.6%) having ages above 30. Out of total respondents, 67.6 % are married and 32.4% are single. Most respondents have graduation 14/16 years of education with 64.8 %, while 34 % with education of 18 years and above. Out of total sample 10.8% have work experience 1 to 5 years, 20% between 6 to 10 years, 35.6 % between 11 to 15 years, and 27.2% between 16 to 20 years, while only 6.4% with experience 21 or above years of experience.
Measures

SRHRM

Three dimensions of SRHRM (LCHRM, EOHRM and GFHRM) were measured by using 6-items, 4-items and 3-items respectively developed by Shen & Zhu (2011). Sample items are “My firm ensures equal opportunity in HRM” “Employees participate in decisions making and total quality management” “My firm appoints adequate staff implementing general CSR initiatives” Five point likert scale” was used ranging from strongly agree=5 to strongly disagree=1, will be used.

Organizational identification

Organizational identification was measured by using the six-item scale developed by Mael and Ashforth (1992). Example items are“when someone praises my organization, it feels like a personal compliment”, “I am very interested in what others think about my organization,” Five point likert scale” was used ranging from strongly agree=5 to strongly disagree=1, will be used.

Employee’s well-being

The employee well-being was measured by adopting a scale developed by (Diener, et Al., 2010). The Questionnaire contains 8 items for example “I actively contribute to the happiness and well-being of others”. Five point likert scale” was used ranging from strongly agree=5 to strongly disagree=1, will be used.

Results

Table 1, shows the mean, standard deviation, correlation and Cronbach’s alpha values. Cronbach’s alpha is popularly used to determine the internal consistency. Significant correlation is found
between three dimensions of socially responsible human resource management (SR-HRM), namely legal compliance HRM, employee-oriented HRM and general CSR facilitation HRM, organizational identification and employee well-being. Highest correlation was present between General CSR facilitation HRM and employee well-being (0.719 at p<0.01) while lowest correlation was present between General CSR facilitation HRM and Legal compliance HRM (0.343 at p<0.01).

Table 1 Correlations and descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>M(SD)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Employee well-being</td>
<td>2.9280(1.10916)</td>
<td>1(.799)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.Organizational Identification</td>
<td>2.3087(.59800)</td>
<td>.372**</td>
<td>1(.838)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.Legal compliance HRM</td>
<td>2.5040(.61295)</td>
<td>.433**</td>
<td>.623**</td>
<td>1(.761)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.Employee-oriented HRM</td>
<td>2.5280(.84410)</td>
<td>.622**</td>
<td>.615**</td>
<td>.662**</td>
<td>1(.985)</td>
<td></td>
</tr>
<tr>
<td>5.General CSR facilitation HRM</td>
<td>3.4253(1.30901)</td>
<td>.719**</td>
<td>.264**</td>
<td>.343**</td>
<td>.597**</td>
<td>1(.973)</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed), N= 250

**. Correlation is significant at the 0.01 level (2-tailed), N= 250
Path c’
After correlation analysis, Regression results were analyzed as per four conditions given by Baron and Kenny (1986) to test mediation between two variables. First, there should be significant relationship between independent variable and dependent variable (path c; total effect). Second, independent variable must be significantly related to mediating variable (path a). Third, there should be significant relationship between mediating variable and dependent variables (path b). Fourth, by controlling the mediating variable, a significant relationship between dependent and dependent variable (path c’) would be either decreased (partial mediation) or become insignificant (full mediation). Hence regression equation would look like:

\[ c = c’ + ab \]

Due to certain shortcoming in Baron and Kenny (1986) approach, it has been recommended that mediation should be test on the basis on significance of indirect effect (Preacher and Hayes, 2008). In order to test the indirect effect bootstrapping approach was used by using SPSS macro developed by Preacher and Hayes (2008).

Table 3.1 shows that LCHRM has positive significant effect on employee well-being (B=1.0385, SE=0.0222, t=46.6945, p<.001). This supports our first hypothesis H1 and first condition of mediation. Next, positive and significant relationship is observed between LCHRM and Organizational identification (B=.9697, SE=0.0248, t=39.0261, p<.001). This fulfill second condition of mediation and support our second hypothesis H2. The relationship between organizational identification and employee well-being is also observed significant and positive (B=.8152, SE=0.0235, t=34.6515, p<.001). This support or third hypothesis H3 and fulfill third condition of mediation. Finally, direct effect of LCHRM on employee well-being was observed to
be significant but coefficient has been decreased substantially (B=.2481, SE=0.0246, t=10.0838, p<.001), which implies partial mediation by organizational identification between LCHRM and employee well-being. Up to this point, all four conditions of mediation have been fulfilled according to Baron and Kenny (1986), but Hayes (2009) suggests that, indirect effect of IV on DV should be analyzed to test the mediation. Also according to Preacher and Hayes (2008), either there is mediation or no mediation. Bootstrapping result shows that there is no zero in the interval showing indirect effect of LCHRM on employee well-being. We Hence, it is concluded that hypothesis H4 has accepted.

Table 3.1: Testing of Mediation Hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>t</th>
<th>p</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCHRM regressed on EWB(c path): Total effect</td>
<td>1.0385</td>
<td>.0222</td>
<td>46.6945</td>
<td>.0000</td>
<td>.9947</td>
<td>1.0823</td>
</tr>
<tr>
<td>LCHRM regressed on OI(a path)</td>
<td>.9697</td>
<td>.0248</td>
<td>39.0261</td>
<td>.0000</td>
<td>.9207</td>
<td>1.0186</td>
</tr>
<tr>
<td>OI regressed on EWB(b path)</td>
<td>.8152</td>
<td>.0235</td>
<td>34.6535</td>
<td>.0000</td>
<td>.7689</td>
<td>.8616</td>
</tr>
<tr>
<td>LCHRM regressed on EWB for OI(c' path): Direct effect</td>
<td>.2481</td>
<td>.0246</td>
<td>10.0838</td>
<td>.0000</td>
<td>.1996</td>
<td>.2965</td>
</tr>
</tbody>
</table>

Indirect effect of LCHRM on EWB

<table>
<thead>
<tr>
<th>Value</th>
<th>Boot SE</th>
<th>Boot LLCI</th>
<th>Boot ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>.7905</td>
<td>.0335</td>
<td>.7259</td>
<td>.8567</td>
</tr>
</tbody>
</table>

Table 3.2 shows that EOHRM has positive significant and effect on employee well-being (B=.7546, SE=0.0193, t=39.0236, p<.001). This supports our fifth hypothesis H5 and first condition of mediation. Next, positive and significant relationship is observed between EOHRM
and Organizational identification (B=.6781, SE=0.0240, t=28.2610, p<.001). This fulfill second condition of mediation and support our sixth hypothesis H6. The relationship between organizational identification and employee well-being is also observed significant and positive (B=.7855, SE=0.0114, t=68.6362, p<.001). This fulfills third condition of mediation. Finally, direct effect of EOHRM on employee well-being was observed to be significant but coefficient has been decreased substantially (B=.2219, SE=0.0089, t=24.9757, p<.001), which implies partial mediation by organizational identification between EOHRM and employee well-being. Up to this point, all four condition of mediation has been fulfilled according to Baron and Kenny (1986). Also Bootstrapping result shows that there is no zero in the interval showing indirect effect of EOHRM on employee well-being. Hence, it is concluded that hypothesis H7 has accepted.
Table 3.2: Testing of Mediation Hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>t</th>
<th>p</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOHRM regressed on EWB (c path): Total effect</td>
<td>0.7546</td>
<td>0.01903</td>
<td>39.0236</td>
<td>0.0000</td>
<td>0.7165</td>
<td>0.7927</td>
</tr>
<tr>
<td>EOHRM regressed on OI (a path)</td>
<td>0.6781</td>
<td>0.0240</td>
<td>28.2610</td>
<td>0.0000</td>
<td>0.6309</td>
<td>0.7254</td>
</tr>
<tr>
<td>OI regressed on EWB (b path)</td>
<td>0.7855</td>
<td>0.0114</td>
<td>68.6362</td>
<td>0.0000</td>
<td>0.7630</td>
<td>0.8081</td>
</tr>
<tr>
<td>EOHRM regressed on EWB for OI (c' path): Direct effect</td>
<td>0.2219</td>
<td>0.0089</td>
<td>24.9757</td>
<td>0.0000</td>
<td>0.2044</td>
<td>0.2394</td>
</tr>
</tbody>
</table>

Indirect effect of EOHRM on EWB

<table>
<thead>
<tr>
<th>Value</th>
<th>Boot SE</th>
<th>Boot LLCI</th>
<th>Boot ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5327</td>
<td>0.0215</td>
<td>0.4930</td>
<td>0.5790</td>
</tr>
</tbody>
</table>

Table 3.3 shows that GFHRM has positive significant effect on employee well-being (B=1.0277, SE=0.0110, t=93.4415, p<.001). This supports our eighth hypothesis H8 and first condition of mediation. Next, positive and significant relationship is observed between GFHRM and Organizational identification (B=0.9919, SE=0.0044, t=225.1158, p<.001). This fulfill second condition of mediation and support our ninth hypothesis H9. The relationship between Organizational identification and employee well-being is also observed significant and positive (B=0.8470, SE=0.1494, t=5.6690, p<.001). This fulfills third condition of mediation. Finally, direct effect of GFHRM on employee well-being was observed to be insignificant (B=−0.1876, SE=0.1486, t=1.2628, p=0.2078), which implies full mediation by Organizational identification between GFHRM and employee well-being. Up to this point, all four condition of mediation has been fulfilled (Baron and Kenny, 1986). Further, bootstrapping result shows that there is no zero in the
interval showing indirect effect of GFHRM on employee well-being. Hence, it is concluded that hypothesis H10 has accepted.

### Table 3.3 : Testing of Mediation Hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>t</th>
<th>p</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFHRM regressed on EWB(c path): Total Effect</td>
<td>1.0277</td>
<td>.0110</td>
<td>93.4415</td>
<td>.0000</td>
<td>1.0061</td>
<td>1.0494</td>
</tr>
<tr>
<td>GFHRM regressed on OI(a path)</td>
<td>.9919</td>
<td>.0044</td>
<td>225.115</td>
<td>.0000</td>
<td>.9832</td>
<td>1.0006</td>
</tr>
<tr>
<td>OI regressed on EWB(b path)</td>
<td>.8470</td>
<td>.1494</td>
<td>5.6690</td>
<td>.0000</td>
<td>.5527</td>
<td>1.1413</td>
</tr>
<tr>
<td>GFHRM regressed on EWB for OI(c’ path): Direct effect</td>
<td>.1876</td>
<td>.1486</td>
<td>1.2658</td>
<td>.2078</td>
<td>-.1050</td>
<td>.4802</td>
</tr>
</tbody>
</table>

### Indirect effect of GFHRM on EWB

<table>
<thead>
<tr>
<th>Value</th>
<th>Boot SE</th>
<th>Boot LLCI</th>
<th>Boot ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>.8401</td>
<td>.4085</td>
<td>-.1060</td>
<td>1.8200</td>
</tr>
</tbody>
</table>

### Discussion:

Despite the theoretical important and practical implication, no previous study has investigated the relationship between SRHRM (Shen & Zhu, 2011) and employee well-being (Warr, 1990). In addition, the study has provided the mechanism through which SRHRM influence employee well-being. The main objective of the study was to examine the effect of LCHRM, EOHRM and GFHRM, on employee well-being, through mediating variable of organizational identification. By using Preacher & Hayes (2008), we found that LCHRM, EOHRM and GFHRM are strong predictors of employees’ well-being through organizational identification. Therefore employees’ well-being is not direct predictor of SRHRM. Instead it is caused by the presence of organizational identification. These results are inconsistent with past studies (Newman et al., 2015; Shen & Benson, 2016).
**Limitation and Future direction:**

Although this study has valuable contribution in literature, it has a number of weaknesses that might be removed in future studies. First, because we collected whole the data in one time frame, and employees responded questionnaire according to their perception about SRHRM, Identification and well-being. It may cause common method variance. Future researchers may collect the data in different time frame and may get response about SRHRM from HRM managers as well along with data from employees to remove the likelihood of common method variance.

Second, we choose to test one route organizational identification as mediator between SRHRM and employee well-being, future researchers might test other possible mechanisms i.e. organizational trust and organizational pride in their studies between SRHRM and employee well-being.

Third, this study was conducted in Pakistan which is a developing country, future studies may be replicated in developed countries to retest the relationships tested in current study as developed economies have different culture and values.
References:


CSR, Sustainability and Green IT in Higher Education: An Australian Perspective

TOMAYESS ISSA AND THEODORA ISSA

Abstract
This study aims to examine and investigate the promoting of ITS6 students’ learning and awareness towards Corporate Social Responsibility (CSR), Sustainability, and Green IT (Information Technology) specifically in higher education. Currently various sectors in diverse businesses, governments, health, social works and education (school and tertiary) have started not only to look at, but adopt and integrate both CSR and Sustainability in their strategies to enhance their reputation seeking uniqueness in the market either locally or globally. To allow the postgraduate students to become major participants in the business world when they graduate, an Australian university developed a unit called ITS6 to enhance and improve students’ awareness of CSR and sustainability including the roles information technology and information systems play in business, specifically technology waste and recycling might have on the environment. The development of ITS6 unit derived after the Global Financial Crisis of 2008/2009 as business schools were amongst those parties who have been accused of being partners in the economic, societal and environmental disappointments. ITS6 unit aimed to raise students’ awareness of sustainability and Green IT introducing the students to relevant strategies. The preliminary analyses of data collected via formal and informal feedback from 127 students, revealed that ITS6 assessments (i.e. reflective journals, wikis, digital presentation and report writing) managed to increase students’ awareness towards CSR, sustainability, and improve students’ personal and professional skills for their tertiary studies which they will carry forward to their workplace in the future. In addition, students demonstrated their satisfaction with ITS6 assessments, as they felt those assessments had developed specific skills such as cultural environmental awareness, cutting edge technology, and the generation of appreciation and respect in their minds for the environment.

Keywords: CSR, Sustainability, Green IT, Higher Education, Curriculum, Australia

1 Tomayess Issa – Senior Lecturer, School of Information Systems – Curtin Business School, Curtin University, Perth, Western Australia, Australia. E-mail: Tomayess.Iss@cbs.curtin.edu.au
Theodora Issa – Senior Lecturer, School of Management, Curtin Business School, Curtin University, Perth, Western Australia, Australia. E-mail: theodora.issa@curtin.edu.au
1 Introduction

CSR, Sustainability and Green IT have become the buzz words in diverse sectors in businesses, governments, health, social works and education (school and tertiary) to raise awareness, enhance critical thinking, knowledge through brainstorming coupled and intertwined with innovation. This aims to tackle the current and ongoing problems facing the environment from humans’ actions, to sustain if not all at least some of the existing and very limited resources for the future generations. Indeed, CSR, Sustainability and Green IT have become very vital and very critical topics for human beings’ current and future lives, locally and globally, since individuals and businesses need to think of diverse ways on how to preserve and sustain raw materials for the current and future generations as there seems to be no plan B for planet Earth (Issa and Isaias, 2015). In addition, human beings, who are the stewards of the planet (please refer to the Book of Genesis of the Old Testament), should understand and design applications, interfaces, equipment and services with less negative impact on the planet, and more sustainable impacts; this simply means any design should fulfil the economic, social and ecological sustainability principles (Alexander, 2007, Datta et al., 2010, Issa and Isaias, 2015, Nidumolu et al., 2009, Orsato, 2009, Sharma et al., 2010, Walck, 2009). It is unfortunate to state here that not many authors have tackled this issue, therefore, and deriving from the above, evaluating the grim situation, and to raise awareness of CSR, Sustainability and Green IT, an Australian University started to introduce the topics and concepts of CSR and sustainability to postgraduate students in the ITS6 postgraduate unit. The intention was to allow students to identify the pros and cons of implementing CSR and sustainable strategies, through the integration and mixing of these concepts in teaching including the assessments and activities that aimed to alter the students’ mindsets, attitudes, and behaviour towards the planet and its health, since these same students would be the leaders of organisations and businesses soon. In addition, this unit aimed to increase students’ knowledge, awareness, and understanding of sustainable strategy in general and precisely to Green IT implementation.

Therefore, in this chapter, the experimental and practical data was collected and obtained from informal and formal feedback. These were a combination of quantitative and qualitative research approaches. Data was collected from 127 students covering the period 2009 until 2017. Informal and formal feedback was collected during the semester, where students provided and reported their perspective and perception towards not only the unit’s contents but also, assessments, tools used to enhance students’ engagement in the unit (i.e. Wiki and MP3) and facilitators’ teaching methods. The informal feedback is considered a creative approach demanding students, to furnish and bestow feedback namelessly concerning the unit structure, teaching and assessments. The informal feedback aimed to assist the Unit Coordinator and Facilitators to have a feel of what is
happening in the class prior to the end of the semester. This would allow the Unit Coordinator and Facilitators to improve the unit delivery and to start doing some tasks based on the students’ needs before the end of the semester, which mainly aims at enhancing the students’ learning experience. The formal feedback is collected at the end of the semester via the university to obtain and collect students’ anonymous feedback regarding the unit learning experience and facilitators’ teaching style and quality.

This chapter outcomes illustrated that the ITS6 unit topics, wiki activities (teamwork and individual), and assessments had assisted students to learn about the main topics such as CSR, Sustainability and Green IT concepts, thus enhancing the students’ awareness of integrating and assimilating these concepts in individual and business strategies. Furthermore, this chapter highlights the results from the analysis of both the informal and formal feedback highlighted that students became more aware and conscious of sustainability and Green IT and they started paying additional attention and give more consideration to products that they purchase or consume as to whether the manufacturers were applying sustainability strategies throughout the process. Finally, the data analysis confirmed that students learned how to develop an IT sustainable strategy especially for IT departments.

It is anticipated that the findings will make major influence on the scholarly work and literature especially for integrating CSR, Sustainability and Green IT in the higher education curriculum in terms of methodological, theoretical and practical applications. Education is considered one of the vital paths to apply CSR, Sustainability and Green IT amongst students, as there is a need for them to understand their moral responsibilities and ethical commitments to preserve some of the existing raw elements and materials for next generation.

This chapter is organized as follows: 1) Introduction; 2) What is CSR? 3) What is sustainability? 4) What is Green IT? 5) CSR, Sustainability and Green IT Curriculum; 6) Methodology and Research Question; 7) Participants; 8) Results, Discussion and New Findings; 9) Conclusion and Further Research Directions.

2 What is CSR?

According to Moscardo Lamberton Wells et al. (Moscardo et al., 2013, p.24) indicate that CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. This means businesses should include and integrate CSR in their strategy to assist their community and society locally and globally. Currently organisations started to integrate and apply CSR in their strategies to contribute to sustainable
development from education, health, welfare of society and meeting stakeholders’ expectations nationally and intentionally. Several studies (Attig et al., 2013, Jagers, 2009, Orlitzky et al., 2011, Reynolds and Yuthas, 2008) indicate that CSR has been established as a guideline that expects organizations to be socially responsible, and all corporations are concerned about profit but they have to be more concerned about short-term and long-term social impacts too, not only focused on profit.

Let us first have a proper understanding of what is meant by the acronym CSR. According to Crowther and Aras (2008) ‘Corporate’ refers to any large company that is seeking to benefit from several activities. ‘Social’ intends as a group of people who live in the same society. They may know or may not know each other before but they can make a relationship and help each other. Finally ‘Responsibility’ is the admission of both good and bad results from all actions that are taken, including taking all responsibilities for developing, and sustaining business.

Furthermore, Rangan et al. (2012) discuss the roles of Corporate Social Responsibility regarding shareholders, directors, employees, consumers, business and community and environment, and business’ competitors. Figure 1 explains the roles from various positions.

| Stakeholders: | • Respect and release all necessary information to shareholders |
| Directors: | • Provide accurate information including financial and governance |
| Employees: | • Fair wages, welfare, labor protection law, health, security and training |
| Consumers: | • Services and products should be available to consumers, and answering suitably to all complaints |
| Business: | • Present a fair contract and reject dishonesty and corruption forms |
| Community and environment: | • Support the local workers and develop and generate an environmental policy to protect our planet and to learn about the local culture |
| Business’ competitors: | • Fair competition |

Figure 1: Roles of Corporate Social Responsibility – Prepared by the Authors
Furthermore, adding and integrating CSR in organizations and individuals strategy will bring several benefits. Forte (2013) indicate that CSR can improve profitability, promote long-term profits, increase financial performance, increase the return on investments and raise sales volumes; enhances community relations because it is proactively attempting to benefit society, thereby establishing positive relationships between individuals, companies, and government; improves the business ethics within the company, and among business partners and competitors. CSR can maintain a favorable public image, enhance the company’s reputation and finally helps to create a better environment and improve the welfare of the community and the society.

Moreover, several studies (Carroll, 1991, Schrempf-Stirling et al., 2016, Steckstor, 2012) discuss and present CSR types from promotions, marketing, social marketing, charity, volunteering, socially responsible business practices, and the development and delivery of affordable products and services. Figure 2 explains CSR roles in details.

| Promotions: | Includes capital, materials, or other resources for expanding awareness and concern about social issues. |
| Corporate Social Marketing: | To change the behavior of people and show how organizations can affect customer behaviors. |
| Corporate Philanthropy/Charity: | Donations of money or goods, or cash grants for education. |
| Community Volunteering: | Organizations promote and encourage all employees and business partners to devote their time and effort to help the local community. |
| Socially Responsible Business Practices: | Conduct all business activities carefully, in order to prevent and avoid causing social and/or environmental problems. |
| Developing and Delivering Affordable Products And Services: | Concerns the production and selling of low-priced goods and services which enable people with low income to purchase them. |

Figure 2: CSR types – Prepared by the Authors

Finally, applying and integrating CSR in cooperation strategy will not only enhance reputation but also the business too, especially with the more sophisticated customers who have very different needs. Meeting those needs will result in a better relationship between businesses and customers based on understanding that would lead to them be delighted and pleased.
Now, we will move to highlight what is meant by Sustainability in this context.

3 What is Sustainability?

Gro Harlem Brundtland coined firstly the word Sustainability in 1987; to balance and sustain ecological system for our next generation. Sustainability is combined of three pillars namely; social, economic and environmental (Barry et al., 2016, Issa et al., 2014, Nathan et al., 2008, Shaw et al., 2015, Smith and Sharicz, 2011). Figure 3 shows that social aspects focus mainly on healthy communities, economic aspects discuss the vitality and equitable, finally environmental aspects aim to maintain natural resources for human and for nonhuman species.

Figure 3: Sustainability – Prepared by the authors

Currently human beings should and must change their life style, to maintain, and preserve resources for the current and the future generations. Human beings should strike a balance between the environmental, the economic and the social aspects of their activities and when the balance is right, it might lead to a sustainable life. Globally, there is a call for action asking human beings to become more sustainable specifically with the increased consumption (drinking and eating); population growth, poor resource management which has led to poverty in the under developed countries (Issa et al., 2014, Orsato, 2009, Rivero and Daim, 2017, Sikdar et al., 2017, Smith and Sharicz, 2011, Xiao et al., 2013).
Therefore, integration of sustainability in businesses and in individuals’ strategies is considered to be highly advantageous in terms of cost reduction, resources, legislation, reputation, maintaining happier customers and stakeholders, attracting capital investment and new opportunities (Nidumolu et al., 2009, Sharma et al., 2010, Smith and Sharicz, 2011). Furthermore, Kendall and Kendall (2010) indicated that sustainability assists businesses, individuals, stakeholders and the society in general. Further, and according to Weybrecht (2010) adopting and applying sustainability in businesses will achieve more than one goal: reducing cost; preserving/saving resources; comply with legislation; enhancing reputation; differentiation; attraction of quality employees and capital investment; satisfaction of customer needs; meeting stakeholder expectations; and capitalizing on new opportunities.

Finally, to implement and integrate sustainability in businesses and individuals’ strategies, there is a need of continuing alignment and obligation, and this can be achieved by changing their attitudes and behaviour in all activities by asking them to participate in training, and learning, consideration of the benefits and risks of sustainability, green washing and changing their mindsets. Indeed, commitments are compulsory in turn to modify people mindset by keeping some natural resources for the current and future generation.

4 What is Green IT?

Green IT aims to examine and assess computer resources use in an efficient, effective and sustainable manner, since computers and devices are eating the natural resources especially in the design, manufacture, energy, waste management, and recycling (Issa and Isaias, 2015). Green IT use will allow the organization to find innovative ways in which to create capacity of innovation, create low cost platforms for growth and minimise compliance costs and risks. Involves the entire eco-system of an organisation and offers both technology and business innovations that reduce carbon emissions by working more intelligently (Sturdevant, 2008).

Furthermore, Bernstein (2009, p.15) indicate that green IT reduces electricity consumption and reduces cooling costs were the most important reasons companies cited for implementing green IT, a desire from corporate headquarters to be "green" was almost as important.

Murugesan and Laplante (2011, p. 16-18) indicate that Information Technology and Systems have a new role to play helping to ‘create a greener, more sustainable environment while offering economic benefits’. In addition, the green IT agenda represents a major shift in priorities for the ‘IT industry, IT professionals,
educators, researchers, and users must be prepared to adjust their ‘level of thinking to realize IT’s Potential’.

Green IT tools are namely from Virtualization; Cloud Computing; Social Networking; Smart technology; Blockchain, Drones, Robots, IoT (internet—of-things); 3D Printing, AR (augmented reality); VR (Virtual Reality), Artificial Intelligence (AI) and Big Data.

Having provided an idea of CSR, Sustainability and Green IT, now we move to talk about the CSR, Sustainability and Green IT Curriculum.

5 CSR, Sustainability and Green IT Curriculum

To enhance and enrich IT students’ knowledge toward CSR and Sustainability students need to complete the ITS6. The learning outcomes for ITS6 are: 1) demonstrated awareness of and sensitivity to the importance of sustainable development and business strategies at a time that is crucial for people and the planet in addition to profit, 2) displayed an understanding of the fundamentals of Green IT; 3) applied conceptual tools and frameworks to critically analyze and apply business decision-making practices and policies, 4) translated the theories, concepts and analytical techniques learned into practice. The ITS6 unit syllabus is mainly focuses on issues relating to strategic development, IT business, and sustainability tools and green IT and other related issues. The ITS6 assessments are: reflective journals, digital presentation and report writing of an IT sustainability strategy and wiki for collaborative writing.

Reflective journal assessment (30 Marks): this individual assessment is intended to provide students with valuable experience in critically, creatively and reflectively reviewing and recording the main points in material from textbook(s), journal articles and the Internet. In addition, this assessment encourages students to keep up-to-date with their reading and their on-going search of WWW sites for information relevant to the unit. The reflective Journal not only requires a summary of material; it is also intended to indicate students’ reactions to and opinions about the material provided by various sources. Each journal must include comments from the textbook(s), e-journals, WWW Internet sites; TV programs and other media regarding Information technology and Green IT. Each week, students are required to visit at least four websites related to the topic, and record the details of each site in their Journal. It is anticipated that this assessment task will develop the following skills: research, writing, technology, information search, critical thinking, reading, and use of Endnote.

Individual Presentation of an IT Sustainable Strategy & Report writing (55 Marks): students are required to present individually their IT sustainable business
strategy as a digital presentation. The presentation (duration 25 minutes) must be recorded in MP4 format and uploaded with the PowerPoint slides to the blackboard. Following this presentation, students submit a written report based on the digital presentation. This report should be approximately 2,000 to 5,000 words in length, including diagrams, appendices, and references. The report should examine an actual IT department in an Australian or overseas organization. This assessment task is intended to develop the following skills: oral presentation, searching, researching, writing, critical thinking, decision making, and endnote software.

Wiki Tool (15 marks): this is a tool that allows students to add, update, and modify contents on a website; the main purpose of this assessment task is to encourage students’ independent learning, collaboration and interaction. Students need to undertake several challenging exercises that require using the Wiki Tool (as individuals or in teams) to analyze and evaluate practical real-case studies, and subsequent uploading the results to the Wiki to be evaluated by the lecturer and student peers. Subsequently, individuals or teams present the results to the class. Students are required to create concept maps based on real case studies or topics that are related to the unit. Wiki is used for this assessment task which is under the blackboard. A mark which contributes to 15% of the total assessment for the unit is given for students’ contributions to the weekly group discussions, and for the quality (not quantity) of the discussion questions submitted each week. The lecturer checks the discussion board at least twice a week, on Monday and Thursday afternoons. This assessment task is intended to develop the following communication skills: writing, reading, debating, written presentation and oral skills and concept map design. Finally, the inclusion in the Master degree of a sustainability and Green IT unit gives students the opportunity to change their mindset regarding sustainability, and develops their professional and personal skills required for their current studies and for their future in the workforce.

6 Research Question and Method

This chapter aims to answer the research question “How can assessments and ITS6 materials promote student's learning and awareness toward Corporate Social Responsibility (CSR), Sustainability and Green IT? For this chapter, two research methods are adopted in this study which are formal (eVALUate) and informal student’s feedback. Informal feedback approach is lecturer teaching and learning creativity. This feedback aims to assist the lecturer to enrich the unit learning before the end of the semester by matching students’ needs. The informal feedback questions included: What are the positive aspects of this unit? What do you like about the lecturer? Do you have any suggestions or recommendations for how the learning experience can be improved? (Please provide specific suggestions.) What do you need the lecturer to continue doing, to stop doing, and to start doing? While the formal feedback is collected at the end of the semester through the university’s formal feedback to gather and report students’ feedback
about their learning experience and have the chance to include their anonymous feedback on the unit and teaching evaluation.

7 Participants

127 postgraduate students participated in this study; students were mainly from Australia, China, Vietnam, Malaysia, India, Indonesia, Iran, The Middle East, Pakistan, Sri Lanka, Russia, South America and South Africa. This cultural mix encouraged students to share, learn, and acquire knowledge, skills and cultural perspectives, which led to them developing personal and professional skills which are needed and required for the Master degree study and when at the workforce in the future. The unit evaluation responses were obtained from 89 from 127 students; that is, 70% provided the formal online feedback for the ITS6 unit from 2010-2016 via the eVALUate system (see Figure 4).

![Figure 4: Unit Evaluation Responses (N)-ITS6 (2010-2016)]

8 Results, Discussion and New Findings

The data was collected through two methods namely formal and informal feedback from the students. The preliminary analyses of data collected revealed that the completing ITS6 unit, especially the unit materials and assessments gave students a better understanding and knowledge in relation to new concepts and cutting edge to CSR, Sustainability and Green IT. Furthermore, ITS6 assessments (i.e. reflective journals, wikis, digital presentation and report writing) managed to
increase students’ awareness towards CSR, sustainability, and Green IT, and expand students’ personal and professional skills for the current study as well the workforce in future. In addition, students show their satisfaction with ITS6 assessments, as it develops specific skills for the current study and for the future workplace, i.e. cultural awareness and cutting edge. Furthermore, overall satisfaction and other aspects including the feedback are highest compared to the university average. The formal feedback (see Figure 5) confirmed the research outcomes, that students obtained the necessary cutting edge knowledge and skills by completing the ITS6 assessments.

In wiki assessment, the facilitator usually provides diverse activities, such as comparing and examining Australian and international organizations in relation to their CSR and sustainability policies and strategies, watching video clips about sustainability, CSR, Green IT and other issues related to the unit. In addition, students will have the chance to examine up-to-date case studies to Sustainability, CSR and Green IT. Students needed to present their findings as a concept map or power point slides limited to 4 slides namely background, problems, solutions and future. Furthermore, Wiki marking aimed to examine the following sections namely; Content, Organization, Attractiveness/Appeal; Contribution to group work and discussions, Structure and Quality of Writing.

Students confirmed that completing that various activities obtain the necessary skills and knowledge;
“…. Via Wiki, students learnt new and interesting points about sustainability and Green IT that how important these two terms are and how these two terms are necessity of today’s world” (Student 1).

“The unit, lecture and assessment including wiki, really give me a lot of knowledge and information, which I feel I am more confidence in presenting my ideas in these IT relative areas, such as I am getting to know much more about cloud computing, virtualization, and things all related to the substantiality and green IT technology, also the presentation further brings my speech close to a formal and professional areas, it helps me to be more comfortable and confidence in presenting my ideas and structure them to present” (Student 2).

“The wiki was a really good experience too; working with a team, taking ideas from different points of view led us to really new concepts” (Student 3).

“The wiki exercises and the journals and the report have been very useful in reinforcing the concepts learnt in this unit. I enjoyed the class discussions as I got to hear about new ideas and concepts in regards to sustainability which I plan to take with me back home and implement them as well” (Student 4).

As for the report writing and digital presentation assessment, students needed to select a real-life organisation from Australia or overseas to assist them to become more sustainable. Firstly, students needed to identify the current IT problems in the IT departments, secondly, by using specific models and methodologies from IT and Green IT literature review; students needed to develop a new IT model for the organization to become more sustainable with special attention to the IT departments in the organisations of their choice.

For this assessment, students needed to present their work as a digital presentation (MP4) with duration of 25 minutes. In this presentation, students needed to present their company, problems, new model, solutions, recommendations and conclusion. This assessment was marked by the facilitator providing feedback aimed at improving the report writing presentation, whereas the report writing assessment, discusses the same topic of the presentation, but of course students would have design their report with the following headings in mind; executive summary, introduction, scope of the literature review, background, real company, current problems, models and methodologies, new models, solutions, discussion, limitations, recommendations (practical and theoretical), conclusion and reflection.

A rubric used to mark both digital presentation and report writing. For the report writing rubric the focus was mainly on the context and purpose, content development, genre and disciplinary conventions, sources of evidence, control of syntax and mechanics and conclusion and recommendations. The presentation rubric focus was mainly on language, delivery, supporting material, central message, sources and evidence; conclusion and recommendations.
Finally, students provided the following comments regarding this assessment, and from their comments, it became apparent that this assessment assisted them in two ways, knowledge, skills and most importantly professional skills from oral presentation, searching, researching, writing, critical thinking, decision making, and the use of the endnote software. These skills were needed for the current Master study as well as for the workforce in the future.

“The presentation was the best experience in this class. It was my first time to do a presentation about something I’m interested in, so I was enjoying it while I was doing the slides and searching about the powerful content as well as editing it after each feedback….. I’m doing the final report with a complete idea behind each point. It was also a smart idea from the lecture to focus on the presentation, so now I can easily see the benefit behind it” (Student 5).

“This unit has raised awareness amongst students on the need of global sustainability. This unit deals with a lot of article readings which again suggests many ways to achieve sustainable development. This unit has added a meaningful aspect to the idea of sustainability by not restricting it to textbooks and articles only. Report writings, review of journal, presentation has made the issue more approachable. Assignment of different tasks has strongly held the interest of the students in the topic. This unit has given chance to analyse a company which is fantastic in the sense that it acquaints the student with the practical side of the theory. This kind of unit should be introduced in other departments of the university also” (Student 6).

“This unit is a good unit if you want a change of pace in your semester studies. This would teach you a lot of report writing and presentations. It’s a recommended unit if you are not confident about your public speaking and seminar skills. The unit as a whole is very friendly and understandable. You can learn a lot about sustainability that you have not considered before. Overall I strongly recommend this unit” (Student 7).

“First of all, I loved the assignment. So, based on previous statement and that I have chosen the last company that I worked for to write about, we could have done this assignment a little more realistic. The way of presentation may remain the same; nonetheless, we could have had that large class divided in groups as stakeholders, such as employees, clients, partners and society. Then, each group could evaluate from their point of view based on their role in this play at the end. I reckon from this point there could have or more questions to the presenter from different point of view” (Student 8).

“For soft skills I have learned a lot of things from the unit such as, presentation skill, communication skills, writing and reading skills, brain storming skills. I really like that the class is enthusiastic and we can discuss within the group, we can present our ideas and our thoughts. Because of this unit my confidence to
communicate and present ideas has increased especially because my classmates are really nice in supporting one another to improve ourselves regarding our skills and our knowledge. I believe that these skills will help me to be better in the future whether in another class, within friends or even in the workplace (Student 9).

Finally, the reflective journal assessment aimed to promote students' skills: research, writing, technology, information search, critical thinking, reading, and use of Endnote software. Students were required to analyze peer-reviewed journal articles (four articles) based on a template. The template headings were namely; reading, article theme(s); research method(s); arguments, evidence, observation; conclusion and references. Students needed to analyze the four peer-reviewed journal articles based on this template and in the evidence section; students needed to examine author's views comparing those with what others in the field have said on the same or a similar topic, while the observation section aimed to identify students' thoughts on the subject. Basically, the peer reviewed journal articles would usually mainly focus on Sustainability in Higher Education and CSR, Sustainability and Green IT. Students confirmed that completing this assessment allow them to understand these terms in detail, and raising awareness in relation to the integration and adoption of these terms in their life from now on. The reflective journal assessment marking guide aimed to examine the following aspects namely; readings, themes, research methods, arguments, evidence, observations, conclusion and structurer and quality of writing. Students shared the following comments about reflective journal assessment:

"To my point of view, I think [the unit] is an effective way of providing knowledge to students about the importance of sustainability. It also, contributes to the society as an institution on sustaining the environment. As discussed in the journal review 1, the sustainability in education has tremendous effect on its overall success. In addition, it can be assumed that, it is a challenge for institutions to introduce such strategic course. However, the true benefit from the learning outcomes has greater impact in long term benefits, since the scope of sustainability education is not only economic but also social and environmental" (Student 10).

"The lecture notes were well organized, and each lecture reflected the journal that we were working with, so it was easier for me to do the journal assignments after going through the lecture notes. The first class was an introduction of green IT with some history about the technology and e-waste and also some tools to be used in green IT sectors. That was a really good and smart start, because it gave me more space to think and search about the issue instead of just giving it to us. The second part was applying the sustainability module for a exciting business firm, as well as some tips to save money and energy for this organization. This part was not clear in the beginning until I did my presentation and received the feedback beforehand. After that, I understood the idea. Surprisingly, all the class
students knew the idea behind Teece's module and they understood every detail about it. It was not easy at the beginning. This point shows what the power of the intensive class could be” (Student 11).

“This unit enhance my skill of ability to present my ideas professionally in front of the audience and also ability to write academically and professionally through available resources provided by Curtin. Furthermore, it teaches me how to read, interpret and understand various materials such as journal and electronic articles from the previous 2 journals as part of the course work” (Student 12).

“I have learnt how/where to look for journals and understand various types of journals to read. I have improved on my readings, writings and critical thinking skills to evaluate my own learning horizon. I have learnt to search the Internets for information on sustainability and green IT more efficiently and effectively. I have begun to read more widely than before from new articles, journal articles, books and etc. (Student 13).

“The journal assessment on the other hand, is very good to assess students’ comprehension and information gathering skill because it teaches students to think critically when presented with information. As I mention before, I enjoyed doing the journal assessments so I might be biased. However, I personally believe that this unit encourage students to read more which is exactly what I need because I am a type of person that dislike to read but it teaches me that I do not always get what I want and I need to step out of my comfort zone to actually achieve something bigger” (Student 14)

“Journal assessment has increased the reading, writing, and research skills along with the critical thinking and knowledge of the students as for each journal analysis and evaluations they need to read six different articles which help in enhancing the knowledge of becoming sustainable and follow the paradigms of Green IT so that they can together work to protect the mother earth from the bad impacts of human activities and industries and live prosperous and healthy life” (Student 15).

The study findings indicated that completing ITS6 assessments promoted students’ learning and awareness towards Corporate Social Responsibility (CSR), Sustainability and Green IT; and this result allowed the researchers to answer the research question of this chapter. By integrating several assessments in the ITS6 namely; Wiki, Report Writing, Digital Presentation and Reflective Journal; students obtained the necessary knowledge, skills and promoted professional and personal skills. Furthermore, students enjoyed working with these assessments, bearing in mind that the assessments style; allowed the students to be more creative, innovative, productive, and constructive. Students indicated via both feedback methods, that ITS6 assessments and activities created an enjoyable, pleasurable and entertaining sessions. Adding ITS6 unit in the Master degree in
an Australian university was an exciting and an outstanding achievement, as students received cutting edge information, knowledge, and gained the necessary awareness regarding sustainability, CSR and Green IT, and developed new strategies for IT departments to become more sustainable. The whole experience was interesting, amazing and astonishing for both the lecturers and students, as students’ feedback confirmed their satisfaction and acknowledgement of the facilitators’ efforts in providing cutting edge information, preparing and presenting the assessments and unit materials. Furthermore, students were pleased with the facilitator’s feedback, including formative and summative, via tracking the assessments (before the final submission); emails or emailing MP3 files answering their queries. Students provided the following comments regarding this feedback:

“There is a lot of interaction in the class which is really good. You speak with a lot of knowledge in class, very energetic and enthusiastic about the course, which makes the class enjoyable to be in. Very hard working and highly organized, when it comes to giving back feedback on assignments, exercises and journal, there are no delays” (Student 16)

“The other areas of knowledge I have obtained from this unit is improving my English and research skills. That is, the task of writing approximately 3000 words from a variety of articles improved my skills in understanding complex writing as well as analyzing skills of the written text. Furthermore, through interaction and feedback I received on my tasks helped me considerably to know my weaknesses thereby identifying where I need to put more focus in overcoming them and possibly making them into strengths in the future” (Student 17).

The findings of this study have made significance contribution from methodological, theoretical and practical point of view to the current literature on technology and education especially in developing units which will be focused on sustainability, CSR and Green IT particularly in terms of positive student outcomes related to students’ knowledge, learning and skills. In addition, this study might benefit both academics and practitioners in the field of higher education. This experience is considered unique for the academics and students involved, as well as urging other academics to include Sustainability, CSR and Green IT in the Master degree, to increase students’ awareness since academics should have type of responsibility to graduate students with this consciousness and responsiveness since they will our leaders in the future. Students added the following comments about the facilitators. Finally, the facilitators’ unique approach has given them notable distinction within the university. Students provided the following comments regarding their facilitators:

“The lecturer has done excellent work, providing students with interesting, impressive lectures in a consistently professional way. Large amounts of excellent sustainability development techniques have been presented to the classes. The
arrangement of group in-class assessments provides students with valuable opportunities to learn from others; discussing with other students regarding the sustainability issue, particularly when some of the group mates are with different cultural background, is a very impressive and interesting experience. Due to the fact that each student is with a stressful study load, the lecturer has been very kindly to postpone the deadline for assessments” (Student 18).

“I would like to thank the lecturer of being so welcomed at her office for me and my class mates. These enquiry hours helped me a lot to understand what is required in the journals, the presentation, and the report. To be honest I have never been taught by lecturer so welcomed in his office like you. The other thing by which I was so excited is the fast way of replaying the emails. The lecturer [...] was helpful enough to ease the understanding of this unit for all students. Again thanks a lot and a lot for that knowledge” (Student 19).

By using World Cloud Generator website, the authors developed the following words cloud to emphasis students’ feedback, that completing ITS6 unit; enhance and improve students’ knowledge and skills (see Figures 6, 7 and 8).

Figure 6: Overall Knowledge and skills from ITS6 – Prepared by the Authors
Finally, this study is limited to 127 students from Australia, the motivation behind this study is to emphasise that completing and finalizing a unit such as the ITS6, enhances students learning as the students will be given new cutting edge, and raising students’ awareness about sustainability, CSR and Green IT, by accomplishing assessments and activities in the class. Further research with larger
and more diverse groups of students is required in the future to strengthen the research findings.

9 Conclusion and Further Research Directions
This study aimed to examine and assess if completing ITS6 assessments and materials to promote students’ learning and awareness towards Corporate Social Responsibility (CSR), Sustainability and Green IT. The whole experience was a challenging one for the academics as well as students, as cutting-edge materials and activities should be provided to the students in every semester. By performing this, students confirmed that finalizing the assessments and activities for ITS6, allowed students to enhance their knowledge and skills and the most important raise their awareness about technology impact on our Mother Nature. Finally, students enjoyed the ITS6 unit, as they provided positive feedback in terms to the learning process, especially to the assessments and activities. Further research will be carried out in the future to add further students feedback from future semesters to strengthen the research aims and goals.

10. References


ORSATO, R. J. 2009 *Sustainability Strategies: When does it pay to be Green?*, New York Palgrave Macmillan


SHAW, G., WALTERS, R., KUMAR, A. & SPRIGG, A. Sustainability in Infrastructure Asset Management. *Proceedings of the 7th World


Walck, C. 2009 Integrating Sustainability Into Management Education. Journal of Management Education 33, 384 - 390


Institutional impacts on Corporate Social Responsibility: A comparative analysis between the jurisdictions of New Zealand and Pakistan

Majid Khan¹, James C. Lockhart² and Ralph J. Bathurst³

¹PhD candidate, Massey Business School, Massey University, New Zealand
Email: m.khan@massey.ac.nz

²Senior Lecturer, Massey Business School, Massey University, New Zealand
Email: J.C.Lockhart@massey.ac.nz

³Senior Lecturer, Massey Business School, Massey University, New Zealand
Email: R.Bathurst@massey.ac.nz

Abstract

This study explores the relationship between institutional mechanisms and corporate social responsibility (CSR) in Pakistan and New Zealand. Institutional factors are normally categorised as being either formal or informal. Formal institutions comprise a jurisdiction’s approach to corporate governance, such as statutory regulation, self-regulation and/or co-regulation while informal institutional mechanisms consist of business norms, values, culture and beliefs. It is argued that a combination of formal institutions and informal institutions produce the prevailing environment of corporate governance (antecedent variable) in any jurisdiction that in turn shapes the adoption, or otherwise of CSR by business through its adherence to acceptable governance praxis.

Corporate governance regulation in Pakistan is heavily adopted from elsewhere especially across the Anglosphere. By contrast the institutional realities produce remarkably different outcomes. The system of corporate governance in Pakistan has its foundation in British Common Law, however, adherence to these regulations appears to be variable. This study examines which formal and informal institutions, organised through corporate governance influence CSR, in that businesses adopt CSR practices in response to regulations; cognitive pressures that help people understand and interpret the practice correctly; and, cultural values enforcing the same practice.

Content analyses of a sample of listed companies’ annual reports were completed. Reporting and disclosure practices were identified from both the jurisdictions. Underlying institutions were then recorded as being recognised, acknowledged or inferred by the reporting business. The results highlighted that Pakistani companies disclose more about CSR than those analysed from New Zealand. This result is attributed to the recently developed corporate governance guidelines by the Securities and Exchange Commission of Pakistan. The informal national institutions in both the countries also play a vital role in the disparity of disclosures. This is not to suggest that New Zealand listed companies lag behind those in Pakistan with respect to their contribution to CSR variables, simply that the disclosure levels between the two significantly favor those companies in Pakistan.
Keywords: Corporate social responsibility, corporate governance, regulation, institutional theory, New Zealand, Pakistan

Introduction

To be accountable to stakeholders and society at large, businesses have increased the issuance of corporate social responsibility reports explaining the impact of their activities on the environment and the use of natural resources (Garcia-Sanchez, Cuadrado-Ballesteros, & Frias-Aceituno, 2016). Earlier studies have explored the relationship between CSR and subsequent financial performance (Cochran & Wood, 1984; Jitaree, 2015; Sweeney, 2009) or business attributes, such as size (Udayasankar, 2008), business risk (Jo & Na, 2012), and industry membership (Hull & Rothenberg, 2008). In their landmark meta-analysis of CSR studies from 1972 to 2002, Margolis and Walsh (2003) argued that in only about 15% of studies CSR was taken as a dependent variable. However, according to Luo and Bhattacharya (2009), the question of the merits of CSR still lingers. Attention needs to be directed to the institutional mechanisms that result in the implementation of CSR (Doh & Guay, 2006). Business response to accountability pressures from stakeholders is becoming even more convoluted. These pressures have been identified as being either coercive pressures, normative pressures, or mimetic pressures. In responding to these sources reporting on environmental, social, community and corporate governance as emerged as an important criteria for investment decision making (Eccles & Krzus, 2010). However, disclosing CSR outcomes through various reports remains far from consistent, especially in the developing world.

Despite the vast literature on CSR, meanings, application and interpretation appears to differ from one context to another (Kang & Moon, 2011). De Bakker, Groenewegen, and Den Hond (2005) work identified relations between CSR and the broader literature on comparative capitalism and set the tone for comparative institutional research on CSR (Jackson & Apostolakou, 2010; Matten & Moon, 2008). For example, they posed the now famous question asking why CSR is an implicit element of the institutional framework of corporations in the Europe, whereas it is an explicit element of corporate policies in the United States of America. Extensive research has been conducted in Western countries with relatively little emphasis on Asia (Birch & Moon, 2004) to date. In addition, there is a scarcity of evidence in terms of comparative national systems of CSR (Chapple, 2005; Maignan & Ralston, 2002; Matten & Moon, 2004), and even less research has been conducted within the jurisdiction of Pakistan... Therefore, there is a need to explore the national institutional mechanisms that shape CSR in Pakistan. To accomplish this, the current study identifies that corporate governance regulations within a jurisdiction are the missing link in understanding how CSR is shaped by institutions in New Zealand and Pakistan.

Blackmore (2006) argued that traditionally New Zealand’s approach in reforming corporate governance has been led by the Financial Market Authority in line with similar initiatives elsewhere. In a comparative analysis of corporate governance among New Zealand, Australia and United States, Blackmore (2006) contended that these countries have analogous capital markets and company law with New Zealand. Similarly, Grant and McGhee (2014) identified that the majority of attempts at reforming corporate governance across the Anglo-Sphere have mainly focussed on tightening the rules around the number of directors on board and committees. Given that New Zealand and Pakistan have near identical corporate governance regulations, their foundations being from British Common Law, the current study intends to conduct a comparative analysis of regulatory and institutional mechanisms across New Zealand and Pakistan that shape CSR.
Despite company law being common across the Anglosphere, awareness of the importance of corporate governance has only just emerged in Pakistan. Market forces in Pakistan do not appear to punish unethical practices or reward good governance due to the distortions in the economy (Tahir, Muhammad, & ul Haq, 2012) masking malfeasance. For example, promotion of transparency and accountability in business is discouraged due to the relatively large size of the undocumented economy. Further, management structures are not aligned to the norms of good governance. Most of the companies listed on the Pakistan stock exchange are not complying with the corporate governance code in the country. Previous studies have highlighted that there is weak corporate governance and infraction in Pakistan; however, none of the studies have provided a fundamentally new perspective of weak institutional contexts. This study offers an immediate remedy by comparing corporate social responsibility disclosures in Pakistan with that of New Zealand as an outcome of the formal and informal institutional mechanisms prevailing within each jurisdiction. This study explores the institutional settings under which corporate regulatory and the informal institutional environment have an influence on corporate social responsibility, based on the information from select annual reports of listed companies in both jurisdictions.

Corporate social responsibility

Margolis and Walsh (2003) observed that businesses are increasingly considered to resolve societal problems. Stakeholders of the business now demand corporate social responsibility in this context, which can be defined as the integration of ethical, environmental and social concerns into business conduct. Often involving the direct cooperation of its stakeholders (Baumann-Pauly, Wickert, Spence, & Scherer, 2013). The definition suggests that businesses not only operate for technical efficiency but also include accountability to the stakeholders whom the business seeks to serve. CSR can be used as a means of communication to a particular group of stakeholders by the businesses (Jitaree, 2015). One of the key tools for communicating the information to the stakeholders of the company is CSR reporting (Golob & Bartlett, 2007). By doing so businesses gain legitimacy (Aldrich & Fiol, 1994), and maintain relations, developing understanding and avoiding potential conflicts (Grunig, 1989).

As discussed, the primary goal of this study is to investigate the influence of institutions on CSR through the analysis of listed company annual reports in New Zealand and Pakistan. The study aims to improve the richness of the CSR reporting debate by comparing companies in completely different regions of the world – linked by the same common law. The CSR reporting issue is becoming more prevalent not only at national level but globally (Golob & Bartlett, 2007). Global businesses are facing various institutional and market pressures to report on socially responsible practice and to become socially responsible practitioners. Therefore, comparative studies like this can provide an overview of the prevalent institutions and the state of CSR reporting in a different part of the world, which at first glance may appear different.

CSR reporting in Pakistan

Business organisations use CSR reporting as a tool to inform different stakeholders about environmental, social and other related issues. The “public information model” explains the basic form of CSR reporting (Grunig, 1989, p. 22). This model should provide information “to the public what the organization has done to be responsible and should explain lapses into irresponsibility” (Grunig, 1989, p. 48), in a social responsibility realm. Businesses then appear to use these reports as a tool through which to legitimise their activities (Hooghiemstra, 2000). These reports can be mandatory or discretionary (Van der Laan, 2009). Those defending mandatory disclosures argue that
disclosures should be regulated by the state and to get accurate information and to protect a nation’s citizens (Doane, 2002). However, disclosures are only slowly gaining advocacy and largely remain in an underdeveloped form. The heart of voluntary disclosures is the demand for information by a specific group of stakeholders (Van der Laan, 2009). Van der Laan (2009) further argued that the voluntary disclosures might involve a separate disclosures section, such as stand-alone social sustainability or environmental disclosures or involve various management discussions and explanations.

Lenssen, Blagov, Bevan, Vurro, and Perrini (2011) argued that the response of business to social pressure results in prestige and social acceptance. Accordingly, many countries have issued guidelines regarding CSR disclosures and good governance, for instance, the Combined Code in the United Kingdom; OECD guidelines; the German Code; the Austrian Code; and the Second King Report in Africa. These recommendations and guidelines have had a spectacular influence on the socially responsible behavior of businesses (Spitzeck, 2009).

Following these global traditions, voluntary guidelines for CSR have been issued by the Securities and Exchange Commission of Pakistan (2013). Javaid Lone et al. (2016) contended that these guidelines are directed at business organisations in Pakistan to motivate them to conduct business in a socially responsible way. Furthermore, the guidelines recommend that businesses have CSR policy incorporated by their board which is reflected in the form of their commitment to reporting CSR-related activities. According to Ahmad, Taiba, Kazmi, and Ali (2015) the SECP is playing a pivotal role in promoting a culture of socially responsible business conduct in Pakistan. Under the presence of independent monitoring organisations and state regulation businesses are more likely to embark on CSR-related activities (Campbell, 2007). For example, Abdifatah (2013) concluded his study by arguing that with the initiation of the Silver Book for Malaysian publicly owned companies, there has been a drastic increase in the CSR disclosure in Malaysia. In line with this finding, Javaid Lone et al. (2016) argued that companies disclosed more CSR related activities in Pakistan following the introduction of CSR guidelines in the country. However, the extent of these disclosures appears to vary across sectors.

**CSR reporting in New Zealand**

Environmental and social disclosure is not legislated within the current New Zealand reporting system (Dobbs & van Staden, 2016). The Companies Act 1993 does not require companies to include information about corporate social responsibility in their annual reports nor does the Financial Reporting Act 1993 require the reporting of environmental and social activities (CA, 1993, p. 105; FRA, 1993, p. 106). In addition, there are no rules from the New Zealand Stock Exchange (NZSX) requiring companies to disclose CSR for listed companies (Dobbs & van Staden, 2016). Furthermore, neither the corporate governance principles of the Financial Market Authority nor the NZSX specifically covers CSR, although the principles implicitly embrace the concept of CSR. The reporting of CSR is entirely voluntary in New Zealand and the country is not alone in this regard. There are other countries that also do not make specific CSR disclosures mandatory (Dobbs & van Staden, 2016).

The scarcity of consistent guidelines or regulation regarding the quality and structure of CSR disclosures have led companies to report social and environmental activities using a wide variety of tools, techniques and disclosures (Reddy, Locke, & Scrimgeour, 2010). This is quite surprising, as the reporting is not mandated in New Zealand even though the annual business report and market
Disclosures are required. Business organisations in New Zealand are observed to provide very few reports regarding specific social and environmental disclosures (Reddy et al., 2010). The KPMG international survey of CSR reporting confirmed this by considering the prevalence of CSR reporting in New Zealand (Dobbs & van Staden, 2016). The results of the survey highlighted that only 27 of the top 100 listed companies disclosed information specifically regarding CSR.

**Theoretical framework: Institutional theory**

According to Berger and Luckmann (1966) institutions refer to a certain exemplification where under a certain situation X, an actor Y, is expected to do Z. Alternatively, institutions are considered to be a habitual pattern of behavior which further enables or constrains people. Streeck and Thelen (2005) contended that a specific way of doing things can be considered as institutionalised within a context to the sense that deviant behavior will result in loss of legitimacy, and likely to result in social sanctions. According to Brammer, Jackson, and Matten (2012), this applies to both the formal and informal instructions in the society. New institutional theory encompasses normative regulative and mimetic dimensions of the instructions by explaining why organisations become isomorphic within an organisational field (DiMaggio & Powell 1983). One of the most important dimensions of institutional theory is isomorphism. The process of isomorphism refers to similarities or homogenisation (DiMaggio & Powell 1983). In line with this, they further defined isomorphism as the forces that enable or constrain one organisation in an organisational field to resemble other organisations facing similar institutional conditions. Isomorphism can further be categorised into two distinct components institutional isomorphism and competitive isomorphism (Moll, Burns, & Major, 2006). Competitive isomorphism refers to “how competitive forces drive organizations towards adopting least-cost, efficient structures, and practices” (Moll et al., 2006, p. 187). Whereas according to DiMaggio and Powell (1983), institutional isomorphism was broken down into three categories such as coercive isomorphism, normative isomorphism, and mimetic isomorphism.

Coercive isomorphism relates to external factors such as government regulations and shareholders’ and employees’ influence. Such pressures arise because of powerful actors such as government regulation or industry self-regulation to change organisational institutional practices, for example, CSR (Deegan & Unerman, 2009b). Because of the sector-wide impacts of coercive isomorphic organisational responses have a tendency to converge.

The second type of isomorphism is mimetic. Mimetic isomorphism occurs when organisations trying to copy or emulate the practices of other organisations in order to gain a competitive advantage in the form of legitimacy. DiMaggio and Powell (1983) discovered that one of the powerful factors that surface mimetic isomorphism is uncertainty. Organisations will risk legitimacy if they fail to follow procedures adopted by other organisations or adopt innovative practices within the same institutional field (Unerman & Bennett, 2004). Therefore, organisations adopt CSR practices in order to enhance and maintain their legitimacy, especially legitimacy relative to competitors.

The last type of isomorphism is normative isomorphism which emerges from the common values underpinning specific institutional practices. Deegan and Unerman (2009a) contended that a form of normative isomorphism occurs when there is a professional expectation that accountants will comply with accounting standards while producing accounting reports. Similarly, a voluntary CSR initiative can also be considered as a form of normative isomorphism.
Irrespective of organisational efficiency or actual usefulness of the isomorphism, these isomorphic processes lead organisations to adopt similar management practices and structures within their industry over time (Carpenter & Feroz, 2001). In line with this, Carpenter and Feroz (2001) argued that organisations will respond to pressures from the institutional environment adopting various forms that are regarded appropriate.

Institutional theory locates corporate social responsibility within a broad area of economic governance comprising various modes, such as state regulation, the market, and beyond (Brammer et al., 2012). Institutional theory provides an important and powerful oversight from which to understand the attitudes and practices in a specific context (DiMaggio & Powell 1991). Kang and Moon (2011) argued that the institutional context of an individual country determines what business conducts means to those organisations operating in that context. Using this position Matten and Moon (2008) in their landmark contribution on implicit and explicit CSR illustrated the difference between the United States of America and Europe. CSR was found to be an implicit element of the institutional framework of corporations in the Europe whereas CSR was found to be an explicit element of corporate policies in America.

Brammer et al. (2012) argued that previous research adopting the lens of institutional theory to explain business responsibilities has been focused on the diversity of CSR and the dynamics of CSR. This observation concurs with the two conspicuous schools of thought in institutional theory:

“New institutionalists tend to emphasize the global diffusion of practices and the adoption of these by organizations, but pay little attention to how such practices are interpreted or ‘translated’ as they travel around the world [...]. The business systems approach highlights how business continues to be influenced by the national institutional frameworks in which it is embedded, but tends to play down the effects of transnational developments on national patterns of economic organization” (Tempel & Walgenbach, 2007, p. 2)

The diversity perspective in institutional theory has been employed in CSR research to explain cross-national differences in CSR practices (Gjølberg, 2009; Jackson & Apostolakou, 2010). A comparative view on CSR helps to understand the country specific meanings of CSR as a management function. CSR as a North American concept Carroll (2008), can hardly be understood without understanding the institution environment under which the ideas was considered. In line with this, Doh and Guay (2006) argued that the institutional framework of businesses in a country determines what it means to be socially responsible. This institutional environment is not only limited to the formal institutions, such as laws, trade unions and civil society among others but also involves informal institutions, such as religious norms, culture, tribal traditions or customary norms (Brammer et al., 2012). However, these analyses have rarely transcended the level of discussion on comparing responsibility practices of businesses in developing countries with that of developed countries.

In addition to diversity, the dynamics of the concept and its applications have changed and the research in the area has recently gained momentum. Dynamics refers to the ways in which CSR has diffused from Anglo-sphere systems of capitalism to other countries through imitation and adaptation (Brammer et al., 2012). The formidable lens of institutional theory helps in understanding how and why CSR has different forms in different contexts. In addition, to the country-specific understanding
of CSR, institutional theory also helps explain why the concept is now a part and parcel of businesses in almost every country in the world (Visser & Tolhurst, 2010).

Corporate Regulation

Rahim (2013) contended that the corporate regulation landscape comprised various regulatory systems. The prominent systems amongst these are statutory regulation, co-regulation, and self-regulation. The statutory regulation refers to necessary rules, monitoring compliance and enforcement of these actions by imposing sanctions (Rahim, 2013). Palzer and Scheuer (2003, p. 27) noted that the implementation of these rules is the responsibility of the government. Black (1996, p. 27) defined self-regulation as “the situation of a group of persons or bodies, acting together, performing a regulatory function in respect of themselves and others who accept their authority”. In self-regulation, private parties, such as the industries, the business itself, providers, producers, among others find themselves responsible for implementation. In self-regulation normally governments do not interfere and the private parties monitor compliance (Rahim, 2013). In line with this, Palzer and Scheuer (2003) highlighted that self-regulation may take the form of qualitative or technical standards potentially associated with the code of conduct describing what is good and what is bad practice. These codes may involve rules on the structure of the relevant complaints bodies and on out-of-court mediation. Finally, co-regulation has been defined as the interaction between the governments and businesses (Palzer & Scheuer, 2003). A co-regulatory system combines the elements of self-regulation and statutory regulation (Nakpodia, Adegbite, Amaeshi, & Owolabi, 2016). Depending on the combination of statutory regulation and self-regulation elements, co-regulation can be in many different forms of regulatory strategies (Rahim, 2013). In addition, Rahim (2013) noted that governments lay down the legal basis in order to start functioning of the system and the businesses formulate rules which depict its functioning. All these types of regulations have different effects on the CSR practices of businesses, especially listed companies that are required to maintain regular disclosures of performance.

Issues understanding the relationship between state regulation and self-regulation have emerged and according to Baldwin (2004) the rise of the modern regulatory state occurred in the second half of the Twentieth Century in United Kingdom with an increase in punitive regulation and the decline in traditional forms of self-regulation. However, this trend has not been only one way. Hutter (2001) argued that in some areas there has been a move towards self-regulation in areas, such as health and safety. By contrast, in areas, such as wide range of industrial, economic, financial, legal, health, culture, education and sports state regulation is increasingly evident in modern life (Bartle & Vass, 2007). Therefore, there is an on-going debate concerning whether self-regulation or state regulation is the best governance mechanism for CSR practices.

Methods

Sampling and data

The objective of the current study is to determine the regulatory and institutional impacts on corporate social responsibility within the contexts (jurisdictions) of New Zealand and Pakistan. This section describes the measurement, sampling and research design for the study.
The study is a cross-national study, comparing corporate governance regulation and the identification of other institutional variables in New Zealand and Pakistan and how businesses then approach CSR in response to those corporate governance regulations. “Cross-national studies are mainly concerned with comparing nation-states or institutions to look for the similarities or differences in certain aspects” (Arts & Halman, 1999, p. 1). Archival data, one financial reporting year, was used to analyse the association of institutional factors (formal & informal) and CSR. The data were analysed from a select sample of listed companies on New Zealand Stock Market (NZX) and Pakistan Stock Exchange (PSX). The reason for evaluating the reports for one year is to get the status quo of CSR disclosures in both the countries and to check whether the legal regulation or the guidelines have an effect on reporting of the companies. Eight companies were selected from New Zealand – Air New Zealand, Freightways, Michael Hill International, Cavalier Corporation, Fletcher Building, Restaurant Brands, Spark (formerly Telecom) and Steel & Tube Holdings. Similarly, eight companies from Pakistan were chosen - Pakistan International Airline, Pakistan Telecommunication Company Limited, Aisha Steel Mills Limited, Millat Tractors, Engro Fertilisers, Nestle Pakistan, Gul Ahmed Textile Mills Limited and Fauji Cement. The companies were chosen because they are all the major players in their respective industries in both the countries. The study covered the companies’ annual reports for the year 2016.

Measurement

Dependent Variable

The study used quantitative content analysis method. The content analysis was then done in two stages. A CSR checklist was constructed in the first stage. The categorization was based on earlier studies (Aras, Aybars, & Kutlu, 2010) each of which identified location, broad themes of disclosures and form of CSR in annual reports. Location involved corporate governance section, operation review section, chairman’s report section and CSR section. Themes of disclosure were based on environment-related activities, employees-related activities, energy, product responsibility and community involvement. The form of the disclosures involved narrative, photographs and monetary data related to these themes. The CSR checklist was then developed and pre-tested to create an index on the dependent variable. The index was treated as a dichotomous variable, that is, if the company disclose CSR it took on the value ‘1’ if no disclosures it took on the value ‘0’. Items were included about each of the mentioned themes and scores were aggregated from these items related to CSR. The content analysis focuses on analysing the degree of CSR disclosures by companies and gathers data by codifying qualitative and quantitative data into various categories.

Various method have been employed by different researchers, such as counting number of words about CSR in annual reports (e.g. Haniffa & Cooke, 2005; Zeghal & Ahmed, 1990), counting the number of sentences, (e.g. Aras et al., 2010; Milne & Adler, 1999; Nazli Nik Ahmad & Sulaiman, 2004) and counting paragraphs and the proportion of the pages (Gray, Kouhy, & Lavers, 1995; Tilt, 2001). The study utilised a phase level of analysis as data for CSR index, the disadvantages associated with word counts is that they give no meaning to the context. Similarly, one of the criticisms of page proportion is that it disregards the difference in page margin, font size, and numbers of photos and graphics in annual reports. Moreover, the reports of companies vary in quality and format. Finally, the CSR index was calculated using the guidelines from previous studies (e.g. Jitaree, 2015). Jitaree (2015) has divided CSR into 45 items (broadly classified into eleven items for environmental dimensions, six energy dimensions, sixteen employee dimensions, seven community involvement dimensions, and five product responsibility dimensions) and used the following CSR index for calculating CSR:
Independent Variables

The aim of this research is to identify the formal and informal institutions within New Zealand and Pakistan and their influence on CSR. According to Lubatkin, Lane, Collin, and Very (2005) this institutional environment comprised of formal institutions such as legal financial and political system as well as informal institutions such as cultural, values, norms and beliefs. The current study focuses on one of the most important aspects of corporate governance the regulatory approach being a form of formal institution. Matten and Moon (2008) argued that from the nature of the political and legal system at the country level makes a prediction about the regulation in place promote a broader view of stakeholder orientations versus a narrow view of shareholders protection.

The informal institutions exist in the form of cultural values, norms and have an omnipresent influence on “character of economies” in the form of normative or mimetic adoption of the practice (Scott, 2008; Whitley, 1992). For example, the lingering differences between New Zealand and Pakistan relating to the role of businesses in society. New Zealand scores 79 on Hofstede’s cultural dimension being strongly individualistic society whereas Pakistan with a low score of 14 and is considered as a highly collectivist society. Similarly, Matten and Moon (2008) argued that United States of America is a highly individualistic society with higher corporate discretion involved primarily manifested through philanthropic CSR, whereas Europe seeks collaboration and consensus on CSR being a collectivist culture.

There is a scarcity of research available concerning these differences and how they affect CSR practices. For instance, Fernandez-Feijoo, Romero, and Ruiz-Blanco (2014) argued that companies which are located in more gender equal societies were found to employ more women on boards than gender unequal societies. Therefore, although in order to understand the configuration of corporate governance and CSR practices among companies formal institutions play a vital role, informal institutions also have a paramount effect on managerial behaviour (Campbell, 2007). Thus, the current study looked at the formal institutional structures and the informal institutional structure prevalent across New Zealand and Pakistan. In order to incorporate the informal differences between New Zealand and Pakistan (Hofstede 1984) criterion would be used. In an attempt to find out where
cultures stood on various continua, Hofstede (1984,1991), conducted the study of various cultures. The continua include uncertainty avoidance, power distance, individualism vs. collectivism, and masculinity vs. femininity. Hofstede (1984) found various differences among employees of different origins at IBM. Ultimately, these differences translated into different organizational behaviour or environment. The cultural dimensions have been previously used in comparative CSR studies (Bondy & Starkey, 2014; Burton, Farh, & Hegarty, 2000; Farooq, Payaud, Merunka, & Valette-Florence, 2014). Therefore, Hofstede (1984) cultural dimensions were used in this study to assess the differences between New Zealand and Pakistan. In addition, the variations in corporate regulation as mentioned above were identified from the annual report of the companies. However, for the current study these informal institutional environment variables such as Hofstede’s cultural dimensions and corruption perceptions index were not incorporated into the analysis.

**Results and discussions**

Table 1 and 2 highlights the samples from both the countries. It is clear from both the tables that the companies were randomly chosen from different industries within both the countries.

*Table 1 Sample companies from New Zealand*

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Cavalier Corporation</td>
<td>Carpets &amp; textile</td>
</tr>
<tr>
<td>2 Fletcher Building</td>
<td>Construction</td>
</tr>
<tr>
<td>3 Freightways Ltd</td>
<td>Cargo airline</td>
</tr>
<tr>
<td>4 Michael Hill International</td>
<td>Retailing</td>
</tr>
<tr>
<td>5 Restaurant Brands</td>
<td>Restaurants</td>
</tr>
<tr>
<td>6 Spark Telecom</td>
<td>Telecommunication</td>
</tr>
<tr>
<td>7 ST Steel &amp; Tube</td>
<td>Metals</td>
</tr>
<tr>
<td>8 Air New Zealand</td>
<td>Airline</td>
</tr>
</tbody>
</table>
Table 2 Sample companies from Pakistan

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Kohat Cement</td>
<td>Cement</td>
</tr>
<tr>
<td>2 Gul Ahmad Textile</td>
<td>Textile</td>
</tr>
<tr>
<td>3 Altern Energy</td>
<td>Power generation &amp; distribution</td>
</tr>
<tr>
<td>4 Engro fertiliser</td>
<td>Fertiliser</td>
</tr>
<tr>
<td>5 Crescent Steel and Allied Products Ltd</td>
<td>Engineering</td>
</tr>
<tr>
<td>6 Pakistan Tobacco Company</td>
<td>Tobacco</td>
</tr>
<tr>
<td>7 Hino Pakistan</td>
<td>Automobile assembler</td>
</tr>
<tr>
<td>8 Gsk</td>
<td>Pharmaceuticals</td>
</tr>
</tbody>
</table>

Table 3 shows descriptive statistics for the CSR disclosures including all the five dimensions such as environment, energy, employees, community, and customers oriented responsibilities. Levels of CSR disclosures do not follow a logical order. The companies in Pakistan disclose more on environment-oriented responsibilities with a mean of .50 and std. deviation of .261 than those in New Zealand with a mean of .3182 and std. deviation of .3182. The mean for disclosures on energy for companies in Pakistan is .4167 with std. deviation of .29547 and the mean for those in New Zealand is .250 with std. deviation of .35635. The mean for disclosures on employees-oriented responsibilities for companies in Pakistan is .5859 with std. deviation of .20027 and surprisingly companies in New Zealand has the same score with std. deviation of .24307. Similarly, the mean of disclosures on community-oriented responsibilities for Pakistan is .71343 with std. deviation of .26452 and the mean for disclosures in New Zealand is .5893 with std. deviation .32788. The mean of disclosures for customer-oriented responsibilities in Pakistan was .6000 with std. deviation of .32071 and for New Zealand, the mean is .6750 with std. deviation .23755. Finally, the overall CSR mean score for companies in Pakistan was .5634 with std. deviation of .24598. These results demonstrate the sample Pakistani companies disclose more than the of companies from New Zealand. It might be the case that companies in economically advanced countries like New Zealand are neither required nor are utilising broader stakeholders in their annual reports. These results are similar to the previous studies such as (Dawkins & Ngunjiri, 2008; Waldman et al., 2006), which suggested that companies in developing the world are more likely to disclose social concerns in their annual reports than the countries in the developed world. Moreover, it is also clear from the analysis that the results of CSR disclosures in both the countries are different across different industries. This suggests that some sector reports more CSR in their annual reports than others. Previous research suggests that businesses with more risk of environmental pollution disclose more information for their commitment to CSR in the long run (Gamerschlag, Möller, & Verbeeten, 2011; Javaid Lone et al., 2016; Rayman-Bacchus, Husser, André, Barbat, & Lespinet-Najib, 2012). However, the results of table 4 suggest there were no significant differences in disclosure practices of companies between New Zealand and Pakistan.
Table 3 Descriptive statistics’ from the analysis of Plc’s in New Zealand and Pakistan (FYE 2016)

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
<th>Minim um</th>
<th>Maxim um</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.3182</td>
<td>.30346</td>
<td>.10729</td>
<td>.0645</td>
<td>.5719</td>
<td>.00</td>
<td>.82</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.5000</td>
<td>.26168</td>
<td>.09252</td>
<td>.2812</td>
<td>.7188</td>
<td>.09</td>
<td>.82</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.4091</td>
<td>.28939</td>
<td>.07235</td>
<td>.2549</td>
<td>.5633</td>
<td>.00</td>
<td>.82</td>
<td></td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.2500</td>
<td>.35635</td>
<td>.12599</td>
<td>-.0479</td>
<td>.5479</td>
<td>.00</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.4167</td>
<td>.29547</td>
<td>.10446</td>
<td>.1696</td>
<td>.6637</td>
<td>.00</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.3333</td>
<td>.32773</td>
<td>.08193</td>
<td>.1587</td>
<td>.5080</td>
<td>.00</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.5859</td>
<td>.24307</td>
<td>.08594</td>
<td>.3827</td>
<td>.7891</td>
<td>.19</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.5859</td>
<td>.20027</td>
<td>.07081</td>
<td>.4185</td>
<td>.7534</td>
<td>.31</td>
<td>.94</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.5859</td>
<td>.21515</td>
<td>.05379</td>
<td>.4713</td>
<td>.7006</td>
<td>.19</td>
<td>.94</td>
<td></td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.5893</td>
<td>.32788</td>
<td>.11592</td>
<td>.3152</td>
<td>.8634</td>
<td>.00</td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.7143</td>
<td>.26452</td>
<td>.09352</td>
<td>.4931</td>
<td>.9354</td>
<td>.29</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.6518</td>
<td>.29494</td>
<td>.07374</td>
<td>.4946</td>
<td>.8089</td>
<td>.00</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.6750</td>
<td>.23755</td>
<td>.08399</td>
<td>.4764</td>
<td>.8736</td>
<td>.40</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.6000</td>
<td>.32071</td>
<td>.11339</td>
<td>.3319</td>
<td>.8681</td>
<td>.00</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.6375</td>
<td>.27538</td>
<td>.06884</td>
<td>.4908</td>
<td>.7842</td>
<td>.00</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td><strong>Overall CSR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>.4837</td>
<td>.24598</td>
<td>.08697</td>
<td>.2780</td>
<td>.6893</td>
<td>.12</td>
<td>.85</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8</td>
<td>.5634</td>
<td>.20318</td>
<td>.07184</td>
<td>.3935</td>
<td>.7332</td>
<td>.18</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>.5235</td>
<td>.22180</td>
<td>.05545</td>
<td>.4053</td>
<td>.6417</td>
<td>.12</td>
<td>.85</td>
<td></td>
</tr>
</tbody>
</table>
Table 4 ANOVA results for the analysis of Plc’s in New Zealand and Pakistan (FYE 2016)

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.132</td>
<td>1</td>
<td>.132</td>
<td>1.647</td>
<td>.220</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.124</td>
<td>14</td>
<td>.080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.256</td>
<td>15</td>
<td></td>
<td>1.647</td>
<td>.220</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.111</td>
<td>1</td>
<td>.111</td>
<td>1.037</td>
<td>.326</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.500</td>
<td>14</td>
<td>.107</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.611</td>
<td>15</td>
<td></td>
<td>1.037</td>
<td>.326</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>.694</td>
<td>14</td>
<td>.050</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.694</td>
<td>15</td>
<td></td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.063</td>
<td>1</td>
<td>.063</td>
<td>.704</td>
<td>.415</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.242</td>
<td>14</td>
<td>.089</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.305</td>
<td>15</td>
<td></td>
<td>.704</td>
<td>.415</td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.022</td>
<td>1</td>
<td>.022</td>
<td>.283</td>
<td>.603</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.115</td>
<td>14</td>
<td>.080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.138</td>
<td>15</td>
<td></td>
<td>.283</td>
<td>.603</td>
</tr>
<tr>
<td>CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.025</td>
<td>1</td>
<td>.025</td>
<td>.499</td>
<td>.491</td>
</tr>
<tr>
<td>Within Groups</td>
<td>.713</td>
<td>14</td>
<td>.051</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.738</td>
<td>15</td>
<td></td>
<td>.499</td>
<td>.491</td>
</tr>
</tbody>
</table>

CSR reporting of Pakistani companies can be largely attributed to the institutional and regulatory environment which results in legitimacy. These informal institutions and regulatory measures are reflections of institutions for businesses to describe and monitor legitimacy (Dawkins & Ngunjiri, 2008). As discussed above the regulatory structures in both the countries are near identical.

One explanation of this from an institutional perspective is provided by the practice adoption (Gondo & Amis, 2013). The frequency of a practice and level of legitimacy initially required a decrease by the actors involved in promoting the practice, as practice become implemented within the organization (Green, 2004). This shows that CSR disclosure practices are important in the early stages of implementation and becomes less important as the practice become diffused and more substantive. This might be the case in Pakistan where CSR practices are at initial stage and businesses mostly use their annual reports to disclose CRS, as it is mandatory (Ahmad et al., 2015), whereas in New Zealand CSR practices are more substantive perhaps than being symbolic. This is in line with institutional theory which considers institutional conditions when explaining why business adopt CSR practices within a particular context. Scholars in the field of management and organisation argued that
businesses respond to institutional pressures and get social acceptance by adopting CSR practices (Campbell, 2007).

There are other reasons behind varying degree of CSR disclosure is because of the informal institutional environment. Businesses differ in organizational culture and the application of business ethics that result in different emphasise on CSR activities. In line with this, Saxena and Mishra (2017) attributed the different perception of companies on CSR to Hofstede's cultural dimension. The ranking and score of New Zealand and Pakistan is provided in the following table;

Table 5 Hofstede’s Cultural Dimensions of Pakistan and New Zealand.

<table>
<thead>
<tr>
<th>Cultural Dimensions</th>
<th>Pakistan</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>55</td>
<td>22</td>
</tr>
<tr>
<td>Individualism</td>
<td>14</td>
<td>79</td>
</tr>
<tr>
<td>Masculinity</td>
<td>50</td>
<td>58</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>70</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Hofstede and Hofstede (2010)

Table 5 shows that Pakistan scores high on power distance then New Zealand. That means in Pakistan, normally the lower ranked employees wait for orders from the top management and they do not have the authority to interfere or provide any sort of suggestions. This is evident from previous literature, as Islam (2004) corroborates that Pakistan is an autocratic society where the superior always make the decisions. In contrast, New Zealand score on power distance is very low which means that elitism is disliked in the country. Moreover, it is evident that Pakistani society is collectivist in nature. In Pakistan, usually, the whole family depends on a single individual who takes care of everything and people normally take the responsibility of their group member (Islam 2004). This transforms to the businesses as well where a selection of an employee to the retrenchment process involve group decision making. On the other hand, New Zealand is a strong individualistic society. The hiring and laying off processes are done on merit. Thirdly, Pakistan has exactly the equal score and masculinity/femininity cannot be segregated (Hofstede & Hofstede, 2010). This is due to significant growth of the middle-class families, increase in education, a rich national identity, and enhanced global awareness in the country (Salman, 2015). On the contrary, New Zealand is considered to be a masculine country because of the significantly high score on this dimension (Hofstede & Hofstede, 2010). Countries with the varying score on masculinity ranking tend to the role of males and female differently within the organizations (Hamid, 2016). Finally, Pakistan has a relatively higher score on uncertainty avoidance than New Zealand. A country with a low score on this dimension tends to welcome risk and changes, whereas countries with a higher score on uncertainty avoidance respect the rules and regulations (Hofstede & Hofstede, 2001). Respecting the government regulation is apparent in Pakistan, although it can only be in form, not substance. The higher degree of CSR disclosures in Pakistan increased as a result of SECP guidelines (Javaid Lone et al., 2016).

In addition to Hofstede et al (2010) cultural dimensions, Khan (2007) contended that Pakistan has gone through extremely debilitating and entrenched corruption that resulted in the government’s
inability to provide services and maintain law and order in the country. According to Islam (2004), the corruption in Pakistan is due to the masculine adherence to the hierarchy and collective administrative culture. Warf (2016) attributes corruption to deeply embedded cultural and moral values not simply an economic phenomenon. This is the primary reason why according to Transparency International (2017) Pakistan scores 32 and is ranked 116 out of 176 countries whereas as New Zealand is considered as the world least corrupt country with a score of 96 and is ranked as 1 out of 176.

All the above mentioned institutional factors help to explain the large variations in CSR disclosures. The findings of the current study are consistent with (Dawkins & Ngunjiri, 2008; Hoffman, 1999; Sharfman, Shaft, & Tihanyi, 2004), our findings indicate that CSR is effected by the regional-specific institutional pressures. These pressures might involve respecting the guidelines from government/regulators, the pressures to respect the preferences of a particular group of stakeholders. As according to the institutional theory the businesses have three different types of pressures such as coercive pressures in the form of regulation; normative pressures in the form of values and culture, and mimetic pressures in the form of mimicking the behaviour of other companies especially in a scenario characterised by uncertainty and rapid change.

Baskerville (2003) argued that there are certain limitations to utilising Hofstede’s cultural indices such as understanding culture by means of matrics and numeric measures and the assumption of equating nations with cultures. Therefore, apart from Hofstede cultural dimensions and corruption index, there are likely to be the institutional factors that need to be considered while assessing the effect on CSR (Thanetsunthorn, 2014). These additional informal institutions contribute to a lack of transparency and accountability which is prevalent in all levels of Pakistani society, and on occasion emerge in New Zealand for example, the collapse of finance company in the aftermath of global financial crises. Despite impressive environmental legislation, for example, non-implementation of existing regulation results in environmental deregulation. Healthcare and education systems are in a troublesome situation, with quarter of population undernourished and women literacy is less than 35 percent. Therefore, there is a marked difference between both countries in terms of informal institutional infrastructure beyond the Hofstede cultural dimensions. Hence, there is a dire need for research to explore the informal institutional environment beyond Hofstede’s cultural dimensions. Hence, there is a dire need for research to explore the informal institutional environment beyond Hofstede’s cultural dimensions.

Conclusion

In summary, this paper examined the CSR disclosure practices of a sample of publically listed companies in New Zealand and Pakistan by focussing on the national institutions that shaped the motivation for CSR. The study found that the sample of overall Pakistani companies disclose more than those in New Zealand on the five dimensions of CSR. The recently conducted research concluded that the increase in the level of CSR disclosures in Pakistan is attributed to SECP’s corporate governance guidelines 2013 (Javaid Lone et al., 2016). The mean differences showed that the mean for CSR disclosures in New Zealand was .4837 and that for Pakistan was .634 as per the CSR index used for the study. This distinction is attributed to national institutions in both the countries. Hofstede, Hofstede, and Minkov (2010) work highlighted that there are major differences between countries in terms of power distance, individualism, masculinity and uncertainty avoidance. These differences appear to transform businesses and affect CSR disclosure practices (Dawkins & Ngunjiri, 2008). Additionally, the results demonstrated that the disclosure practices also varied among different sectors within both the countries. The highly polluting industries, such as cement were found
to disclose the most. Businesses are likely to disclose more if they are socially aware of regulators and their stakeholders.

The results for the current study need to be interpreted with caution, bearing in mind some of the limitations of the study. To start with the annual reports of the companies analysed for the current study comprised of a very small sample from both the countries. Secondly, the study is based on quantitative content analysis which subject to human error. Finally, the study has ignored the qualitative aspects of CSR disclosures and is totally based on quantities measures which may result in biased findings.
References


Declarations

List of abbreviations

ANOVA   Analysis of Variance
CA      Companies Act
CSR     Corporate Social Responsibility
FMA     Financial Market Authority
FRA     Financial Reporting Act
gsk     GlaxoSmithKline
KPMG    Klynveld Peat Marwick Goerdeler
NZSX    New Zealand Stock Exchange
OECD    Organization of Economic Cooperation and Development
PSX     Pakistan Stock Exchange
SECP    Securities and Exchange Commission of Pakistan
SPSS    Statistical Package for the Social Sciences

Competing interests

The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author received financial support for the research, authorship, and/or publication of this article from the Higher Education Commission Pakistan.

Authors' contributions

All authors contributed equally to this research.
The Casual Relationship Model of the Feature Factors Influencing
Environmental Management Report
of Companies Listed on the Stock Exchange of Thailand

Wanpen Klinphanich
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: jwk_2550@hotmail.com

Dararat Phoprachak
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: Dararat_tan@hotmail.com

Upawadee Neungvanna
Executive Director, Master plan 101 Co., Ltd.
24 Soi.Ladprao 101 Soi. 50 Klong Chan, Bangkapi, Bangkok 10240.
Email: Upawadee_n@hotmail.com

Abstract

The objective of this research was to study on the casual relationship model of the feature factors influencing environmental management report of companies listed on the Stock Exchange of Thailand. The research was conducted by studying data from the Annual Report (Form 56-1), annual financial statements and 2015 Financial Statements notes with a sample population from 362 companies. Data of the structural equation model were analyzed by a statistical program called Multiple Indicators and Multiple Causes (MIMIC) Model.

The results of consistency test of the causal relationship model of corporate feature factors (CHA) influencing the Environmental Management (EVM) report found that the model by assumptions was consistent with empirical data, with the following statistical test; 16.22 Chi Square, 0.062 statistical probability (p), 9 degrees of freedom (df), 1.80 for $\chi^2/df$ value, 0.047 RMSEA, 0.033 SRMR, 0.99 GFI, 0.98 CFI, and 0.96 AGFI. In addition, the latent feature variable of the company (CHA) had a direct positive influence on the environmental management (EVM) report at a statistical significance of 0.01, with influence coefficient of 0.26.

Keywords: Environmental Management, Report, Casual Relationship Model

Introduction

Agencies and organizations, both public and private sectors have been paying attention to the environmental issues in the 21st century. As the result of technological advances and economic growth in both the agricultural and the industrial sectors, the world's climate changes have been fluctuated and intensified. These changes cause environmental pollution such as air pollution, sewage, dust, and solid waste. These problems have a wide impact on communities and many countries around the world including Thailand are aware of the problem and are more interested in the conservation of nature, ecosystems, and environment up to the point of establishing measures or solutions to address environmental problems both directly and indirectly. Furthermore, the pollution arising from human activities will be accumulated and contaminate the environment. These pollutions are not only limited to the country of origin but it may also cross borders to have impacts on neighboring countries. Many countries have requested the United Nations to help resolve the problems. In 1972, countries in the Organization for Economic Cooperation and Development (OECD) proposed Polluter Pays Principle (PPP) to reflect the responsibilities in terms of the Cleaning Cost.
For the management of environmental enforcement, Thailand has taken direct command and control with legislation coming into force and penalties when breaches occur. Article 6 of Constitution of the Kingdom of Thailand, B.E. 2540 stipulates as follows: “The individuals have the right to engage with the community and the state in maintaining the natural resources and biodiversity and to protect, promote and maintain environmental quality to normally and continuously exist in the environment that will not cause harm to health or their quality of life as stipulated by the law”. The major legislations related to the environmental management are as follows: (1) National Environmental Quality Act, B.E. 2535 (1992), (2) Factory Act, B.E. 2535 (1992), and (3) any other relevant laws.

However, the aspect of research on environmental accounting has received little attention from researchers in the accounting field. In some cases, prior research focused on only the relevance with and benefits from the implementation of an environmental management system especially in an individual country or a particular industry (Burritt and Saka, 2006; Deegan, 2003; Masanet-Llodra, 2006; Staniskis and Stasiskiene, 2006) and the design concepts on environmental management that can be deployed in the business. However, there were still researches that attempted to explore the implementation of accounting methods for environmental management or the impact that may occur in the operational processes within an organization such as the development of innovative, which is generally accepted that “innovation” is most critical to organizations. The benefits of innovation may be more. At present, the role of accounting for environmental management is to drive innovation within the organization by the way that innovation can improve the process of production to reduce pollution and / or to manufacture innovative products that are not harmful to the environment (Llodra, 2006).

Form the mentioned reasons, the researcher is interested in conducting a study on environmental management accounting practice by using the stakeholder theory to study causal relationship model of company characteristics: shareholder structure, age, auditor’s type, and firm size that affect the environmental management report of companies listed on the Stock Exchange of Thailand.

**Research Objective**

The objectives of the research conducted on the causal relationship model of company characteristics that affect the environmental management report of companies listed on the Stock Exchange of Thailand were as follows.

1. To study the relationship of the company characteristic factors that impact the environmental management report of companies listed on the Stock Exchange of Thailand
2. To synthesize the approaches to environmental management report according to the characteristics of companies listed on the Stock Exchange of Thailand

**Research hypotheses**

H1: Shareholder structure has a directly positive impact on the environmental management reporting.

H2: Age has a directly positive impact on the environmental management reporting.

H3: Auditor type has a directly positive impact on the environmental management reporting.

H4: Company size has a directly positive impact on the environmental management reporting.

**Literature Review**

For literature review to analyze the causal relationship model of company characteristics influencing the environmental management reporting of companies listed on the Stock Exchange of Thailand, the results related to this research are concluded as shown in Table 1.
Table 1: Summary of related research

<table>
<thead>
<tr>
<th>Authors</th>
<th>Variables</th>
<th>Results</th>
</tr>
</thead>
</table>
| Gorton et al. (2010) | - Stakeholder Expectation  
- Environmental Disclosure | The level of disclosure of environmental information was affected significantly by the needs of internal and external stakeholders. |
| Jalaludin, Sulaiman & Ahmad (2011) | - Environmental management accounting  
- Institutional pressure | The institutional pressure impacts the environmental management. |
| Katherine Christ and Roger Leonard Burritt (2013) | - Organizational Structure  
- Organizational size | Environmental management accounting under the situational framework promotes a better understanding of the current situation of the organization after the environmental management accounting development |
| Gustavo Tanaka Nakasone (2015) | - Communities  
- Stockholders  
- Government  
- NGOs | New environmental accounting system will enable companies to measure and report environmental issues more. All variables will affect the profits of the business. |
| Neelam Singh, Suresh Jain and Prateek Sharma (2015) | - Relational Motivations  
- Innovational Motivations  
- Operational Motivations  
- Business Competitiveness Motivations | The environmental management accounting (EMA) has been positively influenced by the incentives. It was also found that in India, large companies tend to practice the EMA more than the small and medium enterprises (SMEs).  
Additionally, when the industries were compared, it was found that companies that produce chemicals and agricultural are likely to practice EMA extensively. |

Methodology

Population and sample

The population in this study was 570 companies listed on the Stock Exchange of Thailand in 2015 (as on January 10th, 2016). The above amount does not include the companies in the market for Alternative Investment (MAI) because the purpose of fundraising for these companies cannot be clearly identified. This may affect the reporting of CSR information, which will affect data analysis (Booth et al. 2000, Sukcharoensin, 2003).

The sample group used in this study was selected based on Structural Equation Model (SEM) analysis to provide parameters from the accuracy and reliability analysis. The composition used to determine the sample size in the analysis by Hair et al. (1998) suggested that the optimal sample size is in the range of 100 to 200 samples. Additionally, Golob (2003) recommends that the analysis of the structural equation model by approximation. The researcher conducted a synthesis on information and it was found that a suitable sample group was numbered at 362 companies.

Research Format

The researcher has conducted studies on related concepts, theories, and research. To define the operational definition and structure of the variables to be studied in the research framework, a paper was prepared to measure the level of CSR reporting to measure the disclosure statistics. Corporate social responsibility by reviewing the information from the annual list (form 56-1), annual financial statements, notes to financial statements, and report on CSR in the accounting year 2015. This was done to calculate the rating scale of CSR reporting.
Data Collection

The researcher statistically recorded the CSR Information reports of companies in the industries used in this research using papers to conduct the measurement on the CSR reporting. If the company discloses information on corporate social responsibility, the score would be 1 and if the company has addressed the issue of disclosure of corporate social responsibility and there was a disclosure of corporate social responsibility in individual aspect. Then the statistics on social responsibility disclosures were summarized. However, if the company did not disclose Corporate Social Responsibility information on any aspect, the scores would be 0, and if the disclosure is relevant to the show CSR information according to the CSR Information reporting guidelines but the information is not relevant to the company, it is entered as N/A (Not Applicable).

The statistics used to analyze data

1. Descriptive Statistics
   Descriptive Statistics on the level of disclosure on CSR Information was separated into 3 levels: high, mediocre, and low for each industry presented. The statistics are expressed in terms of the value and percentage.

2. Inference Statistics
   Multivariate statistical analysis, structural equation model by analyzing the influence of Corporate Social Responsibility Model of firm value of listed companies in stock exchange of Thailand. The statistics used to analyze the structural equation model with a statistical model Multiple Indicators and Multiple Causes (MIMIC) Model as structural equation model is unique about the relationship within and multivariate relationships.

Results

Chi-Square=0.02, df=1, P-value=0.89583, RMSEA=0.000

Figure 1: Confirmatory factor analysis of company characteristics
Table 2. Confirmatory factor analysis on company characteristics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>STR</td>
<td>0.48</td>
<td>-</td>
</tr>
<tr>
<td>AGE</td>
<td>1.74</td>
<td>0.83</td>
</tr>
<tr>
<td>TYP</td>
<td>0.06</td>
<td>0.03</td>
</tr>
<tr>
<td>SIZ</td>
<td>0.84</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Notes: t > 1.96 means p < .05; | t | > 2.58 means p < .01

The measurement model was analyzed by confirmatory factor analysis of company characteristics (CAH). It was found that the model was consistent to empirical data after model modification without excluding any indicators from the model. A statistical test Chi Square was 0.02; the probability (p) was 0.90, the degrees of freedom (df) was 1; the χ²/2 was 0.02; RMSEA was 0.00; SRMR was 0.0023; GFI was 1.00; CFI was 1.00; AGFI was 1.00.

In other words, the company characteristics (CHA) consists of four components, namely the shareholder structure (STR), age (AGE), auditor type (TYP), and size (SIZ). The age is the most important, followed by SIZ, STR, and TYP, respectively.

Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.0000

Figure 2: Confirmatory factor analysis of environment management reporting

\[
\chi^2 = 0.02, \text{df}=1, \chi^2/2 = 0.02, \text{p-value} = 0.90, \text{RMSEA} = 0.00, \text{SRMR} = 0.0023, \text{GFI} = 1.00, \text{CFI} = 1.00, \text{AGFI} = 1.00
\]
Table 3: Confirmatory factor analysis of environment management reporting

<table>
<thead>
<tr>
<th>Variable</th>
<th>b</th>
<th>SE</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVM1</td>
<td>0.18</td>
<td>-</td>
<td>-</td>
<td>0.58</td>
</tr>
<tr>
<td>EVM2</td>
<td>0.17</td>
<td>0.04</td>
<td>4.26</td>
<td>0.38</td>
</tr>
<tr>
<td>EVM3</td>
<td>0.17</td>
<td>0.02</td>
<td>6.91</td>
<td>0.44</td>
</tr>
<tr>
<td>EVM4</td>
<td>0.12</td>
<td>0.02</td>
<td>5.08</td>
<td>0.19</td>
</tr>
</tbody>
</table>

χ² = 0.00, df = 0, χ²/2 = 0.00, p-value = 1.00, RMSEA = 0.00, SRMR = 0.00, GFI = 1.00, CFI = 1.00, AGFI = 1.00

Note | t | > 1.96 means p < .05; | t | > 2.58 means p < .01

The measurement model was analyzed by confirmatory factor analysis of environment management reporting (EVM). It was found that the model was consistent to empirical data after model modification without excluding any indicators from the model. A statistical test Chi Square was 0.00; the probability (p) was 1.00, the degrees of freedom (df) was 0; the χ²/2 was 0.00; RMSEA was 0.00; SRMR was 0.00; GFI was 1.00; CFI was 1.00 and AGFI was 1.00.

In other words, the environment management reporting (EVM) factor consists of 4 components include the use of natural materials and environmental protection (EVM1); management policy and environmental impact disclosure (EVM2); report on holding assets that are beneficial to society (EVM3) and notice of violating environmental laws or regulations (EVM4). The elements of report on the use of natural materials and environmental protection (EVM1) was the most important, followed by components that are equally important including management policy and environmental impact disclosure (EVM2), report on holding assets that are beneficial to society (EVM3). Notice of violating environmental laws or regulations (EVM4) was the least important.

Chi-Square=16.22, df=9, P-value=0.06242, RMSEA=0.047

Figure: 3: the structural equation model based on the assumption of the company characteristics influencing the environmental management report of companies listed on the Stock Exchange of Thailand
Table 3: Path analysis

<table>
<thead>
<tr>
<th>Dependent/Independent Variable</th>
<th>EVM</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHA</td>
<td>TE</td>
</tr>
<tr>
<td>CHA</td>
<td>0.26** (0.10)</td>
</tr>
</tbody>
</table>

$\chi^2 = 16.22$, df = 9, $\chi^2/2 = 1.80$, p-value = 0.062, RMSEA = 0.047, SRMR = 0.033, GFI = 0.99, CFI = 0.98, AGFI = 0.96

The results of structural equation model based on hypothesis expressing the implications of company characteristic impact on environmental management reporting of listed companies in Stock Exchange of Thailand showed as follows. It was found that the model based on the hypothesis corresponded to the empirical data. The Chi Square statistical test result was 16.22; the statistical probability (p) was 0.062, degrees of freedom (df) was 9. $\chi^2/2$ was 1.80, RMSEA was 0.047, SRMR was 0.033, GFI was 0.99, CFI was 0.98, and AGFI was 0.96.

The latent company characteristic (Char) had a directly positive impact on environmental management reporting (EVM) with statistical significance level of 0.01 and path coefficient at 0.26.

Research Discussion and Limitations

The causal factors that affecting company reporting management environment. The company listed on the stock exchange of Thailand The company found that the factors affecting management reporting environment significantly. In accordance with the education of Gorton et. Al (2010) found that levels of disclosure of environmental information significant impact from the needs of stakeholders, both inside and outside. And the Christ & Roger (2013) found that the size of the organization affect the accounting environmental management under the framework approach to promote knowledge and understanding of current situation of the enterprise after the development of environmental management accounting

Conclusions and Recommendation

The study on CSR reporting is consistent with a study on the corporate social responsibility report of the SET and rhea Securities and Exchange Commission of Thailand (SET, 2012). It is only a guideline and not a rule or regulation of any kind. The results of some elements in the report, it was also reported that unclear. Overall the report found that the negative impact on the company will not disclose any such penalties amount of penalty and the amount of hazardous materials exist. Therefore, those who will use the findings should consider such limitations.

This study was conducted on social responsibility reporting from the announcement of the Stock Exchange of Thailand 2012 on social responsibility report that is based on the integration of the conceptual framework and literature review. From the results of this research, it was found that the company characteristic factor had an impact on environmental management reporting based on the assumptions set out. This approach is not a universal standard. It is recommended that further study should be conducted by expanding the CSR framework to global reporting initiative (GRI) to extend the research scope.

Acknowledgments

I am deeply grateful to Associate Professor Dr. Salinan Boonmee, Dean of faculty of business administration and information technology for her invaluable advice and supporting of this study. Furthermore, I also sincerely thank to Rajamangala University of Technology Suvarnabhumi University supporting of this study. Special thanks my family and friends to give encouragement for me. Additionally, I would like to thank those whose names are not mentioned here but have greatly inspired and encouraged us until this study comes to a perfect end.
Bibliography


The Professionalism of Accountants Related to Earnings Quality: A Case Study of Industrial Estate in Ayutthaya

Jiraporn Kradphet
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: Kradphet@hotmail.com

Dararat Phoprachak
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: Dararat_tan@hotmail.com

Abstract

The objective of this study was to explore the professionalism of accountants related to earnings quality. The sample of this study was 197 accountants working in Industrial Estate in Ayutthaya. In this study, five aspects of professionalism of accountants were studied including intellectual skills, technical and functional skills, personal skills, interpersonal and communication skills, and organization skills. Besides, five aspects of earnings quality were explored including cautious preparation of accounting information, volatility or stability of earnings, and correlation between accounting profit and economic profit, profitability that reflects cash flow, and relationship between accrual based earnings and cash flow.

The results of this study found that the professionalism of accountants could explain 13.70% of variation in earnings quality. Moreover, technical and functional skills and personal skills were factors positively affecting earnings quality with a statistical significant level of 0.10. Organization skills factor positively influenced the variation in earnings quality with a statistical significance level of 0.01.

Keywords: Professionalism, Earnings Quality, Accountants

Introduction

Accountants play an important role in business sector as the person preparing, auditing, and certifying the financial statement for businesses. The development of accounting profession in Thailand has become universal and has continued to be developed. This is due to the changing economy, intensified domestic and international competition including business complexity. So there is a need for their accountants to be more than economic event takers or to just to perform a duty of closing accounts and issuing financial statements. It can be seen that becoming a professional accountant requires several important features particularly the personality trait, incentive features and administrative skills to make the organization more effective (Hoy and Miskel, 2001). Accountants thus, need to develop a variety of potential besides accounting standard knowledge they also need to develop other knowledge associated with accounting professions or cross-disciplinary knowledge. They need to perform their duties based on professional ethics both in the aspect of financial report transparency and business ethics when Thailand steps into the international arena (Prisana Praharatkhasuk, 2014).

Accounting professionalism will be more valuable if it is coupled with different skills to qualify as a professional accountant. This includes intellectuality, technical and functional, interpersonal and communication, and enterprise organizational management skill will help in the creation of the role of professional accountants to succeed in performing work (Boajun Intisio, 2009). This is because operators expect accountants to be like a business partner of the company with the ability to provide advice and provide relevant information and to also support the management operation in the aspect of using accounting information to reflect the actual state of the financial status and performance of the business. This results in the business operation efficiency especially the quality of financial reports and quality of earning of the business as well as accounting information that are unavoidable (Fairfield P. M. and Whisenant J. S., 2000). The quality of earning is the number of earnings or profits of the business that arises from business activities conducted during the accounting period. Penman SH. and Zhang X. (2001) stated that the holding conservatism approach will result in quality of earning and increase the return to the shareholders. Quality of earning influences the decision to invest in a business and creating confidence that the business uses conservatism approach in generating profit figures and is able to make profits that will turn to cash. Analysts use this quality of earning to make business decisions by determining how high or low quality the
profitability is. Each analyst understands or gives meaning to the term quality of earning based on different analysis purposes (Vorasak Toommanon, 2000).

From the above, the researcher was interested in studying the accounting professionalism that are related to quality of earning of companies in industrial estate in Ayutthaya province to guide and enhance the skills and capabilities of professional accountants that must be a part of the driving force of the management. It is also a guide to plan for a professional accountant to work in an industrial estate.

Research Objectives

1. To study the professionalism of accountants who work in the industrial estate in Ayutthaya province.
2. To analyze the relationship between the accountant professionalism and the quality of earning of the business in industrial estate in Ayutthaya province.

Research Hypotheses

H: accountant professionalism is related to and affects the overall quality of earning of the business in an industrial estate in Ayutthaya province.

Literature Review

In this paper, the researcher conducted studies on concepts, theories, and related researches to compile the details, which can be presented in the following order:

**Professionalism concepts**

Dr. Sansakrit Vijitlekkarn (2006) discussed the qualifications of professional accountants required by IES as follows:

1. Professional accountants will be required to complete a minimum accounting degree at the bachelor's level or equivalent from an institution that offers courses in accounting, which is a systematic selection of accounting and content of professional accounting education programs that will give graduates the knowledge of senior professional accountants and to develop themselves as future professional accountants in IES No. 2 that separated knowledge in the accounting curriculum into 3 parts: accounting, finance and related knowledge such as organizational and business knowledge.

2. Professional accountants must have professional skills in various fields such as intellectual skill, technical skills, personal skill, interpersonal and communication skill, and organizational and business management skills.

3. Professional accountants must have good professional value, ethic and attitudes such as corporate social responsibility, honesty to the profession, ability to keep secret, and independence.

4. Professional accountants must have practical experience that has been accumulated for a longtime and concentrated enough to demonstrate that a professional accountant has professional knowledge and skills including good ethical knowledge and attitudes towards the profession by the responsible agency with close supervision with standardized and regular inspection process.

5. Professional accountants must pass the professions capabilities assessment exam, which will assess the knowledge and skills of the profession as well as value, professional attitudes, and ethics.

6. Professional accountants need to conduct lifelong learning as the obligation to develop and maintain professional competence with rules and regulations for accountants to have the opportunity to develop their knowledge of professional, continuous and concrete.

**Quality of earning concepts**

Quality of earning is different depending on the purpose of each analyst. Some look at quality of earning in terms of accounting principle roles in the deviation in producing a profit figure. Some look at quality of earning in terms of the role of accounting principles in the changes in earnings figures. Some people look at quality of earning in terms of their profitability to switch back to cash and the ability to allocate it. This is a view of investors who are interested in the company's performance for both current and future dividends.
**Quality of earning definition:**

Vorasak Toommanon (2000) defined the quality of earning as having different definitions from the perspective of each analyst. There is no definite definition for quality of earning or factors that will determine the high or low rates of quality of earning. Each method of quality of earning analysis will reflect the objectives of the analyst. Investors have a different perspective on the quality of earning as follows:

1) The quality of earning in view of the conservatism level behind the company's earnings figures.

2) The quality of earning in view of the profitability reflects the cash flow behind the profit.

3) The quality of earning in view of the relationship between accounting profit and economic profit of the business.

4) The quality of earning in view of the application of conservative/prudent accounting principles and reliance on operating revenues to generate profits for the business including financing in the form of external indebtedness with conservative approach.

From the definition of quality of earning above, it can be concluded that the quality of earning represents the profit generated from normal operation that can be turned to cash to meet the demand, to replace non-revolving assets, and it is the profit generated by recurring income.

**Related researches**

Bradshaw M.T., Richardson S.A., and Sloan R.G. (1999) conducted a study on quality of earning and reliability of financial reports. From the study, it was found that indicator of the higher the accrual threshold is, the lower the quality of earning is. Due to the difference in net accounting profit and cash flow from operations.

Fairfield P.M. and Whisenant J.S. (2000) conducted a study on the use of the basic information in evaluating quality of earnings: Evidence from the Center for Financial Research. The study found that evidence-supporting analysis can predict a lower performance. Lower performance is evidenced by the change in earnings per share, return on equity, and gross profit. The lower the performance, the lower the quality of earnings.

Penman S.H. and Zhang X. (2001) conducted a study on the accounting principles of quality care, profitability and return on equity. The results showed that the index of C-scores as an indicator of quality of earnings, which cautionary approach to accounting? Make high profit quality. The scores of profit quality can be used to forecast returns on stock investments.

Chan K., Chan L.K.C., Jegadeesh N., and Lakonishok J. (2001) conducted a study on the quality of earnings and return on equity. From the studies, it was found that the greater the number of positive accrual indicators, the lower the quality of earnings.

Camelback Research Alliance, Inc., (2002) conducted a study to analyze earnings quality in financial reporting quality. From the study, it was found that the model can believe EQM and clarity in predicting future returns which was able to rank the quality of earnings.

Ball (2000) conducted a study on the quality of earnings of private companies in the UK. Compare this to how to recognize, no relation to the time period. From the study, it was found that companies in the UK must be prepared to adhere to the law on auditing accounting standards and taxation.

Penman (2001) conducted a study on accounting principles of quality care, profitability, and return on equity. From the study, it was found that the quality earnings is a good indicator of future earnings projections.

Aksaraporn Vankaew (2005) conducted a study on the relationship between professional accountant and the quality report of SMEs in the Northeast. From the study, it was found that accountant professionalism and the quality report of SMEs overall, professionalism was associated with the quality of financial reporting is the high level in every aspect.

Saowanee Sitchawat (2001) conducted a study on the quality of the business lucrative commercial electronic CAT relief by focusing on the factors that affect earnings quality. From the study, it was found that financial statements are an important source of financial information and many decision makers used financial statements as a basis for estimating financial position and future performance.

Busakorn Srikulvorrawan (2003) conducted a study on the quality of earnings of the listed companies in the energy sector. From the study, it was found that profit recognition is important to evaluate the business value. It is based on accounting figures as a measurement.
Pensuda Thipsumonta (2003) conducted a study on the profitability of listed companies in the stock market. From the study, it was found that the profitability of the packaging industry continues to fluctuate. This may be due to the different accounting policies of the above literature review.

Table 1: Historical data on the professionalism of accountants related to earnings quality

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bradshaw M.T., Richardson S.A. and Sloan R.G.</td>
<td>1999</td>
<td>Quality of earning and reliability of financial reports.</td>
<td>It was found that indicator of the higher the accrual threshold is, the lower the quality of earning is. Due to the difference in net accounting profit and cash flow from operations.</td>
</tr>
<tr>
<td>2</td>
<td>Fairfield P.M. and Whisenant J.S.</td>
<td>2000</td>
<td>The use of the basic information in evaluating quality of earnings: Evidence from the Center for Financial Research</td>
<td>It was found that evidence-supporting analysis can predict a lower performance. Lower performance is evidenced by the change in earnings per share, return on equity, and gross profit. The lower the performance, the lower the quality of earnings.</td>
</tr>
<tr>
<td>3</td>
<td>Penman S.H. and Zhang X.</td>
<td>2001</td>
<td>The accounting principles of quality care, profitability and return on equity.</td>
<td>It was found showed that the index of C-scores as an indicator of quality of earnings, which cautionary approach to accounting? Make high profit quality. The scores of profit quality can be used to forecast returns on stock investments.</td>
</tr>
<tr>
<td>4</td>
<td>Chan K., Chan L.K.C., Jegadeesh N. and Lakonishok J.</td>
<td>2001</td>
<td>The quality of earnings and return on equity.</td>
<td>It was found that the greater the number of positive accrual indicators, the lower the quality of earnings.</td>
</tr>
<tr>
<td>5</td>
<td>Camelback Research Alliance, Inc.</td>
<td>2002</td>
<td>Analyze earnings quality in financial reporting quality.</td>
<td>It was found that the model can believe EQM and clarity in predicting future returns which was able to rank the quality of earnings.</td>
</tr>
<tr>
<td>6</td>
<td>Ball</td>
<td>2000</td>
<td>The quality of earnings of private companies in the UK. Compare this to how to recognize, no relation to the time period.</td>
<td>It was found that companies in the UK must be prepared to adhere to the law on auditing accounting standards and taxation.</td>
</tr>
<tr>
<td>7</td>
<td>Penman</td>
<td>2001</td>
<td>Accounting principles of quality care, profitability, and return on equity.</td>
<td>It was found that the quality earnings is a good indicator of future earnings projections.</td>
</tr>
</tbody>
</table>
### Table 1: (Continuous)

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Aksaraporn Vankaew</td>
<td>2548</td>
<td>The relationship between professional accountant and the quality report of SMEs in the Northeast.</td>
<td>It was found that accountant professionalism and the quality report of SMEs overall, professionalism was associated with the quality of financial reporting is the high level in every aspect.</td>
</tr>
<tr>
<td>9</td>
<td>Saowanee Sitchawat</td>
<td>2544</td>
<td>The quality of the business lucrative commercial electronic CAT relief by focusing on the factors that affect earnings quality.</td>
<td>It was found that financial statements are an important source of financial information and many decision makers used financial statements as a basis for estimating financial position and future performance.</td>
</tr>
<tr>
<td>10</td>
<td>Busakorn Srikulvorrawan</td>
<td>2546</td>
<td>The quality of earnings of the listed companies in the energy sector.</td>
<td>It was found that profit recognition is important to evaluate the business value. It is based on accounting figures as a measurement.</td>
</tr>
<tr>
<td>11</td>
<td>Pensuda Thipsumonta</td>
<td>2546</td>
<td>The profitability of listed companies in the stock market</td>
<td>It was found that the profitability of the packaging industry continues to fluctuate. This may be due to the different accounting policies of the above literature review.</td>
</tr>
</tbody>
</table>

### The conceptual framework

#### Independent variables

- Accountant professionalism
  - Intellectual learning,
  - Technical and Performance
  - Personnel
  - Interpersonal and Communication
  - Organization

#### Dependent variable

- Quality of earning
  - Conservatism approach to preparing accounting information
  - Volatility or stability of earnings
  - The correlation between accounting profit and economic gain
  - The ability of earnings to reflect the cash behind the gains
  - The relationship between profits calculated in accordance with the cash flow criteria.

### Methodology

This research was a quantitative research. The data collected was done using questionnaires with accountants. Primary data was collected from online questionnaires interface directly sent to the target audience. The quantitative research was provided in line with the conclusions that can be used. The objective was to study the professionalism of accountants that are related to the quality of earnings.
**Population and Sample**

The researcher defined the population, sample group, or groups of data in research. Techniques and sample that can be explained as follows:

1. **Population**

   The population in this study was accountants working in 589 companies at an industrial estate in Ayutthaya province. Data were retrieved from the www.industry.go.th on December 31st, 2015 based on report on the industry investment situation in Phra Nakhon Si Ayutthaya Province.

2. **The sample size**

   To be good representatives of the population, sample size was determined by using the formula of Yamane (1973) as follows:

   
   \[
   n = \frac{N}{1+Ne^2}
   \]

   Where

   - \( n \) is the number or size of the sample
   - \( N \) is the number or size of population (589 companies)
   - \( e \) is the probability of error (0.05)

   The sample size can be calculated as below.

   
   \[
   n = \frac{589}{1+589(0.05)^2}
   \]

   The researcher calculated the sample size required s to be 240. There were 197 completed questionnaires returned (82.08 %).

**Research Format**

The research was conducted on professionalism of accountants that are related to quality of earnings of companies in industrial estate in Phra Nakhon Si Ayutthaya province. Questionnaires were used to collect data for the quantitative research. The questionnaire was built from the researcher having studied the theory and related research to define operational definition and the variable structures that need to be studied. The researcher then conducted a questionnaire created using the operational definition was to develop the tools and the questions that have come to try to improve the research. The researcher revised questionnaire to prepare a draft questionnaire. The researcher then tested the questionnaire draft for the validity and reliability.

**Data Collection**

The researcher has translated the average interval by translating the principles of class interval based on evaluation of the following: (Laddawan Phetchroj and Atchara Chumniprasart, 2002).

- Average at 4.51 or more refers to agree with at a highest level
- Average at 3:51 to 4:50 refers to agree with at a high level
- Average at 2:51 to 3:50 refers to agree with at a moderate level
- Average at 1:51 to 2:50 refers to agree with at a low level
- Average at 1.00 -. 1:50 refers to agree with at a lowest level

**Statistics for data analysis**

When data collection was complete, the researcher determined the statistics that are appropriate and consistent with statistical data. To answer research objectives, the relationship between the independent variables was tested to see if they were associated, by analyzing the correlation matrix, analyzing the tolerance, and ANOVA analysis, and when the differences are statistically significant. 0.05., the Scheffe test's method will be done to test pair different.
Results

The study on the professionalism of accountants that is related to the quality of earnings: Industrial Estate in Phra Nakhon Si Ayutthaya province. From the study on data from a sample of 197 listed companies (persons) operating in an industrial estate in in Phra Nakhon Si Ayutthaya province, it was found that accountants are commenting on intellectual learning, technical and performance, personnel, interpersonal and communication, and organization to study the factors that affect earnings quality. The use caution in preparing accounting information, the volatility or stability of earnings, the correlation between the accounting profit and economic gain, the ability of earnings to reflect the cash behind the gains, and the relationship between calculated income in accordance and the cash flow right behind the gains. The results of the analysis are shown in Table 2 and Table 3.

Table 2: Analytic results of the relationship between independent variables (Multicollinearity)

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>R²</th>
<th>Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual learning</td>
<td>.208</td>
<td>.412</td>
</tr>
<tr>
<td>Technical and Performance</td>
<td>.292</td>
<td>.419</td>
</tr>
<tr>
<td>Personnel</td>
<td>.284</td>
<td>.430</td>
</tr>
<tr>
<td>Interpersonal and communication</td>
<td>.182</td>
<td>.576</td>
</tr>
<tr>
<td>Organization</td>
<td>.294</td>
<td>.765</td>
</tr>
</tbody>
</table>

Table 2: The decision on which variable is influenced by independent variables remaining much. Generally based on the tolerance, criteria are used that was lower than .10 is influenced by a set of independent variables themselves (Hair et. el., 2006) and the tests found. All independent variables’ tolerance was higher than .10. Therefore, it was concluded that the relationship between the independent variables are not very high and to analyze the variables associated with the multiple regression analysis.

Table 3: Results of multiple regression analysis for the quality of earnings

<table>
<thead>
<tr>
<th>Accountant professionalism</th>
<th>Quality of Earnings</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The regression</td>
<td>The standard error</td>
</tr>
<tr>
<td></td>
<td>coefficient</td>
<td></td>
</tr>
<tr>
<td>Intellectual learning</td>
<td>-.033</td>
<td>.059</td>
</tr>
<tr>
<td>Technical and Performance</td>
<td>.128</td>
<td>.070</td>
</tr>
<tr>
<td>Personnel</td>
<td>.138</td>
<td>.070</td>
</tr>
<tr>
<td>Interpersonal and communication</td>
<td>-.071</td>
<td>.063</td>
</tr>
<tr>
<td>Organization</td>
<td>.168</td>
<td>.048</td>
</tr>
</tbody>
</table>

R = .398  Adjusted R² = .137  SEₚₑₚ = 0.397  F = 7.201  Sig. of F = .000

Note:  
* A statistical significance level of 0.10  
** Significance level of 0.05  
*** Significance level of 0.01.

From Table 3, It was found that when considering the overall aspect, all accountants professionalism variables jointly could explain the variation in quality of earnings with a statistical significant level of .05. (The Sig. of F < .05) by multiple correlation (R) was equal to .398 and the coefficient of determination (the R²) was equal .137, which indicated that the accountants professionalism variables could explain 13.70% of variation in the quality of earnings. And when individual variables were considered, it was found that technical and performance and personnel had positive impact on the quality of earnings with a statistical significance level of .05. Organization had positive impact on the quality of earnings with statistical significance at .01.
Research Discussion and Limitations

From the findings, it was found that accountant professionalism could explain the variation in the quality of earnings, which was consistent with past study conducted by Busakorn Srikulvorrawan (2003) on the quality of earnings of companies listed in energy group. The findings showed that profit realization was important to evaluate the business value by requiring the accounting profit as a measure for another two years. Aksaraporn Vankaew (2005) conducted a study on the professional accountant's report on the quality of SMEs in the Northeast and found that the professional accountant's report on the quality of the business, SMEs overall professionalism associated with the quality of financial reporting is the high level in every aspect. This was consistent with the findings of this research. Therefore, it can be concluded that in Thai context, the accountant’s professionalism, and quality of earning were obviously related.

When the results of the study was considered, it was found that foreign studies are consistent with the accountants professionalism and quality of earnings in the context of Thailand. The Institute of Camelback Research Alliance, Inc. conducted a research on earnings quality in financial reporting quality in 2002 was rated the quality of financial reporting can be profitable. Prior to that, Penman SH and Zhang X. (2001) found that the accounting practices and principles of caution result in high quality of earning. It was also found that quality of earnings could predict the return on investment in shares. In the same year, Penman (2001) found that the accounting principle of caution and return on equity was able to forecast future profits as well.

From the study and review of the literature in the past in the context of Thailand and abroad yielded consistent results, so it can be concluded that the accountant professionalism is able to predict the variance of quality of earnings through the study of past and present trends indicate that the variability of earnings quality was impacted by the accountant professionalism in the accounting data reporting.

Conclusions and Recommendation

From the results of this study and consistent previous studies, the researcher has concluded that more research can be done in two ways as follows:

1. The results of this research indicated that the accountants professionalism was related to the quality of earnings. Future studies should explore more that when accountant professionalism had a positive impact on the quality of earning, whether investor will pay more attention to make investment by additionally studying investment decision making, etc.

2. From the results of this research, it was found that the accountant professionalism was related to the quality of earnings. The researcher is of the opinion that it may consider, in view of the turnover or the performance of an organization if it is more in line with the quality of earnings. There may be additional studies in view of return on assets (ROA), return on equity (ROE) and earnings per share (EPS) returns from operations (Tobin ‘Q) or economic value added (EVA) and so on

Acknowledgments

I am deeply grateful to Associate Professor Dr. Salinan Boonmee, Dean of faculty of business administration and information technology for her invaluable advice and supporting of this study. Furthermore, I also sincerely thank to Rajamangala University of Technology Suvarnabhumi University supporting of this study. Special thanks my family and friends to give encouragement for me. Additionally, I would like to thank those whose names are not mentioned here but have greatly inspired and encouraged us until this study comes to a perfect end.

Bibliography


Ball, A. Catherine (2000). Integrating Functional genomic information into the Saccharomyces Genome Database. Nucleic Acids Research. 28(1)


Busakorn Srikulvorrawan (2005). Quality of Earnings: a case study of listed companies in the energy sector, an independent study, Kasetsart University graduate school.


Luddawan Petchroj and Atchara Chaneeprasart (2002), Research Methodology. Bangkok, Pimdeekarnpim

Penman, S.H. and Zhang X. (2001). Accounting Conservatism, the Quality of Earnings and Stock Returns. Columbia University


Prisana Phraumkhasuk (2014). The role and challenges of the new account, the Nationals Newsletter FAP, (The FAP Newsletter KSC) No. 22, October 2014.


Souawanee Sichawach (2001). The study on quality of earning of electronic business with emphasis on factors that affect the quality of earnings, MBA thesis : Thammasat University.


Abstract:
Public opinion has become increasingly conscious to companies' sustainability moves, especially regarding the environment. An example is the diffusion of Elkington's triple bottom line (TBL) framework to measure the performance of a given company in terms of shareholder value (profit), social capital (people), and environmental impact (planet). The challenge of measuring TBL is partially settled by the proliferation of indexes, such as the ISE in Brazil (similar to DJSI). The implementation of a TBL strategy resides mainly in the guidance provided by managers and in the efforts practiced by employees. The objective of this research was to observe the extent to which managers' rhetoric was aligned to employees' perceptions regarding environmental strategy implementation in a global energy player in Brazil. Operating in the energy industry, a sector frequently in the spotlight given its environmental impact, the company was listed in all editions of the ISE index. Data was gathered: from the company's website, ISE and sustainability reports; from interviews with managers of environmental related areas; and from a pilot survey with a small group of employees. It was observed that the company has a clear environmental strategy, aligned to TBL ideas, strongly embedded in top management's rhetoric. The strategy is openly communicated through a number of deep-rooted initiatives. However, many employees were not able to point out their personal (or area) goals towards the environmental strategy. Although one in every three respondents strongly agreed that the company will have an enduring environmental position, one in every four respondents questioned if it would be listed in the ISE in the following years. This indicates a possible mismatch between top management rhetoric and employees practice, or a need to better inform employees about sustainability measurement and goals. Either way, this presents an important gap to be addressed.

Key words:
Environmental Strategy, Employee Perception, GRI Based Indexes; Triple Bottom Line.
Introduction

Society is increasingly demanding with regard to sustainability issues, raising its awareness towards the environment (DA SILVA; ALVES; VOLKMER, 2014). A practical example is the diffusion of the triple bottom line model proposed by Elkington (1997), which provides a conceptual framework for sustainability indexes such as the DJSI/S&P (USA) and the ISE/Bovespa (Brazil), which help identify companies with a strong sustainability drive. This drive is strong in the energy sector, where the energy generation and consumption value chain has been under review due to opportunities for greater efficiency and innovation (PORTER; KRAMER 2011). In the Brazilian energy sector the subject gained momentum in 2006, when the Brazilian Electricity Regulatory Agency (ANEEL) started demanding the report of sustainability related data from electricity companies. The objective of this study is to observe the alignment between the discourse of management and the perception of employees regarding the environmental sustainability strategy of AES Brasil, an important player in the country’s energy sector, inserted in the ISE portfolio for more than a decade.

Theoretical Foundations

Sustainability involves a company’s main stakeholders (FREEMAN, MCVEA, 2001), and the framework developed by Elkington (1997) proposes a balance between Planet, People and Profit. Planet is the environment and the ecology, the planet’s health and climatic conditions, which need to be maintained to ensure quality of life and living conditions for humanity. People refers to social and humanitarian aspects, focusing on people with less access to resources to improve their quality of life. Profit is company gains. Companies need to generate profit to remain operational and economically sustainable. The adoption of projects anchored in this triple bottom line improves long term planning in a virtuous circle of management in favor of the common good (HART, MILSTEIN, 2004). Opportunities are not static. They change constantly in accordance with the evolution of technology and the priorities of society, spurring the discovery of opportunities for differentiation and repositioning (PORTER, KRAMER, 2011). A sustainability strategy is a source of competitive advantage, creating value in the long term.

A company puts a sustainability strategy into practice if its employees adopt behavior in keeping with the concept. Engagement tools and processes are necessary, focusing on education and incentives for a sustainable lifestyle and the individual accountability of
employees (CLARKSON, 1995). The alignment begins with the publication of the practices of sustainability that will be adopted, sometimes based on the Global Reporting Initiative (GRI), which shows the commitment and transparency of companies in their environmental actions, including the ability to compete in markets, plan activities to become more sustainable and comply with legislation (GRI, 2015). Furthermore, in the Brazilian market, companies have been encouraged to play more sustainable roles to save natural resources or comply with the strategic requirements of organizations (DI AGUSTINI, 2012). The need for an instrument that identifies which companies and investments in sustainability are in keeping with international standards of excellence led to the creation of the ISE (Corporate Sustainability Index), today made up of 40 companies from different sectors, with energy companies accounting for 25% of its portfolio (ISE, 2015).

**Methodology**

To conduct the research, information was collected from the ISE report, interviews with managers of a leading company in the electricity sector (AES) and a pilot survey with company employees chosen at random. The research question was: to what extent is the discourse on the environmental sustainability strategies of a company in the electricity sector, as expressed by the top management, in keeping with what is understood and assimilated by the company’s employees? The general goal was to identify the alignment by examining: (i) the environmental sustainability strategies adopted by the company in Brazil; (ii) the conceptual basis of the managers with regard to sustainability strategies; (iii) the communication of these strategies to employees and their introjection; and (iv) the alignment between the discourses of the ISE report, the top management and the employees. The initial research involved document analysis (e.g. ISE Report 2015), interviews (e.g. ISE coordinators and managers involved in sustainability at AES Brasil) and a pilot survey (applied at random to 31 company employees).

It should be highlighted that the employees were approached at random (those who came closest to the researcher) outside the work environment (near the company’s headquarters), informally (without any pressure from the company to complete the questionnaire) and with guaranteed confidentiality (the researcher did not know the identity of the respondents). Therefore, it can be said that there was a high level of spontaneity in the responses, with a greater possibility of revealing the employees’ genuine perception of the company. The pilot questionnaire (with questions based on the literature, information from
ISE sustainability reports and the semi-structured interviews) appraised whether the information on the sustainability strategy of AES is incorporated by the employees. Of this sample, 77% of the respondents work as analysts or technicians, 13% at the operational level and 10% as managers or department heads. As for their tenure, 52% have been with the company for over 5 years, 29% from 1 to 5 years and 19% for less than a year. Concerning their schooling, 58% have completed a higher education course, 35% have completed a post-graduation program and 6% are high school graduates.

Analysis

(i) Environmental sustainability strategies adopted by the company in Brazil. AES (Applied Energy Services) is an American power company that operates in 17 countries. In Brazil, it has two power distributors, two generators and a service provider. It mission is to "to promote welfare and development by providing safe, sustainable and reliable energy solutions". The company has been in the ISE since its first edition, and in the 2016 report, it had one of the highest environmental investments. To R1, the company considers sustainability very important, and the top management is involved in an effort for the company to be recognized as a leader on this issue: "I want to be among the companies recognized as a sustainable company" (R1). The discourse of R2 includes information highlighting the company’s future stance, perceiving that it is necessary "to think of truly new solutions, not only in terms of renewable energy, but also in the battery sector or the micro generation of energy".

(ii) Conceptual basis of the managers with regard to sustainability strategies. According to the managers who were interviewed, the company does not separate the environmental from the economic or social. The triple bottom line proposed by Elkington (1997) and the urgent need to sustain ecosystems proposed by Sachs (2004) are internalized in the managers’ discourse: "Here we don’t separate, and I, I don’t separate the environmental, social and economic, I deal with them all together" (R3). "...we don’t usually separate [environmental sustainability] very much. What we’ve been doing here at AES is trying to use natural resources more consciously and efficiently, mainly because we are in a sector that causes a lot of damage, especially when it comes to generating electricity" (R2). From an economic viewpoint, there is an understanding that many “externalities” (e.g., the cost of reforestation ranges from R$ 8,000 R$ 100,000 per hectare) can be costly, even without regulations. Sustainability goes from "cradle to cradle", accompanying the product lifecycle. To monitor
its actions, the company has an environmental department that works with the population and employees, divulging and monitoring events, demanding content and making it available.

(iii) Communicating these strategies to employees and their introjection. The company sees the need to educate its employees on the issue. "A good operational technician gives us a class, but if I tell him something about the environment, he doesn’t know what stance to take, or he might even be afraid and avoid it, so we gave them some training, prepared them" (R1). To the managers, the employees need to be taught many actions in a practical sense. Not all of them have access to the same level of information and it is increasingly necessary to encourage them to become engaged. Committees have been formed (e.g., a Sustainability Committee) to discuss with the different areas of the company the plans to implement actions suggested by employees, replicating the good results. Sustainability is incorporated "into everyone’s goals, into the individual goals of an employee". At least once a week, every manager stops to discuss the issue with his employees. The company appears to seek a dialogue by divulging its achievements: "It’s one thing for me to explain this strategy to a sustainability manager; it’s quite another for me to walk up to an operational coordinator looking after his people on the east side of town and explain it to him (...). What are we trying to achieve with all this? We want everyone to know where we stand and where we’re headed" (R3). It is interesting to note that the managers understand that there is an opportunity to make improvements through communications that focus on sustainability. According to R3 "When we sit down to talk about this, we see that there is a long way to go".

(iv) Alignment between the discourses of the ISE report, the top management and the employees. Sometimes, the company discourse (as shown in its institutional reports, responses to the ISE questionnaire and in conversation with the managers) is aligned with the perception of the employees involved in the survey. On the other hand, there are points on which they diverge. Following the analysis of these data sources, it was found that the sustainability discourse is well understood by the employees. However, there are important divergences in environmental strategy regarding: (i) perception of the importance of maintaining the company in the ISE; (ii) bilateral communication; (iii) explanations of environmental actions; and (iv) mechanisms to gauge the level of knowledge and commitment in relation to the environmental policy. The position of the employees, that permanence in the ISE was not a priority, was not expected. If on the one hand the company makes investments and views the ISE as a starting point for its strategy, on the other hand, the employees do not feel greatly
affected by the maintenance of the index. As the employees only partially agree that they are engaged in the company’s sustainability strategies, this may be more due to pressure than involvement and understanding that sustainability means added value.

**Conclusion**

From an analysis of the interviews with managers, publicity material (e.g. internet) and ISE report, the environmental directives of the company were identified: (i) a third of the employees that were interviewed fully agreed that the company will be recognized in the future for its innovation and efficiency. However, one in four either adopts a neutral stance or does not agree that the company will remain in the ISE portfolio in the coming years. As for the conceptual basis of the managers for sustainability strategies (ii), there is an alignment with the triple bottom line of sustainability, with the accurate use of its concept in the managers’ discourse. By diligently complying with the ISE guidelines, the company also conforms to GRI guidelines, which are widely diffused and incorporated by the managers. With regard to the communication of sustainability strategies to employees, (iii) training courses and workshops were offered and information on goals and their achievement was available, demonstrating considerable effort by the organization in this sense. The vast majority of the employees mentioned open and bilateral communications, albeit with more opportunities for introjection of the sustainability strategy in everyday life. Most employees claim that they do not know of the existence of individual goals or goals of their sectors, and half of them are indifferent to this issue. This could be a sign that employee involvement is far from ideal, leading to a gap between discourse and practice. Finally, in an analysis of the alignment of the company’s discourses in the ISE Report, the discourse of the top management and the perception of the employees, (iv) it can be concluded that there are gaps in the relationship between what is professed and what is perceived. There are issues regarding the communication of the sustainability strategy, although the theme is generally well understood. The results are partial, in that there are limitations inherent to the scope of the theory and the choice and implementation of the method. Future studies can make use of a larger random sample of employees, expanding to include other companies in the ISE.
References


Da Silva, M.; Alves, A.; Volkmer, G. 2014. There and back again? The academic vision of sustainable development is a crisis context. ReAd UFSM, 7(1), 70-87.


Brazilian SRI Funds

Dalia MAIMON SCHIRAY

*Thanks to Monica de MELO SALES

Introduction

Social responsible investment (SRI) is defined as the combination of financial performance objectives with concerns about social, environmental and ethical issues. According to traditional financial theory, markets are deemed efficient and investors rational. They base the choice of their portfolios on well-defined financial parameters, following their own risk aversion. With the development of socially responsible investments (SRIs) in the middle of the 90s, a vast domain of research became available when selecting one’s portfolio. Indeed, investors integrate new elements which are out of the financial scope to their strategy of portfolio management, thus diverging from the traditional financial theory.

The objective of this paper is to contribute to a reflection on the relationship between companies’ investment in social responsibility and their economic-financial performance. We compared the profitability of the ISE (Corporate Sustainability Index) with the others indexes traded in BM&FBovespa, Brazilian Stock Exchange Market. Special attention is given to the behavior of shareholders during the financial crisis of 2008 and from 2013 to now during the political and economic crisis. The growth of Social Responsible Investment in all industrial countries and more recently in emerging countries could be an indicator of CSR growth. Social responsible investment (SRI) is defined as the combination of financial performance objectives with concerns about social, environmental and ethical issues.

To be able to understand the context, we begin with a summary of the experience of corporate responsibility in Brazil and the main tools of management and communication used.

Then, our analysis is based on the questionnaires of the companies selected by ISE Bovespa, Brazilian Social Responsible Index. They are presented in five different dimensions economic/financial, governance, social, and environmental.

We try to understand why BMF&Bovespa, very speculative one, has introduced these ethic funds. The article compares the Brazilian SRI funds from 2005, at the creation of ISE (Sustainable Enterprise Index) to 2011. We also analyze the methodologies of choice of the firms that take part of this index and the firm’s movement to be in and out during these 6 years.
1. From Christian charity to social marketing

It is possible to relate the origins of corporate social responsibility (CSR) in Brazil. This began in 1965 with the creation of the Christian Business Leaders Association- ADCE and the subsequent publication of the “Charter of Principles of the Christian Business Leaders”, in São Paulo, the most industrialized province of the country. The participation of entrepreneurs had merely a philanthropic feature with no questions about the internal and external business practices. The lack of political freedom and the restrictions imposed by the military dictatorship at this time have restricted the diffusion and the spread of the theme of social responsibility that could be confused with socialist ideas, strongly repressed in this period.

In the eighties, with the democratization of Brazil and the promulgation of the 1988 Constitution, a movement led by the sociologist Herbert de Souza - Betinho - was launched, interacting with entrepreneurs within different philanthropic initiatives. Since 1993, the Campaign Against Hunger, created by Betinho and developed by the NGO which he presided, IBASE, Brazilian Institute for Social and Economic Analyses became a national reference And especially for the creation of the Brazilian model of Social Audit Report, which, for the first time, made public the performance of companies in dealing with social issues. The campaign had broad participation of big state companies such as Petrobras, Banco do Brazil, Furnas and Caixa Economica Federal followed later on by private companies.

In 1989, the creation of the GIFE (Group of Institutes, Foundations and Enterprises -) aimed to promote the private social investment in Brazilian companies. GIFE is strongly influence by the discourse and actions of American companies with strong neoliberal bias. One year later, comes the Society for the Incitement to Environmental Management, SIGA, a member of the German network INEM (International Network of Environment Management), which initially used to concede Green Label, but has distinguished itself in spreading the environmental management in the major media on radios and TV (CBN Ecology, CBN Energy among others).

In 1995, the Community in the Solidarity created by the anthropologist Ruth Cardoso, the first lady of Brazil then, came to spread the culture of volunteering and prepared a specific legislation for volunteers and the Third Sector. The neoliberal proposal of the president Fernando Henrique administration had reduced the role of the state, privatizing public services and transferring to the Third Sector a range of social actions.

The following year was marked by the adoption of the norm ISO 14000. The Gazeta Mercantil newspaper published 16 booklets titled “Environmental Management - Commitment of the Company”, indicating the ‘step by step’ path to environmental management and pointing the competitive advantages of companies with ISO 14001 (Maimon, 1996). In 1999, the magazine Exame launched a booklet called “Guide to Good Corporate Citizenship” that has established itself as a reference for the dissemination of CSR actions by firms.

But, the year 1997 was the landmark issue of CSR. Betinho writes the article "Public Company and citizens" and the IBASE Social Report got a great media attention. From the initiative of IBASE, the Brazilian stock market regulator, CVM, joined the movement that seeks to encourage the disclosure of the Social Report.

A year after, it was created, in São Paulo, the Ethos Institute, which for a decade has led the diffusion of social responsibility. It is a non-governmental institution, conceived by entrepreneurs and executives coming from the private sector. From 11 companies associated, at the time of its foundation, the number of members reached to 6000, in 2009, representing over 28% of Brazil's GDP. There is no coincidence that these organizations of mobilization of the business community have emerged in São Paulo - which accounts for 34 % of manufacturing and 12 % of the services companies of the country - urban center that, from the beginning of the century XX, is the dynamic hub of Brazilian capitalist economy.

Until the creation of Ethos the axe of CSR was set up in Rio with Social Report of IBASE and the presence of CBEDS representing the World Business Council for Sustainable Development and having initially a focus on environmental ethics.

With the Ethos’ movement, CSR keep aligned with the company core business, including marketing objectives. Social and environmental initiatives started to be selected through strategic analysis not only
with traditional shareholders, but also with a network of stakeholders, consumers, workforce, government, media, NGOs, suppliers and others.

In this context, CSR seeks follow the share value strategies (Porter and Kramer, 2009) and to align social and environmental agenda of society on economic interests of companies to generate profits. The determinants of CSR could be to obtain license to operate, the search for legitimacy, participation in the international market, brand enhancement, risk management, among others (Maimon, 2011).

The international scenario encouraged BM&FBovespa to create the ISE (Índice de Sustentabilidade Empresarial), an index tracking the economic, financial, corporate governance, environmental and social performance of the leading companies listed in the Brazilian Stock Exchange. It was launched in December 2005 to provide asset managers and investors with a reliable and objective benchmark of the best corporate sustainability practices in the country. BM&FBovespa was also the first stock market in the world to join the Global Compact (BARBOSA, P. R. A., 2007).

Some initiatives of the financial sector had been made before: in 2001 when Unibanco launched its first service to identify companies committed to the environment among the country. The service aimed mainly allocation for European and North American SRI funds although not exclusively. In the same year, Banco Real ABN Amro launched two Ethical Funds, the first SRI funds in emerging markets. Since their creation, both funds have outperformed the BM&FBovespa Index (IBOVESPA). In 2004, Banco Itaú launched its Itaú Social Best Practice Fund (Fundo Itaú Excelência Social), focusing on Corporate Social Responsibility. BM&FBovespa also launched the Corporate Governance Stock Market Index (Índice de Ações com Governança Corporativa Diferenciada or IGC), tracking companies highly committed to corporate governance (Maimon, 2012).

From the point of view of state regulation, with the labor government of President Lula, unionist, we observed during the 2000s increase of minimum salary and new laws on human rights for labor force with strong impact on social responsibility of the internal public of enterprises.

The Decree No. 6.481/2008 on the prohibition of the worst forms of child labor, states as prohibited 93 activities for persons less than 18 years of age. The Secretary of Labor Inspection of the Ministry of Labor and Job make inspection in combating child labor and protection of teen worker. In August 2003, the National Commission for the Eradication of Slave Labor (CONATRAE) had the target of monitoring the implementation of the National Plan for the Eradication of Slave Labor. The Plan contains 76 actions and involves together agencies of the Executive, Legislative, Judiciary, civil society and international organizations (www.MTE.gov.br).

In 2003, was created the Secretariat of Policies for Women to build the empowerment of women and their inclusion in the society. Three main goals are targeted: Labor and economic autonomy of women; Combating violence against women; and programs and actions in the areas of Health, Education, Culture, Political Participation, Equality and Diversity. In 2006, the Law 11.340/06, known as Maria da Penha Law into force, violence against women is treated like a crime.

At the federal level, there is no specific law for moral and sexual harassment but they can be treated by the Article 483 of the Brazilian Labor Code (CLT). Some provinces and municipalities have specifics laws for sexual and moral harassments.

Additionally, in a macro level, Lula’s and Dilma´s administration through a set of policies, takes the lead in fighting poverty, notably with the BolsaFamília that helped lift 25 million people out of poverty and the Minha Casa Minha Vida, with the distribution of 1 million of houses for poor, among others.
2. Main instruments of social communication tools and Certifications

Over the last twenty years we have observed the emergence of a large number of instruments genuinely Brazilian of social responsibility, which implementation and consolidation depended of national business leaderships and more recently, with the globalization of the economy, the implementation of international instruments and tools.

Although the first social report was published in 1984 by a state petrochemical company, its impact has been rather slight. The peak in terms of voluntary audit has been reached, in 1997, thanks to the creation of the social balance of IBASE, as indicated before. The Social Report was prepared by companies and audited by IBASE.

The model proposed by IBASE Social Report was inspired by the French Bilan Social and relied for its elaboration on partnership with technicians, researchers and representatives of various public and private institutions and was supported by the stock market Securities Commission.

The Social Balance Model of IBASE has specific characteristics, namely: built on the initiative of an NGO recognized to cover on for the transparency and effectiveness in social and environmental activities of companies; separating the actions and mandated benefits, from those made voluntarily by companies; essentially quantitative and simple, all companies can publicize its Social Report, regardless of size and sector of activity; and if it is properly completed, it may allow comparison between different companies and evaluate the same corporation, over the years (Torres e Mansur (2011).

Besides allowing a systemic vision of the company, this model of social report can also be used as a tool for diagnosis and management, as gathering together important information about the social role of business, allowing to follow the evolution and improvement of its indicators: financial information, internal social indicators, external social indicators, environmental indicators.

From 1997 to 2007, while still in use the Social Balance model of IBASE, there was an increase in the number of companies preparing and diffusing their Social Report. In the early years of the initiative, the project had significant support. Some important companies have presented their annual social reports, as Inepar, Usiminas, Brasilia Energy Company (CEB) and Light. The National Electric Energy Agency (Aneel) recommended to take the model of IBASE for all electricity’s organizations. The Municipality of São Paulo created a label based on IBASE model. Several partnerships have been concluded with the Federation of Industries of State of Rio de Janeiro (Firjan), the Social Service of Industry (SESI), the Foundation Institute of Business and Social Development (Fides), the Association of Analysts and Investment Professionals of Capital Markets (Apimec), the newspaper Gazeta Mercantil and, also, some universities (Torres e Mansur (2011).

The graphic 1 below shows that 2003 was the year with the highest number of companies publishing their Social Report. From this year, there was a significant reduction in number of publications.
In 2000, Ethos Institute has diffused and started to implement the Ethos Indicators. These indicators are updated annually and have played an important role in stating a diagnostic of CSR. Indicators allow companies to do a self-assessment of their performance in seven themes: Values and Transparency, Internal public, Environment, Providers, Consumers and Customers, Community, and Government and Society. Ethos Institute has also elaborated sartorial questionnaires for Electricity Distribution, Petroleum and Gas, Bakery, Bars and Restaurants, Banks, Mining and Pulp & Paper (www.ethos.org.br).

Until 2009, there was growth of companies adhering to the ethos indicators. From 2009 to 2011 there was a decrease the financial crisis and the questioning of Ethos governance, which resulted in the exit of Petrobras.

In 2004, ABNT NBR 16001 - Social Responsibility - System Management - Requirements had its first edition published, and a second version in 2012. The last version was based on the international ISO
26.000 guideline, published in 2010. The review of ABNT NBR 16001 occurred within the Special Study Group on Social Responsibility of ABNT, and was subject of national consultation. Other countries have also developed national standards for the purpose of accreditation in the light of ISO 26000 directives (www.abnt.org.br).

In recent years, Ethos Institute has progressively lost its leadership, and the GRI indicators have gained space. In attempt to regain more space in the business community, it launched a new version of the Ethos Indicators in accordance with the GRI - G4 and the guidelines for social responsibility ISO 26.000 and ABNT NBR 16001.

Regarding the international instruments, we must highlight the ISO 14001. This standard changed the planning of environmental management, and had a momentum thanks to the greatest diffusion of environmental problematic with the Rio’s UNCED, in 1992.

In recent times, a topic that has received much attention from enterprises is the issue of climate change, which has two initiatives that attract attention in Brazil: the GHG Protocol and the Carbon Disclosure Project (CDP). CEBDS launched the partnership of Brazilian GHG Protocol Program in 2008 with the WBCSD, Ministry of Environment and the Center for Sustainability Studies of the Getúlio Vargas Foundation (GVCes). The GHG Protocol has enabled the training and monitoring of dozens of companies in the country to make its inventories of GHG emissions, the basis for subsequent action to mitigate emissions. The Carbon Disclosure Project, an initiative of international investors to increase the transparency of GHG emissions and carbon risk, arrived, in 2011, in its sixth edition in Brazil.

The graphic 3 below, regarding the international tools, shows the fall of ISO14000 and the increasing participation of GRI reports. The year 2006 was the peak of ISO certifications with 838 organizations. From 2007 and until today, there was a significant drop and a sensible replacement for GRI reports. It seems to be an international trend, as Corporate Register estimates that 40% of non-financial reports submitted in 2012 were GRI (CRRA12, Corporate Register, 2013).

**Graphic 3: Number of organizations certificated**

![Certifications/Reports](image)
3. Case study of ISE’s companies

ISE is based on the Triple Bottom Line (TBL), concept introduced by Elkington (1994), which evaluates the economic/financial, social, and environmental dimensions and climate change in an integrated manner. The methodology added to the TBL principles, some corporate governance indicators and criteria based on the JSE model. Those indicators were gathered in a fourth thematic group, in addition to the TBL, to evaluate the companies. The six dimensions are preceded by a group of general indicators. These include, for example, publication of a sustainability or social report, endorsement of the Global Compact of the United Nations and damages or risks to health, physical safety or integrity of consumers and third-parties, as well as to public health and safety, posed by the consumption or use of the company’s products.

As others SRI, ISE is revised annually to re-evaluate companies according to their sustainability levels.

The ISE project was financed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group, an organization that promotes sustainable private sector investment in developing countries. Developed by the Center for Sustainability Studies of Getúlio Vargas Foundation, a leading business school in Brazil, ISE can include up to 40 companies that seek excellence in managing sustainability (CORRAR, et al., 2008).

The Advisory Board of ISE is strongly disputed, and had suffered a lot of changing. In 2013, the board was composed, among others by BM&FBovespa, IFC- International Finance Corporation, Abrapp- Brazilian Association of Pension Funds, AMBIMA-National Association of Financial and Capital Markets Institutions, MMA-Ministry of the Environment and UNEP-United Nations Environment Programme.

IBASE soon left the board, disagreeing with the presence of the tobacco industry. The Ethos Institute, a NGO who represents the ethical business, was suspended from the board, in 2009, although Bovespa did not explain the reason. It happened just after the exclusion of Petrobras (Brazilian Oil Company) of the ISE, in spite of its participation in the Dow Jones Sustainability Index.

By adopting a Positive Screening, no sectors are excluded from the index. The most negotiated shares in BMF&Bovespa will have the opportunity to fill out the questionnaire and participate in the selection process. However, all elements associated with sustainability for each sector will be closely evaluated, including potential risks and adverse impacts associated with nature of products and services of each business.

The Best in Class methodology uses cluster analysis as a statistical tool in the final classification process. Avoiding deviations generated by a simple adding of assessment scores of such distinct dimensions as the environment and corporate governance, cluster analysis identifies groups of businesses that exhibit similar performance in each dimension. The final portfolio will be made up of the cluster of businesses that demonstrates the best practices in all five dimensions (Maimon, 2012).

The selection criteria for the ISE theoretical portfolio is done by sending questionnaires to one hundred and fifty companies pre-selected for their market negotiability. Based on these data, the Board begins the process of choosing the companies with the best classification for a one year period, especially considering: Relationship with employees and suppliers; Community Relations; Corporate Governance and Environmental impact and activities.

The criteria for inclusion of companies in the ISE must also meet the following requirements: Be one of the 150 stocks with the highest negotiability ratio; have been traded in at least 50% of the defined trading days; meet the sustainability criteria endorsed by the Board of ISE. Companies can also be excluded from ISE for several reasons as bankruptcy, significant changing in criteria levels, etc.
Along 10 years the ISE portfolio had up to 40 companies (2013/15) and representatives of 19 sectors. Currently, ISE has 35 companies from 16 different sectors. The market value at the beginning was 504.2 billion of Reais, reaching a significant value of 1.22 trillion in 2015/16. Today the market value is at 960.52 billions (Table 1).

Table 1 – Evolution of Portfolio ISE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>28</td>
<td>34</td>
<td>32</td>
<td>30</td>
<td>34</td>
<td>38</td>
<td>38</td>
<td>37</td>
<td>40</td>
<td>40</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Shares</td>
<td>33</td>
<td>43</td>
<td>40</td>
<td>38</td>
<td>43</td>
<td>47</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Sectors</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>12</td>
<td>16</td>
<td>18</td>
<td>18</td>
<td>16</td>
<td>18</td>
<td>19</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Market value (R$ billion)</td>
<td>504.2</td>
<td>700.7</td>
<td>927</td>
<td>374.2</td>
<td>735.2</td>
<td>1,17tri</td>
<td>961</td>
<td>1tri</td>
<td>1,14tri</td>
<td>1,22tri</td>
<td>960.52</td>
<td>958</td>
</tr>
<tr>
<td>Part. % (total capital)</td>
<td>34.90%</td>
<td>48.50%</td>
<td>39.60%</td>
<td>26.40%</td>
<td>32.60%</td>
<td>46.10%</td>
<td>42.72%</td>
<td>44.81%</td>
<td>47.16%</td>
<td>49.87%</td>
<td>58.50%</td>
<td>52.50%</td>
</tr>
<tr>
<td>Previous</td>
<td>-</td>
<td>29</td>
<td>35</td>
<td>34</td>
<td>26</td>
<td>37</td>
<td>36</td>
<td>35</td>
<td>36</td>
<td>40</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Portfolio</td>
<td>-</td>
<td>4</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New companies</td>
<td>-</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Capital</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: BM&FBOVESPA

The ISE’s 2015-16 consists of 35 companies representing 16 sectors (table 2). The Energy sector that has been the most representative in the 2005-06 portfolio, with 32.1% of the total, more than doubled its participation, to 62.5%, in 2015-16 and now only electricity companies are present. The financial sector declined from 17.86% to 12.5% in the same period.

Electricity is highly weighted in the index although the sector is usually considered as having heavy environmental impacts. The Oil, Gas, Biodiesel, Alcohol, Tobacco and Weapons sectors are not represented in this period, although Petrobras, Brazilian Oil Company, was presented until 2010.

Table 2 - ISE: Portfolio Distribution by Sector
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2005/2006</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Numbers of Companies</td>
<td>%</td>
</tr>
<tr>
<td>Medical Diagnosis</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Meat and Derivatives</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Transport Construction</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Construction and Engineering</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Eletric/Energy</td>
<td>9</td>
<td>32,14</td>
</tr>
<tr>
<td>Toll Motorway</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Financial Intermediaries</td>
<td>5</td>
<td>17,86</td>
</tr>
<tr>
<td>Paper and Pulp</td>
<td>3</td>
<td>10,71</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Transport Material</td>
<td>2</td>
<td>7,14</td>
</tr>
<tr>
<td>Personal care products and Cleaning</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Steel &amp; Metals</td>
<td>1</td>
<td>3,57</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Dealers</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Medical, hospital, analysis and diagnosis</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: www.bovespa.com.br

Graphic 3, below, compares the variation of the ISE with the Bovespa Index. It shows that both followed the same trends, partly explained by the fact that the ISE companies represent important part of Bovespa trade. In emerging countries big companies become, at the same time, champions in sustainable practices and in negotiability of shares, having expressive importance both in broad and sustainability indexes.

During the financial crisis, however, Bovespa Index outperformed ISE. It could suggest that investors look for more speculation than for minimizing the long term risk. We can be observed that there is a great variation among yearly returns. Specially, during the 2008 financial crises, ISE decreased sharply, as well as all other Brazilian stock indexes.
After 2011, we can observe a great gap between the two indexes. It is a consequence of Petrobras and EBX bad economic performances, these companies were excluded of the ISE.

**Graphic 3, Evolution of ISE and Bovespa Index**

[Image of graph showing the evolution of ISE and Bovespa indexes]

Source: [http://www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)

Risk and return are two sides of the same coin, so that, just consider the return provides a partial view. A complete analysis should consider the risk of these two stock portfolios. Macedo et al. (2012) shows that, in addition to higher return, ISE has also displayed less volatility in the same period.

The methodology to figure out the CSR focus the analyze of ISE’s questionnaires. They are presented in five different dimensions economic/financial, governance, social and environmental. And climate change. During the 2015-16 ISE’s selection companies, only 33 of the total of 35 diffuse their questionnaire. Our research focuses on the available answers, using governance, social and environment questionnaires.

Regarding social responsibility, we can observe on table 2 that firms taking part of the ISE got many actions concerning internal public: 87.87% have respect to free union association and right tool sective bargaining (DT); 81.81% combat all forms of discrimination (DI); 78.78% prevent to moral and sexual harassment (AS); 72.72% Valuing Diversity (DV); 69.69% target eradication of slave labor (TF) and 66.66% child labor eradication (TI); 63.63% ensure fair treatment and working conditions between employees and contractors (EQ).

Only 3 companies had external audits of these actions. These good performances could reflect the new regulations concerning labor force and the actions of syndicates. The dialog with internal public (DL) is the least representative with 54.54%, probably because being voluntary, no regulation address this practice.

**Table 3: Social Initiatives concerning internal public**

<table>
<thead>
<tr>
<th>Energy</th>
<th>TI</th>
<th>TF</th>
<th>DI</th>
<th>DV</th>
<th>AS</th>
<th>DT</th>
<th>EQ</th>
<th>DL</th>
</tr>
</thead>
<tbody>
<tr>
<td>financial</td>
<td>11</td>
<td>13</td>
<td>17</td>
<td>14</td>
<td>20</td>
<td>19</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>building</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>mining</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Electromotors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>cosmetics</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>dealers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>65.66%</td>
<td>69.69%</td>
<td>81.81%</td>
<td>72.72%</td>
<td>78.78%</td>
<td>87.87%</td>
<td>63.63%</td>
<td>54.54%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Table elaborated by the author, ISE Bovespa 2016-17
It very difficult to conclude about a sectorial trend, because electricity and financial sectors concentrate more than 80% of the Index. Electricity seems to have relatively less SCR initiatives than the others sectors. Almost all the companies of the survey prevent to moral and sexual harassment (AS) and respecting free union association and right to collective bargaining (DT). The era dictation of slave labor (TF), child labor eradication (TI) and fair treatment and working conditions between employees and contractors (EQ) are less presented, with a little over half of the sample.

Table 4 confirms the modest performance regarding the voluntary audit and certifications, 45% got GRI, and 34% ISO14000. The SA8000 is represented by only one company (0.03%).

Table 4: Number of certifications by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>ISO14000</th>
<th>GRI</th>
<th>SA8000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>7</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Financial</td>
<td>2</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Building</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Mining</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Electromotors</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Dealers</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ISE</td>
<td>349.39%</td>
<td>51.51%</td>
<td>(1) 0.03%</td>
</tr>
</tbody>
</table>

Source: Table elaborated by the author, ISE Bovespa 2015-16

4. Conclusion

Regarding CSR, Brazil started with a strong philanthropic component. In recent years, CSR keep aligned with the company core business, including marketing objectives. Environmental initiatives started to be selected through strategic analysis of relations not only with traditional shareholders, consumers and workforce, but also with a network of stakeholders.

Over the last twenty years we have observed the emergence of a large number of instruments genuinely Brazilian of social responsibility, which implementation and consolidation depended on national business leaderships and more recently, with the globalization of the economy, the implementation of international instruments and tools, especially GRI.

The results presented in these statistical studies could not lead to a definitive conclusion that socially responsible investments have a higher return rate than investments in companies that do not adopt the same ethic.

Some reasons, alone or combined, could be responsible for this conclusion:

🔹 As long as regulatory environment becomes more restrictive, companies, especially the bigger ones, need to adopt new standards of “good behavior” in order to comply with future regulations and develop a good reputation. Because of that, especially in emerging countries like Brazil, these “large cap” companies become, at the same time, the champions in sustainable practices and in negotiability of shares, participating with an expressive importance both in general and sustainability indexes. As a result, the indexes become highly correlated minimizing possible differentiations.

🔹 Maybe the belief that investors buy sustainability indexes or sustainable shares searching for higher returns is displaced. Institutional investors, like pension funds, look to sustainable companies as, among other reasons, guarantee of transparency, good governance and risk
control. A company committed to sustainable practices may not lead stock market returns but will be more protected against significant problems like scandals, accidents, penalties, etc. Likewise, sustainable indexes do not, and are not expected to, perform better.

✓ SRI is still too often mentioned as a worse performer. However the Brazilian case show that, in a fast emerging country, where social standards may not yet be comparable to the old "western world", investors seem to be able to put their money into SRI and yet achieve more or less the same performance. This is a major argument against savage investment, exploiting cheaper human and natural ressources in emerging countries.

A lot of attention has been given to the subject of higher returns of sustainability indexes. But further studies are needed regarding volatility. Companies with better governance have better risk management and, because of that, are supposed to become more protected against unexpected problems. As a result, shares should soften ups and downs, resulting in less volatility which, in turn, is very appreciated by professional investors seeking good risk/return ratios.
5. Bibliography

BARBOSA, P. R. A. Índice de sustentabilidade empresarial da bolsa de valores de São Paulo (ISE-BOVESPA): exam de adequação como referência para aperfeiçoamento da gestão sustentável das empresas e para formação de carteiras de investimento orientadas por princípios de sustentabilidade corporativa. 2007. These of Master Degree, Universidade Federal do Rio de Janeiro, UFRJ, Instituto COPPEAD de Administração, 2007.


Sites:
Índice de Sustentabilidade Empresarial - ISE,
http://www.sustainability-index.com
www.ftse.com/Indices/FTSE4Good_Index_Series
http://www.jse.co.za/Investor-Relations/Sustainability/Socially-Responsible-Investment-Index
Creative economy as a social innovation: lessons from Rio de Janeiro Pontos de Cultura.

Dalia MAIMON SCHIRAY
Cristine CARVALHO
Ana Paula de Sá CAMPELLO
Gabriel ORSI TINOCO

Abstract

This article aims to highlight the aspects of innovation and creative entrepreneurship in cultural projects of fifty non-governmental organizations – NGO located in Rio de Janeiro city, named as Pontos de Cultura (Points of Culture) by the local municipality. The conceptual and analytical framework are based on literature review on the themes of creative economy and social innovation.

In the last three decades, social innovations have been debated in different sectors of society, including a variety of activities associated with non-profit organizations, social entrepreneurship, social economy and corporate social responsibility practices (Schachter et al., 2012). Furthermore, as Mulgan, Sanders and Tucker (2007) maintain, there are many lenses through which understand social innovation, as well a variety of approaches related to multiple subject areas.

The work is divided into four parts. The first one analyzes the main approaches of social technology and the creative economy, pointing distinctions between international approach that combines creative economy with the latest technology and the Brazilian reality where the focus is on social entrepreneurship.

In the second part are emphasized methodological issues related to the collection and analysis of data. Later, in the third section, we submit the analysis of the cultural projects based on the thesis of innovation stages of organizations, (Caulier-Grice and Mulgan, 2010): (1) factors that trigger action (prompts), inspirations and diagnostics; (2) proposals and ideas; (3) prototypes and pilots; (4) support; (5) design and dissemination; (6) systemic change.

Finally, in the last section are outlined the final considerations about the study, limitations and suggestions for future research.

Keywords: Creative Economy, Social Innovation, Rio de Janeiro, low-income community.

1. Introduction

In the last three decades, social innovations have been debated in different sectors of society, including a variety of activities associated with non-profit organizations, social entrepreneurship, social economy and corporate social responsibility practices (Schachter et al., 2012). Furthermore, as Mulgan, Sanders and Tucker (2007) maintain, there are many visions through which understand social innovation, as well a variety of approaches related to multiple subject areas.

The paper is divided into four parts. The first one analyzes the main approaches in the fields of social innovation and creative economy, pointing distinctions between international approach that combines Creative Economy with innovation and the Brazilian reality where the focus is on social entrepreneurship in creating income, as analyzed by Maimon et al. (2015).

The second part explains the results of the research of the creative entrepreneurship recognized by the municipality of Rio de Janeiro as Pontos de Cultura (Cultural Points). We emphasized methodological issues related in the survey and data, and later, we classify NGO’s cultural projects according to Murray innovation stages, Caulier-Grice and Mulgan(2010). These stages are: (1) factors that trigger action (prompts), inspirations and diagnostics; (2) proposals and ideas; (3) prototypes and pilots; (4) support; (5) design and dissemination; (6) systemic change.

Finally, in the last section are outlined the lessons, limitations and suggestions for future research.

1In 2015, LARES-IE/UFRJ researchers have conducted a project of mapping the creative economy at Mangueira’s favela.
2. Theoretical considerations

2.1 Social innovation

Innovation is generally understood as a new widespread activity within a given context, and linked to economic gain and profit generation. Studies on the subject run of Schumpeterian conceptions that new combinations allow to obtain extraordinary profits (Bignetti, 2011).

Murray, Caulier-Grice and Mulgan (2010) emphasize that social innovation is distinctive to innovation in business as usual because of its outcomes and relationships - new forms of cooperation and collaboration. The processes, metrics, models and methods used in innovation in the commercial or technological fields, for example, are not always directly transferable to the social economy.

Social innovation has attracted the interest of researchers and professionals from various fields, however, one realizes there is no consensus on its definition and scope. Schachter et al (2012) agree that the research is diverse and fragmented, including interdisciplinary approaches, such as economics, sociology, social entrepreneurship, creativity, political science, urban development and human development.

Bouchard (2012) identifies two major approaches to social innovation. The first is interested in solutions to major social problems, based on business initiatives, with an emphasis on philanthropy, individual responsibility and market. The other approach emphasizes the collective nature of the processes and products of social innovation. Levesque (2007) argues that innovations are seen as measures or policies that lead to social change and transform the relations that are at the root of social problems. In this case, innovation cannot be considered as resulting exclusively from a voluntary and rational action. These innovations rely on the participation of various social actors, in order to promote changes associated with living conditions and local development.

In this research, we focus on the collective nature of social innovations, relating to demands and social changes, which involve cooperation between different actors. Added to this discussion, Bittencourt (2014:329) mentions that "the definition of social innovation reveals practices of cooperation, reciprocity and solidarity, in which the social actor moves at social networking with purpose watch a situation of discomfort or an ideal in common."

Bouchard (2012) points out that social innovation is associated with the intervention of social actors, to meet specific needs in favor of social change. Similarly, Lévesque (2007) points out that social innovation, and propose responses to specific needs, aimed at social change, in that it requires a new vision, a new way to see and define problems and solutions to these problems (Levesque, 2007). These perspectives have been adopted by researchers at the Centre de Recherche sur les Innovations Sociales (CRISIS), which conceptualize social innovation as an intervention initiated by social actors to respond to a human aspiration, meet a need, a solution or seize an opportunity action to change social relations, to transform a frame or propose new cultural orientations to improve the quality and community living conditions (CRISIS, 2012; Klein et al 2009.).

To support public policies, Murray, Caulier-Grice and Mulgan (2010) propose some stages in the development of social innovations, providing a framework for thinking about the different types of support that innovators and innovations need to grow. These stages are: (1) factors that trigger action (prompts), inspirations and diagnostics; (2) proposals and ideas; (3) prototypes and pilots; (4) support; (5) design and dissemination; (6) systemic change.

**The Process of Social Innovation**
According to Murray, Caulier-Grice and Mulgan (2010) the first stage refers to the perception of a problem, a lack or an inability of the public or private sector to respond through traditional means action. At this stage its attack the roots of the problem, not just the most visible symptoms. The second stage is associated with the creation of ideas, drawing on the creativity to break new ground in troubleshooting. The third stage involves the development of prototypes and pilots, with the intention of testing the ideas in practice. Refers to learning by doing where they can be redefined new ways. The fourth stage involves the economic support long-term, including the creation of budgets and resource allocation. The fifth stage (design and dissemination) is associated with the expansion of the action or broadcast to a larger area of coverage and, finally, the sixth stage, refers to systemic change, considered the ultimate goal of social innovation, which implies a permanent and sustainable change.

These steps are not always taken in sequence, with possible feedbacks and interactions between them. Authors suggest that the development of social innovation can be driven from these stages, which should impact on sustainable change.

It can be seen therefore that the multiplicity and range of theoretical approaches to social innovations give a complexity that goes beyond its conceptual definitions also permeating the interactions between the actors involved in the promotion of lasting social change.

2.2 Creative economy (CE)

A new dynamic sector related to artistic productions, services and cultural industry has emerged in the world trade. These sectors use creativity and intellectual resources, such as knowledge and culture, as primary inputs in activities, showing no limits in use of science and technology to promote innovation and generation of values. These creative assets are being used in different sectors of the economy, enabling them to face the new challenges of everyday life.

In the UK, the pioneer in promoting the so-called “creative industry”, the government defined the sectors of that industry as those whom uses creative skills and individual talents as inputs of the production. It can be seen in advertising firms, design, architecture, art, antiques market, crafts, performing arts, fashion, audiovisual, software, games and bibliographic publications.

According to Reis (2008), the English initiative is a reference in promoting the creative economy for three reasons, (1) contextualize the creative industries program in response to a global socio-economic framework in change; (2) privilege the sectors of more competitive advantages for the country reordering public investments priorities; and (3) dissemination of statistics revealing a significant contribution of the creative industries in its Gross Domestic Product (GDP).

The Creative Economy Report (UNCTAD, 2010) recognized the creative economy as different, but not distant from cultural creation. According to the Report, creative economy is a process leading towards innovation in technology and business practices. The cultural expression (or artistic practice), both individual and collective, first generates income and employment; second energizes and empowers individuals and groups, particularly among the marginalized and down trodden, and which provides platforms for their social and political agency; third is tangible and intangible cultural heritage, which, provides people with the cultural memories, knowledge and skills vital for the forging of sustainable relationships with natural resources and ecosystems.

The literature on CE produced mainly in the United Kingdom and the United States emphasizes that the creative potential is the availability of high human capital (education level) and access to basic urban infrastructure (REIS, 2008). But as creativity and culture are too close in terms of entrepreneurship, contributions to the study of cultural activities point to the importance of understanding these activities in a systemic perspective.

Regarding the spatial dimension, the findings of the different currents indicate common features mentioned cultural activities (Pratt, 2000; O’Connor, 1999). Close coordination between the global level and the local level, and between large and small businesses and independent professionals in complex production networks. Also, a predominance of micro and small enterprises, as well as the presence of a large number of autonomous, organized mainly in urban centers, in industrial agglomerations, which operate separately or in coordination to large enterprises and multimedia distribution networks. There are significant economies of agglomeration, resulting from the use of a common physical infrastructure and
communications, disseminating tacit knowledge through interaction networks, formal and informal. All that processes foster creativity, innovation and cooperation in the implementation of productive and creative steps.

### 2.2.1 Creative Economy in Brazilian context

In 2010, the Brazilian government published the Plan of the Secretariat of the Creative Economy (Ministry of Culture, 2010) in order to lead discussions and formulate public policies to encourage the creative sector as a strategy for economic and social development of the country.

Graphic 1: Brazilian Creative Economy: Guiding principles

[Diagram of guiding principles: Cultural Diversity, Innovation, Sustainability, Social Inclusion]


After the definition of the activities comprehended as part of creative sector, it could be possible to produce some data about it. In 2010, all activities from the creative sectors respond to 2.84% of the Brazilian GDP, 2% of the labor workforce and 2.5% of formal wages (IBGE\(^2\), 2010). Moreover, workers in the creative economy earn more and are have higher educational levels than average. The multiplier effect of jobs generated in the core of the creative industries in other economic segments calls attention to its power to generate income. It would be even more if it accounts the voluntary or unpaid work, occupations that have not been coded, informality and the fact that many creative workers carry more than one job (IPEA, 2013).

In parallel of the discussion about creative economy, the Ministry of Culture approved, in 2014, the National Policy of ‘Cultura Viva’ (Aliveculture) aiming to ensure the Brazilian population the means and conditions of exercise the culture rights, including the protection and promotion of the diversity of cultural expressions.

The policy begun with the certification of the organizations who develop culture projects, naming these as Points of Culture (federal, state and/or city). Additionally, other organizations were selected in order to help increase the Cultural Points, called ‘Pontões de Cultura’ (Big Points of Culture).

The Point of Culture articulate the three dimensions of culture - symbolic, citizenship and economic, connecting multiple representations of feeling, doing, knowing and thinking with the social and productive communities. In a citizen perspective this cultural action contributes to enlarge the public space of culture and promote the direct exercise to culture in different contexts and at different populations. Besides expanding the cultural equipment, the Points of Culture are constituted as solidarity economy enterprises, integrated networks, systems and productive arrangements in the cultural sector.

### 3. Case study: Pontos de Cultura in Rio de Janeiro Municipality

---

\(^2\)The Brazilian Institute of Geography and Statistics -IBGE (Brazilian Bureau of Census)
3.1. Methodology

LARES-IE/UFRJ were selected as ‘Pontão de Cultura Economia Viva’ (Big Point for Culture: “Live Economy”) at 2015 and had interviewed the representatives of 50 Points of Culture from Rio de Janeiro city, as part of the participative diagnostic of the project.

The diagnostic plans were identify the terms of references and data about the ‘Cultura Viva’ Policy, to search data about the social organizations and to apply a questionnaire. The survey in the field dured 4-month, between April and July 2015. The interviews were semi-structured based on questions about the project profile, production methods, partnerships and networks, awareness of challenges and growth opportunities. The management of creative projects and the dynamics of relationship between the leadership in local networks pointed to the identification of contextual social innovations associated with the characteristics of the territory. Using as reference Murray, Caulier-Grice and Mulgan (2010) were considered aspects of innovation projects: (1) cultural development: understanding as strategies based on the social, collective, human and environmental; (2) network thinking: combine the government’s efforts, the private sector and non-governmental organizations; (3) open system with the collaboration of different actors that add their different expertise and views for troubleshooting; and (4) qualitative indicators: new ways to assess the qualitative growth, which are connected to services, culture, knowledge and entertainment. And from there, we identify their innovation stages as mentioned before.

3.2 Survey main results

3.2.1 Location

The distribution of Points of Culture in the city of Rio de Janeiro shows that 33% are located in the City Center neighborhood, 29% in the West Zone, 26% in the North zone and only 12% in the richest zone (South zone).

The central region is still the one that has more selected Points of Culture, as well as more cultural equipment and demographic concentration as indicated in the map below:

3.2.2 Foundation

Considering the dates of foundation, in the distribution along the years is observed relevant numbers of selected Points founded from year 2000, according to the graphic below:
The foundation pattern of Points of Culture seems to follow the pattern of Brazilian NGOs Creation. According to IBGE (2010), 51% of Brazilian NGOs were founded between 1991 and 2005, while others 15% in the decade of 80.

### 3.2.3. Sector of activity

In terms of the activity related to cultural diversity, the interface between the cultural sectors 50 Points of Culture appoints how rich and creative are the cultural projects in the city. Looking for the main activity (or project with major impact, or public), the results show that 29% of Points of Culture uses Audiovisual language (including photography and movie), 23% Music and 20% Theater. Below, the percentual of Points of Culture per sector of activity, where is possible to verify the participation of others 10 areas.

---

As previously said, the variation of culture activities is recurrent in the Points of Culture. Some examples in activities realized: “Workshop theater, percussion and workmanship” (Music in the square). In this case, the category defined to Cultural area of the Project was “Music”, once “percussion” is the most popular activity and pointed as most innovative work tool, related with the historical of the organization.
3.2.4 Management

Since PNCV chose to work by private non-profit organization (NGOs). The management and the availability of physical, technological, human and financial resources are assumptions of the efficacy of cultural projects and activities.

3.2.4.1 Physical equipment

The availability of physical equipments includes the space used for the development of project activities Culture Point and the available equipment.

In relation to the space used for the activities, it investigated the origin of space and the conditions of the workplace. As seen, (51%) Points of Culture work in assigned areas and 25% in rented spaces. Only 12% carry out their activities in their own spaces. Important to note that among Points of Culture that has ownership of the property are large organizations such as universities.

69% of respondents believe the works pace is suitable, while for 31% it is inappropriate. The reason to evaluate it as inappropriate is mainly associated with the use of space for several other activities of the organization. Locational aspects were also mentioned, such as public access difficulties due to the urban mobility and the low level of public equipment. Related to contractual aspects of the property, the reason for inappropriate was also associated with lack of autonomy in promoting changes in its structure and financial insecurity, both is cause of the property's condition be rented or assigned.

The relation between the origin of space and the level of satisfaction indicates that in own property the level of satisfaction is 100%, in assigned property the relation is 68% and in rented property, 33%. The chart below illustrates the satisfaction within the property of the source situations.

Graphic 4: Culture Points of Property occupation and satisfaction.

Source: Authors, 2015.

3.2.4.2. Technological resources

The main technological resources used by the Points of Culture, in terms of hardware are computers, cell phones and cameras. In terms of software and services are used computer programs, Internet access and mobile telephony, as the data below.

All members of the 50 Points of Culture have cellular mobile device (smartphone) and use it for communication via mobile phones and text messages.

Internet access reaches 49 Points of Culture and only one point has restrictions due to territorial specificities. Of these, 71% of the Points of Culture use internet every day and 29% 3-5 days a week.

The computer and internet access, both in the organization's headquarters and in their homes, are used by the teams of Points of Culture for various activities. Thus, several fields were marked this question, leading to note that the communication actions, such as exchange of e-mails and messages, access to social networks and discussion groups is computer use reason most points, adding 33 organizations (67%). Another important activity is the project management, according to 31 Points of Culture (63%), where it makes use of software, websites and online applications.
Research activities are also carried out by 18% points, which includes the search for information that influence the conduct of the project, from texts, images and audiovisual. Other 18% use the computer as a working tool, understood as a means of realization of the project's main activity, such as editing, production of texts and audio.

**Graphic 5: Culture Points motivated by computer use synthesis.**

[Image: Graphic showing computer use synthesis]

**Source:** Authors, 2015.

It is interesting to note the importance of technological infrastructure, particularly computers, software and routers Internet access in the management and communication of projects. As reported by respondents, the equipment is used from the information notices and promotion of laws to the preparation of the project and its accountability, as in team communication to disseminate the activities and invitation to the public.

### 3.2.4.3. Human resources

Regarding human resources available to the project Culture Point were observed aspects of the formation of the team, the allocation of functions and labor.

In forming the active team on the project, the presence of the same legal representative in the organization from the foundation of the same to the start of the project Culture Point indicates that were not made major changes in the organizational structure as well as the mission and values of the organization. As seen, 94% of the Points of Culture maintains the same legal representative since its foundation.

As the presence of the founder, the presence of the coordinator of the project during its implementation also influences the performance of the team and the same management. According to respondents, 89% of the Points of Culture maintain the same project coordinator.

Still regarding the coordination of the project, the survey of staff payment forms showed that 47% of the points have their projects coordinated by volunteer managers.

Regarding the number of people in the team, considering permanent employees and self-employed service providers, it has been seen that most of the points have between 3 and 7 people on the team, as shown by the graph below, placing large number of Points of Culture in the 3rd quadrant below.
The labor force of Points of Culture are formed by personnel hired exclusively dedicated to the point of activities as well as for services performed in the project. The total number of team members of all Points of Culture reaches 243. In order to verify the means of payment of the members defined the Volunteer categories, Portfolio Signed / CLT - Consolidation of Labor Laws, MEI - Individual Micro-entrepreneurs, RPA - receipt of Autonomous Payment, Scholarship, Research and Informal. It was found that 35% of the members of all the Points of Culture are paid by invoice for MEI and 25% by RPA. A striking since, as previously seen for payment of engineers, is that 30% of the Points of Culture members are volunteers. The graphic below illustrates the distribution of Points of Culture members second means of payment.

Source: Authors, 2015.

Regarding the teams in the Points of Culture, 56% of the Points of Culture pointed hiring of MEI services (Micro entrepreneur Single) and another 30% of the points uses the payment services Receipt Autonomous Payment - RPA main contracting. Only 8% of Points signs the professional portfolio of employees - CLT and 6% of Points offers Scholarships as the primary means of financing human resources through partnerships with educational institutions like FIOCRUZ and IPUB-UFRJ.

Reducing costs employing taxes is the main reason for the preference for service payment via invoices, in particular MEI, another reason refers to the high turnover of jobs or their short-lived, as the provision of workshops and preparation of a product.
Aspect to note is the large number of volunteers, including occupying positions of responsibility and exclusive dedication. It also observes the practice of "taking out of pocket money" to pay the costs. The following item will present the results of research done on the sources of funding of projects Points of Culture. Resources from the volunteer work and partnerships were not considered in the quantitative survey.

### 3.2.3.4. Financial resources

The research about the source of funding of Culture Point projects understands that the main feature is that which comes from the Municipal Culture Secretariat, but that the project can be linked to other projects of the organization used its infrastructure, or perform generating activities income. The organization linked to other projects it is public sponsorship (other calls) and / or private (Foundations, ICMS, ISS, Rouanet, etc.) and donations.

According to a survey, 20% of the Points of Culture receives only the use of SMC Notice - Network Culture Point Carioca and 22% of points generate income from products and services of its activities. Regarding the association point the other organization's projects with sponsorship, 37% of the points are associated with other public resources, including, for example, Points of Culture notices from the State and Federal Network; 18% are associated with projects with private sponsorship, 10% receive mixed capital company (public-private) and 14% receives funding from NGOs, associations or foundations. 24% of raises Points of Culture funds from individual donations, including crowdfunding campaigns, for example.

The table below illustrates the participation of several sources of funding the activities of the Points of Culture. It is observed that most of the points uses public resources and collects through donations.

**Table 1: Points of Culture by Resource Source**

<table>
<thead>
<tr>
<th>Points of Culture by Type Resource Source</th>
<th>Public others</th>
<th>Public SMC</th>
<th>Private</th>
<th>Non profit organization</th>
<th>Individual Donations</th>
<th>Products and services</th>
<th>Mixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Points of Culture</td>
<td>18</td>
<td>10</td>
<td>12</td>
<td>7</td>
<td>12</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>% Points of Culture</td>
<td>37</td>
<td>20</td>
<td>18</td>
<td>14</td>
<td>24</td>
<td>22</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Authors, 2015.

### 3.2.3.5 Accountability

The control of projects Points of Culture presents quantitative and qualitative evaluation methods associated with the results of activities undertaken in calls to specific objectives. Thus, the work can be measured through invoices or quantitative metrics or comments from beneficiaries and staff meetings.

And the first, all points must submit Accountability with receipt and payment of notes, and validate the presence of the target audience through the Attendance List. These practices are recognized as the sole method of evaluation in 22% of the Points of Culture while the others perform a combination of assessment methods.

An example of the use of combined assessment methods is reported by the coordinator of Lapa Maré Point "quantitative and qualitative reports, evaluate the impact with concrete actions and systematize in a publication. dialogical aesthetic evaluation - is made from interpretation games. "Among the methods
used are those made by the team or the audience about themselves, here called self-assessments; and those carried out by the audience or by external agents on the project, calling external evaluations.

The listing of the functions of each of the team members showed the presence of several activities assigned to one person on the project. Specifically, the coordinator performs several functions, among which accountability, 49% of the Points of Culture.

In 23% of points accounting is responsibility of the finance department of the organization (in the case of large organizations), and 14% of points is made external counter hiring to do the job. The coordinator of a larger organization is still responsible for the accountability of all the organization's projects in 6% of Points of Culture, and 4% is the executive producer who performs the activity. There is only one case (4%) where the counter is volunteer project.

**Graphic 8: Points of Culture by responsible for accountability**

![Circle chart showing the distribution of Points of Culture responsible for accountability]

Source: Authors, 2015.

4. Social innovation

Social innovation in the third sector comes up with the search for the solution of social problems, through new principles, methodologies, media and technologies, or developed processes to attend social needs of a group, community, or society in general expanding the positive social impact that already performs.

In order to verify the presence of social innovations in the products made by the activities of Points of Culture projects, some items were observed in the design of the project: motivation for the development of activities (the origin of the idea) and use of personal team and participants’ capabilities. Also, the results on self-esteem promotion and generation of employment and income.

When asked about the activities considered the most innovative, representants of 19 Points of Culture (41%) pointed that valuing local talents as a form of directing practice is the most innovative action. Other 12% indicate the methodology in the territorial context or in the sector of activity as innovative and 10% claim to promote local development from the culture.

The following graphic illustrates the distribution of Points of Culture for innovation characteristics:
Among the 50 surveyed Points of Culture, 70% self declare perform innovative activities in their practices. It is an important given, since the intention to develop an innovative practice is stage to perform the same. It is noteworthy that 31% of the Points of Culture replicate existing methods, are bringing to their realities and contexts the social technologies, Thus, the concept of social innovation, in its complexity and actuality of construction, is open to new readings.

In the analysis of processes, organizational dynamics can be seen from the perspective of stages in the development of social innovations in order to subsidize public development policies (Murray, Caulier-Grice and Mulgan, 2010). These stages consist of: (1) Inspiration; (2) Proposals and ideas; (3) Prototypes and pilots; (4) Support; (5) Design and dissemination; (6) systemic change, as illustrated below.

In order to check the stage of social innovation of Points of Culture, the aspects considered were related to project activities (from conception to evaluation): space to develop new products, implementation of financial planning, expansion plans of the Organization/project and the occurrence of the theme of innovation in organizational planning.

41% of the surveyed Points of Culture present second phase characteristics of proposals and ideas. This stage is associated with emphasis on performing the planned activities. They are usually organizations with less operating time than three years. 33% of the Points of Culture are in support stage where there is more attention to the economic and financial planning and the team is back efforts for obtaining and allocating resources. 18% of the Points of Culture are in diffusion phase, which already planning future activities and intend to expand the project. In the first stage are found 4% of the Points of Culture. At this stage of Inspiration, the team focused on the perception of a social problem, paying attention to the symptoms and seeking to emergency response through traditional actions. And at the other extreme, there are 4% of the Points of Culture that already are found in the sixth stage of innovation: systemic change, which implies a permanent and sustainable change.

The following chart illustrates the percentage of Points of Culture in innovation stages, using the method Murray, Caulier-Grice and Mulgan (2010).

It’s important to note that, according to the authors, these steps are not always sequential, with possible feedback and interaction between them. In the organizational context, certain projects may have more innovative features than others and also be in differentiated stages.

The above scheme allows us to understand the sources of income of the initiatives, although most of them becomes from selling its own products (5), followed by the public sponsorship (5), private sponsorship (4) and both public and private source of income (3).

Analyzing the way, the coordinators are doing business and the stage of innovation, the results shows large majority in support phase (41 %), followed by 29% of proposals and ideas and 24% in the diffusion.
phase. 6% are in the initial phase of innovation, which is the inspiration. There are initiatives in systemic change phase.

**Graphic 10: Initiatives and stage of innovation**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspiration</td>
<td>6%</td>
</tr>
<tr>
<td>Proposals/Ideas</td>
<td>24%</td>
</tr>
<tr>
<td>Support</td>
<td>29%</td>
</tr>
<tr>
<td>Diffusion</td>
<td>41%</td>
</tr>
</tbody>
</table>

**Source: Author's 2015**

5. Partnerships

In the process of identifying the relationships established by the Points of Culture, was considered the relation of the Points with private resources, public resources, international resources and community.

50 Points of Culture have signed partnerships with 161 organizations, among them, 39% are initiatives of civil society organizations such as non-governmental organizations, associations or foundations. 27% of partnerships are made public, especially the schools of the City and State Network, and funding bodies. 26% of partnerships with private companies refer to sponsorship and funding, providing products and services at low cost and donations.

Among the initiatives of civil society, there is great emphasis on partnerships within the local place where is observed the dissemination of works, supply of materials, services and people. In the territory, they are also effective partnerships with residents association, collective and churches.

Partnerships with the public sector, in addition to the recognition of the Ministry of Culture and the Municipal Culture as a financier and other sectoral bodies, such as IPHAN or educational institutions such as UFRJ.

Among the partnerships with companies, and the investment of financial resources, the counterparts in goods and services are some of the ways of relationship between the Culture Point and the private sector. As previously seen in "Financial resources", the public and private financing are the main ways to facilitate the work of most of the Points of Culture.

It is difficult to reproduce this article all identified partnerships, than an zone (South Zone) was selected to illustrate the relationships between Points of Culture and external resources:

**Intangible resources: ........................
Tangible resources:  ____________**
6. Conclusion

Survey responses led to reflections on (1) the understanding of creative economy as a social innovation in low income community contexts; (2) the use of the creative sector activities to promote citizenship and generation of employment and income; (3) small entrepreneurship NGOs linked to larger structured organization; and (4) the connection of productive-creative activities with the local cultural tradition.

The literature on creative economy in low-income community is scarce in Brazil. The research project conducted by LARES (CNPq/MINC/SEC) in 50 Points of Culture in Rio de Janeiro, as the identified new theoretical and conceptual aspects of the creative economy in vulnerable social contexts. The number of informal settlements hides the volume of initiatives, the quality and the dynamism of them. And what draws attention to the potential consumer market, offers clues that there resident population, although it has informal sources of funds, are spending and entering the market, using technology, access to networks, communication, etc. (Maimon et al, 2014)

Another connection is made through the welfare and training practices in these activities, indicating some sort of educational value and promoting citizenship through arts and cultural expressions.

We observe that aspects of social innovation in the activities promoted by Culture Points highlight cultural diversity and promote the exchange of methodologies in a coordinated network. These aspects are of great importance in the leverage of project results and fostering the sustainability of organizations.

It is noteworthy that the backwardness in middle-income economies may be to their advantage, as it may prevent the monopoly of cultural sector industries. Thus, the Creative Economy is associated to the generation of employment and income in this century. An example of this is the enormous field of artistic citizenship. That includes public art, social rehabilitation, rights, artistic education, higher education. Only the latter plays a huge role: it seems that through artistic languages, the program can indeed be understood by children and young people, often still functionally illiterate after years of schooling.

7. Bibliography

BIGNETTI, L.P. “As inovações sociais: uma incursão por ideias, tendências e focos de pesquisa”. Ciências Sociais Unisinos, v.47, n.1, p. 3-14, 2011.


BOUCHARD, M. “Social innovation, an analytical grid for understanding the social economy: the example of the Quebec housing sector”. Serv Bus, v.6, n.1, p. 47-59, 2012.


MURRAY, R.; CAULIER-GRICE, J.; MULGAN, G. “The Open Book of Social


Siripron Malaipia  
Faculty of Business Administration and Information Technology,  
Rajamangala University of Technology Suvarnabhumi, Thailand  
Email: Siri_mon1984@hotmail.com

Dararat Phoprachak  
Faculty of Business Administration and Information Technology,  
Rajamangala University of Technology Suvarnabhumi, Thailand  
Email: Dararat_tan@hotmail.com

Upawadee Neungvanna  
Executive Director, Master plan 101 Co., Ltd.  
24 Soi.Ladprao 101 Soi. 50 Klong Chan, Bangkapi, Bangkok 10240.  
Email: Upawadee_n@hotmail.com

ABSTRACT

The objective of this research was to study the causal relationship model on sustainable corporate social responsibility report that affects the value of companies listed on the Stock Exchange of Thailand by studying data from the Annual Report (Form 56-1), Annual Financial Statements and 2015 financial statements notes of 313 companies. Data of the structural equation model were analyzed using statistical program called Multiple Indicators and Multiple Causes (MIMIC) Model.

For the result of the consistency test of causal relationship model, the Corporate Social Responsibility (CSRD) report found that the model by assumptions was consistent with empirical data with the following statistical test; 93.58 Chi Square, 0.091 probability (p), 55 degrees of freedom (df), 1.70 for c2/2, 0.047 RMSEA, 0.040 SRMR, 0.96 GFI, 0.99 CFI and 0.97 AGFI. Thus, the latent variable of social responsibility (CSRD) report had a direct positive influence on the latent valuable of firm value (FMVL) at a statistical significant of 0.01, with influence coefficient of 0.94. Also, the latent variable of firm value (FMVL) had a direct positive influence on the latent variable of sustainability (SUTB) at a statistical significance of 0.01, with influence coefficient of 0.98.

Keywords: Corporate Social Responsibility, Sustainable, Casual Relationship Model

Introduction

At present, what motivating investors is not only the highest performance alone, the business infrastructure is also another factor that will attract investors into the business as well. Several companies must design management strategies by incorporating parts of corporate activities as corporate social responsibility (CSR), which is the idea of companies that support better social quality with safe, clean and pollution-free environment. Having corporate social responsibility will help generating a good image of the companies, leading to increased brand value and a good reputation for the companies as well (Porter and Kramer, 2006, Stephenson, 2009, Weber, 2008 and Weber, 2008 and Coombs and Holladay, 2010). It also minimizes the risk of social pressures and groups of affected people (Beven et al., 2004 and Schaltegger and Burritt, 2005). The study of Adams et al. (2011) also found that operating business by representing and reporting a sense of social responsibility in various industries properly can increase the company's business profit. It is evident that corporate social responsibility is one factor driving various companies to have good business profits. Corporate Social Responsibility reporting is one of the factors that will enable companies to develop themselves for a sustainable business. In Thailand, business with corporate social responsible activities will create a good image of companies, and build a good relationship with society and corporate stakeholders by adhering to the interdependent principles of companies, communities and society that cannot be separated.
The Securities and Exchange Commission (SEC) had the idea of requiring property issuers to disclose additional information about the CSR, policies and actions of companies that show the concern on the impact on society, annual financial statements and annual report. The content of the report consists of 10 topics (cited to the Corporate Social Responsibility Guidelines: Social and Environmental Responsibility Supporting Group of Listed Companies, Office of the SEC, 2008). It is also found that corporate social responsibility reporting at various levels and aspects affects the interest of investors and the firm value.

Currently, the business of companies listed on the Stock Exchange of Thailand must depend mainly on the investment from shareholders. On the other hand, the shareholders do not decide to invest only in companies with maximizing profits (Christensen, 2016), but also consider investing in companies with social responsibilities, without problems impacting society, communities and environment. Also, there are various problems during the operation for corporate social responsibility of companies listed on the Stock Exchange of Thailand. For example, lack of experience in operations, lack of employees’ understanding and, most importantly, lack of true executives’ attentions. These make the Stock Exchange of Thailand to be aware of the importance of doing business with the principles of corporate social responsibility and having the Best Corporate Social Responsibility Awards (CSR Awards) and CSR Recognition awards. Also, the award-winning companies would be exemplary to integrate CSR activities as a part of operational policies as well (cited to SET AWARDS 2014 documents: The Stock Exchange of Thailand, 2014). Meanwhile, Chih et al. (2008) found that the CSR awards empowered the firm value and reputation, as well as build firm credibility and attract the attention of investors.

Therefore, the researchers were aware of the importance of disclosing information about the Corporate Social Responsibility Report of firm value because it was considered as the very useful information for people interested in investing in the company. In Thailand, the disclosure of social responsibility was only a voluntary disclosure of the companies. However, in fact, this report was very useful for assessing the potential of impact on companies in the future. Thus, it was necessary to determine the impact of corporate social responsibility of companies listed on the Stock Exchange of Thailand on operating results or firm value, in order to use the information obtained from the study as a guideline for further CSR reporting.

Research objectives

For the research on causal relationship model of CSR influencing on sustainable firm value of companies listed on the Stock Exchange of Thailand, the research objectives were as following:

1. To study the relationship model of social responsibility disclosures influencing firm value
2. To study the relationship of firm value influencing the sustainability
3. To study the causal relations model of Corporate Social Responsibility Reporting that impact the sustainable firm value.

Research Hypotheses

For the research on causal relationships model of CSR reporting that affects sustainable firm value of companies listed on the Stock Exchange of Thailand, the research hypotheses were as described below.

Hypothesis 1: The CSR disclosure had a direct positive impact on the firm value of companies listed on the Stock Exchange of Thailand.

Hypothesis 2: The firm value had a direct positive impact on companies listed on the Stock Exchange of Thailand.

Literary review

From the literature review conducted to analyze causal relationships model of CSR reporting that affects sustainable firm value of companies listed on the Stock Exchange of Thailand, the results of the review can be summarized as shown in Table 1.
Table 1: Historical data on corporate social responsibility, company characteristics, and firm value

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- Ownership structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The profitability of a business</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Type of auditor</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial performance</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Ownership structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial bargaining power</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Type of auditor</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Performance</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Risk</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Research and development</td>
<td>#</td>
<td>x</td>
</tr>
</tbody>
</table>

Research methodology

Population and sample group used in this study

The information of population in various industrial companies listed on the Stock Exchange of Thailand met the condition would be incorporated in the causal relationship model analysis process for CSR reporting that impacts on firm value sustainably of companies listed on the Stock Exchange of Thailand as shown in Table 2

Table 2 Population used in the study

<table>
<thead>
<tr>
<th>Industrial groups’ names</th>
<th>No. of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agro-Industrial and Food Industrial groups</td>
<td>37</td>
</tr>
<tr>
<td>2. Consumer product industrial groups</td>
<td>25</td>
</tr>
<tr>
<td>3. Industrial product industrial groups</td>
<td>75</td>
</tr>
<tr>
<td>4. Resource industrial groups</td>
<td>24</td>
</tr>
<tr>
<td>5. Service industrial groups</td>
<td>30</td>
</tr>
<tr>
<td>6. Technology Industrial groups</td>
<td>59</td>
</tr>
<tr>
<td>7. Real estate and construction industrial groups</td>
<td>63</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>313</strong></td>
</tr>
</tbody>
</table>

Research Style

The research was a quantitative research. The researchers collected data from the annual report (form 56-1), financial statement 2015, and notes to financial statements of companies listed on the Stock Exchange of Thailand.
Data Collection

The researchers recorded the social responsibility report, firm value and the company awards receiving of companies in each industrial group on paper. They measured the level of CSR disclosure by reviewing the information from the annual report (form 56-1), annual financial statements and notes to the financial statements for the fiscal year of 2015, in order to calculate the scores of CSR disclosure using social responsibility disclosure measuring paper. Also, if any company disclosed CSR, it would be scored as 1 point, when the company mentioned an issue of CSR disclosure. Then, the researchers recorded the overall points of disclosure statistics, and made a brief summary of the disclosure. However, if any company did not disclose any issue of positive corporate social responsibility information, it will be scored as 0 points.

Statistics used in data analysis

1. **Descriptive Statistics** were the statistics used to summarize the basic features of each data variables, including average finding, frequency distribution to enumerate each data variables.

2. **Inference Statistics** were the Structural Equation Model made by impact analysis using statistics used in analyzing the structural equation model via Multiple Indicators and Multiple Causes (MIMIC) model program, since the structural equation model had uniqueness in terms of relevant relationship and multivariate relationship estimation.

   2.1. Examined the basic statistical agreement of data in the structural equation model, for example the normal distribution of data, independence testing of distribution, examining the linear relationship between the dependent and independent variables and multi-line coordination monitoring.

   2.2. Analyzed Confirmative Component to determine the structural integrity.

   2.3. Analyzed impact route and tested hypotheses by analyzing the structural equation model to analyze the impact of corporate social responsibility reporting influencing sustainable firm value of companies listed on the Stock Exchange of Thailand.

The conceptual framework

![Figure 1](image)

Figure 1 Presents the concept of research
From the measurement model by CSRD analysis result, it was found that the model was consistent with the empirical data after model adjustment without cutting off any indicators. From the model test results, it was found that the Chi Square statistical test result was 32.82, the statistical
probability (p) was 0.064, degrees of freedom (df) was 22, $\chi^2/2$ was 1.49, the RMSEA was 0.040, SRMR was 0.024, GFI was 0.98, CFI was 1.00, and AGFI was 0.95.

That is CSRD consisted of 10 elements: CSR1-CSR10. The CSR2 and CSR3 elements were the most important, followed by CSR4, CSR10, CSR7, CSR8, CSR5, CSR9, CSR6, and CSR1 respectively.

Chi-square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Figure 3: Confirmatory factor analysis on the SUTB

Table 4: Confirmatory factor analysis on the company sustainability

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRA</td>
<td>36.51</td>
<td>0.00</td>
</tr>
<tr>
<td>CSRI</td>
<td>10.88</td>
<td>0.32</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 0.00, df = 0, \chi^2/2 = 0.00, p-value = 1.00, RMSEA = 0.00 \]

Noted: $|t| > 1.96$ referred to $p < .05$; $|t| > 2.58$ referred to $p < .01$

From the measurement model by SUTB analysis result, it was found that the model was consistent with the empirical data after model adjustment without cutting off any indicators. From the model test results, it was found that the Chi Square statistical test result was 0.00, statistical probability (p) was 0.00, degree of freedom (df) was 0, $\chi^2/2$ was 0.00, RMSEA was 0.00, SRMR was 0.00, GFI was 1.00, CFI was 1.00, and AGFI was 1.00.

That is the SUTB comprised of two components, CSRA and CSRI, where CSRA was the most important followed by CSRI.
Figure 4: Principal component analysis on increasing the firm value

Table 5: Principal component analysis on increasing the firm value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>b</th>
<th>SE</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td></td>
<td>6.92</td>
<td>-</td>
<td>-</td>
<td>1.00</td>
</tr>
<tr>
<td>ROE</td>
<td></td>
<td>9.07</td>
<td>0.29</td>
<td>31.03</td>
<td>0.74</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 0.00, \text{df}=0, \chi^2/2= 0.00, p\text{-value}= 1.00, \text{RMSEA} = 0.00 \]
\[ \text{SRMR} = 0.037, \text{GFI} = 0.98, \text{CFI} = 0.99, \text{AGFI} = 0.96 \]

Noted: |t| > 1.96 referred to p<.05; |t| > 2.58 referred to p<.01

From the measurement model by FMVL analysis result, it was found that the model was consistent with the empirical data after model adjustment without cutting off any indicators. From the model test results, it was found that the Chi Square statistical test result was 0.00, statistical probability (p) was 0.00, degree of freedom (df) was 0, \( \chi^2/2 \) was 0.00, RMSEA was 0.00, was SRMR was 0.00, GFI was 1.00, CFI was 1.00, and AGFI was 1.00.

That is the FMVL comprised of two components, ROA and ROE, where ROE was the most important followed by ROA.

![Figure 5: The path analysis before model adjustment](attachment:image.png)

Chi-square=534.65, df=75, P-value=0.00000, RMSEA=0.140
From the results of the correlation analysis of the causal relationship model of CSRD, it was found that the hypothesis model corresponds to the empirical data with the Chi Square statistical test result was 93.58, the probability statistically (p) was 0.091, the degrees of freedom (df) was 55, \( \chi^2/2 = 1.70 \), RMSEA was 0.047, SRMR was 0.040, GFI was 0.96, CFI was 0.99 and AGFI was 0.97.

The latent variables of CSRD had a positive direct influence on the FMVL latent value at 0.01 with the coefficient at 0.94.

The FMVL had a positive direct impact on the SUTB with statistical significance at 0.01 with the coefficient at 0.98.

**Discussion**

The study of the causal relationship model on the CSRD and FMVL of companies listed on the Stock Exchange of Thailand. The data was from information presented through Annual Report (Form 56-1), the financial statements and notes to the financial statements of the Company. It was found that CSRD has a positive direct impact on firm value (FMVL) with statistical significance at
0.01 and coefficient at 0.94. This is consistent with the study conducted by Singtivl SS and Desal. HB (1971) that found that the quality of company disclosures influenced the company's operability. In 2000, Adelopo (2010) also found that corporate disclosures contributed to profitability and Otgonsetseg et al., 2013 that found that the disclosure of CSR had a significant impact on operating performance with statistical significance. Therefore, it can be concluded from the past to the present that the disclosure of corporate social responsibility is likely to continue to affect the firm value.

The results also indicated that FMVL has a positive direct impact on SUTB with statistical significance at 0.01 and coefficient at 0.93. From the results of this study, it was found that in 2015, the Stock Exchange of Thailand (SET) recognized the importance of developing the potential of listed companies to conduct their business based on CSR principle to guide the company to continuously and sustainably be strong and growing. Therefore, the CSR Awards and CSR Recognition awards are organized to be given as examples to integrate CSR activities into CSR Awards and Corporate Social Responsibility Awards to be part of the policy in operation (according to the SET AWARDS 2014: The Stock Exchange of Thailand, 2014), CSR is one of the key mechanisms to drive companies to continuously and sincerely practice social responsibility. The study conducted by Arnut in 2013 on companies listed on the Stock Exchange of Thailand in the Corporate Social Responsibility and it was found that the CSR awards in various fields impact the corporate social responsibility reporting model and the CSR Awards is a good sign for a company to achieve sustainable operations and increase stock prices (Leland and Pyle, 1977, Ross, 1977 and Brennan and Copeland, 1988). Chih et al. 2008) found that the CSR Awards resulted in the company's reputation and build credibility for the company, which can attract the attention of investors. It can also be used as a tool to reduce conflicts between the principal and agents. Based on past studies, it was found that the results of the past studies are consistent with the findings of this study.

Limitations

The forms of corporate social responsibility reporting used in this study were the company's annual financial statements and notes to the financial statements. The data collected was based on CSR defined by the researcher from studies conducted on reporting guidelines for 2015. The guidelines were not mandatory or enforceable rules for listed companies to provide information, the reporting is voluntary. Therefore, the study on company's disclosure is only a study of information through voluntary disclosure of the company. Therefore, the person who will use the information should pay attention and be careful in considering.

Suggestions

1) Further study should be conducted on increased period by using the concept because this study was only conducted in the beginning of the Corporate Social Responsibility guideline announcement in 2012.

2) Further study should be conducted using this conceptual framework and modify the collection of social responsibility reporting data as a CSR activity to be measured by CSR in the process and social activities that affect society and the environment, not directly related to the operation to make the study results in broader educational resolution and reflect more actual results.

3) Further study should be conducted using this conceptual framework with other listed companies or other populations similar to those listed on the Stock Exchange of Thailand to confirm the findings.

Acknowledgments

I am deeply grateful to Associate Professor Dr. Salinan Boonmee, Dean of faculty of business administration and information technology for her invaluable advice and supporting of this study. Furthermore, I also sincerely thank to Rajamangala University of Technology Suvarnabhumi University supporting of this study. Special thanks my family and friends to give encouragement for me. Additionally, I would like to thank those whose names are not mentioned here but have greatly inspired and encouraged us until this study comes to a perfect end.
Bibliography


Arnut Leemukdej (2013). The award signals CSR case study of securities listed on the SET of Thailand, aculty of Commerce and Accountancy, Thammasat University, 36, Vol. 139, Pages 27 - 42.


Title: An exploration of corporate environmental responsibility (CER) policies and practices within the Bali international hotel sector.

Gary Marchioro. g.marchioro@ecu.edu.au

Abstract

The paper aims to analyse and discuss the areas of corporate environmental responsibility (CER) and policy transfer in the tourism arena. The purpose of this paper is to provide theoretical underpinnings exploring the interpretation and implementation of CER policies and practices within the Bali hotel industry. This paper will explore the processes, factors and staff attitudes and behaviours in the translation, diffusion and adoption of head office policy to the local office environment in Bali, Indonesia. This paper introduces self-determination theory (SDT) focusing on the consideration of the source of employee motivation from a multidimensional perspective. The paper will also highlight key issues, including the roles of policy transfer analysis; policy gap between transfer and implementation and social psychology theories that help support CER policy adoption. Lastly, the paper will introduce research questions on policy transfer, adoption, implementation and diffusion and offer propositions based on an extensive review of the literature.

Keywords

Corporate social responsibility - Corporate environmental responsibility - Sustainability - Self Determination Theory - policy formulation - policy transfer and policy gap.

Introduction

The purpose of this study is to provide theoretical underpinnings for a research study exploring the interpretation and implementation of CER policies and practices within the Bali hotel industry. This study will explore the processes, factors, staff attitudes and behaviours in the translation, diffusion, adoption and application of head office policy to the local office environment in Bali, Indonesia through a case study and interview approach. The complexities inherent in the topic due in part to researching amorphous and ill-defined concepts such as CER and corporate social responsibility (CSR) in the field of human behaviour in a developing country is also noted. The specific areas of interest include policy adoption, implementation and compliance in a developing country. Therefore, this review fits into the wider context of research through its general applicability to the field of management specifically trans-national organisations operating in foreign countries. Issues of operationalizing and diffusing policy along with engendering long-term staff motivation in developing countries is explored in the study.

The scope of this study includes the international hotel sector and local or regional offices/hotels located in Bali, Indonesia operating as branch offices and reporting back to head office (in the USA or UK). The importance of examining human factors in CER/CSR-related practice challenges previous thinking and has managerial relevance in the policy compliance field of study.

Definitions

This paper defines CER as a strategy that uses environmental commitment, whereby the company fully embraces sustainability and has a net positive impact on the environment and society (Sindhi and Kumar, 2012). CER may also be defined in reference to the broader concept or subset of CSR (Crifo & Sinclair-Desgagné, 2013). Consequently, an analysis of the CSR literature was included with a view to offer additional insights into the CER arena. However, it must be noted that despite its growing popularity, CSR remains poorly defined (Bice, 2011). For this paper, the terms CER and CSR will be used interchangeably where appropriate within the scope of this study as it relates specifically to the research questions and focus on policy.

Although CER generally refers to the social and environmental consciousness of the firm, it is individuals who ultimately make decisions on behalf of the organization, and individuals who evaluate and respond to organizational decisions such as procedures and policy (Rupp, 2010). Similarly, research such as Bauman and Skitka 2012; Bice, 2011; Lee, 201; Adger, 2009 and Deci & Olafsen, 2017, also adopt a psychological perspective.
in proposing how corporate environmental and social responsibility values are internalized, and how such a 
process leads to positive social change. The paper will only focus on a select number of motivational 
representations within the SDT area that involve the individual’s role in the organisation. SDT is acknowledged 
as a complex multi-dimensional theoretical position where wherein psychological needs play a crucial role in 
motivation and psychological outcomes (Vallerand, 2000). SDT was selected to examine “the contextual factors 
that might maximize socially responsible behaviour and decisions in organizations (Rupp, 2010, p. 2)”. Consistent 
with SDT theory, decisional contexts within firms that promote competence, relatedness, and autonomy may help 
produce more consistent CER policy compliance. In contrast “…efforts that have strict regulatory structures 
squelch the self-determining potential of socially responsible behaviours (Rupp, 2010, p. 2)”. 

Research questions:

The two research questions posed will examine whether (SDT) can explain and support successful CER policy 
transfer and implementation (from head office to regional office) within the Bali hotel sector? Secondly, how does 
CER policy diffusion occurs between levels of management in the Bali hotel sector? At this stage, the scope of 
these questions is intentionally broad to allow for further refinement once preliminary data collection is obtained 
ensuring consideration of the hotel organisation, its social attributes and the nature of the environment in which it 
operates. The unit of analysis for this study operates across various levels of the organisation – including hotel 
front office, house-keeping, engineering and human resources. The aim of the study is to examine work done to-
date on the translation, diffusion and adoption of head office policy across the range of hotel management levels 
and seek answers to the question of individuals’ motivation to adopt and practice CER policy on a long-term basis.

Themes and key issues

The amorphous nature of the CER/CSR and policy research area presents several alternative theories that could 
help explain the research questions. The following paragraphs discuss relevant themes, concepts and theories 
relevant to the research topic.

CSR is “best understood not as a clear or consistent agenda, but as a forum of diversity of opinion, and debate 
over the social norms and expectations attached to corporate activity” (Guthey & Morsing, 2014, p. 555). Pohl 
(2006) states that CSR represents the broad spectrum of a company’s corporate culture. The values, beliefs, 
attitudes, and norms of a company play a pivotal role in conducting CSR (Kim & Kim, 2009). These definitions 
refer to the humanistic aspects as being critical to the definition. Guthey and Morsing (2014) concur arguing that 
CSR is essentially a human concept: “a forum for sense making, diversity of opinion, and debate over the social 
norms and expectations attached to corporate activity” (Guthey & Morsing, 2014, p. 566). These findings focus 
largely on external societal factors however, there is a need to examine the intrinsic humanistic factors relevant to 
the research questions.

Bice’s (2011) work in this area is useful in providing a conceptualisation of CSR which extends existing 
approaches and interpretations and reinforces the humanistic aspects through an analysis of multiple levels of the 
organisation. Bice (2011) introduces a social framework for understanding CSR by identifying the social 
mechanisms which influence its organisational adoption (Bice, 2011). Bice’s (2011) approach explores social 
drivers, policies and practices at multiple levels of the organisation. More significantly, the findings allow CSR 
to be applied and tested in other industries and geographic locations thereby promoting generalizability of 
findings. Bice’s work employed a qualitative approach with content analysis. Eleven in-depth, semi-structured 
interviews with senior, corporate-level mining company representatives were analysed using thematic qualitative 
analysis. Case study data was also analysed using thematic qualitative analysis. This work was an ambitious 
attempt to cover a host of complex issues that point to the central place humanistic factors play for understanding 
CSR adoption.

Understanding the effects of CER/CSR on employees represents a relatively unexplored approach to answering 
CER/CSR questions (Bauman & Skitka, 2012). Bauman and Skitka’s (2012) needs-based approach represents a 
way to organize and describe how employees are likely to interpret the wide range of firm activities that have 
been included under the banner of CSR in work conducted at the macro level. Bauman and Skitka (2012) provided 
a general framework that “identified relations between employees’ concerns, company activities, and attitudinal 
and behavioural outcomes, as well as the associated psychological processes (Bauman & Skitka, 2012, p. 78)”. 
Bauman’s (2012) work extends the importance of the humanistic aspect by identifying psychological routes 
through which CSR can impact employees. Specifically, Bauman and Skitka (2012) outlined how CSR can 
provide positive distinctiveness and enhance social identity, symbolize commitment to important values and
engender a sense of belongingness, and add meaning and provide a greater sense of purpose at work. Therefore, it could be argued any examination of CER and CSR policy transfer requires a sophisticated conceptualisation of the definition with regard to the human aspect. While valuable, this framework may suffer from being too general and all-encompassing to add value to the current research problem.

Continuing the theme of social influence a landmark albeit dated study by Porter and Kramer (2006) recognised that two main factors affect the strategic application of CSR, the corporate culture and the importance of social needs. They recognize that many firms’ CSR efforts are “counterproductive and need to begin crafting social initiatives appropriate to their individual strategies (Porter & Kramer, 2006, p. 2)”. The review revealed a growing number of studies citing the importance of social needs affecting CER/CSR. For example, Lee’s (2012) work on organisational and cultural fit. Lee’s (2012) research also examined the impact of employee perception of CSR activities on employee attachment and corporate performance. The results suggest that CSR capability and perceived cultural fit induce positive CSR perception that in turn improves overall employee performance. Furthermore, the results indicate that companies should consider employees' feeling of organisational attachment for long-term high performance (Lee, 2012). These findings are critical for this research because successful policy adoption relies on a consistent and long-term compliance and commitment by employees to the organisation’s corporate messages and policies. Employee perception of CSR activities and employee attachment to the firm also provides empirical validation for a framework for considering how intrinsic factors influence policy uptake (Lee, 2012). A positive by- product of employees that have a favourable view of an organization's CSR policies tend to also adopt positive organisational views (Lee, 2012). This has relevance to the research question of successful policy adoption through consideration of the role of intrinsic social factors in embracing change. However, this study, while extensive (167 samples) has several limitations including the sample selection from a single country (South Korea) reducing the generalizability of findings globally.

The following section will evaluate key findings from the literature and develop the importance of social and psychological factors role in CER policy transfer, implementation and policy diffusion.

Literature review

The literature presented relevant sub themes for the review including the roles of employee motivation; human resources (HR) policy transfer analysis; policy gap between transfer and implementation and social psychology theories that help support CER policy adoption. These will be discussed in relation to the research questions on policy transfer, adoption, implementation and diffusion.

Firstly, the question of the importance of employee motivation in policy adoption and implementation was a familiar theme in the HR literature. For example, the importance of HR departments offering key tools to match employees’ capabilities figured prominently as an employee motivating factor (Vidal-Salazar, et al., 2012). The study by Vidal-Salazar, et al., (2012) examined a sample of 252 tourism companies using structural equation modeling to analyse structural relationships between factors such as environmental learning; innovation; environmental training (ET) and organizational learning (OL) (Vidal-Salazar, et al., 2012). Most importantly, the study adds a dimension to the research question of policy implementation when the authors found that developing ET programs also positively influences desirable values and ensure employees participate and stay motivated to perform. This article, again reinforces the theme of humanistic factors as being instrumental in policy adoption via the degree to which employees are motivated to adopt change.

There exists a paucity of information regarding policy formulation and implementation, particularly in the hospitality sector. The paucity of CSR research on employees (Bauman & Skitka, 2012) is surprising given that CSR is often discussed as a means for firms to maintain positive relations with their stakeholders, and employees. Instead, previous studies (Emerson, Alves, Raposo, 2011; Ackermann and Eden, 2011) have chosen to only investigate extrinsic factors such as stakeholder input and government policy intervention. Recent literature of relevance to this study (Eakpisankit, 2012; Collins, & Ison, 2009; Crifo, & Sinclair-Desgagné, 2014) cite the nexus between CER/CSR policy adoption and policy intent could be due to other factors such as organisational learning, stakeholder theory, leadership and management styles. However, more recent literature points to the recognition of humanistic factors as being instrumental in motivating and ensuring employee attitudinal change to policy.

Policy transference, interpretation and implementation first requires consideration of the general policy field to discover any inherent social aspects. Adger et al. (2009) argues for greater awareness of the social aspects of
policy adaptation based on social learning. Consistent with the previous research presented Adger (2009) also states that employee participation is a necessary basis for enabling policy adaptation. Consistent with this view, Krishnaveni and Sujatha (2012) introduced the theory of Communities of Practice (COP) to capture and share tacit knowledge and create a source of organisational learning. People require conversation, experimentation and shared experiences (Krishnaveni and Sujatha, 2012). As part of this process, an office charter and best practices were used to build staff inclusiveness and understanding. In transferring this process, the issues of trust, participation and identity although mentioned as issues in the study would arguably present even greater implementation and adoption issues in a developing country’s regional office (Bouzon, 2016).

A related key theme in the policy literature is the importance of recognising inherent constraints in social learning processes for policy adaptation and implementation regarding employee participation. It is important to note that no factors are singularly causal (Collins & Ison, 2009) in a complex area such as social psychology. Greiner’s (2011) research with Australian farmers found that policy adoption is also subject to personal social factors such as motivation. The research found that farmers were more motivated by social considerations such as altruistic motifs rather than financial and economic factors. Motivational profiles were significantly correlated with farmers’ perceptions about what constrained them from implementing conservation based management systems. While motivational profiles were used, these were not adequately explained in the article for factors such as persistence which would be an obvious measure for successful, long term policy adoption (Krizaj, Brodnik, & Bukovec, 2014). These conflicting and complex findings reiterate the need for more theoretical analysis to better understand policy transference and implementation issues.

Policy transfer analysis is a theory of policy development that seeks “to make sense of a process in which knowledge about policies…is used in the development of policies at another sector or level of governance (Evans, 2009, pp. 243-244)”. Stone (2004) includes political issues when defining policy transfer. The significance of institutional settings and governance arrangements in creating the circumstances for effective praxis was also a prominent theme in Adger’s (2009) findings. The complexities of policy transfer are illustrated by Gilardi’s (2010) research that learning processes are conditional across countries reflecting the complexities in policy transference especially in developing countries. This is an area of potential confusion in the policy transfer arena when transferring policies across offices in a developing country scenario. Additionally, variations exist in how policy makers consider the experience of others depending on policy makers’ preferences and prior beliefs (Gilardi, 2010) this is likely to have differential effects which is important for the research topic’s focus. The idea that policy makers in one country are influenced by the decisions made in other countries is also acknowledged in the literature. For example, Stone’s (2012) work on the ‘trans nationalisation’ of policy and the recognition that policy transfer involves several competing processes is central to discussions about the effectiveness of policy transfer. These findings are relevant to this current research focus on the development of policy and transferability of policy across sectors-useful for understanding policy transfer from head office to local office.

Previous approaches to policy transfer lack of clarity due to most explanations of policy transfer emerging from inductive reasoning rather than deductive formal modelling (Evans, 2009). This is due to applying “heuristic models of policy development” (Evans, 2009, p. 255) rather than carefully crafted policy that can be easily adopted globally. Moreover, the mere transfer of information to a local organisation does not necessarily mean it is understood (Tang, 2011). Tang (2011) states that knowledge transfer should consider the disseminative capabilities of knowledge holders- in this review hotel staff at various levels in the organisation and the absorptive capabilities of recipients simultaneously. Clarity of policy transfer from head office to local office is central to this research. This also prompts the question of the absorptive capabilities of staff working in foreign offices when English may not be their first language. These issues are further complicated by the final part of the policy translation process-the diffusion among the levels of management.

Research by Gilardi (2010) has demonstrated that interdependence is a powerful force in policy making and that “policy diffusion is a real phenomenon” (Gilardi, 2010, p. 660). For example, the centralisation of policy needs to consider the harmonisation required in diverse locations for effective policy diffusion. In addition, the question of what are the mechanisms and conditions driving the diffusion processes also requires further analysis. The policy diffusion literature also reveals that policy makers may have a bias towards countries that are closer geographically or culturally similar (Gilardi, 2014). In addition, Gilardi’s (2010) research has shown that prior beliefs and ideology may lead to confirmation bias. Gilardi (2014) admits more theoretical and empirical work on diffusion mechanisms, such as competition and social emulation (Gilardi, 2014) is required. However, recent work by Volden (2016) acknowledges that policy diffusion is a key area for future research and should not be reduced
to geography alone. More importantly, Volden (2016) recognises measuring diffusion and isolating potential policy-gaps empirically is a challenge and one that will also present challenges for this research.

The policy gap between policy translation and adoption illustrates both the inherent complexities and reiterates the importance of the humanistic perspectives in the policy adoption field. The common denominator is people reinforcing the need for a framework embedded in social psychology. Gilberthorpe (2011) argues that the nuances of culture and human agency (kinship and socio-political exchange) are inherent to the way CSR strategies are integrated and understood and should be central to policy debates and practices (Gilberthorpe, 2011). Gilberthorpe (2011) also argues that social factors must be taken into consideration in the design and implementation of CSR policy or the gap between policy and practice will remain intact (Gilberthorpe, 2011). Given the complexities inherent in the CSR/CER area and the acknowledged focus on humanistic factors, universal theories were reviewed that would assist in explaining employee motivation and performance to adopt organisational CER policies independent from factors such as culture. In acknowledgement of these factors this paper examines the applicability of SDT literature in examining humanistic factors that have the potential to maximize the transfer and adoption of socially responsible policy in organizations. Accordingly, Gagne (2014) states SDT presents a theory of human motivation that instills motivation and work values consistent with the organizations espoused values.

Self Determination Theory

SDT was considered a relevant and useful contribution to theory and practice in this research area by making distinctions between types of motivations-in this study the motivation to adopt and practice policy directives. SDT was chosen to help explain the complex web of motives that can facilitate or hinder social change and to explicate the contextual factors that maximize socially responsible behaviours in organizations (Rupp, 2010). SDT provides the important link of social context with the internalization of CSR values. This process is critical to the authentic and long-term practice of corporate social responsibility (Rupp, 2010) and can assist with a more thorough understanding of policy transfer and implementation.

Specifically, Deci and Ryan’s collective works (Deci, 1975; Deci & Ryan, 1980; Deci & Ryan, 1985; Deci & Ryan, 1991) contributed to the understanding of intrinsic motivation (the natural and inherent drive in behaviour). SDT further extends this knowledge and develops theories dependent on contextual environments that warrants closer examination.

SDT theory postulates employees have three basic psychological needs—for competence, autonomy, and relatedness—the satisfaction of which promotes autonomous motivation, high-quality performance, and wellness (Deci & Olafsen, 2017; Deci & Ryan, 1985). SDT can act as a framework and engender commitment, engagement, and passion in the workplace (Gagne, 2014) factors highly relevant to this study focus on policy transfer and adoption. SDT theory also has utility for the research topic’s emphasis on the human or social equation and motivation to embrace policy change and compliance. Of relevance to the research questions of policy transference, adoption and diffusion is the fact that SDT provides the “concepts that guide the creation of policies, practices, and environments that also promote high-quality employee performance” (Deci & Olafsen, 2017, p. 19). However, the study’s focus of introducing and receiving ‘buy-in’ to western style policy by local employees will present a challenge for management. Any interventions in the form of policy transfer from head office to local office needs to consider these translation issues and policy diffusion between levels of management to ensure alignment between messages and employee acceptance. The tenets of SDT namely competence, autonomy, and relatedness will also be necessary ingredients in training and motivating hotel staff for long term results to ensure autonomous motivation and high-quality performance and commitment. These social influencers are key factors to consider in the research area and in the hotel environs that are typically made up of a mix of professional and support staff and high-levels of casualization (Davidson & Wang, 2011). The application of these contextual factors has the potential to produce more consistent CER compliance. SDT and its commentary help explain inter as well as intra-organisational differences in CSR implementation issues, as CSR practices need to infiltrate into different sections of a company (Wickert, Vaccaro & Cornelissen, 2017). The application of SDT to the research will help understand and explain the policy transfer and implementation gap intricacies despite the acknowledged complexities raised in the literature review. There are a host of relevant aspects that are related to this area but, fall outside the scope of this paper. For example, Barrick (2013) posits that there are a variety of sub aspects to motivation that need definition to fully appreciate the social dimension implicit in this research. This more detailed and critical analysis of factors around the social dimension adds rigour and understanding to the findings and is a useful perspective for the study’s analysis in Indonesia- a country with a rich and diverse culture. These social...
nuances that may exist in hotels need careful examination to fully understand the policy implementation and diffusion area.

Materials and methods

The proposed research design will involve undertaking a qualitative review of the hotel using structured and semi structured interviews, observation and will require a series of site visits. The choice of a qualitative study, will include participant observations using an ethnographic approach. The study should be investigated in situ with observation over a period. Qualitative, exploratory research is often used in new situations or when the field's major concepts, hypotheses, issues, processes, stages and the like are unknown or unclear using in depth interviews. It has been noted that the application of many SDT studies are quantitative based studies. An investigation of discursive patterns of spoken or written texts will be undertaken. The use of tools such as Leximancer will assist with this task of analysing documents. Intent and results will be measured as part of the process.

Discussion

This study has identified an area that requires further research. In addition, research by Chan (2016) and Choo (2016) supports empirical and theoretical limitations in the current hospitality/tourism literature. Chan and Hsu (2016) states that more research effort should be spent on developing hospitality-specific theories rather than generalised theories. Castello (2013) states further research needs to extend the contours outlining the characteristics of CER and CSR and broaden understanding of how communicative legitimacy is constituted in communicating policy-a complex area as acknowledged in the review. Since corporate environmental reporting (CER) is largely voluntary and unregulated, CER practice has evolved in the absence of a meaningful conceptual framework. This lack of a normative theory about the content of CER as well as the methods for measuring reported information being “largely volumetric or content based, is advanced as a major limitation” in the existing literature (Eakpisankit, 2012, p. ix).

Conclusion

The importance of human factors in CSR-related practice adoption was a theme that challenges the previous thinking of strategic rationales or simply exogenous determinants influencing policy adoption patterns (Wickert, Vaccaro & Cornelissen 2017). Understanding these dynamics of practice adoption has managerially relevance, as it helps facilitate a deeper understanding of the topic and ultimately policy compliance. The thrust of this research has been to attempt to develop a more integrative conceptual approach to the study of social and organisational dynamics that help explain adoption of CER/CSR- policy related organisational best practices. These findings have important implications for local communities, hoteliers and ultimately the environment in terms of successful policy development, strategies for employee motivation and behavioural change.
REFERENCES


COMMUNICATING CORPORATE SOCIAL RESPONSIBILITY IN THE POST MANDATE PERIOD: EVIDENCE FROM INDIA

Nayan Mitra, Asif Akhtar, Ananda Das Gupta

Abstract:

India through its recently amended Companies Act of 2013 has mandated the CSR reporting for their large, stable companies having a net worth of (Indian Rupee) INR five billion or more, or a turnover of INR ten billion or more, or a net profit of INR 50 million or more during any financial year. This has transited CSR from a philanthropic and/ or voluntary perspective to a more structured, objective and measurable format for these Corporations. However, the mandatory nature of CSR spending and reporting was faced with mixed reactions. While there are some companies, who have acted proactively towards the CSR mandate, realigning their already existing CSR framework to the statute, there are other companies, who have been defensive in their approach, testing the water and trying to find out the 'what ifs' of CSR spending, usually coupled by tokenism and a high emphasis on marketing communication.

This paper seeks to analyse the relationship of CSR Communication with CSR; study the relationship of CSR with regards to Firm Performance as well as suggest strategies of CSR Communication to Business Organisations through an empirical survey conducted in the year 2016, barely two years since the mandate came into force.

Key Words: CSR Communication, mandated CSR, India, empirical study
1. INTRODUCTION:

CSR communication has gained a momentum in India in the era of the post 2% mandate period (2014 onwards), not only because the firms feel strongly to communicate their CSR efforts, but also, because it is mandated by the Section 135 of the Companies Act, 2013 (Appendix 1) that requires the Board of the stipulated Companies to: "after taking in account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed." This definitely has brought CSR and Communication closer in their existence. However, this "process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to the society at large” (Gray, Owen, & Adams, 1996; Wang, 2013) is not new.

Different scholars at different times have recognised different philosophies of various Companies for communicating their CSR efforts. Kotler & Lee, 2005 observe that while some recommend "don't be shy," others have a company policy to "let others do the talking." Whatever be the philosophy, a CSR Communication plan can minimize 'company anxiety' regarding CSR communications as over-promising or declarations of rightness and good intentions that could cause mistrust of consumers and stakeholders creating the opposite effects from those expected (Das Gupta, 2012). Yet, any discussion on CSR or its Communication will remain incomplete unless it's effect on the firm performance is gauzed. After all, the purpose of any business is profit maximisation.
Thus, to assist in the understanding of the relationship of CSR and its communication and its effect on Firm Performance (F.P), an empirical study was undertaken in the year 2016, barely 2 years since the Law was passed. The details of the research is as follows:

2. OBJECTIVES:

a) To analyse the relationship of CSR Communication with CSR
b) To study the relationship of CSR with regards to F.P
c) To suggest strategies of CSR Communication to Business Organisations

3. RESEARCH MODEL AND HYPOTHESIS:

3.1: RESEARCH MODEL:

A conceptual research model (Figure 1) was constructed on the basis of the variables identified after intensive literature review and expert opinion from five subject experts (3 academicians and 2 practitioners). This framework draws only a part from Isaksson's (2012) research in Sweden, but is recreated completely in the current Indian context with evidence from large Indian firms, stipulated by the Company's Act, 2013 to spend on CSR.

The first stage of our research model addresses whether CSR Communication of a firm affects CSR. The second stage of the model assesses whether CSR relates to firm performance.
The variables in the above model, therefore, can be understood with the help of Table 1. The dependent variable is the most important variable to be studied and analyzed in the research study, whereas any variable that can be stated as influencing or impacting the dependent variable is referred to as an independent variable hypothesis (Chawla & Sondhi, 2011).

![Conceptual Research Model Diagram]

**TABLE 1: THE INDEPENDENT AND DEPENDENT VARIABLES**

<table>
<thead>
<tr>
<th>STAGE</th>
<th>INDEPENDENT VARIABLE</th>
<th>DEPENDENT VARIABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CSR Communication</td>
<td>CSR</td>
</tr>
<tr>
<td>2</td>
<td>CSR</td>
<td>Firm Performance</td>
</tr>
</tbody>
</table>

*Source: Adapted from Isaksson's (2012) research*
3.2 HYPOTHESIS:

Any assumption that the researcher makes on the probable direction of the results that might be obtained on completion of the research process is termed as hypotheses (Chawla & Sondhi, 2011). The following relational hypotheses have been proposed.

H01: There is a positive relationship between CSR and CSR communication.

H02: There is a positive relationship between CSR and firm performance.

4. METHODOLOGY:

An empirical study was conducted among a sample size of 312 large companies, who fall within the CSR 2% mandate under the Companies Act, 2013. A self-developed instrument (Appendix 2) was used for the survey. Initially 40 items were identified based on intensive review of previous literature.

4.1. Item generation

However, post modifications to some items for the sake of clarity as per the expert opinion, in terms of consistency and appropriateness, the final questionnaire was prepared with 24 items on a 7 point scale, mainly on an Agreement scale where 1 signifies Entirely Disagree (ED) and 7 signifies Entirely Agree (EA) and a few on effectiveness scale, where 1 is extremely ineffective and 7 is extremely effective. The criteria used to eliminate unnecessary items included: (i) ambiguity; (ii) related to more than one factor; (iii) implicit assumptions; and (4) double argument (Shimp & Sharma, 1987).
4.2. Sample selection and data collection

Respondents included professionals who are a part of the CSR team of the Company. So, the respondents could be from various Departments, viz. Human Resource, Legal, Communication or Strategic Management in the Company, but should be a member of the CSR team of the Company. Since structured CSR is a new phenomenon in India, initiated only after the passing of the CSR mandate, hence, even the largest of the Companies in India lacked a formal CSR department. CSR team members often belonged to various departments. Data were collected from January to September, 2016.

Although all of the sample companies were large companies, falling under the purview of the mandate, the majority of the sample were from the Private sector (71.2%), out of which 72.1% were of Indian origin. The respondents mainly belonged to the Top Management Team (65.4%); had work experience of 21 and above years (49%) and belonged to the age-group of 40-60 years (66.3%) and were highly qualified with 65.4% having post graduate education. Please find the descriptive statistics in Appendix 3.

4.3. Data Analysis tools:

Post data collection, responses were analysed to decipher conclusions and further recommendations. The tools that were employed to test the framed hypothesis are: Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM). Two software packages viz. SPSS 22 and AMOS 21 were employed for data analysis.

5. DATA ANALYSIS:

5.1. EXPLORATORY FACTOR ANALYSIS:
Sample adequacy is measured using Kaiser-Meyer-Olkin (KMO) test (Field, 2005; Kaiser & Rice, 1974). A bare minimum value of 0.5 is recommended by Kaiser et al. (1974). A value of .774 indicates the suitability of the sample for conducting factor analysis.

Bartlett's Test of Sphericity (Bartlett, 1954) also indicates the strength of the relationship among variables. It is used to test the null hypothesis that the original correlation matrix is an identity matrix indicating that the variables are unrelated in the population. A significant test will favour rejection of null hypothesis and indicate that there are some relationships among the variables, thus confirming the appropriateness of applying factor analysis. In the present study, Bartlett's test was significant (p<0.01) indicating the fitness of the sample for factor analysis (Table 2).

<table>
<thead>
<tr>
<th>TABLE 2: KMO and Bartlett's Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
</tr>
<tr>
<td>Bartlett's Test of Sphericity</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Exploratory Factor Analysis was used to condense the information contained in the original variables into a smaller set of variates (factors) with a minimum loss of information (Hair, et al., 2010) so as to arrive at a more prudent conceptual understanding of the set of measured variables.

Here, we have used both the Principal Component Analysis as well as Factor Analysis to determine the type of extraction. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. It attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis can also be used to
generate hypotheses regarding causal mechanisms or to screen variables for subsequent analysis (for example, to identify collinearity prior to performing a linear regression analysis).

**TABLE 3: Total Variance Explained**

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>2</td>
<td>3.602</td>
<td>15.010</td>
<td>40.736</td>
</tr>
<tr>
<td>3</td>
<td>2.231</td>
<td>9.295</td>
<td>50.031</td>
</tr>
<tr>
<td>5</td>
<td>1.397</td>
<td>5.820</td>
<td>62.456</td>
</tr>
<tr>
<td>6</td>
<td>1.091</td>
<td>4.545</td>
<td>67.001</td>
</tr>
<tr>
<td>7</td>
<td>.943</td>
<td>3.931</td>
<td>70.932</td>
</tr>
<tr>
<td>8</td>
<td>.850</td>
<td>3.541</td>
<td>74.473</td>
</tr>
<tr>
<td>9</td>
<td>.809</td>
<td>3.369</td>
<td>77.842</td>
</tr>
<tr>
<td>10</td>
<td>.705</td>
<td>2.936</td>
<td>80.778</td>
</tr>
<tr>
<td>11</td>
<td>.585</td>
<td>2.437</td>
<td>83.215</td>
</tr>
<tr>
<td>12</td>
<td>.569</td>
<td>2.372</td>
<td>85.587</td>
</tr>
<tr>
<td>13</td>
<td>.485</td>
<td>2.019</td>
<td>87.606</td>
</tr>
<tr>
<td>14</td>
<td>.471</td>
<td>1.964</td>
<td>89.570</td>
</tr>
<tr>
<td>15</td>
<td>.370</td>
<td>1.543</td>
<td>91.113</td>
</tr>
<tr>
<td>16</td>
<td>.341</td>
<td>1.420</td>
<td>92.533</td>
</tr>
<tr>
<td>17</td>
<td>.314</td>
<td>1.310</td>
<td>93.843</td>
</tr>
<tr>
<td>18</td>
<td>.302</td>
<td>1.258</td>
<td>95.101</td>
</tr>
<tr>
<td>19</td>
<td>.253</td>
<td>1.055</td>
<td>96.156</td>
</tr>
<tr>
<td>20</td>
<td>.227</td>
<td>.946</td>
<td>97.101</td>
</tr>
<tr>
<td>21</td>
<td>.208</td>
<td>.865</td>
<td>97.967</td>
</tr>
<tr>
<td>22</td>
<td>.192</td>
<td>.798</td>
<td>98.765</td>
</tr>
<tr>
<td>23</td>
<td>.159</td>
<td>.663</td>
<td>99.428</td>
</tr>
<tr>
<td>24</td>
<td>.137</td>
<td>.572</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

**Factor Extraction:** Total Variance Explained (Table 3) lists the eigenvalues associated with each linear component (factor) before extraction, after extraction and after rotation. Before extraction, SPSS has identified 24 linear components within the data set (we know that there should be as many eigenvectors as there are variables and so there will be as many factors as variables). The eigenvalues associated with each factor represent the variance explained by
that particular linear component and SPSS also displays the eigenvalue in terms of the percentage of variance explained (here, factor 1 explains 25.727% of total variance). In fact, 70.932% of total variance has been explained by only 7 factors, whereas subsequent factors explain only small amounts of variance. The eigenvalues associated with these factors are again displayed (and the percentage of variance explained) in the columns labelled Extraction Sums of Squared Loadings. The values in this part of the table are the same as the values before extraction, except that the values for the discarded factors are ignored (hence, the table is blank after the seventh factor).

In the final part of the table (labelled Rotation Sums of Squared Loadings), the eigenvalues of the factors after rotation are displayed. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the seven factors is equalized. Before rotation, factor 1 accounted for considerably more variance than the remaining six (25.727%), however, after extraction, it accounts only for 14.160% of variance.

Table 4 shows the Communalities before and after extraction. Principal component analysis works on the initial assumption that all variance is common; therefore, before extraction the communalities are all 1.000. The communalities in the column labelled 'Extraction' reflect the common variance in the data structure. So, we can say, that 80.3% of the variance associated with Question 1 (S30) is common or shared variance.
Table 4: Communalities

<table>
<thead>
<tr>
<th></th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>S30VCOM</td>
<td>1.000</td>
<td>.803</td>
</tr>
<tr>
<td>S31VCOM</td>
<td>1.000</td>
<td>.716</td>
</tr>
<tr>
<td>S32VCOM</td>
<td>1.000</td>
<td>.504</td>
</tr>
<tr>
<td>S33VCOM</td>
<td>1.000</td>
<td>.716</td>
</tr>
<tr>
<td>S34VCOM</td>
<td>1.000</td>
<td>.784</td>
</tr>
<tr>
<td>S35VCOM</td>
<td>1.000</td>
<td>.718</td>
</tr>
<tr>
<td>S36VCOM</td>
<td>1.000</td>
<td>.592</td>
</tr>
<tr>
<td>S56VCSR</td>
<td>1.000</td>
<td>.829</td>
</tr>
<tr>
<td>S57VCSR</td>
<td>1.000</td>
<td>.763</td>
</tr>
<tr>
<td>S58VCSR</td>
<td>1.000</td>
<td>.769</td>
</tr>
<tr>
<td>S59VCSR</td>
<td>1.000</td>
<td>.688</td>
</tr>
<tr>
<td>S60VCSR</td>
<td>1.000</td>
<td>.743</td>
</tr>
<tr>
<td>S61VCSR</td>
<td>1.000</td>
<td>.605</td>
</tr>
<tr>
<td>S62VCSR</td>
<td>1.000</td>
<td>.548</td>
</tr>
<tr>
<td>S63VCSR</td>
<td>1.000</td>
<td>.734</td>
</tr>
<tr>
<td>S64VCSR</td>
<td>1.000</td>
<td>.554</td>
</tr>
<tr>
<td>S65VFP</td>
<td>1.000</td>
<td>.705</td>
</tr>
<tr>
<td>S66VFP</td>
<td>1.000</td>
<td>.813</td>
</tr>
<tr>
<td>S69VFP</td>
<td>1.000</td>
<td>.742</td>
</tr>
<tr>
<td>S70VFP</td>
<td>1.000</td>
<td>.785</td>
</tr>
<tr>
<td>S71VFP</td>
<td>1.000</td>
<td>.677</td>
</tr>
<tr>
<td>S72VFP</td>
<td>1.000</td>
<td>.821</td>
</tr>
<tr>
<td>S73VFP</td>
<td>1.000</td>
<td>.703</td>
</tr>
<tr>
<td>S77VFP</td>
<td>1.000</td>
<td>.709</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Table 5: Component Matrixa

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>S30VCOM</td>
<td>.435</td>
<td>.720</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S31VCOM</td>
<td>.441</td>
<td>.470</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S32VCOM</td>
<td>.488</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S33VCOM</td>
<td>.423</td>
<td>.644</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S34VCOM</td>
<td>.740</td>
<td>.610</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S35VCOM</td>
<td>.505</td>
<td>.497</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S36VCOM</td>
<td>.524</td>
<td>.624</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S56VCSR</td>
<td>.555</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S57VCSR</td>
<td>.555</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S58VCSR</td>
<td>.582</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S59VCSR</td>
<td>.465</td>
<td>.403</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S60VCSR</td>
<td>.496</td>
<td>.437</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S61VCSR</td>
<td>.433</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Extraction Method: Principal Component Analysis.
a. 7 components extracted.

5.2. CONFIRMATORY FACTOR ANALYSIS

Identification of model: As shown in Figure 2, the estimation of the hypothesized model resulted in an overall chi-square value of 1588.468 with 249 (300-51) degrees of freedom and the probability value of .000, thus denoting that the minimum was achieved. This indicates that the software (AMOS) ran successfully in estimating all the parameters, thereby resulting in convergent solution (Byrne, 2009).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>S62VCSR</td>
<td>.437</td>
</tr>
<tr>
<td>S63VCSR</td>
<td>.556</td>
</tr>
<tr>
<td>S64VCSR</td>
<td>.568</td>
</tr>
<tr>
<td>S65VFP</td>
<td>.534</td>
</tr>
<tr>
<td>S66VFP</td>
<td>.601</td>
</tr>
<tr>
<td>S69VFP</td>
<td>.538</td>
</tr>
<tr>
<td>S70VFP</td>
<td>.591</td>
</tr>
<tr>
<td>S71VFP</td>
<td>.471</td>
</tr>
<tr>
<td>S72VFP</td>
<td>.583</td>
</tr>
<tr>
<td>S73VFP</td>
<td>.626</td>
</tr>
<tr>
<td>S77VFP</td>
<td>.419</td>
</tr>
</tbody>
</table>

Figure 2: HYPOTHEZIZED MODEL

Notes for Model (Default model)

Computation of degrees of freedom (Default model)

- Number of distinct sample moments: 300
- Number of distinct parameters to be estimated: 51
- Degrees of freedom (300 - 51): 249

Result (Default model)

Minimum was achieved

Chi-square = 1588.468
Degrees of freedom = 249
Probability Level = .000
The data for the present study is interval data and the sample contains 312 companies. Among the various techniques used for running CFA, the present study adopts the Maximum Likelihood Estimation (MLE) (Scholz, 1985). MLE method is suitable for the continuous data. Further, Ullman (2006) has analysed the different methods and established the conformity with the different types of the datasets. Among the methods, one is called Generalized Least Square (GLS) by Browne (1974) whose suitability is proposed for the same data properties of the MLE method. But GLS is not applicable in this case as the data is normal. Unlike the present study, if the data is large, Browne, 1974, 1984 has suggested the use of ADF (Asymptotically Distribution Free) method. This method is impractical with many variables and inaccurate without very large sample sizes. Before running the MLE method, the data was required to be measured on normality indices.

**Fit-indices (Table 6):** Apart from chi-square goodness-of-fit test, there are various ancillary indices of fit i.e. goodness of fit index (GFI) and adjusted goodness-of-fit (AGFI) index (Jo¨reskog & So¨rbom, 1986), the comparative fit index (CFI) (Bentler, 1990), and root mean square error of approximation (RMSEA) (Steiger & Lind, 1980). The GFI is the measure of relative amount of variance and covariance in sample data that is jointly explained by sigma. The AGFI is quite different from the GFI only in the case where it adjusts the number of degrees of freedom in the specified model. The value of these indices ranges from zero to 1.00, being value close to one is indication of good fit. The values of the GFI and AGFI are found to be .711 and .651 respectively which are quite less than what is recommended. The CFI (Bentler, 1990) assesses fit relative to other models and uses an approach based on the non-central χ2 distribution with non-centrality parameter. CFI values greater than .95 are
often indicative of good fitting models (Hu & Bentler, 1999). For our analysis, CFI stands with .64. The RMSEA takes into account the error of approximation in the population and asks the question “How well would the model, with unknown but optimally chosen parameter values, fit the population covariance matrix if it were available?” (Browne & Cudeck, 1993). The RMSEA is found to be .118.

### TABLE 6: FIT INDICES

<table>
<thead>
<tr>
<th>Fit-induces</th>
<th>Recommended</th>
<th>Observed</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN/DF</td>
<td>&gt;1</td>
<td>6.379</td>
</tr>
<tr>
<td>GFI</td>
<td>.9</td>
<td>.711</td>
</tr>
<tr>
<td>AGFI</td>
<td>.9</td>
<td>.651</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt;.1</td>
<td>.132</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt;.95</td>
<td>.642</td>
</tr>
</tbody>
</table>

#### 5.3. Structural Equation Modelling

The analysis of the structural equation modelling (Figure 3) is the second step in the two-step model building approach and specifies the relationship among latent variables as specified by the theory. SEM is also referred to as causal modelling, causal analysis, simultaneous equation modelling, and analysis of covariance structures, path analysis, or CFA (Ullman, 2006).
The model of CSR communication with CSR and company performance appears in Figure 1. In this model, there are three latent variables among which two are dependent i.e. company performance and CSR. Furthermore the CSR here is used as a mediating variable between CSR communication and company performance. These variables are not directly measured but rather assessed indirectly by three items in each variable and four items in dependent variable. The observed variables, signified by rectangles, are measured on seven point likert scale. The latent variables are calculated by taking the average of the observed variables.

The present study has been through various models and has adopted the one which has higher values of the fit indices. This model is comprised of company performance as a dependent variable, and CSR communication independent variables.

The fit indices of the structural equation modelling is given in Table 6. The analysis starts with the evaluation of the fit indices. Overall, the values of the fit indices are not what has been recommended but still they are at the satisfactory level. The value of the CMIN/DF is 6.363, which is greater than 1, acceptable value defined by Kline (1998). The RMSEA value for the structural model is .131 which is quite above what is recommended. Other fit indices were GFI = .710, AGFI = .652, and CFI = .641. Among all the fit indices, value of CFI is not satisfactory. Overall, model fit indices are good fit.
FIGURE 3: The proposed Model

FIGURE 4: ACTUAL MODEL
### Notes for Model (Default model)

#### Computation of degrees of freedom (Default model)

- Number of distinct sample moments: 300
- Number of distinct parameters to be estimated: 50
- Degrees of freedom (300 - 50): 250

### Result (Default model)

- Minimum was achieved
- Chi-square = 1590.650
- Degrees of freedom = 250
- Probability level = .000

---

6. **RESEARCH FINDINGS AND DISCUSSION:**

As the present study seeks to analyse the relationship between CSR communication with CSR and firm performance, therefore, this study has been developed according to the factors identified for the construct. Current study includes two hypotheses which are given below.

**H₀₁:** There is a positive relationship between CSR and CSR communication.

**H₀₂:** There is a positive relationship between CSR and firm performance.
The test results (Table 7) are as follows:

### TABLE 7: RESULTS OF HYPOTHESES TESTING

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimates</th>
<th>S.E.</th>
<th>C.R.</th>
<th>p-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{01}$</td>
<td>.965</td>
<td>.167</td>
<td>5.775</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>$H_{02}$</td>
<td>.162</td>
<td>.104</td>
<td>3.888</td>
<td>***</td>
<td>Significant</td>
</tr>
</tbody>
</table>

**H_{01}**: The first hypothesis, $H_{01}$, proposed that the companies which have CSR communication process with itself are also responsible towards the social aspect i.e. CSR. The p-value of the hypothesis $H_{01}$ is much less than .001. Hence, the first hypothesis is accepted. The conclusion which can be drawn is that there is a significant relationship between CSR communication and CSR.

**H_{02}**: The second hypothesis, $H_{02}$, analyses the relationship between CSR and Firm performance. The p-value is here again much less than .001 which is less than .05. Hence, the hypothesis $H_{02}$ is also accepted. There is a significant relationship found between CSR and firm performance.

Both the findings are extremely important and a great contribution to social science, especially as India is scheduled to be the birthplace of social, economical, environmental transformation through financial investments in CSR (Mitra & Schmidpeter, 2016). As per our present research findings, the significant relationship between CSR communication and
CSR; and CSR and F.P, shall pose to be a direct win-win for the company to not only abide by the CSR mandate in India but also to communicate gainfully to affect its F.P! To add to this, this CSR investment should help India to accelerate its transition from an emerging to a developed nation (Chatterjee & Mitra, 2017).

7. LIMITATIONS AND WAY FORWARD: Like all Research studies, this research is also bound by certain limitations. This paper is a part of a larger research conducted by the researchers, that is under progress that analyzes how strategic management, with special emphasis on the internal (CSR intent, CSR management, industrial standards and CSR communication) and external orientation (Market Orientation, Community Orientation and Supply Chain Orientation) of the Company is related to CSR and seeks to identify CSR’s link to firm performance. Hence, CSR Communication, here, is only a part of the firm's internal orientation under strategic management. The research output is thus, although critical in forming the whole research does not give the whole picture of strategic management. Infact, this is the scope for further, continuing research to complete the lacuna. Moreover, this research only takes evidence from India. A similar study can be conducted in other countries as well to get a view of their CSR communication effect on CSR and further effect on F.P.

8. CONCLUSION: Our research confirms, that there exists a positive relationship between CSR Communication and CSR, as well as between CSR and financial performance in large
Indian companies. Infact, Sethi, 2014 took this a step further, when he observed that strategic CSR coupled with effective CSR communication can act as an insurance for reputation, which can positively impact an organization's financial performance while also maintaining the delicate balance between the Societal and business interests of the company and contribute towards building 'Robust Balance Sheets'. However, it has been noted in a previous research that firms that undertake CSR activities with a strategic intent (intention to gain) should initiate a respectful and honest communication with their customers (Noland & Philips, 2010) (Isaksson, 2012).

Kotler & Lee, 2005 observe that while some recommend "don't be shy," others have a company policy to "let others do the talking." CSR communication, companies are recognizing, should be low tone and straightforward and reflected in the actual behaviour of every member of the company which is extremely difficult to achieve before CSR is integrated into the company's bloodstream (Das Gupta, 2012). The First India Corporate Week report (2009), highlighted, that, in order to facilitate implementation of the CSR guidelines, 'companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports and other communication media' (Ghosh, 2014). In terms of external communications, most would agree that at a minimum, giving programmes should be described in corporate reports and on web sites, as many consumers, investors, and suppliers may in fact be looking for them and be surprised (or concerned) when they are not found (Kotler & Lee, 2005). Porter and Kramer, 2011 pointed out that as long as companies remain focused on the public relations benefit of their contributions, they will sacrifice
opportunities to create social value. Thus, in a climate that is arguably marked by more informed publics and a critical media, companies are facing more clearly articulated expectations from customers and consumers regarding their contributions to sustainable development, which puts pressure on them to maintain transparency and be proactive in communicating with its publics (Ghosh, 2014). CSR Communication objectives should, therefore, signal desired audience outcomes (e.g., increases in awareness, concern, participation, and/or individual behaviour change (Kotler & Lee, 2005). Or, in other words, as John Powell aptly puts it: (CSR) communication can only work "for those who work at it" (FitzPatrick & Valskov, 2014).

References


APPENDIX 1: SECTION 135 OF THE COMPANIES ACT, 2013

1) Every company having a net worth of INR 5 billion or more, or a turnover of INR 10 billion or more, or a net profit of INR 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director;

2) The Board's report shall disclose the composition of the CSR Committee.

3) The Corporate Social Responsibility Committee shall:
   - formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
   - recommend the amount of expenditure to be incurred on these CSR activities
   - monitor the CSR policy of the Company from time to time.
4) The Board of these Companies that shall:

a) After taking into account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

b) Ensure that the activities are included in their CSR Policy and are actually undertaken by the company.

5) The Board of these companies, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy.

Moreover, the Section 135 also provides a direction to these Companies to give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

However, the law also states that if the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.
APPENDIX 2

QUESTIONNAIRE

This questionnaire is designed to elicit responses regarding CSR Communication, Corporate Social Responsibility (CSR) and Firm Performance. I seek your reply, that will be used for academic purposes only. Thank you for your time.

Section I: Introduction Questions (Respondent Profile)

Please tick √ to indicate your response

a) My gender is: Male............ Female............

b) My age group is:
   i) Below 39        ii) 40-60        iii) 61 and above

c) My education level is:
   i) Graduate        ii) Post Graduate   iii) Others

d) The number of years of my work experience:
   i) 10 years and below ii) 11 - 20 years   iii) 21 years and above

e) My current position is (title): ________________________________

f) My managerial position is:
   i) Frontline Manager ii) Middle-level Manager iii) Upper-level Manager

g) The nature of Company, I am currently working in is:
   i) Private   ii) Public
h) If Private, is it:
   i) Indian origin
   ii) Foreign origin

i) Sector of Industry: .........................................

Section II: Core Questions

Please indicate your degree of agreement with the statements given below by using a tick (√).

Entirely Disagree (ED); Mostly Disagree (MD); Somewhat Disagree (SD); Neither Agree Nor Disagree (NAND); Somewhat Agree (SA); Mostly Agree (MA); Entirely Agree (EA)

<table>
<thead>
<tr>
<th>Sl. No. (Chronological)</th>
<th>Sl. No. (Parent Questionnaire)</th>
<th>Statements</th>
<th>ED</th>
<th>MD</th>
<th>SD</th>
<th>NAND</th>
<th>SA</th>
<th>MA</th>
<th>EA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR COMMUNICATION:</td>
<td></td>
<td>Please indicate your agreement/disagreement with each of them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>30</td>
<td>Our Company publishes its Annual Report on CSR as per the Format laid down by the Ministry of Corporate Affairs, India</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>31</td>
<td>Our Company does social dissemination of its CSR impact in promotional campaigns such as advertisements, hoardings etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>CSR COMMUNICATION MEDIUM:</td>
<td></td>
<td>Please rate the effectiveness of the following medium of CSR communication on the basis of a 7 point scale, where 1 is extremely ineffective and 7 is extremely effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>32</td>
<td>Reports (Annual, Sustainability)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>33</td>
<td>Press Releases</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>34</td>
<td>Advertisements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>35</td>
<td>Printed media (brochures)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>36</td>
<td>Internet (corporate website, twitter, YouTube, Facebook, Company blogs)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>CSR:</td>
<td></td>
<td>Please indicate your agreement/disagreement with each of them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>56</td>
<td>Our company spends CSR money on promoting citizens' welfare schemes (gender equality orphanage; oldage homes).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>9</td>
<td>57</td>
<td>Our company spends CSR money on ensuring environmental sustainability.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>58</td>
<td>Our company spends CSR money on protection of national heritage.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>59</td>
<td>Our company spends CSR money for the benefit of the armed forces veterans, war widows and their dependents.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>12</td>
<td>60</td>
<td>Our company spends CSR money on training to promote various sports.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>13</td>
<td>61</td>
<td>Our company spends CSR money on contribution to the various National Relief Funds.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>14</td>
<td>62</td>
<td>Our company spends CSR money on contributions or funds provided to technology incubators within academic institutions.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>
Our company spends CSR money on rural development projects.

Firm Performance:

Please indicate your agreement/disagreement with each of them.

17  65  Our company is recognized world-wide as a top competitor in its market

18  66  Our company offers products/services at a good value for money

19  69  Our company has growth potential

20  70  Our company has a clear vision about the future

21  71  Our company is not only concerned about profit

22  72  Our company is an economically stable company

23  73  Our company is forthright in giving information to the public

24  77  The reputation of our company in the eyes of the customers is high

Thank you once again for your inputs!

Appendix 3

Descriptive Statistics:

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 39 yrs</td>
<td>87</td>
<td>27.9</td>
<td>27.9</td>
<td>27.9</td>
</tr>
<tr>
<td>40-60 yrs</td>
<td>207</td>
<td>66.3</td>
<td>66.3</td>
<td>94.2</td>
</tr>
<tr>
<td>61 yrs and above</td>
<td>18</td>
<td>5.8</td>
<td>5.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate</td>
<td>57</td>
<td>18.3</td>
<td>18.3</td>
<td>18.3</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>204</td>
<td>65.4</td>
<td>65.4</td>
<td>83.7</td>
</tr>
<tr>
<td>Others</td>
<td>51</td>
<td>16.3</td>
<td>16.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
## Work

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 yrs and below</td>
<td>42</td>
<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
</tr>
<tr>
<td>11-20 yrs</td>
<td>117</td>
<td>37.5</td>
<td>37.5</td>
<td>51.0</td>
</tr>
<tr>
<td>21 yrs &amp; above</td>
<td>153</td>
<td>49.0</td>
<td>49.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

## Management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontline Manager</td>
<td>24</td>
<td>7.7</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>Middle-level Manager</td>
<td>84</td>
<td>26.9</td>
<td>26.9</td>
<td>34.6</td>
</tr>
<tr>
<td>Top-level Manager</td>
<td>204</td>
<td>65.4</td>
<td>65.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

## Sector

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>222</td>
<td>71.2</td>
<td>71.2</td>
<td>71.2</td>
</tr>
<tr>
<td>Public</td>
<td>90</td>
<td>28.8</td>
<td>28.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

## Private

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Origin</td>
<td>225</td>
<td>72.1</td>
<td>72.1</td>
<td>72.1</td>
</tr>
<tr>
<td>Foreign Origin</td>
<td>84</td>
<td>26.9</td>
<td>26.9</td>
<td>99.0</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>1.0</td>
<td>1.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
Maqasid al-Shariah and the framework for corporate environmental care in Malaysia

Dr Norita Mohd Nasir¹
Lecturer
School of Business
Monash University Malaysia
Norita.nasir@monash.edu

Professor Mahendhiran Nair
Vice President (Research and Development)
Directorate
Monash University Malaysia
Mahendhiran.nair@monash.edu

Professor Pervaiz Ahmed
Professor in Management
School of Business
Monash University Malaysia
Pervaiz.ahmed@monash.edu

¹ Corresponding author.
This research is funded by the Ministry of Higher Education of Malaysia (Fundamental Research Grant Scheme (FRGS) MUHREC LR CF16/1152 – 2016000619).
ABSTRACT

The current devastating state of the global environment suggests that the conventional approach to environmental care has failed to curb environmental destructions. As the environmental problems get worse over time, there is a pressing need to look at the issue from a holistic perspective. Islam gives significant prominence to environmental care, as outlined by the Shariah or Islamic law. Environmental care is an obligatory duty at individual (fard ain) and societal (fard kifaya) levels. Maqasid al-Shariah or the main objective of the Shariah is set to safeguard the interests of all beings, including the need to have a balanced environment. Although Islam is very influential in the major aspects of life of the people in Malaysia, the ecological-debtor country status suggests that Malaysia has been very poor at protecting and preserving the environment, contrary to the Islamic environmental thought. In order to cope with the changing societal needs and challenges, the theory of Maqasid has shifted its focus from issues specific to individuals to prescriptions and guidance on issues concerning collective interests at a higher societal or national level such as environmental problems. However, serious environmental crisis poses a huge threat to the achievement of the Maqasid al-Shariah. Applying the concept of maslaha or public interest, we present relevant maxims of Islamic jurisprudence in harm prevention applicable to corporate environmental protection. We also propose a framework for corporate environmental care in Malaysia. With the Shariah aspect well incorporated in Malaysia’s capital market structure, religious and legal regulatory bodies have a huge potential role in exerting pressures for corporate environmentalism. Lesson from Malaysia will provide valuable insights to other Islamic countries.
1. INTRODUCTION
The world now is facing serious environmental problems due to massive economic development across the globe. The alarming trend of environmental condition has gained special attention by researchers, policy makers, industry players and other stakeholders. Efforts to protect and preserve the environment have been initiated at the local and international levels. The concept of sustainable development was introduced and supported by many member countries through international initiatives led by organizations such as the United Nations Framework Convention on Climate Change (UNFCCC). As such, various rules and standards are imposed on firms to conform to the international treaty to care and preserve the environment. Nevertheless, despite regulatory requirements and voluntary efforts initiated by firms, the degradation of global environmental condition has worsened over the last decade. Global warming, uneven rain fall across the globe, melting of the ice-caps in the Artic and Antarctica continues unabated.

The deteriorating condition of the environment suggests that the current conventional approach to environmental protection has been ineffective in curbing environmental destruction. As such, an alternative approach to the environmental problems is to look at the issue from a holistic perspective. Islam has clearly outlined in the Quran and Sunnah (the description of life and example of Prophet Muhammad (pbuh)) that environmental protection is a mandatory duty at an individual and societal levels. However, a devastating environmental condition across the globe, an especially in Islamic countries, suggests that the Shariah call for environmental protection has been neglected.

Malaysia is a country that has a strong Islamic dominancy in the economic, political and social aspects. Nevertheless, despite a strong Islamic influence in its important aspects of life of the people, the current state of the environment shows that Malaysia has a poor track record in protecting the environment. In view of this, the current study explores the role of Islam can play in the management of environmental resources in Muslim-majority country. Specifically, this study develops a framework of Islamic environmental care in Malaysia based on the Maqasid al-Shariah, a concept based on the principle of maslahah or public interest.

This paper is organized as follows. In Section 2, an overview of the fundamentals of maqasid al-Shariah is outlined. Section 3 discusses the Shariah call for environmental protection. The subsequent section provides an analysis of the current situation in Malaysia pertaining to the environment, followed by a discussion on the role of maqasid al-Shariah in environmental care in Malaysia. Section 6 provides the conclusion of the study.

2.0 FUNDAMENTALS OF MAQASID AL-SHARIAH
Islamic law or Shariah is based on two primary sources, namely the Quran and Sunnah. Quran contains the revelation from Allah (the Creator) in matters pertaining to various aspects of life, while Sunnah is the description of life and example of the Prophet Muhammad (pbuh). Sunnah provides guidance to rulings briefly mentioned in the Quran. The interpretations of both sources are done by the scholars such as Islamic judges (qadis) and religious leaders (imams).

As time went by and issues became complicated, some emerging matters were later found not specifically or explicitly addressed in the primary sources. As such, progressive interpretations of the Quran and Sunnah are needed to accommodate the changing needs and social setting. In this regard, Ijma and Qiyas are used in dealing with practical matters arising from the current needs of the society. Ijma refers to consensus of all or majority of the religious scholars about issues not specifically addressed in the Quran and Sunnah. Qiyas, on the other hand, is derived through the process of reasoning by analogy to provide an opinion on issues not specifically referred to, but in comparison to other cases referred to in the primary sources (2013bb). Both Ijma and Qiyas relate to rulings which are formed through Ijithad. Ijithad represents a jurist’s independent reasoning relating to the applicability of certain Shariah rules on cases not mentioned in the Quran or Sunnah.

All of the four sources of Shariah provide comprehensive rulings in all aspects of life through direct references in the Quran and Sunnah, and rulings derived from Ijithad on issues not specifically mentioned in the primary sources. In other words, while maintaining basic principles as clearly prescribed in the Quran and further confirmed and detailed out by the Sunnah, Islam allows for adaptations to the basic rulings in accommodating issues arising from current needs through the provisions of Ijma and Qiyas.

The main objective of the Shariah, or better known as maqasid al-Shariah is to safeguard the interests of all beings (maslahah). The Islamic theories of maqasid-al-Shariah has evolved over time. The traditional scholars classify maqasid al-Shariah (purpose of Islamic law) based on three levels of necessity, namely dhururiyyah (essentials or necessities), hajiyyyah (needs or complementary) and tahsiniyyah (embellishment or luxury). Dhururiyyah, as the top
level in the hierarchy, refers to matters essential to human needs. Five elements that represent the basic rights of a human being (al-dharurah al-khamsah) are the protection of the faith (deen), lives (nafs), intellect (aql), posterity (nasl) and wealth (mal) (Abu Hamid al-Ghazali, 1937 as quoted by Dusuki and Bouheraoua, 2011)). The protection of faith or religion refers to the right of individuals to practice their beliefs. Every person is free to perform their obligation as a believer. The right to live refers to the equal right of every individual to live in the world. No individual has the superiority over others to live in this world. Thus, all individuals are ensured their rights to spiritual and humanity needs.

Intellectual right is the right of every individual to proper and adequate learning. Aql is the most important feature that differentiates human and animals, thus everybody has equal rights to education to enhance the intellectual ability. The protection of posterity refers to the right to safeguarding the generations through the reinforcement of family institution. In other words, each individual must know his or her lineage and have a clear descent-lines. As such, Shariah upholds the sanctity of marriage and family to ensure the purity of offspring. The last element of the daruriyyah level is the protection of wealth which forbids thefts and unjust treatment to properties and wastage of money. All of these rights are important to ensure justice and preservation of the well-being of all mankind.

The hajiyyah level of necessity is relatively less important in comparison to dharuriyyah. Without these complementary needs, the basic rights of all beings are not affected. The hajiyyah necessities contribute to the betterment of life. For instance, the need to be connected through various ways of telecommunication such as emails and telephones is crucial but not the extent it will disrupt the life of any individuals. Similarly, the tahsiniyyah level of necessity only serve as embellishment to the life of an individual. This interest adds value to the well-being of the individuals but takes the lowest priority in life in comparison to the dharuriyyah and hajiyyah levels of necessity. In other words, tahsiniyyah level is only applicable when the daruriyyah and hajiyyah levels of necessity have been fulfilled.

The three levels of necessity under maqasid al-Shariah shows different degrees of importance in dealing with all issues at individual and societal levels. However, it should be noted that the three levels of necessity are not mutually exclusive. Depending on the context, these categories may overlap. When a conflict arises from different levels of necessity, priority should be given to the higher level of interest, e.g. dharuriyyah.

As the Islamic theories evolve over time, the traditional classification of necessities has been criticized for emphasizing individuality rather than a wider scope of people eg. society or nation. The contemporary theorists claim that the traditional classification of maqasid al-Shariah failed to deal with current challenges in adopting ‘practical plans for reform and renewal’ (Auda, 2008). Maqasid al-Shariah should focus on issues at higher and broader levels to allow for adaptations to emerging challenges and needs due to economic and societal changes. As such, the contemporary Islamic scholars propose different classification of maqasid al-Shariah to consider new dimensions; general, specific, and partial (Auda, 2008). General maqasid deals with issues from the entire Islamic law which includes basic necessities (dharuriyyah) and needs (hajiyyah). Specific maqasid relates to issues pertaining to certain parts of the Islamic law. For instance, the issues of Converting and Religious Freedom under the Shariah Criminal Law (‘Uqubat). The third category of maqasid, partial maqasid are the intention of specific rulings. For instance, in the Shariah Family Law and Children, the intention to undergo an abortion of fetus is considered and allowed in order to avoid life-threatening complications to the mother and child.

This section provides a brief summary of the fundamentals of maqasid al-Shariah from the traditionalist and contemporary theorists. Regardless of how the categorizations is made, maqasid :a-Shariah is to serve the interest of human beings (jahl al-masalih) and to save them from harm (daf al-mafasid). In the next section, we discuss the application of Shariah in the context of environmental protection.

3.0 SHARIAH CALL FOR ENVIRONMENTAL PROTECTION

Islam places strong emphasis on the care and protection of the environment. The associations among the elements of the environment are referred to as the ‘ilm al-tabyw or ecology’ (al-Majid, 1999, p.50), which focuses on the interconnectedness among all elements of the environment (living things and non-living things). Allah created the universe with a purpose and all elements are put in a perfect balance. Among all elements of the environment, Islam regards human (Man) as the superior creation who is blessed with the ability to influence the ecological balance. This leads to the conception of the superiority of Man as the caliph in this world. Nevertheless, such advantage comes together with the task to care and protect the environment. As an appointed caliph on earth, Man is obliged to care for
the environment at both collective (fard kifaya), as well as individual level (fard ain). As a fard kifaya, the obligation to care for the environment is considered sufficient when it is carried out by some members of the society. However, if nobody takes up the duty on behalf of the community, all members of the society are considered guilty and will be punished.

From the Islamic perspective, the demand of all elements of the environment (resources) must be matched against existing balances. Therefore, Islam looks at the environment from the supply side, as referred to as ‘adl’, ‘qadar’ and ‘mouzoon’ (Akhtar, 1996, p.61). The term ‘adl’ (عدل) literally means justice. In the context of the environment, it refers to acting justly or correctly to other elements of the environment. ‘Qadar’ (قدر), on the other hand, explains the supply side of the environment from the quantitative aspect. The verse that follows emphasizes the perfect balance of the elements of the environment.

Lo! We have created everything by measure (Quran 54:49).²

Environmental protection from an Islamic perspective lies in the core value system of Islam. Specifically, it is integrated into the submission to Allah principle based on the oneness of Allah as the sole creator and absolute owner of the whole universe. Environmental care and protection are set as a mandatory religious duty for each individual that emanates from the responsibility to submit to Allah. Accordingly, Shariah provides a guideline for Man to carry out the task to protect the environment. Humans (Man) are allowed to utilize all available resources without causing irreversible damage based on its basic principles of unity or tawhid, trusteeship or khilafah, and accountability or akhirah (also known as hisab) (Naseef, 1998). These principles form the basis of environmental ethics from the Islamic perspective.

Environmental conservation under the Shariah is carried out according to the hima and harim systems. Hima is an area set aside for the conservation of trees and wildlife under temporary restrictions (Gari, 2006). On the other hand, harim refers to the institution of the protected zone which prohibit the development of certain areas for the purpose of protecting the nature throughout the year. Both systems are aimed to avoid exploitation of the nature. To ensure the effectiveness of the systems, an agency known as hisba is formed. The role of hisba is similar to the environmental department. The harim system is strictly applied in Mecca until today, in which no trees can be cut or animals be killed at any time of the year.

The responsibility to care for the environment is not limited to individuals. As time goes by, the concept of firm emerges as the result of the economic development. Firm or corporation refers to an association of persons created by statute as a legal entity to carry out business operations. Although firms’ existence as a separate legal entity is not explicitly stated under the Shariah (Bilal, 1999), their presence need to be reassessed and responsibilities are to be attached based on the fact that firms have become an important social actor that contributes to, and affects the social environment.

The discussion on the legal existence of a firm from the Shariah perspective has therefore revolves around the concept of an artificial person or fictitious personality (shakhsiyyah i’ithbariyah). According to the traditionalist, a group of Muslims who strictly follow the belief and practices of earlier generations (Parvez, 2000), a firm does not constitute a separate legal entity due to the absence of any provisions from the Shariah resources. The traditionalist jurists (fiqhah, or experts in fiqh or Islamic jurisprudence) do not accept the concept of al-dhimmah as the basis to recognize firms as a legal entity, similar to a real person. Al-dhimmah is a theory of fiqh that supports the idea of an entity other than human as a legal person in taking up responsibilities. From the traditionalist perspective, a firm does not resemble a real person and since Shariah is only applicable to a real person, firms’ status falls beyond the Shariah jurisdiction. Therefore, the concept of al-dhimmah is not applicable to firms and has no relevance in relation to interpretation of its liability and obligation (al-Tahanawi, 1996).

However, the idea of firms as a corporate personality is accepted by majority of the Muslim (modern) jurists. From this perspective, the existence of an entity other than human being as an artificial, legal person is recognized. Firms as legal entities have the capacity (al-ahlilyyah) and therefore, shall bear the obligations (iltizamat) of an individual (real, non-artificial person). Using the concept of al-dhimmah, an analogy was made between firms and the institutions

---

² All Quranic quotations used in the study are taken from PICKTHALL, M. M. 2001. The meaning of the glorious Qur’an, Petaling Jaya, Islamic Book Trust.
and practices which have existed in earlier time such as mosques, *waqf* and *bayt-a-mal*. In this respect, progressive interpretation of the four sources of *Shariah* leads to the ruling that firms are obliged to undertake corporate environmental responsibility. Although the concept of corporate personality does not exist in earlier years, the ruling is derived by reference to other similar cases referred to in the primary sources of *Shariah*.

The concept of corporate responsibility is based on the idea that firms operate in a way that they do not do harm to the well-being of other creations. The concept originates from the notions of ‘faith (human well-being) and *hayat tayyibah* (good life) which emphasizes the social-ties and socioeconomic justice, in addition to a balanced material and spiritual requirements of Man that is necessary to preserve and enrich faith, life, intellect, posterity and wealth’ (Mohammed, 2007, p.55). In other words, corporate responsibility from an Islamic perspective, integrates spiritual view for Man’s interaction with various parties including *Allah*, nature and other human. Firms should bear the same responsibility as other elements of a greater society to ensure that their existence does not pose inequality or be unjust to their stakeholders and other *Allah’s* creations such as flora, fauna and other natural resources. Corporate responsibility is therefore, a moral and religious obligation of a firm as a social actor in the society.

In summary, Islam emphasizes environmental care as a mandatory obligation at an individual, as well as societal levels. Such provisions are clearly stated in the two main sources of *Shariah*, namely the *Quran* and *Sunnah*. The obligation to care for the environment is also imposed on firms, as agreed by modern jurists through the process of *Ijtihad*. As a party that has the ability to influence the environmental balances, firms are assigned the mandatory status to care for the environment, consistent with the main principle of Islam to have a perfect and balanced-environment.

4. **ENVIRONMENTAL CONDITION AND PRACTICES IN MALAYSIA**

Environmental issues have become a global problem to all nations. The emergence of industrialization and economic development has posed serious threats to the wellbeing of human and the environment. With the current rate of natural resources consumption, earth’s ability to provide humanity with adequate resources for sustainability will be hindered. Unsustainability occurs when an area’s ecological footprint exceeds its biocapacity, a situation that causes the earth to not keep pace in replenishing vital natural resources with the rate of use of these resources. In other words, the humanity’s annual demand on the natural world exceeds what the Earth can renew in a year. With the current unsustainable path of an increment of the footprint, we are getting closer to ‘the collapse of critical ecosystem’ if major driving factors of ecological footprint are not strategically managed (Ewing et al., 2009, p.5). The ecological footprint analysis shows that the world is categorized as an ecological debtor with total ecological footprint exceeds its total biocapacity since 1971 (Global Footprint Network 2016). The world now is facing serious environmental problems. Unless a drastic change is undertaken by humanity, the ecosystem will soon collapse and pose irreversible mass destruction to the earth.

Malaysia is a developing country in which Islam predominates its social, political and economic aspects. The bumiputera ethnic represents the majority (67.4%) of its population (Department of Statistics Malaysia, 2010). The Malay ethnic is the largest component of the bumiputera ethnic and is predominant group in Peninsula Malaysia, constituting 63.1% of the population. Malays are defined by the Constitution as Muslims who practice Malay customs and culture. Thus, being a Muslim majority country and Islam as the official religion in Malaysia, Islam is very much blended in the daily life of majority of its people. For instance, it is a common practice among the non-Muslims in the east coast of Malaysia to offer and accept daily business transactions in an explicit way through verbal statements (*aqad*). However, such influence is not applicable to matters concerning the environmental care. Despite a serious Islamic call for humans to maintain the perfect balance of all elements of the environment, degradation of the environment due to economic activity continues unabated in Malaysia.

Malaysia is facing serious environmental problems and has been categorized as an ecological debtor country since 1992. Malaysia reports unfavorable trend of the deforestation annual rates of -0.36, -0.66 and -0.42 between 1990 to 2010 period. For the 2000-2012 period, Malaysia has lost 4.72 million ha or 14.4% of its forest, recording the world’s highest rate (Yong et al., 2014). If the existing pattern of the deforestation activities persists, Malaysia will soon lose its current forest footprint creditor status. In other words, forests in Malaysia will soon be unable to produce the resources for consumption and absorb its waste.

Apart from the deforestation, Malaysia also faces a serious air pollution that contributes to the global warming problem. The main contributor to the global warming or the greenhouse effect is carbon dioxide (CO₂), which accounts for about half of all greenhouse gases. Malaysia shows an unfavorable trend of total CO₂ emission. Since 1999, the
amount of CO\textsubscript{2} emitted has steadily increased and has reached 7.9 metric tons per capita in 2011 (The World Bank, 2016).

As an ecological debtor country that relies on external biocapacity for resources and waste assimilation, various rules and regulations are imposed on firms in the effort to protect and preserve the environment. Examples include the requirement for environmental reporting by the Securities Commission, various legislations under the Environmental Quality (Amendment) Act 2007 (Act 1315) and Five-Year Economic Plan which emphasizes sustainable development. In addition, non-regulatory mechanisms are also employed, such as the government incentives in the form of taxation relieves, non-governmental organizations (NGOs) initiatives to recognize sustainable development efforts, international participations in bilateral and multilateral cooperation with various countries and organizations such as United Nations Framework Convention on Climate Change (UNFCCC) on activities such as capacity building, information sharing and networking.

The fact that industrial activities are the main contributor to environmental destruction (Shrivastava, 1995) and that firms have the ability in the form of financial resources, technological knowledge and institutional capacity to implement environmental strategy (Banerjee, 2002), various efforts were made to promote environmental sustainability. As the regulatory body to the public listed companies (PLCs), the Bursa Malaysia (then Kuala Lumpur Stock Exchange) has introduced a new Environmental, Social and Governance (ESG) index in 2012 to raise the profile of sustainability practices among firms. The ESG index is expected to attract socially responsible investment (SRI) funds into Malaysia, besides promoting sustainability practices among public listed firms. The Malaysian Shariah Index was also launched on 10 February 2015, a product that assess the measurement of the Shariah requirement in line with the maqasid al-shariah. The index incorporates five elements that represent the basic rights of a human being, namely the religion, life, mind, race and property. Eight major areas emphasized in the initial stage are legal, politics, economy, education, health, culture, infrastructure and environment, and social. For the first year of its introduction, Malaysia’s policies scored 75.42% compliance to Islamic standards in eight fields of governance, namely Islamic law (87.19%), politics (79.19%), economy (65.27%), education (82.5%), healthcare (73.92%), culture (66.47%), infrastructure and environment (62.31%) and social (68.52%) (Azlee, 2016).

In addition to the secular approach, Malaysia also employs a religious approach in the environmental care. In the Malaysian context, religious approach to environmentalism refers to the environmental beliefs and practices which originated from the Islamic teachings. Institute of Islamic Understanding Malaysia (IKIM) is at the forefront in the effort to protect the environment through this approach. As a body responsible to promote the real understanding of the true teachings of Islam, IKIM applies a pragmatic step to educate and create environmental awareness from the perspective of Islam. Modern Islamic scholars have gone beyond the traditional way of educating believers in issues pertaining to the environment. For instance, in 2012, IKIM has released a handbook on Islamic view of nature for the use of religious leaders and also engaged in a conservation program the WWF Malaysia, a non-religious, non-profit organization. The initiatives taken by IKIM to educate the Muslim and non-Muslim public to view the environment from an Islamic perspective represents the emergence of the Islamic environmentalism in Malaysia. The effort shows a shift from the conventional, regulatory approach to a holistic approach of environmental protection.

Despite various efforts taken by the government and other non-governmental parties to protect the environment, environmental condition in Malaysia is still in a poor state. The current environmental condition in Malaysia suggests that Shariah call is not adhered to although Islam made a clear reference for environmental care at an individual (fard ain) and collective levels (fard kifaya).

5. **MAQASID AL-SHARIAH AND THE FRAMEWORK FOR CORPORATE ENVIRONMENTAL CARE IN MALAYSIA**

The preceding section discusses the fundamentals of maqasid al-Shariah and the reclassification of maqasid, proposed by the contemporary theorists. Shariah as the body of reference based on the four sources of Quran, Hadith, Ijma and Qiyas is to regulate and guide all human conduct by protecting the interest of mankind. As time goes by, societal needs and challenges change due to rapid social, political and economic development. In responding to new emerging issues, contemporary scholars such as Yusuf Qardawi and Rashid Rida (Auda 2008) have introduced new dimensions of maqasid to include social welfare support, and social and economic reform, among others. The change of focus from the traditionalist to contemporary theory of maqasid shows the evolution of maqasid over time to cope with challenges in the modern era.
The change of dimensions in *maqasid* has shifted the emphasis from issues specific to individuals such as worship rituals and other personal matters to prescriptions and guidance on issues concerning collective interests at the societal or national level. In this respect, progressive interpretations of the sources of *Shariah* are crucial to ensure compatibility between the *Shariah* teachings and rulings, and the current societal needs. For instance, matters which were not considered as pressing in the earlier time has become global issues that need urgent attention and treatment. The evolvement of Islamic theories of *maqasid al-Shariah* and general acceptance of the majority of the modern Islamic jurist on the issue of corporate personality and responsibility to environmental care suggest that progressive interpretations of *Shariah* is very much called for to ensure compatibility of *Shariah* rulings and the changing landscape of social and economic development.

In view of the current devastating environmental condition, it is important to reassess the need of environmental protection from the *Shariah* perspective. Environment as a public good relates to the concept of *maslaha* or public interest. *Maslaha* is a concept in Islamic jurisprudence to interpret *Shariah* to derive at rules. Although undefined by the established rules of *Shariah*, majority of the jurists accept *maslaha* or *istislah* as a proper ground for legislation except in areas which have specific rulings clearly stated in the *Quran* (Kamali, 2005). Imam al-Ghazali (Shafi’i) upholds *maslaha* as considerations that secure benefits or prevent harms which supports the five essential values of *dharuriyyah* level of needs. In other words, the concept of *maslaha* is consistent with *maqasid al-Shariah* in securing the welfare of the people by promoting social benefits or by preventing harms. However, the ways and means of promoting benefits or preventing harms change according to the needs of the society.

The concept of harm prevention in relation to *maslaha* is a wide area under the Islamic jurisprudence. Table 1 summarizes some of the important Islamic legal maxims related to harm prevention which are relevant to corporate environmental protection.

<table>
<thead>
<tr>
<th>Maxims of Islamic jurisprudence (Part II)</th>
<th>Application of maxims of Islamic jurisprudence in environmental protection</th>
<th>Examples of application of maxims of Islamic jurisprudence in corporate environmental protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is a fundamental principle that a thing shall remain as it was originally (5).</td>
<td>The ecosystem shall be kept and maintained in its original form and balance.</td>
<td>No single corporate activity should pose harm or change the components of the ecosystem.</td>
</tr>
<tr>
<td>Things which have been in existence from time immemorial shall be left as they were (6).</td>
<td>Natural resources and other elements of the environment should not be consumed or used in an excessive manner.</td>
<td>Activities such as overfishing and water pollution that cause extinction to flora or fauna species should be stopped.</td>
</tr>
<tr>
<td>Injury is removed (20).</td>
<td>Any type of act that causes destruction or degradation to the environment must be immediately stopped.</td>
<td>Industrial activities that release large amount of carbon monoxide and hazardous chemicals (among all) into the air must be immediately and totally banned.</td>
</tr>
<tr>
<td>Injury is removed as far as possible (31).</td>
<td>Any (potential) environmental destruction act has to be prevented and avoided as much as possible.</td>
<td>Any firms whose operations (potentially) cause pollution should be heavily penalized or get their licenses revoked.</td>
</tr>
<tr>
<td>Injury may not be met by injury (19).</td>
<td>No environmental destruction act should be ended by its like.</td>
<td>In an attempt to care for the environment, any environmental destruction act should not be replaced by another similar act. For instance, the release of poisonous chemicals to the water source that endangered the marine life should not be replaced by the act of dumping them in a landfill that subsequently degrades soil quality.</td>
</tr>
<tr>
<td>Severe injury is removed by lesser injury (27).</td>
<td>An act that has the least negative impact to the environment takes priority over a more disastrous impact.</td>
<td>If an attempt to stop a severe environmental destruction act requires the incurrence of another act that has a lesser negative impact to the environment, then the latter must be chosen. The generation of energy through hydroelectric power is an alternative to the fossil fuel (coal, oil and natural gas). Although hydroelectric power causes huge emission of methane and carbon dioxide, the generation of fossil fuels energy causes a relatively more great destruction and pollution to the environment.</td>
</tr>
<tr>
<td>A private injury is tolerated in order to ward off a public injury (26).</td>
<td>If conflict arises between individual and the public in matters pertaining to the environment, priority should be given to the societal benefits rather than individual.</td>
<td>Despite a negative impact to the environment, an activity should be allowed to continue in order for the greater community to enjoy the bigger benefits of such activity.</td>
</tr>
<tr>
<td>Repelling an evil is preferable to securing a benefit (30).</td>
<td>In any circumstance, an act that degrades the environment should be avoided even if it removes the benefit.</td>
<td>Although deforestation aims to convert the forestland for development purpose, it results in permanent destruction of habitat for millions of flora and fauna species. In this regards, avoidance of environmental degradation takes precedence over the benefits of development.</td>
</tr>
</tbody>
</table>

Table 1 summarizes Islamic legal maxims relevant and significant to environmental protection. It is clearly shown that Shariah calls for environmental care and protection are consistent with the harm prevention concept of maslaha or public interest. Environmental elements should be maintained in their original balance and form, and that public benefits take precedence over individual interests.

The maxims of Islamic jurisprudence in harm prevention show that Maqasid al-Shariah supports environmental protection and care. Serious environmental crisis poses a huge threat to the achievement of the objective of Islamic law, or Maqasid al-Shariah. Progressive interpretations of the Shariah is crucial to cope with the current environmental challenges. The main reason for the Islamic society to have lost ability to cope with modern challenges is due to the inability to relate the Shariah sources of Islamic jurisprudence with the social and economic changes (Parvez, 2000).

In view of this, we introduce a framework for corporate environmental protection in Malaysia from Islamic perspective.

As a country that has a Shariah component well incorporated in its capital market structure, religious regulatory bodies can play an important role in exerting pressures for public listed firms to engage in corporate environmentalism. Bursa Malaysia, the Malaysia’s stock exchange, offers an Islamic capital market that comprises of 74% (as at 25 November 2016) of total listed securities. The list of Shariah compliant securities is updated twice yearly in May and November by the Shariah Advisory Committee (SAC) of the Securities Commission (SC). The SAC of SC screens listed shares based on certain methodology. As a preliminary screening, firms which activities are not contrary to Shariah principles will be classified as Shariah-compliant securities. On the other hand, firms will be deemed as Shariah non-compliant if they are involved in the following core activities: financial services based on riba (interest); gaming and gambling; manufacture or sale of non-halal products or related products; conventional insurance; entertainment activities that are non-permissible according to Shariah; manufacture or sale of tobacco-based products or related products; stock broking or share trading on Shariah non-compliant securities; and, other activities deemed non-permissible according to Shariah.
As the governing body for public listed firms in Malaysia, the Shariah Advisory Committee (SAC) of the Securities Commission (SC) has the ability to put pressures by force of law for firms to comply with Shariah rulings pertaining to the environmental issues. Pressures from regulatory religious bodies play an important role in creating the Shariah legal force. Firms are forced to comply with the Shariah requirements to gain the Shariah compliance status.

On the technical side, it is timely for the SAC of SC to provide an equal emphasis to environmental matters, as much as other haram elements such as liquor and tobacco. For instance, liquor is given a detailed consideration by the SAC in defining securities as Shariah-compliant. Firms which have their core activities relate to the ‘manufacture or sale of non-halal products or related products’, are classified as Shariah-non-compliant securities. Firms are also categorized as Shariah-non-compliant even if they do not directly involve in the production of liquor, but portray a negative image by serving it to the customers. In this respect, the classification is made based on the ‘public perception or image’. Both cases show the SAC has made a very strong emphasis on the production and distribution of liquor as haram activities in its categorization of the Shariah-compliant categories. The same emphasis should be enforced in matters pertaining to the environmental issues.

The SAC of the SC should provide clear guidelines and criteria for firms on meeting environmental requirement to be certified as a Shariah-compliant security. At present, Shariah-compliant screening criteria of the SAC do not have any environmental-related component. Thus, firms that operate in a way that caused destructions to the environment may be subjected to penalties under conventional, legal regulations such as Water Pollution. Nevertheless, the same firm will still be classified as Shariah-compliant in the SAC screening process. In view of this, we propose that environmental issues should be considered under the provision of ‘other activities deemed non-permissible according to Shariah’ criterion of the Shariah-compliant screening process. However, due to the difficulty in assessing the impact of environmental destructions caused by industrial activities, the SAC should collaborate with other independent agency such as the Environment Monitoring Agency to be the assessor to firms’ activities. With the use of sophisticated and modern technology, any firms that breach the benchmark set for the environment should be given a set time to change their business practices to conform to best environmental standards. As part of their business transformation, SAC can work with key industry associations to educate and assist firms to transform their business practices to ensure adherence to the best environmental practices. Firms that continue to breach environmental standards should have their status as Shariah-compliant firm revoked.

We also propose environmental issues to be considered in the halal certification, where environmental best practices are taken into consideration as part of the certification process. Clear guidelines should be prescribed for firms to be certified as meeting the halal certification criteria. In this context, JAKIM should engage with the Environmental Monitoring Agency to develop business rules for granting of halal certifications. Firms, products and services that do not conform to best environmental practices should not be granted halal certification.

Besides legal pressures, we also propose regulatory religious authorities, non-religious regulatory and non-regulatory bodies to exert coercive Shariah pressures on firms in the process of instilling Islamic corporate environmental values and practices. The GBI rating issued by the Green Building Index Organization, for instance, can be used as a criterion to categorize firms as Shariah-compliant. With such ruling in place, not only firms are pressured to gain GBI accreditation but also to achieve the Shariah-compliant status.

In addition to the existing categorization of the Shariah-compliant and non-Shariah-compliant firms, regulatory authorities such as the Shariah courts could also introduce Islamic Jurisprudence system based on scientific assessment of business activities similar to secular courts to penalize Shariah-compliant firms that pollute the environment. With new advancements in technology, environmental offences which were previously difficult to quantify are now able to be detected and measured accurately. Air pollution, for instance, can now be easily identified and quantified using the Air Pollution Index (API) scale. In this respect, control mechanisms with objective measures not only serve as a tool to deter Shariah-compliant firms from destructing the environment but also to educate them to value and care for the environment. To ensure effective implementation of Islamic Jurisprudence on corporate environmental management, efforts to educate current Islamic legal fraternity in the country should be given priority.

A combination of Islamic concepts and the current economic approach also represents a feasible way to institutionalization of Islamic environmental value and practices in Malaysia. For instance, Yayasan Waqaf Malaysia (waqf agency) could be used to manage carbon tax transactions from the Shariah-compliant firms. Waqf is a body...
responsible to manage the assets of the donor for the benefits of the defined recipients. The donor or *waqif* is not the owner of the asset and that the ownership can never be reverted. From an Islamic perspective, as long as the assets of the *waqf* is properly managed to provide benefits to the public, the rewards will perpetually flow to the donor. Since Malaysia is heavily reliant on the fossil fuel, the polluter-pay principle is a suitable concept to reduce the fossil fuel consumption among the corporate users. Therefore, it is timely for big emitters of carbon pollution to pay the price for their environmental-damaging activities. The accumulated asset of the *waqf* can be used to finance environmental-related projects and clean-up for the benefits of the general public. Indonesia and Kuwait are among the countries known to have explored the concept of *waqf* in protecting the environment (Budiman, 2011, Al-Enizy, 2009). However, to date, *waqf* has been used in a traditional way to protect the environment in activities such as greening the mosque yards and providing clean water.

6. **CONCLUSION**

Malaysia as a country dominated by Islam and is a leading country in the Islamic financial market and *halal* hub, should have a good record in the environmental care, as required by the *Shariah*. However, the actual environmental condition in Malaysia shows that the *Shariah* call for environmental care is not adhered to. In view of this, we look at environmental issue in Malaysia from the *Maqasid al-Shariah* perspective, which is to safeguard the interests of all beings, including the need to have a balanced environment. As environmental issues are not specifically detailed out in the primary sources of *Shariah* (*Quran* and *Sunnah*), juristic interpretations (*Ijtihad*) of *Ijmak* and *Qiyas* is needed to allow for adaptations to rulings on these issues.

The concept of environment as a *maslaha* or public interest matches the principle of harm prevention under the *Maqasid al-Shariah*. A number of relevant legal Islamic maxims are derived from the harm prevention principle and their applications to environmental protection and care at the corporate level. Based on these associations, we propose a framework for corporate environmentalism in Malaysia from an Islamic perspective.

**REFERENCE LIST**


---

3 The consumption is at 94.6% (1996-2000), 94.8% (2001-2005) and 94.8% (20016-2010) (Worldbank, 2014).
Why Supply Chain Sustainability Matters for Developing Country Apparel Supply Chains: An Integrated Framework

SHOBOD DEBA NATH

PhD Student
School of Management,
Massey Business School,
Massey University,
New Zealand
E-mail: S.Nath@massey.ac.nz (Corresponding author)

ASSOCIATE PROFESSOR GABRIEL EWEJE
School of Management,
Massey Business School,
Massey University,
New Zealand
E-mail: G.Eweje@massey.ac.nz

RALPH BATHURST

Senior Lecturer
School of Management,
Massey Business School,
Massey University,
New Zealand
E-mail: R.Bathurst@massey.ac.nz
**Why Supply Chain Sustainability Matters for Developing Country Apparel Suppliers? An Integrated Framework**

**Abstract:**
Increasingly, sustainability and supply chain management have been raising significant attention from industry leaders, academics and policy makers worldwide. Consequently, many global brand-owning firms are engaging in sustainability programmes in order to improve economic, social and environmental performance within their supply chains. Nevertheless, buying firms are facing challenges to implement sustainability practices at the supplier’s level, mostly when outsourcing from developing country suppliers. Conversely, developing country suppliers face dilemma due to their critical viewpoints towards sustainability standards as specific control mechanisms which could increase manufacturing costs, and eventually reduce competitiveness in the global market. As such, the implementation of sustainability practices is perceived as plain box-ticking exercise, and remains fragmented as institutionalized myths among these suppliers.

Against this background, this study provides an integrated multi-disciplinary framework to understand a) why supply chain sustainability matters for developing country apparel suppliers and b) what mechanisms are likely to emerge for integrating sustainability practices into their supply chains. This framework integrates three multidisciplinary theoretical perspectives, specifically global value chain approach, integrative stakeholder theory, and institutional theory to guide the research inquiry. Based on in-depth investigation from extant literature and other secondary sources, this paper argues that embedding sustainability practices into multi-tier apparel suppliers could be influenced by a confluence of governance mechanisms. These mechanisms are drivers (instrumental and moral) as well as forces (coercive, mimetic and normative), which are forming as a result of sustained demands and pressures from global and local institutional actors. Accordingly, this study develops a series of propositions related to the interactions between global and local governance actors that affect the implementation of sustainability practices among developing country multi-tier apparel suppliers. Thus, the propositions developed in the study can be used for future empirical research and theory development in the context of a developing country multi-tier apparel supply chains.

**Keywords:** Sustainability, Supply Chain Management, Multi-tier Apparel Suppliers, Developing Country
1.0 Introduction

As globalization has increased in importance, the organization of cross-border trade and production has become more evident (Locke, Rissing & Pal, 2013). Geographically dispersed firms and an accompanying outsourcing beyond local jurisdictions has prompted the rise of global supply chains (Locke et al., 2013). Global supply chains are defined as the complex network of quasi-hierarchical long-term relationships between buyers and suppliers, which are driven by global buying firms as lead firms (Gereffi, 1994; Rahim, 2016). The transformation in global supply chains has created employment opportunities and export earnings for the developing countries (Locke et al., 2013). However, intense competitive conditions have led to social or environmental misconduct in the apparel supply factories in developing countries (Locke et al., 2013). For example, in 2013, an eight-storey factory building called ‘Rana Plaza’ collapsed in Bangladesh (D’Ambrogio, 2014). Subsequently, this industrial disaster killed almost 1,138 workers who engaged in producing apparel products for at least 27 global brands including Benetton and Primark (D’Ambrogio, 2014). According to Lund-Thomsen and Lindgreen (2014), poor working conditions, insufficient safety hazards and faulty social audits are the key reasons behind this disaster. This incident has flagged issues around the implementation of supply chain sustainability practices among developing country apparel suppliers (Yawar & Seuring, 2015). Therefore, the need to understand how to integrate sustainability into globally fragmented developing country apparel supply chains, is highly important.

In fact, sustainability and supply chain management have been raising significant attention over the last years from industry leaders, academics, and policy makers worldwide. This can be observed by the global and local daily news around the growing CSR and sustainability activities of global businesses and regulatory platforms. For example, on April 13, 2016, the United Nations Global Compact in collaboration with Global Sourcing Council arranged an event titled “Sustainable Supply Chains: Through the Lens of the 17 SDGs”. In that event, the implementation of supply chain sustainability practices was promoted as a practical pathway to contributing to the achievement of all sustainable development goals (UN Global Compact, 2016). Indeed, the concept of sustainable development, or sustainability, assumes a “holistic, balanced and integrated perspective on development” (ILO, 2007, p. vi), which means that it is more than just economic, or environmental issues. It requires the integration of all three pillars of sustainability, namely, economic, social, and environmental, also known as triple bottom line (TBL), which has been developed by Elkington (1998). Zorzini, Hendry, Huq and Stevenson (2015) argued that the social, environmental and economic dimensions of sustainability are linked with each other, and have some common drivers, enablers and barriers within a supply chain. Nevertheless, there might be differences on the relevance of one dimension in specific industries. For example, the brick-making and leather sectors are acknowledged for its negative environmental consequences while the outsourcing activity of apparel sector is acknowledged for its widespread social misconduct (Lund-Thomsen, Lindgreen & Vanhamme, 2016). Thus, there is need to consider three dimensions of supply chain sustainability simultaneously in specific industry (Seuring, 2013; Hassaini et al., 2012).

Recent Scholarship suggests that global buying firms are engaging in supply chain sustainability programme in order to improve economic, social and environmental performance within their supply chains (Carter & Rogers, 2008). Nevertheless, buying firms are facing challenges to implement sustainability practices at the supplier’s level, mostly when outsourcing from developing country apparel suppliers (Huq, Stevenson & Zorzini, 2014; Silvestre, 2015). Buying firms’ key challenges include the identification of multi-tier suppliers, the assessment of these suppliers’ compliance levels, and the execution of these suppliers’ corrective actions (Grimm, Hofstetter & Sarkis, 2016). Conversely, developing country multi-tier apparel suppliers face dilemma due to their critical viewpoints towards sustainability standards as specific control mechanisms which could increase manufacturing costs, and eventually reduce competitiveness in the global market (Rahim, 2016). As such, the implementation of supply chain sustainability practices is perceived as plain box-ticking exercise, and remains fragmented as institutionalized myths among these suppliers (Jamali, Lund-Thomsen & Khara, 2015). Hence, the implementation of the entire dimensions of supply chain sustainability from multi-tier suppliers’ perspective has remained small in scale (Acosta, Acquier & Delbard, 2014; Grimm et al., 2016).

Against this background, this study aims to provide an integrated multi-disciplinary framework to understand a) why supply chain sustainability matters for developing country apparel suppliers and b) what mechanisms are likely to emerge for integrating sustainability practices into their supply chains. This framework integrates three multidisciplinary theoretical perspectives, specifically global value chain approach, integrative stakeholder theory, and institutional theory to guide the research inquiry. Based on in-depth investigation from extant literature and other secondary sources, this paper argues that embedding sustainability practices into multi-tier apparel suppliers could be influenced by a confluence of governance mechanisms. These mechanisms are drivers (instrumental and moral) as well as forces (coercive, mimetic and normative), which are forming as a
result of sustained demands and pressures from global and local institutional actors. Accordingly, this study develops a series of propositions related to the interactions between global and local governance actors that affect the implementation of sustainability practices among developing country multi-tier apparel suppliers. Thus, the propositions developed in the study can be used for future empirical research and theory development in the context of a developing country multi-tier apparel supply chains.

In the reminder of this article, we proceed as follows. The second section provides a brief summary of recent sustainable supply chain management (SSCM) related literature reviews including sustainability practices of global apparel supply chains. In the next section, this paper outlines an integrated framework for supply chain sustainability examining multi-disciplinary theoretical perspectives, specifically global value chain approach, integrative stakeholder theory, and institutional theory. In the final section, this paper presents the contribution and directions for future research.

2.0 Review of Literature

2.1 Sustainable Supply Chain Management

By addressing the objectives of integrating supply chain sustainability into developing country multi-tier apparel suppliers, this paper is positioned within the field of SSCM (Carter & Rogers, 2008; Seuring & Muller, 2008). Seuring and Müller (2008) defined SSCM as “the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements” (p. 1700). Within the sustainable supply chain, there are three important actors which are focal firms, suppliers and stakeholder groups (Seuring & Muller, 2008). While focal firms play a central role in supply chain management, and cooperation with suppliers to fulfill customer needs is essential, the stakeholders play a more vital role (Seuring & Muller, 2008). Furthermore, Carter and Rogers (2008) conceptualized the discipline of SSCM based on TBL due to the significance of economic, social and environmental performance of sustainability reporting of global businesses. For example, around 68% of the Global 250 firms generated a separate annual sustainability report in 2004 indicating environmental, social, and economic performance dimensions wherein 80% of these reports discuss supply chain sustainability-related issues (KPMG, 2005 cited in Carter & Roger, 2008, p. 361).

At the firm level, economic sustainability includes sustained financial performance, its long-term competitiveness, and firm’s economic impact on stakeholder groups (Steurer, Langer, Konrad, & Martinuzzi, 2005). In addition, Steurer, et al. (2005) defines environmental dimension of sustainability as the protection of natural capital at a certain level which includes three aspects: use resources accountably, avoid emissions, and avoid environmental damages. Some business practitioners consider environmental protection in the form of regulations as anti-business measure which may hinder firms’ competitiveness alongside increase manufacturing costs (Wilkinson, Hill & Gollan, 2001). However, progressive organizations proactively seek ways to improve their environmental performance to address their multiple stakeholders, and achieve reputation and competitive advantage in the marketplace (Epstein, 2008; Porter & Van der Linde, 1995).

On the other hand, social sustainability deals with the management of human and societal capital issues (Huq et al., 2014). Although it is difficult to pinpoint a commonly used human and social capital issues of measuring social sustainability performance,Yawar and Seuring (2015) have broadly identified and defined seven social sustainability issues. These social issues includes labour conditions, child labour, human rights, health and safety, minority development, disabled people inclusion and gender (Yawar & Seuring, 2015). Within the sustainability performance research, the management of social sustainability issues is considered as a latent way of reducing risk and improving economic performance (Klassen & Vereecke, 2012). Thus, it can be observed that many studies investigate SSCM issues under the umbrella of the TBL concept to propose conceptual frameworks for further research, specifically theory building in the field (Carter & Rogers, 2008; Seuring & Muller, 2008). In the context of this paper, TBL concept has also adopted to investigate sustainability practices of global apparel supply chains.
2.2 Sustainability and CSR Practices in Global Apparel Supply Chains

Apparel supply chains are becoming increasingly global (Rahim, 2016) and the rising level of outsourcing to developing countries has emphasized the focus on CSR practices (Zorzini et al., 2015). Typically, the apparel supply chain involves a large number of partners and is relatively long (Gereffi, 1994, Rahim, 2016). The use of water, energy, chemical in the manufacturing process, as well as the generation waste and pollution in the production and transport process of textile and apparel are the main contributors to environmental damage (Gereffi & Lee, 2016; Rahim, 2016). On the other hand, unacceptable working conditions in developing countries such as safety issues in factories, forced labour and low wages are the main contributors to social misconduct in the supply chain (Gereffi & Lee, 2016; Rahim, 2016). Thus, both environmental and social misconducts in the apparel supply chains have brought into sharp focus on entire dimensions of sustainability practices.

Generally, the literature on sustainability and CSR issues associated with global apparel supply chains has concentrated on issues, such as retail buyers’ perceptions and workers’ perceptions (Hughes, 2005), social sustainability of retail buyers and first-tier suppliers (Huq et al., 2014), and a new governance approach in laws (Rahim, 2016). The reported findings from these studies have suggested that the application of sustainability standards such as codes of conduct, ethical/social audits, and multi-stakeholder initiatives are the guiding mechanisms to promote sustainable business practices in the global apparel manufacturing processes (Rahim, 2016). Hence, it is suggested that CSR and sustainability practices have often considered as a compliance mechanism in apparel supply chains (Welford & Frost, 2006).

For apparel suppliers, CSR codes of conduct as compliance mechanism increase costs and eventually reduce competitiveness in the global market (De Neve, 2009). Moreover, these codes are criticized for being framed in corporate headquarters in Europe or North America without any notable involvement from the anticipated beneficiaries in the Global South (De Neve, 2009). Instead, there are no noticeable facilities to be compliant with these codes for apparel suppliers (Rahim, 2016). As such, global apparel buying firms are basically concentrated on the quest for profit maximization through encouraging price competition (Rahim, 2016). Lin (2007, cited in Rahim, 2016, p. 4) defined this situation as “policy schizophrenia”, which drives apparel suppliers to display socially and environmentally responsible practices without actually creating any reforms. Rather these practices are perceived as a plain box-ticking exercise (Ruwanpura, 2013). Therefore, the implementation of CSR and sustainability practices remains fragmented as institutionalized myths in developing countries (Jamali et al., 2015).

For apparel businesses, the costs of not addressing these sustainability issues are rising. The potential costs include reputational risks due to poor labour health and safety hazards, declining market share, as well as inability to attract and retain required workforce in this sector (D’Ambrogio, 2014; McKinsey & Company, 2016). Moreover, it has been estimated that apparel industry accounts 10% global carbon emissions and remains the second largest industrial polluter, second only to oil (Conca, 2015). As the level of competition and consumer spending increases, the apparel industry’s environmental impact in terms of CO2 emissions, water use, and land use could expand greatly by 2025 in developing countries (McKinsey & Company, 2016). Despite the significance of all dimensions of supply chain sustainability of apparel industry, literature barely acknowledges the perspectives and experience of developing country multi-tier apparel suppliers regarding the implementation of sustainability practices. Scholars also claim that the understanding of implementing sustainability practices into supply chains is dynamic and contextual, which requires a bottom up theoretical and empirical exploration in a social context (Lim & Phillips, 2008; Silvestre, 2015; Yawar & Seuring, 2015). Against this background, the implementation of all aspects of sustainability must be urgently addressed by apparel suppliers in the context of developing countries. Based on in-depth investigation from extant literature and other secondary sources, the following discussion introduces the theoretical perspectives on sustainable supply chain management.
3.0 Theoretical Perspectives and Framework

3.1 Theoretical Perspectives

The theoretical perspective in a research proposal reflects the researcher’s theoretical orientation, which plays a role as the filter for focusing and interpreting the data in a qualitative study (Kilbourn, 2006; Van Maanen, Sørensen & Mitchell, 2007). At present, theoretical perspectives linking the notions sustainability and multi-tier supply chains are few and still in its infancy (Tachizawa & Wong, 2014). Several scholars have emphasised the necessity to take opportunity from multiple theoretical perspectives to better comprehend the concepts of sustainability and multi-tier supply chains (Tachizawa & Wong, 2014; Wilhelm, Blome, Bhakoo, Pualraj, 2016). For instance, Wilhelm et al. (2016) applied double agency and institutional perspectives to discover the circumstances relating to three case industries (agriculture, tea, consumer electronics) under which first-tier suppliers will act as agents who fulfill the lead firm’s sustainability requirements (the primary agency role) and implement these requirements in their suppliers’ operations (the secondary agency role). Since global apparel supply chain has recognized as multi-actors, multi-tiered, and geographically dispersed phenomenon, there is a need for an integrated multi-disciplinary perspective to embed sustainability into global apparel supply chain (Quarshie, Salmi & Leuschner, 2016). In doing so, this study aims to employ the global value chain approach, integrative stakeholder theory, institutional theory as the core theoretical lens. The following sub-sections will attempt to address and justify three theoretical perspectives in relation to research questions, particularly to understand the implementation of sustainability practices into developing country multi-tier apparel suppliers.

3.1.1 Integrative Stakeholder Theory

The sustainability model is driven by ever-increasing stakeholder expectations for a more ethical, transparent, and responsible role of firms in society (Epstein, 2008). However, in the wake of the recent Rana plaza disaster in Bangladesh and other human tragedies in developing countries, growing stakeholder demand for the implementation of sustainability practices has extended to the actions of upstream multi-tier apparel suppliers based in developing countries (Huq, Chowdhury & Klassen, 2016). Businesses must address demands of major stakeholders who have the potential to damage businesses’ reputation in the marketplace (Eweje, 2006). This is the key reason why this study will employ the integrated stakeholder theory.

Donaldson and Preston (1995) differentiate stakeholder theory into three categories—descriptive/empirical stakeholder theory, instrumental stakeholder theory, and normative stakeholder theory. While normative stakeholder theory attempts to provide the ethical reason the firm should take into account stakeholder interests, instrumental stakeholder theory attempts to answer whether it is beneficial for the firm to do so (Donaldson & Preston, 1995). In contrast with Donaldson and Preston (1995), Jones and Wicks (1999) propose convergent stakeholder theory, which aims to converge instrumental and normative stakeholder theories. Like convergent stakeholder theory, Horisch, Freeman, and Schaltegger (2014, see table 3.1) propose integrative stakeholder theory, which aims to intimately integrate descriptive/empirical and instrumental aspects with normative cores of stakeholder theory for “managing stakeholder relationships”. Integrative stakeholder theory is relevant since the main concern is to converge all aspects of sustainability, which remains unexplored in the context of the study.

Table 3.1: Different types of stakeholder theory (adopted from Horisch et al., 2014, p. 330)

<table>
<thead>
<tr>
<th>Types of Stakeholder Theory</th>
<th>Focus</th>
<th>Exemplary literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive/empirical stakeholder theory</td>
<td>Description of how companies are managed; identification of relevant stakeholders</td>
<td>Agle, Mitchell, &amp; Sonnenfeld (1999); Donaldson &amp; Preston (1995); Sangle &amp; Ram Baboo (2007)</td>
</tr>
<tr>
<td>Integrative stakeholder theory</td>
<td>Considers the descriptive, instrumental and normative (convergent) aspects of stakeholder theory to be inextricably linked</td>
<td>Freeman (1999); Jones &amp; Wicks (1999)</td>
</tr>
</tbody>
</table>
Managing stakeholder relationships is challenging because of power, legitimacy, and urgency of diverse stakeholders’ sustainability interests (Mitchell, Agle & Wood, 1997). According to Horisch et al., (2014), integrative stakeholder theory is a suitable framework to address challenges for managing sustainable stakeholder relationships through three mechanisms: education, regulations, and value creation. Therefore, this approach is employed in this paper to understand the dynamics (sustainability interests, challenges and mechanisms) among diverse stakeholders for promoting sustainability practices into developing country apparel suppliers.

3.1.2 Global Value Chain (GVC) Approach

A GVC approach suggests two network-centric mechanisms (governance and upgrading) that explain how firms can better understand export-based industries’ operations, patterns, and dynamics to enhance overall performance in the connected global economy (Gereffi, 1999; Lee & Gereffi, 2015). Lim and Phillips (2008) have applied GVC approach for embedding CSR values into buyer-driven global footwear chains. Buyer-driven chains are characterized by labour-intensive supply industries like apparel, toys and footwear where low cost is a major driver, and brand-owning retail buyers govern how the chains work (Gereffi, 1994; Gereffi, 1999). Since the research setting is buyer-driven apparel industry, GVC approach is useful to explain how developing country multi-tier apparel suppliers are embedding sustainability practices into global supply chains.

One of the fundamental mechanisms of GVC approach is governance, which highlights the top-down approach to integrate geographical dispersed economic activities (Gereffi, 1994). According to Ponte and Sturgeon (2014), the GVC “governance as linking” perspective focuses on the numerous inter-firm networks that connect suppliers and global buyers at specific junctures. Gereffi, Humphery and Sturgeon (2005) have suggested five types of GVC “governance as linking”: market (arms-length transactions) and hierarchy (vertical integration), along with three distinctive network-types (modular, relational and captive). It suggests that the particular type of GVC governance is influenced by a blend of three crucial dynamics: the complexity of inter-firm transactions, the codifiability of the transactions, and suppliers’ capability to meet buyers’ requirements (Gereffi et al., 2005). Lee and Gereffi (2015) claims that the GVC governance perspective encompasses the “market–hierarchy” dichotomy in transaction cost economics theory (Williamson, 1985), and offers a most robust typology of inter-firm linkages. Furthermore, this approach has been connected to a vital concern about how opportunities and unequal distributions of rewards for GVC participation can be confronted on behalf of workers and suppliers (Ponte & Sturgeon, 2014). In the context of this paper, this perspective explains how might implementation of sustainability practices among apparel suppliers be impeded and facilitated.

Another fundamental mechanism of GVC approach is upgrading. GVC upgrading focuses the bottom-up approach whereby it highlights the significance of home-grown embeddedness, particularly the views of local suppliers and workers (Lee & Gereffi, 2015). Developing country industrial cluster and global value chain literature suggest three types of upgrading: economic, social and environmental (Gereffi & Lee, 2012; Lee & Gereffi, 2015). These types of GVC upgrading approach are pertinent to integrate three pillars of sustainability in this study. Therefore, the GVC approach is employed in this paper because it allows the researcher to examine diverse streams of governance and upgrading mechanisms to build a broad, cohesive framework for understanding why and how developing country multi-tier apparel suppliers might implement supply chain sustainability practices.

3.1.3 Institutional Theory

Recent scholarship suggests that a wide range of powerful factors and institutional actors external to GVC can shape governance through the impact of social or environmental regulations, civil-society campaigns, and third-party standard making (Campbell, 2007; Ponte & Sturgeon, 2014). Institutional theory provides an overarching framework that explains how firms progressively respond to a combination of pressures from powerful factors and actors within their institutional field (DiMaggio & Powel, 1983). The process of institutional field converges a set of homogeneous business practices, which become the legitimate way to organize within a social context (DiMaggio & Powel, 1983; Meyer & Rowan, 1977). In the context of this paper, the main concern is how the implementation of sustainability practices might become legitimate within developing country apparel supply firms in response to a combination of pressures from global and local actors.
The legitimacy in the process of institutional field is shaped by three types of isomorphic pressures: coercive, mimetic, and normative isomorphic pressures (DiMaggio & Powel, 1983). Coercive pressures are coming from the influence of regulatory authorities through conformity with visibly codified laws (DiMaggio & Powel, 1983). For instance, National Tripartite Plan of Action (NTPA) acts as a regulatory platform to implement fire safety and structural integrity in the apparel sector in Bangladesh, could be considered as a changing coercive isomorphism. Mimetic pressures are occurring when organizations seek legitimacy through coping best practices of successful competitors in face of uncertainty (DiMaggio & Powel, 1983). For instance, apparel suppliers may feel pressured to copy sustainability practices of other successful firms when social or environmental failures are reported in the media worldwide. Normative pressures are coming from educational and professional experts, through which norms and behaviours are accepted as legitimate and transferred to individuals (DiMaggio & Powell, 1983). For example, universities, business schools, and networks of sustainability experts exert changing normative pressures. Thus, these three isomorphic pressures help increase the homogeneity of practices associated with relevant institutions (Scott, 2008).

However, Oliver (1991) claims that outward institutional pressures could encourage not only compliance and compromise (also known as isomorphism) but also avoidance and defiance (also known as heterogeneous response). For instance, heterogeneous response may occur when practices do not reflect local circumstances (Scott, 2008). As such, institutional theory is valuable to investigate how firms are addressing the diversity and dynamic structures of sustainability practices ranging from micro-local context to macro-global context (Aguilera & Jackson, 2003). Therefore, institutional theory allows the researcher to examine why and how apparel suppliers might response to the influence of the institutional pressures regarding the implementation of sustainability practices, and understanding the local ground-level realities concerning apparel suppliers’ practices which may differ from social and environmental audited practices.

To sum up, integrative stakeholder theory is useful to address why developing country apparel suppliers implement sustainability practices within their supply chains. However, this theory cannot fully address issues beyond coercive pressures (Acosta et al., 2014). In this regard, institutional theory examines how do institutional pressures (e.g., isomorphic and heterogeneous forces) influence the implementation of sustainability practices among these apparel suppliers. The main limitation of institutional theory is used as implicit tool. That means, why firms adopt behaviors that conform to normative demands but conflict with the rational attainment of economic goals (Suddaby, 2010). To overcome this limitation, integrative stakeholder theory allows to integrating instrumental aspects with normative core of stakeholder theories (Horisch et al, 2014). Moreover, a wide range of powerful factors and institutional actors external to global value chain can shape governance through the impact of social or environmental regulations, civil-society campaigns, and third-party standard making (Campbell, 2007; Ponte & Sturgeon, 2014). Furthermore, the tensions between business-driven and multi-stakeholder forms of CSR and sustainability extend to the transactional level, where the form and meaning of CSR and sustainability remain highly contested (Brammer, Jackson & Dirk Matten, 2012). With respect to the implementation of sustainability practices into developing country apparel supply chains, both integrative stakeholder theory and institutional theory can be applicable to integrate and better understand the roles and influences of these external institutions and powerful actors (Brammer, et al., 2012; Campbell, 2007; Horisch et al, 2014; Ponte & Sturgeon, 2014). Thus, despite several challenges relating to integrating these three theoretical perspectives, allof them complement each other and have been used as effective tools in the context of sustainable supply chain management related issues. The next section presents an integrated framework based on these theoretical perspectives.
3.2 Theoretical Framework

According to Miles and Huberman (1994), a theoretical framework represents “either graphically or in narrative form, the main things to be studied - the key factors, constructs or variables – the presumed relationships among them” (p. 18). This research attempts to propose an initial framework based on previously mentioned theoretical perspectives which will function as a “shell” for the assembled empirical data (Miles & Huberman, 1994).

To summarize, an initial theoretical framework for embedding sustainability practices into developing country multi-tier apparel suppliers is illustrated in Figure 3.2. According to the framework, embedding sustainability practices into Bangladeshi multi-tier apparel suppliers would be influenced by a confluence of forces/views: integrative view and sociological view. Integrative view is basically composed of instrument and normative reasons that lead apparel companies to integrate sustainability practices. On the other hand, sociological view refers to sustained isomorphic pressures (coercive, mimetic and normative) as well as heterogeneous pressures from multiple global and local institutions and relevant stakeholders that lead apparel suppliers to integrate sustainability practices into their supply chains. The conceptual framework of Seuring and Müller (2008) also suggest that the focal firm passes pressures, deriving from external demands such as non-governmental organizations (NGOs), on to suppliers, with the purpose of encountering the challenging issues relating to supplier risk and performance management practices, particularly supply chain management for sustainable products. Likewise, Luken and Stares (2005) argued that global buyers’ pressure continues to be a major factor prompting apparel suppliers’ improvement, usually with specific CSR practices as prerequisite to gain buyers’ orders. Non-governmental organizations’ (NGOs) reaction in the form of public demonstrations to poor working conditions is another major factor in advancing the sustainability practices (Huq et al., 2016). Furthermore, the media play a vital role by observing and reporting on social and environmental failures, which sensitise consumers and other stakeholders (Park-Poaps & Rees, 2010). For example, with intense publicity regarding the recent Rana Plaza disaster in Bangladesh by media, sustainability issues in apparel supply chains are becoming better known within the global consumers (Rahim, 2016). Therefore, major stakeholders such as global buying...
firms, final consumers, NGOs and the media put mounting pressure on apparel suppliers to implement the sustainability practices.

Grob and Benn (2014, pp.14–16) investigated the applicability of institutional theory to explain the adoption of sustainable procurement. They found that diverse institutional mechanisms could help the transmission of sustainable procurement such as coercive mechanisms (regulation, public procurement policies and programs, and supplier assessment programs), mimetic isomorphism (voluntary frameworks, environmental management systems, and sustainability programs and alliances), and normative pressures (educational institutions and professional bodies and associations). However, apparel suppliers may face a variety of barriers and enablers towards the implementation of sustainability practices into their production and supply networks.

With regard to barriers, Perry and Towers (2013) pointed out at the difficulties of code implementation of developing country suppliers in the highly competitive, dispersed and complex nature of the apparel industry. The main reasons behind this obstacle are the confusion among suppliers due to the lack of uniformity across buyers’ codes of conduct, increased costs to implement codes, lack of incentives from stakeholders, and lack of workers’ training and monitoring. In the course of pursuing economic benefits, faulty social and environmental auditing processes from the part of both third party auditors and suppliers are another crucial barriers to implement supply chain sustainability practices into developing country apparel suppliers. Moreover, developing country apparel suppliers do not have trust in strong unions as they perceive it would be disruptive to supply chains and thus weakening to corporate control (Anner, 2012). Another key barrier is factory workers’ lack of awareness about labour rights since they are mostly not educated (Huq et al, 2014).

On the other hand, the most crucial support a supplier can receive is that of the buyers’ or stakeholders collaboration and assessment efforts (Koksal et al., 2017). Besides, top management and suppliers’ orientation towards sustainability commitment is another key enabler to integrate supply chain sustainability of apparel suppliers (Perry & Towers, 2013). Furthermore, the development of one uniform code of conduct among supplier, including all requirements of various buyers, can be helpful to increase clarity and ease the supply chain sustainability compliance process (Huq et al., 2014). Thus, this broad framework illustrates the network of complex relationships among global apparel buyers and developing country multi-tier apparel suppliers.

In parallel with this conceptual framework, we develop several propositions related to the interactions between local-focused and global-focused institutional dynamics to embed holistic sustainability into the network of developing country multi-tier apparel suppliers.

**Proposition 1:** Vertical governance (a confluence of global institutions and actors) can put pressure on global buying firms to extend sustainability into the global apparel supply chains.

Since the nature of global apparel chains is buyer-driven, developing country apparel industry is confined in the “iron triangle” of global brand-owing retailers who demand lowest prices with high quality alongside quick delivery (Brown, 2011 cited in Haque & Azmat, 2015, p.17). Moreover, most suppliers are often culturally diverse and geographically dispersed, buying firms may be sluggish to maintain and monitor their relationships (Wilhelm, Blome, Bhakoo, Pualraj, 2016). As a result, global buying firms ignore (or decouple) the resilience of upstream developing country suppliers as well as the plight of workers and local community (Jamali et al., 2015). However, companies that bypass their sustainability and CSR goals (for example, by outsourcing their raw materials or finished products from suppliers using child labour) leave themselves exposed to bad publicity, sustained stakeholder pressures to their activities, and even consumer boycotts (Gray, 2004). Likewise, international social and environmental activists often raised their voices against these global buying firms (Taplin, 2014). For example, many North American and European human-rights groups raised their voices and argued that Western brand-owing buying firms should be held accountable for Rana Plaza disater in Bangladesh (Taplin, 2014). Furthermore, international government procurement policies and programs as coercive mechanisms have the potential ways to put pressure on global brand-owing retailers with regard to promoting sustainability practices along the global supply chains (Grob and Benn, 2014).

In fact, global buying firms have a substantial role to execute and ensure sustainability policies and practices in the global supply chains as they are the buyers of developing country apparel suppliers (Hoskin, 2011). For example, because of the increasing consumers’ bargaining power as well as sensitivity regarding social and environmental issues and their respective effects on industrial firms in the United Kingdom, normative pressures usually shift along the supply chains from consumers to manufacturing suppliers (Hill, 1997). Likewise, numerous multinational corporations face coercive and mimetic isomorphic pressures to meet overt CSR criteria in their operations through membership of business alliances (such as UN Global Compact and Dow Jones
Sustainability Index) alongside social and environmental standards (such as International Standard Organization’s (ISO) 14000 series, Global Reporting Initiative (GRI), SA 8000, Ethical Trading Initiative (ETI), International Labour Organization (ILO) conventions, EU’s Eco-management and audit scheme (EMAS) and so on) via MNC-led supply chains linked in the developing countries of the Global South, where there are weak governance institutions and instruments (Matten & Moon, 2008). Therefore, it is expected that vertical governance can put pressure on global buying firms to extend mutually holistic sustainability interests along the global supply chains.

**Proposition 2:** Horizontal governance (a confluence of local institutions and actors) can enable to engage developing country apparel suppliers effectively into the network of global production.

If developing country apparel suppliers are not devoted to organize dialogue among local external and internal stakeholders (i.e., social and environmental activists, local government, local NGOs, domestic labor union, industry associations, and local media), communities are likely to absence the power to create their voice heard (Garvey & Newell, 2005). Lund-Thomsen and Nadvi (2010) conducted a study to explore the tensions that arise between demands for CSR compliance found in many global value chains and the search for locally appropriate responses to these pressures. They also argued that local collective action, expressed through industry associations, can perhaps not only decrease costs but also stimulate home-grown incorporation of CSR initiatives. This study differentiated global value chains in terms of two categories wherein highly visible’ value chains, directed by globally famous brands as lead firms and ‘less visible’ chains, directed by less dominant small brands (Lund-Thomsen & Nadvi, 2010). According to further findings of their study, in less visible value chains horizontal governance played a vital role in case of initiation, execution and funding of joint action CSR responses. Similarly, Lund-Thomsen, Lindgreen and Vanhamme (2016) have recently offered several propositions whereas they argued that less visible global value chains linking developing country’s industrial small and medium industrial clusters, labor rights violations and environmental pollution are extensive, because the dynamics encouraging CSR policies and practices are either inadequately present or entirely absent. The fundamental challenges behind this argument are: non-enforcement of domestic regulations, developing country suppliers’ bribing practices, owners-suppliers’ dominance over local trade unions, Small and medium suppliers’ lacking CSR awareness/capacity, third-party sub-contracting processes with informal low-tier suppliers, inadequacy of industrial suppliers’ upgrading and governance (Lund-Thomsen et al., 2016). Developing countries’ apparel suppliers alone cannot able to overcome these challenges, instead with the help of industry associations or private-public partnerships these suppliers can increase competitive advantages by engaging in joint action (Nadvi, 1999). Moreover, the development of course curriculum within normative institutions such as universities, business schools and technical training institutes can encourage awareness of the significance of high social and environmental standards wherein industry associations can enable to embed these standards among developing country suppliers (Campbell, 2007; Lund-Thomsen et al., 2016 ). Therefore, it is expected that horizontal governance (a confluence of local institutions and actors) can enable to engage developing apparel suppliers effectively into the network of global production as responsible local entities.

**Proposition 3:** Holistic sustainability governance (a combination of vertical governance and horizontal governance) can enable to embed the entire dimensions of sustainability across the developing country multi-tier apparel supply chains.

Compliance with global buying firm’s standard code of conducts (vertical private governance) is prerequisite for developing countries suppliers to have access into globalized trade and production networks (Nadvi, 2008). However, an arrangement of joint governance can be more operational than private, public, or social governance alone in attaining sustainable developments, particularly working conditions in developing countries (Locke et al., 2013). Such kind of arrangement of joint governance has existed since many global buyers’ codes of conduct (vertical private governance) necessitate their suppliers to abide by local regulations (horizontal public governance) (Kolk & van Tulder, 2004). For instance, the Better Work Program (vertical public governance), a partnership between the ILO and the International Financial Corporation (IFC), premises its “conditionality” on compliance with local labor standards (horizontal local public governance). In Cambodia, the Cambodian government and the Cambodian Garment Manufacturers Association (CGMA) functioned with the ILO and the U.S. government to improve labor conditions in the sector, while simultaneously confirming the entrance of the local manufacturers in the U.S. market (Polaski, 2006).

Developing country’s suppliers in highly visible value chains were stimulated to incorporate collective CSR responses because of international media exposures, the threat of import bans, international aid organizations, and global supply chains governance pressures (Lund-Thomsen & Nadvi, 2010). Nevertheless, Welford and Frost (2006) pointed out that either global buying firms or local suppliers alone cannot capable to integrate and
continue sustainability strategies and practices in the global supply chains in the absence of state enforcing laws and standards particularly in Asia-Pacific region. According to reported findings, the reason behind this argument is that global buying firms cannot voluntarily implement local laws and standards in their supply chains due to the absence of legal backing as well as long-term resource commitments (Welford and Frost, 2006). As argued by Rahim (2016) “a new governance approach in law can assist in improving social responsibility performance of the labour-intensive manufacturing firms, particularly RMGs in developing countries where global buying firms are profit-driven and government agencies are either inadequate or corrupt” (p.1). Meanwhile majority manufacturers in developing countries are unwilling to take responsibility for the environmental and other impacts of their activities, achieving holistic sustainability governance would not be easy with the absence of government will (Belal et al., 2015). As a result, CSR and sustainability have been regarded as the tools of privatized governance in absence of steady home-grown regulation as well as lack of government will to enforce that regulation (Mayer and Pickels, 2011). Thus, it is necessary to form “holistic sustainability governance” via coalition power based on alliances of diverse forms of vertical and horizontal governance.

4.0 Conclusion and Directions for Future Research

Based on the outcome of this paper, the authors can conclude that the implementation of supply chain sustainability of apparel industry is problematic, as the supply chain is globally fragmented, with numerous multi-tier suppliers located in developing countries and thus lacks transparency. As a consequence, many global brand-owning buying firms are struggling with the embeddedness of sustainability into the complex global supply chains, particularly when outsourcing from highly labour-intensive multi-tier apparel supply factories based in developing countries. On the contrary, developing country multi-tier apparel suppliers face dilemma due to their critical viewpoints towards sustainability standards as specific control mechanisms which could increase manufacturing costs in the global market (Rahim, 2016). While the scholars who investigate these phenomenon tend to concentrate on diverse echelons of exploration ranging from global to local level- there is still a need for explicit framework that displays why supply chain sustainability matters for developing country apparel suppliers, and what mechanisms facilitate holistic sustainability governance to become institutionalised within developing country labor-intensive multi-tier apparel suppliers.

In response to growing implementation debate, pressures, and challenges over the critical investigation link to the new kind of supply chain governance and upgrading, this article has argued that a holistic sustainability governance framework (e.g., a convergence of horizontal and vertical governance) could be employed to embed mutually sustainability interests into the complex global apparel supply chains liking developing countries. In doing so, this article offers three propositions in parallel with this framework, and illustrates the network of complex sustainability relationships among global buyers and developing country multi-tier apparel suppliers across the apparel supply chains. First proposition is that vertical governance (a confluence of global institutions and actors) can put pressure on global buying firms to extend sustainability into the global apparel supply chains. Second proposition is that horizontal governance (a confluence of local institutions and actors) can enable to engage developing country apparel suppliers effectively into the network of global production. CSR and sustainability may be regarded as the tools of privatised governance in absence of steady home-grown regulation (Christopherson and Lillie, 2005; Mayer and Pickels, 2010). Thus, holistic sustainability governance could be achieved through forming a coalition power based on alliances of diverse forms of governance mechanisms (a combination of vertical governance and horizontal governance).

This study contributes to the business ethics and sustainable supply chain management scholarship in a number of ways: First, based on in-depth literature review, this study has focused explicitly on the conceptualization of an integrated supply chain sustainability governance framework for developing country apparel suppliers. Researchers have indicated the importance of supply chain sustainability from multi-tier suppliers’ perspective; however, explicit models remain relatively unexplored (Acosta et al., 2014; Tachizawa & Wong, 2014), which has been the central aim of this paper. Second, this broad framework provides several useful and timely implications for both academic and practitioners as they require to have an up-to-date knowledge and insights of implementing all dimensions of sustainability practices in the context of developing country multi-tier apparel suppliers’ perspective. Finally, this study contributes to policy-making in apparel suppliers of developing countries (Bangladesh, India, Pakistan, Sri Lanka, Vietnam, Indonesia, and Cambodia) by providing robust recommendations for improving CSR and sustainability practices- in terms of increasing and leverages the
resources and capabilities of lower-tier suppliers, and foster resilience and reduce vulnerability among nearby communities.

The major shortcoming of this paper is that it has focused only on a specific industry based on existing literature review. Future research endeavors should focus on improving holistic sustainability governance framework by taking an in-depth look at specific sub-bodies from a research methodology viewpoint, either qualitatively or quantitatively. For example, it can be an exploratory multiple case study design to explore the perceptions and experience of a developing country multi-tier apparel suppliers including sub-suppliers (suppliers' supplier or second-tier or third-tier suppliers) in an embedded industry or multiple industries. Although it is challenging task for a subsequent quantitative study, testing our propositions against a large cross-sectional data set would allow drawing more generalized conclusions regarding the effectiveness of operating developing country multi-tier apparel suppliers under the umbrella of the sustainable supply chain management principles. Moreover, more attention is required to examine institutional decoupling of CSR and supply chain sustainability in the developing world to govern their saliences, dynamics and extents. Likewise, forthcoming research is needed to investigate empirically whether apparel supply chain sustainability of developing world is simply a story of the “Emperor’s new clothes”- all appearance, tools of promotion, and little real content (Jamali et al., 2015).

References:


Sustainable Coffee Supply Chain Management: A Case Study in Buon Me Thuot City, Daklak, Vietnam
Abstract

This paper aims to analyse and discuss the evolution towards sustainable coffee supply chain and its management in Vietnam. Coffee is a major agricultural export commodity of Vietnam with the export value accounts for 3 per cent of national GDP in 2014 and provides a livelihood for approximately 2.6 million people. However, the sector is facing enormous challenges as the current farming methods and processing infrastructure have been unsustainable resulting in many catastrophic impacts on the environment such as deforestation and soil degradation that have the potential to lead to a decrease in the quality of coffee beans. Using a case study in Buon Me Thuot City, Daklak, Vietnam, the paper analyses the key factors influencing the sustainable coffee supply chain management in Vietnam. Our analysis confirms that although productivity is high, and farmers have positive experiences in this sector, sustainability issues are emerging. For instance, the farmers have experienced soil erosion and a lack of water and as such are now more willing to incorporate sustainability initiatives in their production and processing.

Keywords

Coffee supply chain – Sustainability – Case study – Vietnam
1. Introduction

Coffee is a major agricultural export commodity of Vietnam with the export value accounts for 3 per cent of national GDP in 2014 and provides a livelihood for approximately 2.6 million people (Vietnam Customs, 2015). Following Brazil, since 2000 Vietnam has continuously been the world’s second-largest exporter of coffee, typically to EU and US markets, which shows a positive outlook for the future of this sector (Marsh, 2007). However, numerous challenges need to be overcome in order to make it happen. Due to the fact that current farming methods and processing infrastructure have been unable to keep up with the development of the sector, many catastrophic impacts on the environment – such as deforestation and soil degradation – have the potential to lead to a decrease in the quality of coffee beans. Less than 10 per cent of Vietnamese coffee is grown sustainably, compared with 75 per cent in Latin America (Mistiaen, 2012). With the increase in global demand, the supply of Vietnamese coffee is being threatened by unsustainable farming practices. Hence a sustainable supply chain is crucial to the development of the Vietnamese coffee industry. The government is aiming to reach 65 per cent of sustainable coffee production by 2018, which will help to preserve the environment, improve the living standards of the farmers and ensure a steady coffee supply for food processors (Mistiaen, 2012). The purpose of this paper is to study the current situation of the supply chain of Vietnamese coffee in Buon Ma Thuot City, Dak Lak Province, Vietnam, to examine the issues related to sustainable development and to build up a logistic model that will explain the correlation between those factors and the decision to join the sustainable coffee program. This study aims to improve the supply chain practices of sustainable coffee in Vietnam and to increase the competitive advantages of the commodity, as well as to help coffee farmers to be more flexible in a constantly changing market.

This research investigates the opinions of local farmers through quantitative surveys. Qualitative interviews are also used to interview 23 local collectors and the staff of five famous
large coffee manufacturing companies to provide an overview of the situation. SPSS was used to analyse the data and run the logistic regression model. The data were complemented by documentary analysis, including internal data and interview documents.

The paper provides empirical research about the sustainable supply chain in coffee farming methods in Buon Me Thuot City. The study found that although productivity is high, and farmers have positive experiences in this sector, sustainability issues are emerging. The farmers have experienced soil erosion and a lack of water. A logistic regression model is established based on the collected data to explain the relationship between the dependent variable ‘Certificate ownership’ and the independent variables ‘Productivity’, ‘Local support’ and ‘Experience’ to help sustainable coffee organisations forecast the probability of farmers obtaining a sustainability certificate in their current situation; this will help to choose promising candidates to develop sustainable programs.

The research has some limitations. For instance, it does not measure the financial benefits of sustainable coffee; therefore, future research should focus more on the financial aspects of sustainable coffee farming.

Nevertheless, the paper helps to consolidate the position of the Vietnamese coffee brand on the international market, to improve the livelihood of famers and to conserve the environment in Vietnam and will help fulfil the goal of improving the supply chain of Vietnamese coffee to develop sustainable practices.
2. Literature review: Sustainable supply chain management

Interest in sustainable supply chain management has increased significantly in both academic research and industrial practices since the minimisation of the adverse impacts of human activities and the maintenance of sustainable social development have become central concerns globally (Beamon, 1999; Prokesch, 2010). First, sustainability is defined as the capability to meet current demands without compromising the ability of future generations to meet their needs (World Commission on Environment and Development, 1987). Thus, a policy of sustainability has gradually been adopted and considered in business strategies. Linking sustainability and supply chain management means managing a complete supply chain lifecycle, from product design and consumption to return and disposal, with the explicit considerations of sustainable development factors such as economic, environmental and social elements (Kolk & Tulder, 2010). A sustainable supply chain is essential for competitiveness with regard to price, quality, dependability, flexibility and responsiveness (Markley & Davis, 2007). It also can bring higher customer satisfaction, innovation, efficiency, trust, flexibility and environmental conservation, as well as better living standards (Ageron, Gunasekaran, & Spalanzani, 2012; Brammer, Hoejmose, & Millington, 2011). Moreover, a rising number of significant issues on sustainability and sustainable supply chain management have been seen as impacting on the enterprise’s upstream relationships (Beske, Koplin, & Seuring, 2006) and its downstream customer satisfaction (Ageron, Gunasekaran, & Spalanzani, 2012).

In today’s world agriculture has to be more intensive to feed a booming world population, but it also needs to be both sustainable and ethical. Sustainable agricultural supply chain management can be understood as managing resources and risks to create a more effective, efficient and productive supply chain network in order to produce more valuable and competitive agriculture commodities from the same land area while reducing negatively
environmental impacts and increasing contributions to environmental improvements and the development of societies (Pretty, Toulmin, & Williams, 2011). Furthermore, cross-border supply chains are admittedly becoming increasingly popular in agriculture. Local farmers in developing countries have connections with traders in developed countries to sell their products at higher prices, achieving a vertical cross-border supply chain network (Jaffee & Siegel, 2008). Cross-border supply chains not only make profit for individuals or separate companies, but can also stimulate the development of local agriculture, boost the economy, reduce the unemployment rate, develop the sustainability of the societies and environment, and secure global food security (Roekel, Willems, & Boselie, 2002). However, when a cross-border supply chain becomes more popular in the agricultural sector, the supply chain will experience increasing risks. For this reason, managing a sustainable supply chain is vital in order to maintain long-term business relationships and stabilise the economic development of the world (Farina & Reardon, 2000). According to the Department for Environment, Food and Rural Affairs (Department for Environment, Food and Rural Affairs, 2002), sustainable agricultural supply chain management can be understood as managing resources and risks to create a more effective, efficient and productive supply chain network in order to produce more valuable and competitive agriculture commodities from the same land area, while reducing negative environmental impacts and increasing contributions to environmental improvements and the development of societies.

2.1 The introduction of certified sustainable coffee

This paper aims to investigate the management of the sustainable coffee supply chain. According to (Giovannucci & Koekoek, 2003), sustainable production practices are the best solution to improve the situation and bring better quality coffee to customers. Sustainable production is a relatively new initiative for the coffee industry, but growing numbers of
customers are willing to purchase certified sustainable coffee. There are also significant benefits for approximately three quarters of a million farm households around the world and society more generally. Certified coffees are currently defined as those that consider at least one aspect of sustainability, including farming in a good-quality environment, providing economically viable for farmers and promoting social equity among farmers and workers (Giovannuccia & Ponte, 2005). It helps stakeholders in the coffee supply chain network to preserve the environment, appreciate human and social rights, and offer customers traceable and high-quality products (Wahyudi & Jati, 2012). The certifications for sustainable coffee are verified by third-party auditors to ensure that coffee is produced in accordance with the guidelines. Producers or buyers have to pay different fees related to certification, but will receive a higher economic benefit through premiums paid when they sell their coffee (Lentijo & Hostetler, 2011). Currently, the most common and famous types of certifications including Organic, Fairtrade, Rainforest Alliance, Bird Friendly, UTZ certified, Starbucks C.A.F.E Practices and 4C. General criteria for common certification programs for coffee are presented in Table 1 (Lentijo & Hostetler, 2011).

### Table 1: General criteria of common certification programs for coffee

<table>
<thead>
<tr>
<th>Certification Seal</th>
<th>Environmental Criteria</th>
<th>Social Criteria</th>
<th>Economic Criteria</th>
<th>Quality Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairtrade</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Rainforest Alliance</td>
<td>✓ ✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bird-friendly</td>
<td>✓ ✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UTZ Certified</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Starbucks C.A.F.E</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4C</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Moderate criteria - ✓: Very Strong criteria

Source: (Lentijo & Hostetler, 2011)

### 2.2 The supply chain and sustainable issues of Vietnamese coffee
According to (TechnoServe, 2013) in Vietnam, approximately 95 per cent of coffee growers are smallholder farmers, and coffee brings highly profitable incomes for them. Moreover, Vietnamese coffee has the highest yields and the lowest farming cost in the world that means Vietnamese coffee is very potentially competitive in the world market (The Voice Of Vietnam, 2014; Minot, 1998; Ward & Nguyen, 2014). But the high yields also result from intensive farming practices deployed with the fact of over-fertilisation for coffee tree that could lead to the very detrimental decline in the future production (Vietnam Briefing, 2014).
Figure 1: General supply chain of Vietnam’s coffee

Figure 1 illustrates the supply chain of Vietnam’s coffee. In this chain, supporting industries play roles as input providers, including coffee seedling providers, plant protection sellers and fertiliser sellers.

According to (Le, 2013; D’haeze, Deckers, Raes, & Loi, 2005), although they are well experienced in planting coffee, Vietnamese farmers’ lives have not been improved due to the high risk of the production environment and market conditions. The added value they gain remains the lowest in the entire chain of coffee production (Le, 2012). There are some major risks faced by farmers, which could make the supply chain unsustainable. These are listed in Table 2 (Minot, 1998).

Table 2: Major risks to Vietnamese coffee supply chain
Data from the (International Coffee Organisation (ICO), 2015) showed that only 9 per cent of total exported Vietnamese coffee is sustainable. It also revealed different challenges for coffee industry in different countries, as shown in Figure 2.

**Figure 2: Challenges of coffee industry in different areas**

State-owned (provincial) farms, which account for just 15 per cent of the coffee-growing area, are organised and managed by governmental cooperation (Nguyen, 2010). They produce high-
quality coffee with professional farming techniques. The private farms accounted for 85 per cent of the total area operated by household farmers (less than 5 ha per household). Although they receive some support from local authorities, their farming methods are still below certification standards for coffee. However, sustainability programs have concentrated mainly on high-yield farmer segmentation. Therefore, many problems that need to be tackled in order to increase the production of sustainable certified coffee in Vietnam.

2.3 Conceptual framework to manage the supply chain of sustainable coffee

Similar to the work of (Iakovou, Vlachos, Achillas, & Anastasiadis, 2014), this research is based mainly on the methodological framework for sustainable supply chain management in agricultural business, as shown in Figure 3. The framework helps to deal holistically with all aspects of the chain. This framework is then modified to fit the objectives of the research in Vietnamese coffee.

Source: (Iakovou, Vlachos, Achillas, & Anastasiadis, 2014)

**Figure 3: Conceptual framework for sustainable supply chain management for coffee**

Six main factors need to be focused upon to build up a sustainable supply chain network:
• **Sustainable farming.** This relates to the replacement of chemical pesticides and fertilisers with bio-fertilisers for weed and pest control. The management of waste-disposal processes, controlling the source and amount of water consumption for irrigation and the use of energy-saving systems could also draw a lot of attention.

• **Supply chain management:** This pays attention on the innovation of supply chain and logistics management to reduce energy consumption and control the pollution levels from the transportation and production process, especially for those agricultural products that need timely and cold delivery. The support of information systems also proves to be crucial with regard to this aspect.

• **Marketing:** This focuses on pricing policies of companies for premium products; product differentiation in terms of labelling, promotion strategies, etc.; consumers’ attitudes and awareness of sustainable products; and the strategic development of the product life-cycle.

• **Environmental management:** This concentrates great attention on biodiversity; soil quality; natural resources; climate change; air and water quality; and emission reductions in production and logistics activities.

• **Reverse logistics:** This relates to the recycle of containers, packaging materials and the use of environmentally friendly materials.

• **Corporate social responsibility (CSR):** This concerns the harmony of using natural and local human resources to tackle inequality, poor living standards and low education levels in the rural area.

### 3. The methodology and model

#### 3.1. Research design

Due to the nature of the research, an empirical multiphase mixed methods approach was used to examine different perspectives of the coffee supply chain to investigate sustainability
implementation and its effects on the coffee supply chain in Vietnam. A plausible explanation for this design is that different groups of interviewees require different methodologies in order to fully access the most available information and achieve the goal of the research.

3.1.1. Qualitative research methodology

A qualitative methodology was utilised to examine the opinions of experienced professionals in well-known coffee manufacturing companies and local coffee collectors. They have good knowledge about the research topic and high educational levels that ensure the accuracy and reliability of the responses. It helps to provide an in-depth investigation of the real impacts of sustainable certification practice on their business, which quantitative questions cannot access and evaluate precisely.

3.1.2. Quantitative research methodology

A quantitative methodology was utilised to examine the current circumstance of sustainable behaviours and how sustainability certification practices are measured in terms of farming methods, social security and the knowledge of sustainable coffee production by farmers. They have experience of the current situation and the basic knowledge to answer these simple and clear questionnaires. The information produced by quantitative research is then used to run the regression, and run an ANOVA analysis to check the relationships among the variables.

3.2. Research population and sampling

3.2.1. The population of the research

The population of the research is a collection of key stakeholders including coffee farmers, local coffee collectors and five coffee manufacturing companies in Buon Ma Thuot City. The population excludes the participation of final customers because 95 per cent of Vietnamese coffee production is exported to developed countries and consumption of sustainable coffee has increased significantly, as mentioned in the literature review section. Hence it is quite clear
that customers show considerable support for sustainable coffee, and the development of sustainable coffee depends mainly on the collaboration of the listed stakeholders.

### 3.2.2. Research sample

To fit with the research design, the sample of the research comprised a group of approximately 140 private coffee farmers in Buon Ma Thuot City whose coffee is partly or wholly sold to well-known coffee processing companies and the local collectors for these farmers. It also included 23 participants from five large coffee processing companies to examine their opinions and experience with the purpose of analysing the current sustainability practices of the coffee supply chain and identifying weaknesses in order to make improvements.

Although the size of the sample seems small, it is still representative and controllable to ensure the generalisability of the results. Most private coffee farms are planted using the same farming methods (Nguyen, 2010). The companies that were examined were the major and best-known coffee processing companies in Vietnam, accounting for nearly 25 per cent of the market share (Ipsos Business Consulting, 2013). The companies also have experience in developing certified sustainable coffee. They were awarded a UTZ Certificate for sustainable coffee cultivation in coordination with local coffee farmers in Eatul commune, Cư Mgar district, Dak Lak Province.

This is a purposive and controlled sample, so the surveyed participants needed to have a number of characteristics:

- In the interview with the coffee processing companies, interviewees had to be staff or former staff in the purchasing department or in coffee processing factories in both Ho Chi Minh City and Buon Ma Thuot City. They all had a good understanding of the supply chain network and sustainability practices in the coffee processing industry.
- The survey of farmers had to be random and include both male and female workers. The surveyed farmers could plant either sustainable certified coffee or normal coffee.
All the surveyed coffee growers and collectors had to wholly or partly sell their product to the factories of these companies.

3.3. Conceptual framework for the research

Based on the conceptual framework mentioned in the literature review, three different interview stages were conducted.

Firstly, 137 close-ended quantitative survey questionnaires were given to local coffee farmers in Buon Ma Thuot City, Dak Lak Province to investigate the current farming methods, environmental issues and social attainment in this research area. These questions were simple and required little time to finish, encouraging interviewees to complete the survey. The author strictly monitored and followed up the quantity and quality of the responses. The questionnaires concentrated mainly on current farming methods; environmental issues; social attainment and the sustainability knowledge of surveyed farmers.

![Figure 4: Conceptual framework to interview coffee farmers](image)

Open-ended questionnaires were then used to ask 23 experienced representatives of five major coffee processing companies and local coffee collectors about experience and to elicit information. For the collectors, questionnaires were focused on reverse logistics, supply chain management issues and the knowledge of sustainability. For the coffee processing companies, questionnaires concentrated on organisational-level issues, including supply chain
management; reverse logistics; corporate social responsibility (CSR); and environmental management. These frameworks are presented in Figures 5 and 6 below.

**Figure 5: Conceptual framework to interview local coffee collectors**

**Figure 6: Conceptual framework to interview staff of coffee manufacturing companies**

**4. Data analysis and findings**

**4.1. Current farming methods**

According to the survey results, coffee growers in the surveyed area have considerable experience (more than 10 years) in cultivating coffee, but they are mainly small household coffee farmers (2–5 ha), which conforms to the previous figures in literature review. Furthermore, coffee trees in this area are mostly mature (11–20 years) – a very important factor to the productivity of
crops. Moreover, the data prove the coffee farms are highly productive in comparison with the average yield of Vietnam.
Table 3: Descriptive statistics about the coffee farming (data collected from the survey)

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of experience</td>
<td>137</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4453</td>
<td>.96953</td>
</tr>
<tr>
<td>Total area</td>
<td>137</td>
<td>1.00</td>
<td>3.00</td>
<td>1.8102</td>
<td>.64777</td>
</tr>
<tr>
<td>Productivity</td>
<td>137</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4891</td>
<td>1.03694</td>
</tr>
<tr>
<td>The years of coffee farm</td>
<td>137</td>
<td>1.00</td>
<td>3.00</td>
<td>1.7883</td>
<td>.62345</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>137</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(With years of experience: ‘1.00’: < 5 years, ‘2.00’: 5-10 years, ‘3.00’: 10–15 years, ‘4.00’: >15 years; total area: ‘1.00’: < 2ha; ‘2.00’: 2-5 ha; ‘3.00’: >5ha; productivity: ‘1.00’: < 2 tons/ha, ‘2.00’: 2-4 tons/ha, ‘3.00’: 4–6 tons/ha, ‘4.00’: >6 tons/ha; and years of coffee farm: ‘1.00’: < 10 years, ‘2.00’: 11–20 years, ‘3.00’: > 20 years)

However, just 43.1 per cent (59 of 137) of surveyed farmers stated that they were currently planting shade trees to protect their farms against soil degradation. Furthermore, 57.7 per cent of samples (79 of 137) said they were using both organic and chemical fertilisers, with only 38.7 per cent (53 of 137) stating that they only use organic fertilisers. A total of 70.1 per cent (96 of 137) admitted that they had used large amount of pesticides for pest control in cultivating coffee. Another figure that should be noted is nearly 60 per cent of surveyed farmers who said they had diversified their coffee farms with other agricultural trees such as durians and avocados. Approximately half of participants (55.5 per cent, or 76 of 137) said they owned a coffee-hulling or roasting machine. The data also led to the finding that although there are some machinery supports for cultivation, coffee farmers still tend to use traditional farming practices to intensively cultivate their farms in order to increase the yields. They have not yet applied proper organic farming practices to maintain sustainability in their cultivation.

A Chi square test showed a positive relationship between certification ownership and experience of farmers, as surveyed farmers who owned sustainable coffee certificates were
more likely not to be more experienced than those who did not. The statistics also showed that the productivity of experienced farmers was significantly higher than the productivity of farmers with less than 10 years’ experience.

Table 4: The relationship between productivity and years of experience

<table>
<thead>
<tr>
<th>Count</th>
<th>Years of experience</th>
<th>&lt;5 years</th>
<th>5–10 yrs</th>
<th>10–20 yrs</th>
<th>&gt;20 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td>&lt;2 tons/ha</td>
<td>19</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>2–4 tons/ha</td>
<td>16</td>
<td>23</td>
<td>3</td>
<td>0</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>4–6 tons/ha</td>
<td>1</td>
<td>2</td>
<td>20</td>
<td>16</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>&gt;6 tons/ha</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td>16</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>37</td>
<td>35</td>
<td>33</td>
<td>32</td>
<td>137</td>
</tr>
</tbody>
</table>

Chi-Square Tests

<table>
<thead>
<tr>
<th>Test</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>1.20E2(^a)</td>
<td>9</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>143.572</td>
<td>9</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-linear association</td>
<td>81.480</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of valid cases</td>
<td>137</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.54.
4.2. Environmental management

Turning to concerns about environmental management, as mentioned earlier, coffee growers still mainly use traditional farming practice to cultivate their farms, which can only reach higher yields but cannot achieve sustainability status. Based on the collected information, 47.4 per cent (65 of 137) of surveyed farmers agreed that they had experienced soil erosion within the past year and 65.7 per cent (90 of 137) of surveyed farmers said they had experienced a shortage of water for irrigation during farming times. Moreover, 73.7 per cent (101 of 137) of participants said they had to dispose of solid waste by themselves instead of waiting for local companies to collect it, resulting in very negative effects for the environment, such as pollution and soil degradation.

According to the results of the Chi-square test, surveyed farmers who had been granted sustainable coffee certificates were more likely not to use pesticides to control pests and to plant shade trees to protect soil from deterioration than those who did not hold such a certificate.

Table 5: The relationship between certificate ownership and the use of pesticides

<table>
<thead>
<tr>
<th>Certification ownership</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pesticides</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>29</td>
<td>12</td>
<td>41</td>
</tr>
<tr>
<td>Yes</td>
<td>37</td>
<td>59</td>
<td>96</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>71</td>
<td>137</td>
</tr>
</tbody>
</table>

Chi-Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Exact Sig. (2-sided)</th>
<th>Exact Sig. (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.924</td>
<td>1</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 6: The relationship between certificate ownership and planting shading trees

| Count | Certification ownership | | | | | **Total** | | | | | | | | Pesticides | No | Yes | | | | | | | | Continuity Correction | 10.669 | 1 | | | | | | | | Likelihood Ratio | 12.170 | 1 | | | | | | | | Fisher’s Exact Test | | | | | | | | | | Linear-by-Linear Association | 11.837 | 1 | | | | | | | | N of Valid Cases | 137 | | | | | | | a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 19.75. 

b. Computed only for a 2x2 table

### Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Exact Sig. (2-sided)</th>
<th>Exact Sig. (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>2.498</td>
<td>1</td>
<td>.114</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuity Correction</td>
<td>1.982</td>
<td>1</td>
<td>.159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>2.503</td>
<td>1</td>
<td>.114</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fisher’s Exact Test</td>
<td></td>
<td></td>
<td></td>
<td>.124</td>
<td>.080</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>2.479</td>
<td>1</td>
<td>.115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>137</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
On the other hand, local collectors and supervisors from the coffee processing companies agreed that they did not pay enough attention to the management of waste disposal. Although it is said that processing factories strictly follow the current waste disposal instructions and regulations of the Vietnamese government, there is a failure to monitor suppliers’ waste-disposal processes because of a lack of awareness of farmers and collectors. It is not even possible to control the use of fertilisers and pesticides if the farmers do not participate in any certified coffee programs and do not follow their instructions. However, they believe that if farmers and local collectors join a sustainable coffee program, their waste-disposal processes, and use of fertilisers and pest control are controlled and managed properly due to the introduction of related actors to train and educate farmers on the benefits of sustainable and safe farming practices.

4.3. Supply chain management

The information in this section is based on qualitative interview with local collectors and staff of a well-known coffee processing company. When asked, senior purchasing executives and the production supervisors of the coffee processing factory in Buon Ma Thuot City said that all the factory’s products were sourced only from reliable local collectors, who had a very good relationship with the company. The company deals mainly with these collectors rather than individual farmers, although they know that purchased coffee needs to go through at least two lower tiers before them, which could increase the production cost and reduce the value for farmers. However, because of coffee growers are small household farmers, it takes more time
to collect at their farms and they have to accept the need to pay more to go through intermediaries. Chi square test results show that farmers who held a sustainability certificate could more readily sell their coffee directly to coffee manufacturing companies than those who did not hold the certificate.

In addition, these senior purchasing executives also mentioned that they were trying to set up a traceability supply chain network for all coffee products, but this had not yet been put into practice. Only few premium and high quality Arabica coffee products use this system to harmonise with the requirements of certified coffee production in the project, coordinating with Utz Association. Finally, the production supervisors said they were planning to gradually change packaging of the final product from plastic materials to paper and recyclable materials up until 2020.

Local collectors are the main dealers who sell coffee bean to exporters or coffee factories, and they said they tried to find reliable coffee beans from farmers. According to the Chi square test, collectors or traders examined the planting process more often with regard to famers who held a sustainability certificate than in relation to those who did not have a certificate.

### Table 7: The relationship between certificate ownership and the percentage of coffee sold directly

<table>
<thead>
<tr>
<th>Percentage of your coffee sold directly</th>
<th>0–30%</th>
<th>30–50%</th>
<th>50–70%</th>
<th>70–100%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>14</td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>52</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>17</td>
<td>23</td>
<td>31</td>
<td>137</td>
</tr>
</tbody>
</table>
### Table 7: The relationship between certificate ownership and the percentage of coffee sold directly

<table>
<thead>
<tr>
<th>Count</th>
<th>Percentage of your coffee sold directly</th>
<th>0–30%</th>
<th>30–50%</th>
<th>50–70%</th>
<th>70–100%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Certification ownership</td>
<td>Yes</td>
<td>14</td>
<td>10</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>52</td>
<td>7</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

**Chi-Square Tests**

<table>
<thead>
<tr>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>137</td>
<td></td>
</tr>
</tbody>
</table>

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.97.

### Table 8: The relationship between certificate ownership and quality examination

<table>
<thead>
<tr>
<th>Count</th>
<th>Collectors or traders examine the planting process and quality frequently</th>
<th>None</th>
<th>1–2 times/crop</th>
<th>3–5 times/crop</th>
<th>&gt; 5 times/crop</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Certification ownership</td>
<td>Yes</td>
<td>2</td>
<td>12</td>
<td>38</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>25</td>
<td>40</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>27</td>
<td>52</td>
<td>44</td>
<td>14</td>
<td>137</td>
</tr>
</tbody>
</table>

**Chi-Square Tests**

<table>
<thead>
<tr>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>1</td>
<td>.000</td>
</tr>
</tbody>
</table>
Table 7: The relationship between certificate ownership and the percentage of coffee sold directly

<table>
<thead>
<tr>
<th>Certification ownership</th>
<th>0–30%</th>
<th>30–50%</th>
<th>50–70%</th>
<th>70–100%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>52</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>71</td>
</tr>
</tbody>
</table>

N of Valid Cases = 137

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.74.

Finally, the representative of a coffee bean-collecting company commented that the logistics costs in her company were due mainly to transportation and storage. It was necessary to arrange different collection times for each farm as the harvest times varied considerably from farm to farm. Everything the farmers did to improve practices relied on experience, as they had not yet attended any training to optimise their operations.

4.4. Reverse logistics

For the reverse logistic issues, data were analysed based on the opinions in the interviews about the current situation. Local collectors said they just improved their work by experience; there was no training to assist them with the most effective recycling strategies. For example, in the case of an examined private coffee bean collecting enterprise, the manager said the packages of products were bought from other suppliers and the enterprise failed to address concerns about the origins of the material. Furthermore, they still often used new PVC sacks instead of packages made from environmentally friendly materials or recycled sacks.

Most production supervisors of the coffee processing company thought the company was currently paying more attention to its recycling policies. It mainly used packaging produced by Tetra Pak, a global environmentally friendly package producer. Moreover, in the factory and
their main office, they separated production waste to dispose of or recycle it. One supervisor also stated that his company was now considering a training plan to guide farmers and local collectors to apply green supply chain and effective reverse logistics in the next financial year.

4.5. Social attainment and corporate social responsibility

From the statistical numbers in the survey, it is worth noting that only 66 out of 137 farmers had joined a sustainable certified coffee program, which accounted for 48.2 per cent of those surveyed. These figures prove that few coffee growers have good knowledge of sustainable coffee. Furthermore, only 53.3 per cent (73 of 137) of farmers said they often received support from local associations and 32.8 per cent of those surveyed agreed that local associations and coffee companies often offered supportive scheme to encourage them.

The Chi square result showed a positive relationship between holding a certificate and support from local associations, with those farmers who held a sustainability certificate receiving support more often than those who did not have a certificate.

Table 9: The relationship between certificate ownership and support from local association

<table>
<thead>
<tr>
<th>Certification ownership</th>
<th>Never</th>
<th>Rarely</th>
<th>Often</th>
<th>Very often</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>2</td>
<td>41</td>
<td>15</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>30</td>
<td>15</td>
<td>2</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>32</td>
<td>56</td>
<td>17</td>
<td>137</td>
</tr>
</tbody>
</table>

Chi-Square tests

<table>
<thead>
<tr>
<th>Pearson Chi-Square</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>54.403*</td>
<td>3</td>
<td>.000</td>
</tr>
</tbody>
</table>
Furthermore, only 45 out of 137 surveyed farmers (32.8 per cent) agreed that local traders ensured they would take their output production, and 65 of asked farmers (47.5 per cent) said they did not join any cooperative farming group to protect their rights and their production. The Chi square test result shows that there is a positive relationship between the certification ownership and farmers who are members of any cooperative farming group, with group members having more knowledge about sustainable coffee than those who were not group members.

<table>
<thead>
<tr>
<th>Certification ownership</th>
<th>Never</th>
<th>Rarely</th>
<th>Often</th>
<th>Very often</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>2</td>
<td>41</td>
<td>15</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>30</td>
<td>15</td>
<td>2</td>
<td>71</td>
</tr>
</tbody>
</table>

- **Likelihood Ratio**: 61.388, *p* < 0.000
- **Linear-by-Linear Association**: 37.179, *p* < 0.000

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.19.
Table 10: The relationship between knowledge about sustainable coffee and membership of a cooperative farming group

<table>
<thead>
<tr>
<th>Count</th>
<th>A member of any cooperative farming group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Knowledge about sustainable coffee area</td>
<td>Never heard</td>
</tr>
<tr>
<td></td>
<td>Have heard but never joined</td>
</tr>
<tr>
<td></td>
<td>Have participated</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
</tr>
</tbody>
</table>

Chi-Square tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>25.074a</td>
<td>2</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>26.832</td>
<td>2</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>23.485</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>137</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

More importantly, 88.3 per cent of farmers said coffee farming was is their main source of income and 82.5 per cent (113 participants) said their family had suffered poverty as a result of fluctuating coffee prices in the past. Only 37 out of 137 (27 per cent ) surveyed farmers said the average profit from coffee farms was more than 120 million Vietnamese dong per hectare per year. Their average total income is between 5 and 10 million Vietnamese dong per month (US$250–500).

The Chi square result showed a positive relationship between the certification ownership and the profit from the coffee farms, with more people who held a sustainability certificate
achieving profit over 100 million Vietnamese dong/ha/year than those who did not hold a certificate.

Table 11: The relationship between certificate ownership and profit

<table>
<thead>
<tr>
<th>Count</th>
<th>Profit from the coffee farm</th>
<th>&lt;80 million Vietnamese dong/ha/year</th>
<th>80-100 million Vietnamese dong/ha/year</th>
<th>100-120 million Vietnamese dong/ha/year</th>
<th>&gt;120 million Vietnamese dong/ha/year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Certification ownership</td>
<td>Yes</td>
<td>4</td>
<td>7</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>25</td>
<td>30</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>29</td>
<td>37</td>
<td>34</td>
<td>37</td>
<td>137</td>
</tr>
</tbody>
</table>

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>52.048</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>56.584</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>46.404</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>137</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.97.

Most farmers support one to three dependant family members, including one or two children of school age. A total of 86.1 per cent of farmers said they had to work between eight and 12 hours daily to cultivate their crops.

Most farmers had completed secondary education (27 per cent, or 37 people) or high school level (49.6 per cent, or 68 people) – a very positive figure to show that they have a good basis to learn new advanced farming practices to participate in the certified coffee project. Only
seven out of 137 surveyed participants were not willing to participate in training course about sustainable coffee development. The Chi square result showed a positive relationship between willingness to join a sustainable coffee development program and the main sources of income of farmers.

![Table 12: The relationship between main source of income and willingness to join](image)

Moreover, 132 out of 137 interviewees (96.4 per cent) agreed that they were willing to invest over 10 million Vietnamese dong to improve farming methods and certify their coffee. A total of 73 of 137 interviewees (53.3 per cent) said knowledge was the biggest challenge when it
came to developing sustainable coffee. The role of woman in society was also emphasised, as 62 per cent of farmers said women were fairly important in their family and 34.3 per cent said women were very important.

The local collectors said they were trying to support local farmers. They had found more coffee manufacturing companies and exporters to ensure a good output and price for farmers, but sometimes there were risks that they were unable to manage. However, all the interviewees said they never tried to use financial tools or insurance to limit the risk.

The senior purchasing executive also explained that his company offered the best purchasing price for local farmers to support them in cultivating techniques. He agreed that his company also played a role as a bridge to connect famers and coffee manufacturing companies when the companies organised volunteer trips or supportive schemes, and suggested that the company supported poor farmers and collected old clothes for them.

The coffee company representative said the company would like to coordinate with government, certifying association and processing companies to organise free training for farmers to join sustainable coffee programs in order to enhance the output of certified coffee. The assistant brand manager of the coffee manufacturing company said her company worked closely with other companies to promote Buon Ma Thuot coffee to international and domestic market.

In analysing the opinions of interviewees, it is plausible to note that coffee processing companies in Vietnam aim to develop a sustainable society. They coordinate to organise a study encouragement fund for poor students, and offer higher purchasing price policies for
local collectors to enable them buy coffee from local farmers at a higher price. In addition, by opening and expanding Coffee Village, one of those examined coffee process companies has created around 50 new positions per year for young people, and given them opportunities to promote their culture to tourists. This company also runs free English classes to teach staff to communicate with international tourists.

According to the production supervisor of this company, the factory in Buon Ma Thuot city currently offers jobs for approximately 270–300 workers, mainly from the local area. It also organises free training to teach farmers to cultivate their farms more effectively. The senior purchasing executive said the company was now planning to form a farmers cooperative association and provide free processing machines for them with the purpose of cutting down the number of links in the supply chain network and increasing the return to farmers. He added that the company always emphasised the role of farmers and tried its best to improve their living standards. The company is coordinating with local authorities to develop a Regional Development Plan until 2025.

4.6. Logistic regression for the dependent variable ‘Certificate ownership’

The research used the surveyed data to run logistic regression to explain the relationship between the dependent variable ‘Certificate ownership’ and independent variables ‘Productivity’, ‘Local support’ and ‘Experience’. It examined the probability of a farmer having a sustainability certificate with the given data of the independent variables. This helps sustainable coffee organisations to forecast whether or not a farmer will have a sustainable certificate with their current situation. The –2 Log likelihood is 72.26, showing that the model is appropriate to develop and the percentage of correct prediction will be 89.1 per cent, which means it is a reliable formula.
Table 13: Logistic regression model

Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>72.263a</td>
<td>.576</td>
<td>.768</td>
</tr>
</tbody>
</table>

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Classification tablea

<table>
<thead>
<tr>
<th>Observed</th>
<th>Predicted</th>
<th>Certification ownership</th>
<th>Percentage correct</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>Certification ownership</td>
<td>No</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. The cut value is .500

Variables in the Equation

<table>
<thead>
<tr>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRODUCTIVITY</td>
<td>2.015</td>
<td>.450</td>
<td>20.064</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>LOCALSUPPORT</td>
<td>1.300</td>
<td>.374</td>
<td>12.069</td>
<td>1</td>
<td>.001</td>
</tr>
<tr>
<td>EXPERIENCE</td>
<td>.934</td>
<td>.378</td>
<td>6.110</td>
<td>1</td>
<td>.013</td>
</tr>
<tr>
<td>Constant</td>
<td>-10.711</td>
<td>1.857</td>
<td>33.270</td>
<td>1</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Variable(s) entered on step 1: PRODUCTIVITY, LOCALSUPPORT, and EXPERIENCE.

Because of the Sig of the variable data are less than 0.05 so we can deny the hypothesis that $\beta_{productivity} = \beta_{local support} = \beta_{experience} = 0$ that means they have the statistical meaning.

The formula of logistic regression is as follows:

$$-10.711 + 2.015*Productivity + 1.3*Local support + 0.934*Experience$$

Following the logistic model, if a farmer’s productivity is around 4–6 tons/ha/year, the farmer has five years’ experience and often receives local support, then he will have ($e^{-10.711 + 2.015*3 +}$...
\[
\frac{1.3 \times 3 + 0.934 \times 2}{1 + e^{-10.711 + 2.015 \times 3 + 1.3 \times 3 + 0.934 \times 2}} = 0.75 \sim 75 \text{ per cent probability of having a sustainability certificate. Based on that model, we can consider which type of farmers should be focused on to develop the sustainability program, in order to help them to gain a sustainability certificate.}
\]

5. Summary and conclusions

Following the research, it is plausible to conclude that the development of sustainable coffee in Buon Ma Thuot City in particular, and in Vietnam in general, offers many opportunities but still encounters some difficulties that need to be overcome. Most importantly, the success of the improvement depends mainly on cooperation among stakeholders, both in the public and private sectors. They have to coordinate closely to improve current farming practices, and then manage the supply chain network as well as reverse logistic issues along with consider strategies to support sustainable development. The government should also consider more effective policies and laws to encourage investment in sustainable coffee production, and expand the market for this product. It should measure and prove the financial benefits for farmers to persuade them to join sustainable programs, and also provide them with agricultural engineers to help them manage the quality of their coffee farms. Finally, the government should choose farmers for the program based on the logistic regression model to achieve more success.

There are some limitations of this study that future research should consider. Due to the limitations of time and experience, the researchers were unable to study a larger sample, which could generate a more accurate result. In addition, the research did not measure the financial impacts of the sustainable coffee program.
References


Contextual factors affecting Corporate Social Responsibility in an emerging country: A Conceptual Framework on the nature of the CSR concept in Vietnam

Minh Nguyen, Stephen Kelly, Jo Bensemann

Corresponding Author:
Minh Nguyen
School of Management, College of Business, Massey University, Palmerston North, 4442, New Zealand
Email: M.Nguyen@massey.ac.nz

Co-Authors:
Stephen Kelly
School of Management, College of Business, Massey University, Palmerston North, 4442, New Zealand
Email: S.J.Kelly@massey.ac.nz

Jo Bensemann
School of Management, College of Business, Massey University, Palmerston North, 4442, New Zealand
Email: J.Bensemann@massey.ac.nz
Abstract

Vietnam is an emerging country undergoing rapid economic growth that is experiencing environmental and societal challenges driven by business activity (World Bank, 2017). Its political, economic, and social context make it ideal for an investigation into Corporate Social Responsibility (CSR), a concept developed under Western norms that remains ill-defined and dependent on the theoretical frame that is adopted by researchers. Notable examples of differing theoretical frames are evident in the work of Bowen (1953), Davis (1960), Heald (1970), and Jones (1980) as cited in (Carroll et al., 2009). There is a dearth of research on CSR in Vietnam, with existing studies tending to focus on actual business practice without much reflection on the wider context in which the CSR phenomenon is conceptualized. To help address this shortcoming, this paper, based on a critical review of relevant literature, aims to discuss external contextual factors that appear to influence the nature of the CSR concept in Vietnam. A conceptual framework of CSR in Vietnam is proposed which can serve as a fundamental basis for future CSR discourse in Vietnam. Tackling the vital question of how CSR is conceptualized within the Vietnamese context is presented as important and as contributing to current CSR conversations.

Keywords

Corporate Social Responsibility; developing country; Vietnam; conceptual framework; context; ideology; hegemony; tradition; culture; economic development

Introduction

The business world today is witnessing a genuine change in public perceptions over the role of business in society. In spite of its contribution to economic growth, creating wealth, and generating employment, business currently is being ascribed roles and a significance that had never previously been imagined (Eweje & Sakaki, 2015). Indeed, there have been expectations that business will come up with solutions to many of the twenty-first century’s main social and environmental challenges, such as water accessibility, global warming, climate change and affordable health care (Blowfield & Murray, 2014). In the midst of this shifting world, corporations worldwide then face increasing pressure to adopt or improve its corporate social responsibility (CSR) activities. Following from this, CSR scholarship has grown immensely in the last six decades and many scholars have focused on the outcomes of CSR. For example, a majority of theoretical and empirical studies have linked CSR with a series of benefits for corporations such as better resources (Cochran & Wood, 1984; Waddock & Graves, 1997); higher quality of staff (Hameed, Riaz, Arain, & Farooq, 2016; Turban & Greening, 1996); better marketing of products and services (Fombrun, 1996; Moskowitz, 1972); and ultimately corporate financial performance (Griffin & Mahon, 1997; McGuire, Sundgren, & Schneeweiss, 1988).

Despite the growing body of CSR research, there is a dearth of research on the antecedents of socially responsible or irresponsible corporate behaviour. According to the meta-analysis of CSR literature by Margolis and Walsh (2003), only 15 percent of the studies treated CSR as a dependent variable, calling for further investigation. Although there is not a unifying theoretical framework, different theories have been used to explain the underlying drivers behind CSR. Broadly speaking, the motives behind CSR initiatives have both moral and strategic imperatives (Örtenblad, 2016). The moral imperative has been widely discussed in the literature, mainly based on the stakeholder theory, suggesting business have obligations not only to their shareholders, but also to multiple stakeholders in society (i.e. community, employees, and government agencies) (Akkucuk, 2015). On the other hand, strategic imperative suggests CSR should be integrated as a business strategy to improve the competitiveness of firm. This argument is aligned with the legitimacy theory which starts with the
premise that firms operate on the basis of a social contract with society and their survival and growth depend on acquiring legitimacy within the society in which it operates (Suchman, 1995).

Notwithstanding its origins as a Western defined concept, CSR has lately become hugely popular throughout the world. Therefore an emerging trend in the literature has begun to examine the understanding of the phenomenon in developing countries (Eweje, 2006). Although CSR did not sprung out of nowhere in developing countries, research has asserted that the concept has not simply adopted in a particular context. This is because, before its arrival, there was a long-standing ethical tradition with their distinctive connotations of responsible business behaviour (Blowfield & Murray, 2014). Moreover, when CSR migrates, it is subject to continual renegotiation as society itself evolves, affecting societal expectations about the role of business in wider society (Örtenblad, 2016). Consequently, there has been a sophisticated discursive shift in the meaning of CSR, producing the disparities in corporate responsibility among developed and developing countries (Visser et al., 2008). Therefore there are good reasons to define CSR within the context of where they are being applied, and within CSR studies there has been an increasing interest in the contextual factors influencing the way in which the phenomenon is conceptualized and operationalized in each country (Tilt, 2016).

Answering the call for more research with appropriate consideration given to the context in which the research takes place (Adams, 2002; Garcia-Sanchez, Cuadrado-Ballesteros, & Frias-Aceituno, 2016; Örtenblad, 2016), the purpose of this paper is to propose a conceptual framework, taking into account three external contextual factors that show evidence or potential to influence how CSR is perceived in Vietnam. By investigating a Western concept in this context, researchers, especially comparative scholars are rewarded with a rich offering of views on CSR in one of the world’s oldest and most unique civilizations. Vietnam is also of interest for researchers and practitioners because of its population size (93 million in 2016), the way in which its economic system has evolved, and its rise as a promising destination for FDI and a manufacturing base for MNCs (Edwards & Phan, 2014). Vietnam currently ranks among the fastest-growing economies and it has transformed from one of the world’s poorest countries to a lower middle-income country (ADB, 2017).

This framework is crucial for three main reasons. Firstly, this knowledge contributes to the extant literature by investigating the development of a Western concept in a socialist or communist country. Some research has been undertaken on China (Zhao, 2014), but this is one of the few studies in a Vietnamese context (Tran, 2011), attempting to look at the influence of ideology and hegemony on CSR. Secondly, this study aims to fill the existing theoretical gaps in CSR knowledge, and also provide fertile grounds for future research. There is a paucity of research on CSR in Vietnam, with existing studies tending to focus on actual business practice and rely on theories and frameworks developed from studies undertaken in the West for their investigation (Hoang, 2015; Tai, Xuan, & Anh, 2013; Thang & Fassin, 2017). However, the applicability of theories is not well developed, with little reflection on the wider context (Tilt, 2016). Moreover, although some general studies of culture and CSR using Hofstede’s cultural typology exist (Nguyen & Truong, 2016), a comprehensive framework examining a collective of contextual factors in Vietnam, beyond the use of Hofstede has not been investigated. Finally, this study is also expected to provide practical implications, allowing researchers, managers and policy makers to expose the mechanisms which encourage wider adoption of CSR practices within Vietnam. Tackling the vital step for studying the nature of CSR in Vietnam by developing a generalized model of CSR is one way of finding answers about how CSR should be practiced in the Vietnamese context.
Theoretical approach, methods and scope of the study

Claims about the geographical distinctions of the need for more contextual knowledge on the adaption of CSR in a particular country is not a straightforward exercise. During an era of ethical relativism, there is still a tendency in the literature to universally promote to all organizations the exact same version of CSR as a means of internationalization and global standardization, irrespective of the context in which they exist (Örtenblad, 2016). It is argued that different perceptions and interpretations about CSR only lead to randomness and unpredictability, and give rise to contradictory schools of thought on how business can best contribute to the good of society. In essence, whether CSR is universally applicable or culturally contingent partly reflects the wider and nuanced debates over the concept of CSR and underpinning these debates are quite different philosophical stances (Moon, 2014).

Therefore, it is of importance to make explicit the theoretical approach taken in this study which is symbolic-interactionism. Symbolic-interactionism states that people act toward things based on the meaning those things have to them; and these meanings are derived from social interaction and modified through interpretation (Blumer, 1986). This paradigm under social constructionism epistemology suggests CSR should be viewed as a situated phenomenon and its meanings are not fixed and inevitable as they are the product of historical events, social forces, and ideology (Hacking, 2003). Thus this approach is appropriate for this preliminary study and allows the reader to understand external contextual factors influencing how the CSR concept is defined, and accordingly, why the practice of CSR may be different in Vietnam.

To help address the nature of a social phenomenon under investigation, it is also important to state clearly the scope of the CSR definition in this study. It is worth noting that the concept of CSR has had a long and diverse history in the literature, but there is no generally accepted definition of CSR (Cochran, 2007). As CSR scholarship is a multidisciplinary subject, any definition of CSR is open to subjective interpretation, depending on one’s theoretical stance (Carroll et al., 2009). Therefore this paper does not intend to adopt or defend a particular definition given this is outside the realm of the present scope. For the purpose of this paper CSR is conceived as an umbrella term that captures the variety of ways in which the business’ relationship with society is being defined, managed and practiced (Frynas & Yamahaki, 2016).

The Vietnamese context: A historical perspective

This conceptual paper seeks to identify and explain the factors that affect what CSR should mean within a Vietnamese context through a critical review of relevant literature. In order to achieve these objectives, the paper is structured as follows. At the outset, the paper will review the key context within Vietnamese history in which management and organizations operate, and the CSR-related societal issues of Vietnam are also discussed. Then, three key contextual factors derived from the social, political, cultural, and economic context that appear to shape the CSR concept in Vietnam will be suggested, followed by the provision of a conceptual framework. Finally, this paper concludes with a discussion of research findings before ending with some recommended areas for further research.

Socio-Cultural context: Vietnam is a multi-ethnic country with a complex culture. Throughout more than a thousand years, it was dominated by Chinese feudal dynasties then spent a century under French colonization (1858-1954), and finally 30 years under invasion from the United States. Throughout that time Vietnamese culture has been strongly influenced by Indian culture with Theravada and Mahayana Buddhism; by the Chinese ideologies and religious beliefs with the impact
of Confucianism and Taoism (particularly in the North); by the West with the coming of capitalism and Christianity (particularly in the South); and recently there has been wide acceptance of Western thought since the reform period in 1986 (Rowley & Truong, 2009).

Traditional Vietnamese society was organized around familialism according to which collective values were regarded as carrying greater weight than individual aspirations (Taylor, 1983). The sense of family solidarity became profound in many respects, and the society was highly socialized, encouraging the establishment of a variety of mutual-aid groups (Jamieson, 1993). In essence, this cultural value still penetrates and persists at the deepest levels of contemporary society. Paradoxically, the heterogeneity between social groups and individuals is high because the principle of social hierarchy is widely accepted in society (Malarney, 2002).

However potential conflicts are tempered with patriotism and nationalism, achieving harmony at a personal and social level. These long-lasting cultural values have indeed played a vital role in the history of Vietnam since early times, not only in the way that the country has managed to retain its own national identity in spite of enormous foreign influence (Caldarola, 2011), but also by providing social cohesion to hold the country together despite substantive cultural and other differences after a century of national fragmentation (Edwards & Phan, 2008).

Recognizing the role of cultural factors in the last two decades many scholars have applied the cultural dimensions proposed by Hofstede (2011) in their cross-cultural studies in order to effectively evaluate the impact of national culture on individuals as well as organizational behaviours. Broadly considered, as culture is well-established, and stable rather than volatile, Hofstede’s typology can also be considered as the foundation for an overall understanding about Vietnamese society. Following Hofstede’s typology, Vietnamese culture is described as being high in ‘power distance’ (acceptance of authority), ‘collectivism’ (value group membership) and ‘long-term orientation (a pragmatic culture), while moderate in ‘uncertainty avoidance’ (comfortable with ambiguity) and ‘masculinity’ (a Feminine society).

Nowadays, the country has facilitated Western values which in many respects challenge traditional values and influence the way in which Vietnamese people think and behave, especially among the younger generation (McCargo, 2004). Some studies suggest that Vietnamese socio-cultural context has recently moved away from its traditional values as an inevitable consequence of social developments (Tuan & Napier, 2000). However, this view fails to realize how deeply the core values of traditional Vietnam have remained embedded in the hearts of almost all Vietnamese. Indeed, many scholars assert that the tradition is still conceived as the root of various aspects of Vietnamese modern society, including beliefs, values, and underlying assumptions, as well as artefacts and personal behaviour (Jamieson, 1993; Warner, 2014).

Politico-Economic context: Vietnam is one of the world’s largest socialist states and it remains a one-party system led by the CPV since 1975 (Gainsborough, 2010). Whilst liberalization of the economy has proceeded apace in Vietnam, it has been less the case in the political arena (McCargo, 2004). Looking back, it is not difficult to see that political leaders in Vietnam have slowly but surely undertaken political reform, and at present, although there are unlikely to be any dramatic changes in the short to medium term, its openness to modernity should be appreciated (Tonkin, 1997). In essence, the political regime has not abandoned socialist legality, but instead established socialism with Vietnamese characteristics in response to the prevailing social conditions in Vietnam (Freeman, 1992). Despite the change in the world political situation in the last decade of the 20th century, the government has solidly espoused Marxism-Leninism and Ho Chi Minh thoughts as the Party’s
ideological foundation (Malarney, 2002). It is beyond the scope of this paper to discuss the diversity of opinions about Vietnamese socialism (generally either one-sidedly positive or one-sidedly negative) although this would be an important part of a larger research paper. As the study aims to address how ideology might shape, constrain, enable, or be relevant to CSR, the authors leave issues of doctrine to one side and frame the discussion in terms of ideological power and hegemony.

The power of the party-state and its ideology are elaborated in different forms across most aspects of society. Firstly, the party-state reasserts its legislative dominance to govern a complex society with socialist doctrine (Vu, 2010). The government has also played a prominent role in appointing its politically reliable members to managerial positions in both public administration and the state sector (Edwards & Phan, 2014). Thus, the party leaders have cells in key aspects of society which consequently influence decision-making to favour socialist aspirations and serve the purpose of the ruling party (Abuza, 2001). Moreover, in the social sphere, party control is exercised through its official ideology. Most ideological thoughts have been ubiquitously communicated and propagated by social organizations and associations (Gillespie & Nicholson, 2005). In social aspects, such organizations act as transmitters of the party to maintain the fundamentals of socialist values in the provision of education, health services, and social security to promote social consensus and uphold the national unity (Edwards & Phan, 2008). Besides propaganda, the party-state continues to retain a tight control over the freedom of the press through state-run media and by stifling dissent circulating within the society which can alter its ideological hegemony (Gainsborough, 2010).

In the economic context, Vietnam has undergone substantial transformation thanks to the advent of the comprehensive reforms. Looking back, following the reconstruction period (1976-1986) with a centrally planned economy, the economy has undergone two distinct periods of economic development. The period up until the year 2000 was characterized as the reform period (Doi moi) in which the government approved an ‘open door’ policy (chinh sach mo cua), implementing a more liberal and multi-sector market economy (Tonkin, 1997). Put bluntly, this decision reversed the country’s decades of economic stagnation due to the failure of the Soviet model of economic management, and subsequently the collapse of Eastern European countries which had previously been the main source of economic aid (Schellhorn, 1992). In a similar vein, since 2000, Vietnam has made a significant evolution of the Doi moi policy, resulting in the increasing integration into the regional and global economy (Jeffries, 2006). During the modernity (Hoi nhap) period, the party-state has passed legislation in investment and trade to foster private enterprises and FDIs as reflected clearly in the establishment of the first stock market in 2000 and a series of bilateral trade agreements (Rodan, Hewison, & Robison, 2001). However the development of the economy continues to be under state direction and with a socialist orientation. Possibly one of the features most characteristic of a socialist market economy is to keep SOEs as the backbone of the economy (Nguyen, Freeman, & Huynh, 1997). In fact, these state conglomerates are both ideologically and economically indispensable, providing a steady income for the government, contributing to national prosperity and strengthening the ideological hegemony (Ashwill & Diep, 2005).

Societal challenges and issues: Though the reforms in Vietnam have led to tremendous economic growth (Edwards & Phan, 2014), the challenges and limitations in the implementation of the new economic policies still remain. First and foremost, there is widespread concern over the deficiencies and low efficiencies in operations and management of SOEs, as evident in the numerous bankruptcy cases of SOEs, such as Vinashin in 2010. Notwithstanding decades of restructuring of SOEs, there is a growing body of evidence that SOEs have been reluctant to comply with market principles and have become more dependent on government largesse, causing bad debts in state budgets (Rodan et al., 2001). Suffice to say this is one of the factors seriously hindering the continuation of economic
liberalization and the creation of a free market economy in Vietnam. Adding to these criticisms, state management and public administration systems are generally portrayed as excessive bureaucracy, leading to accusations of deception and corruption (Alpert, 2005). These issues coupled with lax central government supervision and weak legal enforcement have plagued businesses in Vietnam, and hindered the country’s development (Tuan Anh, 1994). At a conceptual level, there has been an ideological tension in Vietnam given that the meanings ascribed to socialist values from the Marxist-Leninist canon have changed so much in an economy with capitalist components. In essence the current economic activities in Vietnam have ignored and subverted the socialist ideology announced by the party-state, reflecting a robust spirit of pragmatism. This has then resulted in other side effects on the environment and society (Jeffries, 2006).

Three main areas of concern on the social aspects of economic development can be identified, including the use of resource, the environment, and social equity. In Vietnam, growth is based on natural resource endowments and the unsustainable use of natural resources, with deforestation and land degradation still likely to increase over the coming years as economic development and population growth continue. Parallel to the process of urbanization and industrialization, there has been immense pressure on natural resources due to an increasing consumption of materials and energy and encroachments on natural areas and agricultural land (Balme & Sidel, 2007). With its large reserves of oil and coal, Vietnam also relies heavily on fossil fuels and non-renewable sources of energy to power its economy (Vu, 2010). As a consequence, Vietnam currently faces a massive environmental crisis (Ortmann, 2017).

Perhaps the most tangible environmental problem arising from rapid economic transformation in Vietnam is the increase in air pollution in major urban and industrial centres. Currently Vietnam is among the most air polluted countries in the Asia-Pacific region (Ortmann, 2017). Leading factors associated with the deteriorating air quality and intensifying air pollution are the growing number of industrial plants, new construction sites, and individually-owned vehicles (the public transport system remains inefficient). Besides the high levels of dust and chemicals being released into the atmosphere, waste and water pollution are also endemic problems stemming from the massive increase in population density, industrial activities and urban living. According to Ortmann (2017), 90 percent of the wastewater in Vietnam is discharged directly into the environment, 72 percent of solid waste is sent to landfills, and 75 percent of industrial estates in Vietnam do not have waste and water treatment systems. Micro-enterprises (mostly craft villages and agricultural farms) generally lack the financial resources to invest in environmental technologies, whereas many MNCs have been accused of seeking to profit from the weak enforcement of regulations in Vietnam by failing to mitigate pollution emissions. A recent example is the water pollution scandal surrounding Formosa – a Taiwanese steel company in 2016. This is considered as an environmental disaster, indeed the most serious in Vietnam’s history, causing huge economic losses to the fish farming and tourism industries. Compounding the environmental crisis the economic growth in Vietnam has not been tempered with an equitable social structure (Wang, 2005). Ideologically in the transition to socialism social equity is seen as central, yet there is an evident widening the gap between ideology and practice. Notwithstanding the considerable achievements in poverty reduction a significant portion of the population, particularly in rural areas and among ethnic minorities, is vulnerable to falling back into poverty and the income gaps are widening (World Bank, 2017). Moreover, poor labour conditions and human rights abuses exacerbate the plight of many of the economically vulnerable in Vietnam; public outcry over allegations of such abuses by both MNCs and domestic firms has led to a number of strikes in the past decade (Phuong, 2017).
In summary, the recent rapid economic growth in Vietnam has brought prosperity for some and change for many, but so far the distribution of wealth within the country is highly unequal. In this shifting society, different levels of conflict arise, such as those between the affluent and the poor, between short-run gains and long-term success, between managers and the rest of a company’s stakeholders, and between the interests of companies and the nation. Thus the main question for the party and government is how to sustain economic growth at a sufficient rate to maintain the regime’s legitimacy by achieving social harmony. Although ideological differences (socialism and capitalism) are held to be less important at present than the need for national prosperity, more attention should be paid to the capitalist threat being a potential source of instability in the country. In the wake of irresponsible business scandals there have been demands for companies to take responsibility for their impact on society. There are also increasing expectations that business will play a certain role to come up with solutions to key social and environmental issues.

A conceptual framework of CSR

Unique economic, political, social, and cultural conditions are expected to have a substantial impact on corporate practices. Based on their intensive study with Vietnamese managers, Edward and Phan (2014) found that management ideas adopted from the West face difficulties when being implemented into Vietnamese society. Moreover, there is evidence that imported concepts are strongly influenced by local perceptions and have formed hybrids with local practices to suit local conditions. The above discussion shows the context within which CSR concept has emerged – but what does the term actually mean in Vietnam? This is a complicated task by the fact that perceptions of responsibility differ from country to country. Thus in regards to the concept of CSR, the authors believe understandings of CSR in Vietnam are both ideologically and contextually constructed. This is illustrated via a conceptual framework which is built upon the model of Vietnamese management derived from the study of Edward and Phan (2014). Our conceptual model for CSR concept operates along three key interlinked contextual factors or forces, named tradition; modernity and the party-state (see Figure 1) and each factor also comprises a number of elements (see Figure 2).

Our study suggests that as we interact with society we form a number of ideas and perceptions about the CSR concept that can be in favour of or in opposition to consideration of a particular social issue. As can be seen in some areas of CSR in the next discussion, the wider local business environment (social context) does not always support companies to take CSR decisions and may even create obstacles in practice. In other words, each contextual factor in our framework can either encourage or discourage CSR understanding through incentives or disincentives. For example, CSR initiatives for global issues such as climate change have mainly been practiced and demanded by MNCs or NGOs instead of coming from the intrinsic needs of society. Indeed, many Vietnamese firms have not been willing to fund programs for the long-term benefit whose immediate results are less visible, such as investments in environmentally friendly technology. Shortages of financial resources, lack of management capacity, and most importantly a deficient of local understanding of CSR have been some major obstacles for Vietnamese firms in the adoption and implementation of CSR.

** Tradition:** is of considerable importance in determining whether people will form opinions on a particular concept; in general, they are more likely to do so when they perceive that their tradition supports it. In fact, cultural values encompass beliefs about religion and moral standards from tradition which are instilled in a person from birth. Thus many CSR scholars have argued that CSR is intricately tied to cultural values and norms and in Asia, the CSR concept is rooted in specific cultural traditions (Visser et al., 2008). In Vietnam, tradition, classified as the “soul” of the country, has a certain impact on the way members think and behave within a society. This study supports the idea
that tradition underpinned by cultural values can eventually influence ethical and moral business conduct, especially with the existence of the term CSR being a combination of ethics and business.

Nowadays Confucianism core values still exert a strong influence within the contemporary society of Vietnam, serving as a basis for social morality in order to bring moral behaviour and harmony (Tuong & Wongsurawat, 2009). Having been reaffirmed and reinforced in a myriad ways through family teaching, education, folktales and proverbs, and popular literature, Confucianism has been one of many epistemological foundations of Vietnam. Despite its roots in ancient Chinese philosophy, in Vietnam, Confucianism incorporated indigenous beliefs and norms, establishing a core set of personal attributes and obligations with the greatest emphasis upon harmonious human relationships (Whitmore, 1984). Following Vietnamese Confucianism, everyone has an obligation to cultivate themselves morally, to demonstrate filial piety and loyalty, and to act with benevolence towards their fellow men (Jamieson, 1993). Therefore, Confucianism is expected to provide the virtue-ethics foundations for managers and eventually bring good practices in business management. This study suggests that there are Confucian prominent features significantly aligned and in support of the concept of CSR in Vietnam (See Table 1 for more detail).

Within Vietnamese culture, religion is also a major cultural factor and indeed, among a range of alternative religious beliefs, Buddhism plays a pervasive influence and vital role in establishing individual and social ethical standards of value. Although Vietnam is not considered a Buddhist country in any sociologically meaningful sense, elements of Buddhist belief are incorporated into the religious conceptions of virtually all Vietnamese (Caldarola, 2011). In Vietnamese culture, moral instructions of the Buddha are believed to guide people to the true value and legitimacy of their actions and help them to distinguish right from wrong. As part of Buddhist teachings, the logic of the karma doctrine under a cosmological view on the power of natural order point out that people should live with morality, demonstrating compassionate, benevolent and virtuous behaviour that will be rewarded and bring good luck (McHale, 2004). To some extent these religious beliefs from Buddhism might lead to a pragmatic re-conception about CSR as philanthropic responsibilities. For example, domestic enterprises in Vietnam are found to do charity for the poor; to donate to local religious events; to provide no-interest loans to workers; and to offer 13th month wage bonuses to employees on the Lunar New Year (Tran & Jeppesen, 2016).

As previously mentioned, it is well recognized that Vietnamese people are collectivists in general and the values of face, harmony, and belonging to a community, are usually highly appreciated. These cultural characteristics thus offer an explanation of public generosity and collective actions that might strongly shape local understanding of CSR. In fact, Vietnamese firms are perceived to practice CSR mostly in the traditional forms of charity or community investment to help alleviate various social ills, such as a lack of sufficient funding for educational institutions, urban blight, national poverty, social inequality, or illiteracy (Hoang, 2015). In essence, these community embeddedness activities not only inculcate the willingness to enhance social cohesion by considering communities in the sense of larger families and treating others as family members, but they also are considered as a tool to polish the prestige of the managers (Minh, 2014). Besides that, there are various forms of CSR-focused human resource practices arising from cultural expectations which aim to build family mentality and unity among employees within a firm. For example, many Vietnamese firms have voluntarily developed policies that allow employees to take extra days off for family events, such as marriages or funerals, or have allocated budget for annual company trips and networking events for their employees. Such activities provide managers and employees an opportunity to develop their social relationships by extending the family virtue of love and respect to their colleagues.
The Party-State: Given the party-state’s persistent endeavours to maintain its authority, any studies dismissing references to socialism as mere rhetoric will probably result in a deficient analysis of the situation in Vietnam. Indeed the dividing line between the promotion of capitalism for economic growth and the threat of inequality and exploitation (also referred to as capitalism’s Achilles heel in Baker, 2005 cited in Blowfield and Murray (2014)) can be found in social responsibility (Tonkin, 1997). Thus, during the economic liberalisation period, there is evidence showing that the party-state continues to use a variety of tools to maintain socialist values in society which potentially influence CSR perceptions (Tran, 2011). Generally it embraces three main elements, including ideology, state ownership, and state policies.

Firstly, the government attempts to govern business practices in line with its official ideology. In Vietnam, socialist precepts are closed official epistemological frameworks that bind society (Abuza, 2001) and it is suggested CSR might be a response to the government’s ideological hegemony. For example, in order to promote sustainable development and harmonious society, since 2005 the VCCI in collaboration with the MOLISA; MOIT; LEFASO; and VINATEX have launched CSR awards to honour socially responsible enterprises in garments industry (Nasrullah & Rahim, 2014). Likewise, the government has many awards for Vietnamese businessmen who actively participate in social and community activities. Besides that, the Women’s Union, the Trade Union and the Ho Chi Minh Youth Union are included in the administrative structure of SOEs and government agencies to protect the right of women, workers and the youth. These social and political mass organizations also represent for the party-state to annually promote social contribution activities and conduct donation events for disadvantaged people in the community as part of their social responsibility projects.

In addition to that, the government is found to promote and convey the orthodox state ideology in their state administration (Abuza, 2001). Despite evidence of the increasing diminution of state ownership, the party-state remains ‘prerogative’ powers through dominant shareholder right and the ability to appoint key positions in major JSCs and SOEs operating in key industrial sectors (Alpert, 2005). This suggests that the government can influence business decisions to follow the Party line. As social equality is the guiding ideology in Vietnam during the period of changing social stratification order, SOEs are likely to provide social welfare and practice CSR, especially in social issues related to hunger eradication and poverty reduction activities. This is also evident that there are many SOEs participating in community projects to provide more favourable conditions in infrastructure, healthcare and education in remote areas (Nguyen & Crase, 2011).

In tandem with political and social pressures, the party-state also exercises its policymaking dominance via legislation and state policies. In certain vital respects, the country has fairly comprehensive green regulations (Ortmann, 2017), and the state policies and legislations generally aim to protect the right of the working class from exploitation and provide a social safety-net for the poor (Rodan et al., 2001). Thus, this element is expected to act as a means to reinforce legal compliance of corporations and eventually CSR practices as indicating in promulgating more rigorous regulations on environmental protection or labour standards on safety practices (Tran, 2011). However the lack of a respective legal foundation, weak law enforcement, low level of transparency and also corruption issues have hindered the development of CSR in Vietnam. In reality, there is compelling and pervasive evidence of the implementation problems of the authorities at different levels, stemming from the lax supervision of the central government to the bureaucracy administration of ministries and local governments (Gillespie & Nicholson, 2005). Moreover, the law by itself never define everything that the society expects companies to take responsibility for. Therefore scandals arising from the laziness, individualism, selfishness, corruption and the emergence of irresponsible
business conduct associated with the market economy illustrate not only the weakness of the legal system, but also the lack of efficient institutions for CSR in Vietnam.

Modernity: Vietnamese society has been undergoing rapid change since 1986. As a consequence, fundamental changes in economic, ethical, political and cultural aspects of the society can be conceived, requiring a new way in which companies manage their relations within Vietnamese society. Thus, the study suggests that modernity (or globalisation) has played a significant role in influencing CSR perception in Vietnam.

To economists, globalization is the global spread of liberal and capitalist economic ideas, notably the creation of a global market built on free trade (Blowfield & Murray, 2014). Consequently, in this period, together with the emergence of MNCs, private enterprises have also flourished and the size of SOEs has grown significantly, encouraging a belief that economic growth could be the ultimate guarantors of the public good through the provision of employment, goods and services, and wealth. However, it is worthwhile to refer back to Milton Friedman’s capitalist statement to understand that businesses are motivated primarily by the expectation of profit and capital appreciation, reflecting as they must be responsible to their shareholders (Tonkin, 1997). The reality is that the majority of investors nowadays are more inclined to hold shares for the short term, looking for higher and speedier returns, and so CEOs have to straddle between the profit and societal pressures.

A further CSR facilitating factor has been the recent greater openness to foreign influences in Vietnam. That also being said, the recent rise in modernity is beginning to challenge the traditional view about the relationship between business and society. From the cultural and ethical aspect, globalization is also associated with the wide flows of data, ideas and practices, affecting Vietnamese society. Therefore this accounts for the changing nature of corporate governance, public scrutiny and social expectation about business responsibilities, affecting companies’ licence to operate within the society. According to the VCCI, the concept of CSR has to a large extent been predominantly pushed forward by international and transnational actors, such as MNCs, development agencies and NGOs (Hamm, 2012). This was through the implementation of Code of Conducts or under the form of social standard requirements. In a similar vein when becoming more involved with foreign trading partners, many domestic enterprises have been in the process to mimic, promote and expand CSR in their policies in return for access to the global market. Socially, a further dimension of foreign influence can be seen in education and media. Thanks to global integration and technology, many Vietnamese have been exposed to foreign education and Western ideas and culture, and this new experience has opened people’s eyes to different perspectives about global issues such as climate change. This might eventually be a drive force for change in social and business attitudes related to CSR.

The above discussion might demonstrate that these transitions are beneficial not only to society (e.g. investing in a low carbon technology), but also to business by bringing new concepts (e.g. business ethics). But when thinking about such positive changes, one should be as alert to the negative impacts of globalization that are seldom mentioned, especially when many assumptions of free market that underpin the business-society relationship no longer hold. Critics assert that the market liberalization has in some respects increased the scope of corporate influence, raising fear about unfettered corporate power to stifle competition which indeed distorts the rational functioning of free markets (Blowfield & Murray, 2014). Power asymmetries that favour corporations may also mean that they can unduly influence public policy, inclined to protect capital and corporate assets over other socially disadvantaged groups of society (such as labour and smallholder farmers) that widen disparities in society and also diminish social benefits. As an example, freedom of association and collective bargaining are amongst the rights and solutions to empowerment issues in Vietnam, but business has
been accused of interfering with (Edwards & Phan, 2008; Tran, 2011). Moreover, big corporations operating in developing countries has long been criticized for playing a part in the process of deregulation, avoiding or evading taxes (as in the case of Coca-Cola in 2012), causing environmental pollution (as evident in Formosa), paying low wages for long working hours and other abusive labour practices (as in the case of Nike), and signing short-term contracts with local suppliers.

Meanwhile at the political level, there has been a call for greater regulation and supervision of governments on business self-interest practices. In more recent trade and investment agreements, particularly the TPP, involved countries have started to include CSR language in the chapters to encourage enterprises operating within the territory of the parties to voluntarily incorporate CSR into their policies (Peels, Echeverria, Aissi, & Schneider, 2016). Vietnam currently participates in global and regional trade organizations such as the APEC, the ASEAN, and the WTO together with many FTAs. Thus, alongside with establishing a business friendly surrounding, Vietnamese government is also committed to fill gaps in legislation and enforcement as in compliance with international standards on issues associated to labour rights abuses, environmental deterioration and other human rights impacts (Hamm, 2012). In fact, the government is now taking up CSR-relevant issues as a public policy area such as the development of labour code and the reform of the union law (Tran, 2011). This shows how influential the changes in modernity can be on attitudes towards corporate responsibilities.

Further discussion: The degree to which either modernity, the party-state or tradition, will predominate in CSR understanding will depend on the strength of the respective force at a particular situation. Although there is no clear-cut distinction in CSR perceptions and practices between different organizational types making it difficult to generalize, the authors believe the context-specific variables can ultimately influence CSR understanding and outcomes in a given situation. Thus table 2 explores the variety of company contexts, comparing and contrasting the dominance of each force according to firm type. For example, in the case of SOEs, the party-state tends to exert strong influence on CSR understanding, reflecting ideology in Vietnam was still pervasive with the role of the CPV. As Vietnam is in the move towards greater international economic integration, many Vietnamese domestic firms are required to improve their CSR practices by their foreign partners. Thus the influence of modernity has been significant in shaping CSR thinking, attitudes and behaviour of VNCIs (and MNCs). This may also be reflective of VNCIs having a higher exposure to regulations, stakeholder scrutiny and CSR activities compared to other domestic companies when operating outside of Vietnam. For small and medium sized enterprises, it is more likely that companies undertake actions that address certain community issues due to the tradition forces and they might still not be aware of the term CSR, given the concept of CSR is still relatively new to the business agenda. The similar process of logical explanation can be applied to other respective forces.

Table 2 Examples of the dominance of each CSR factor according to firm type

<table>
<thead>
<tr>
<th>Tradition</th>
<th>SOEs</th>
<th>SMEs</th>
<th>MNCs</th>
<th>VNCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOEs</td>
<td>Medium</td>
<td>Strong</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>SMEs</td>
<td>Strong</td>
<td>Weak</td>
<td>Weak</td>
<td>Medium</td>
</tr>
<tr>
<td>MNCs</td>
<td>Weak</td>
<td>Medium</td>
<td>Strong</td>
<td>Strong</td>
</tr>
</tbody>
</table>

Our model also suggests that the nature and orientation of CSR also differ across companies in different industries (industry level); and also companies with operations only in Vietnam (national level) and those headquartered abroad or with international operations (global level). In Hermawan’s 2011 study, he observed an emerging pattern where CSR disclosure was dominant in certain exporting
industries in Vietnam. This might suggest the understanding and inclusion of CSR in Vietnam could be influenced by specific industry factors or that industry peers can mimic each other’s CSR activities. It is beyond the scope of this study to further analyse the CSR processes, practices and strategies according to specific industry but we believe the degree of CSR issues addressed by companies are indicative of the nature of CSR in Vietnam. In retrospect our study also suggests that Vietnamese firms are generally interested in participating in CSR activities which are visible (explicit) and open to public scrutiny because they have greater reputational gains.

It is also worth noticing that there is an interconnection among these three factors. This explains mostly the difficulties of simply transferring foreign concepts and practices to Vietnamese context because they need to be attuned to the cultural and political context (Edwards & Phan, 2014). The study somehow captured the tension between tradition and modernity, evident, for example, in how Vietnam has managed to retain its own distinctive culture despite foreign influences, and concerns that global integration is weakening the traditional values. According to Edward and Phan (2014), the relationship between tradition and modernity demonstrated the resistance to change and the pressure to reform, which are at two completely different dichotomies. At the macro level, the interplay seems to be mediated by the party-state, acting as either facilitators of or constrains on particular ideas. Ideologically and politically, the party-state can promote the development and acceptance of new practice (via legislation and policies), but also act as barriers to change (via ideology). At the micro level, individuals such as managers are able to choose to be rigid or flexible followers of the party-state and to choose their position to adopt a more traditional or more modern perspective.

Conclusion and future research agenda

This study focused on the Vietnamese context by taking symbolic interactionism perspective and has identified three crucial drivers of CSR in Vietnam. The conceptual framework showing pattern of relationships is regarded as being a significant impact on CSR understanding and practice in Vietnam. As CSR concept travels, some aspects have proved not be appropriate for the local context, given the strength of traditional values. The party-state has also fulfilled the role of both promoter and constrainers of CSR, playing a significant role in its development. In essence, the development of CSR perception involves a negotiated process of facilitation and resistance. The actual outcomes obtained are thus the result of a process of negotiation between modernity, tradition and the Party-state. This study also found that so far Vietnamese companies have been adept at absorbing CSR concept, adapting and assimilating it to the particular circumstances of Vietnam.

The study demonstrates, once again, that CSR is not a universal idea. The institutional variation across countries results in varieties of CSR framework. Thus, there is no one-size-fits-all approach to CSR, and that it can only be understood and implemented in context. The definition of CSR also needs to be adapted to fit different types of organizations, in different industries and sectors. In Vietnam, CSR scholarship written and published in English remains relatively rare. This research has brought to the forefront of the discussion the critical role that context should play in CSR research in Vietnam, emphasizing that examination of CSR without contextualisation could perpetuate superficial understanding of CSR. Thus the study raises a call for CSR researchers in Vietnam striving to ascertain how CSR is relevant, applicable and conceptualized to their particular research context, rather than adopting a definition from research in a developed country. In fact there is a vast scope to improve our understanding of CSR in Vietnam.

Future investigation of CSR concept in Vietnam can proceed from diverse perspectives considering context in more depth. That is, future research can focus on the concept and variety of CSR
frameworks, as conceptualized and manifested in a range of generalized contexts in Vietnam. Political science research may be interested in examining potential positive and negative impacts on CSR from the official ideology (such as Marxism–Leninism and Ho Chi Minh thoughts), state ownership and legal changes towards sustainable development in Vietnam. This kind of examination will fill the gap in knowledge about the role of socialist ideological and hegemonic regimes on CSR. Philosophy research can analyse the influence of the triple religion in Vietnam (Buddhism, Confucian and Daoism) on understandings of CSR, while sociologists and anthropologists might go beyond the use of Hofstede, looking at the relationship between CSR and a variety of cultural values and social changes or mixtures of these variables (such as nationalism, familialism, transformational and transnational education, and freedom of speech). Last but not least, as CSR understanding is not constant, longitudinal research on Vietnamese economic development also provides rich background on the development of CSR concept in Vietnam, reflecting how fundamental changes in social and economic conditions might affect the way in which companies manage their relations within society. Each perspective has its advantages and disadvantages from an analytical standpoint but drawing from a wide range of views provides some unique contributions that take the literature of CSR in new and interesting directions. Future discussion then needs a comprehensive and transdisciplinary framework to place and compare different contextualised understandings about CSR which might help to answer whether we can construct a general definition of CSR in Vietnam for cross-cultural studies.
**Figure 1** Conceptual framework of CSR

**Figure 2** Elements of each factor
<table>
<thead>
<tr>
<th>Virtues and values</th>
<th>Original source</th>
<th>CSR perceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nghia &amp; Nhan</td>
<td>The Confucian virtue of compassion, charity, benevolence, humanity and love for one’s fellow human beings</td>
<td>Ethical responsibilities &amp; Philanthropy</td>
</tr>
<tr>
<td>“Tinh” &amp; “Nhan”</td>
<td>These values entail going beyond the rules to do good because one has empathy and compassion in one’s heart. This also reflects community sentiment (<em>tinh lang nghia xom</em>)</td>
<td>Ethical responsibilities &amp; Philanthropy</td>
</tr>
<tr>
<td>“Ly” &amp; “Nghia”</td>
<td>The rationality of righteousness</td>
<td>Ethical responsibilities</td>
</tr>
<tr>
<td>“Dieu do”</td>
<td>This virtue refers to moderate one’s stance in the interest of social harmony. Relativism, of not being excessive. People who do not know moderation – who are too greedy or too rigid or too assertive bring about their own downfall</td>
<td>Economic &amp; sustainable consumption</td>
</tr>
<tr>
<td>Tinh cam &amp; Quan he</td>
<td>A significant manifestation of <em>tinh</em> is <em>tinh cam</em>, often described as having positive feelings towards others. <em>Quan he</em> is relationship, connection and network.</td>
<td>Philanthropy</td>
</tr>
<tr>
<td>The Buddha’s teachings</td>
<td>A morality of Buddhism serving as a basis for social morality. This reminds people to be nice to one another, to be kind and to be generous.</td>
<td>Ethical responsibilities &amp; Philanthropy</td>
</tr>
<tr>
<td>Karma doctrine</td>
<td>This logic motivated the followers to practice generosity through charity or donation</td>
<td>Donations and charity from those who have a surplus is common in Vietnam</td>
</tr>
<tr>
<td>Social hierarchy &amp; the value of “face”</td>
<td>The relationship between status competition, prestige, maintenance of face and public generosity is quite clear in Vietnamese society</td>
<td>Philanthropy</td>
</tr>
<tr>
<td>Familialism</td>
<td>Sense of family and for the nation’s interests</td>
<td>Ethic and Economic responsibilities</td>
</tr>
<tr>
<td>Nationalism</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
References


Declarations

List of abbreviations

APEC: Asia-Pacific Economic Cooperation
ASEAN: Association of Southeast Asian Nation
CEO: Chief executive officer
CPV: Communist Party of Vietnam
CSR: Corporate Social Responsibility
FTA: Free trade agreement
JSC: Joint stock company
LEFASO: Vietnam Leather, Footwear and Handbag Association
MNC: Multinational Corporation
MOIT: Ministry of Industry and Trade
MOLISA: Ministry of Labour, War Invalids and Social Affairs
NGO: Non-governmental organization
SME: Small and medium sized enterprise
SOE: State-owned enterprise
TPP: Trans-Pacific Partnership
VCCI: The Chamber of Commerce and Industry of Vietnam
VINATEX: Vietnam Textile and Apparel Association
VNCI: Vietnamese corporations with international operation
WTO: World Trade Organization

Competing interests

The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author received financial support for the research, authorship, and/or publication of this article from the Ministry of Education and Training of Vietnam and the School of Management, Massey University.

Authors' contributions

All authors contributed equally to this research.
The Influence of Corporate Social Responsibility Reporting Based on Firm Characteristics on Firm Value of the Companies Listed on the Stock Exchange of Thailand

Dararat Phoprachak
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: Dararat_tan@hotmail.com

Upawadee Neungvanna
Executive Director, Master plan 101 Co., Ltd.
24 Soi.Ladprao 101 Soi. 50 Klong Chan, Bangkapi, Bangkok 10240.
Email: Upawadee_n@hotmail.com

Abstract
The objective of this study was to explore the influence of corporate social responsibility reporting based on firm characteristics on firm value of the companies listed on the Stock Exchange of Thailand. Data studied included on the annual report (Form 56-1), annual financial statements, notes to financial statements and corporate social responsibility reports in 2015 of 363 companies. Structural equation model data were analyzed through Multiple Indicators and Multiple Causes (MIMIC) Model.

The quantitative study results showed that CSR reporting had directly positive influence on the firm value with statistical significance level of 0.05, with a path coefficient of 0.19. The results of the analysis showed that the assumption based model was consistent with the empirical data with the following statistics: χ² / df = 1.15, CFI = 0.98, GFI = 0.94, AGFI = 0.91, RMSEA = 0.021 and SRMR = 0.046. It could be concluded that CSR disclosure (CSRD) had directly positive influence on firm value (FMVL).

Keywords: Corporate Social Responsibility, Enterprise Value, Reporting

Introduction
The corporate social responsibility of companies will become a benchmark and practice of business organizations (Cheng and Ahmad, 2010). It can be said that the concept of corporate social responsibility is important today. It also encourages businesses to develop and achieve sustainable success under today's fierce competitive conditions. The management by organizing this kind of activity is considered to create a good image for the company. For the expected benefit that is there will be a drastic reduction of monitoring by government agencies and to build a good relationship with the society and its stakeholders by adhering to the interdependent principles of business, community, and society that cannot be separated.

The company's corporate social responsibility concept is now being discussed all over the world to find the appropriate way to conduct business in a socially responsible way. This is because it believes that doing business ethically and socially responsible will make companies able to succeed in running a sustainable business. Social responsibility will create a good image for the company, increase brand equity, and build a good reputation for the company (Bevan et al., 2004, Schaltegger, and Burritt, 2005 and Weber, 2008). It can also be a source of opportunity and expand the ability of innovation (Kramer, 2006, Stephenson, 2009 and Weber, 2008). It also reduces the risk of social pressures and influencers (Bevan et al., 2004 and Schaltegger and Burritt, 2005).

The Stock Exchange of Thailand places importance on the disclosure of the annual report submitted by companies listed on the Stock Exchange of Thailand in the aspects of management reporting and analysis. This is for organizations to indicate the factors affecting the operation and financial status of the company that are expected to occur or have occurred for stakeholders to assess the company's future policies and directions such as Corporate Social Responsibility, reports on Good Corporate Governance, and reports on staff and customer complaints, etc. The information in this section will be useful for making investment decisions of those who are interested in companies. The Stock Exchange of Thailand calls this report “Management Discussion and Analysis: MD & A.” There are also encouragements for organizations to prepared and file a report for every quarter. However, such reporting is considered voluntary. There is no rule or regulation for reporting criteria for investors interested in investing in the organization to understand the financial position, performance, and the corporate environment so they can better assess the organization in addition to only evaluating the
numbers in the financial statements. The business operation of listed companies in the Stock Exchange of Thailand mainly needs to rely on investment from the shareholders. Therefore, shareholders who are involved in the business must consider the risks potential before deciding to invest. Currently, the shareholders do not solely consider investing in the most profitable companies but also consider investing with companies that are socially responsible. It must operate a business that will not cause problems and impact on society, the community and the environment. Therefore, it is considered as a challenge for the business of listed companies on the Stock Exchange of Thailand to try to adjust the business model and presentation of reports to meet the expectations of investors.

The researcher thus, has recognized the importance of disclosure of management discussion and analysis (MD & A) because such information is particularly useful for those interested in investing with the organization. There is no content, guidelines, size, and methodology for Management Analysis Report clearly defined in Thailand. The reporting is only a voluntary presentation of the company information by the management. This report is actually very useful for assessing the potential impact on the organization in the future. Promoting Corporate Social Responsibility to be more effective is necessary to find out what factors influence the corporate social responsibility of companies listed on the Stock Exchange of Thailand and how it can affect the performance or firm value. The researcher thus has recognized the importance of studying the corporate social responsibility information disclosure by corporate characteristics that affect firm value of companies listed on the Stock Exchange of Thailand.

Research Objective

The objectives of this research on the impact of company characteristics and its disclosure of corporate social responsibility on firm value of companies listed on the Stock Exchange of Thailand are as follows:

1. To test the impact of company characteristics on its disclosure of corporate social responsibility of companies listed on the Stock Exchange of Thailand
2. To test the impact of company characteristics and its disclosure of corporate social responsibility on firm value of companies listed on the Stock Exchange of Thailand

Research hypotheses

H1: Company characteristics have positive Impact on firm value and indirectly through the CSR reporting variables.

Literature Review

There have been numerous researches conducted on social responsibility disclosure, company characteristics, and firm value. Various variables have been used depending on the purpose and the issues that the researcher was interested in studying. This can be summarized in Table 1.

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alsaeed</td>
<td>The Association between Firm Specific Characteristics : The Case of Saudi Arabia</td>
<td>Corporate size</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Capital structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ownership structure</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Years of business operation</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry type</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td>Maheshwarl</td>
<td>Corporate Characteristic and Responsibility Reporting</td>
<td>Corporate size</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>(2007)</td>
<td></td>
<td>Industry type</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profitability</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Nazli</td>
<td>Ownership Structure and Corporate Social Responsibility Disclosure: Some Malaysian Evidence</td>
<td>Corporate size</td>
<td>-</td>
<td>/</td>
</tr>
<tr>
<td>(2007)</td>
<td></td>
<td>Profitability</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry type</td>
<td>+</td>
<td>/</td>
</tr>
</tbody>
</table>
Table 1: (Continuous)

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrmelo (2008)</td>
<td>Determinants of corporate social responsibility disclosure rating’s by Spanish listed firms</td>
<td>News</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry type</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profitability</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ownership structure</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global stock markets</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate size</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ownership structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial bargaining power</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Type of auditor</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Amir Bamea and Amir Rucin (2010)</td>
<td>Corporate Social Responsibility as a Conflicts between Shareholders</td>
<td>Management structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Return</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate size</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Years of business operation</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Research and development</td>
<td>#</td>
<td>x</td>
</tr>
</tbody>
</table>

Note:  
+ Referred to there being a positive relationship with the degree of disclosure.  
/ Referred to there being significant relationship or difference.  
- Referred to there being a negative relationship with the degree of disclosure.  
× Referred to there not being significant relationship or difference.

Methodology

Population and sample

The population used in this study were 363 companies listed on the Stock Exchange of Thailand in 8 industries (as of April 9th, 2016, the Stock Exchange of Thailand, 2016) as shown in Table 2.

Table 2 Population used in the study

<table>
<thead>
<tr>
<th>Industrial groups’ names</th>
<th>No. of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agro-Industrial and Food Industrial groups</td>
<td>37</td>
</tr>
<tr>
<td>2. Consumer product industrial groups</td>
<td>25</td>
</tr>
<tr>
<td>3. Financial business group</td>
<td>50</td>
</tr>
<tr>
<td>4. Industrial product industrial groups</td>
<td>59</td>
</tr>
<tr>
<td>5. Resource industrial groups</td>
<td>24</td>
</tr>
<tr>
<td>6. Service industrial groups</td>
<td>75</td>
</tr>
<tr>
<td>7. Technology Industrial groups</td>
<td>30</td>
</tr>
<tr>
<td>8. Real estate and construction industrial groups</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>363</td>
</tr>
</tbody>
</table>
Research Format

This research was a quantitative research. The researcher collected data to conduct research from annual report (Form 56-1), Annual Financial Statements, Notes to Financial Statements, and CSR reports of companies listed on the Stock Exchange of Thailand 2015.

The statistics used to analyze data

Multivariate Statistical Analysis on Structural Equation Model was done by using Multiple Indicators and Multiple Causes (MIMIC) Model.

Results

Results of the analysis by linear structural equation model created based on the hypothesis indicate the impact of corporate social responsibility reporting on firm value of companies listed on the Stock Exchange of Thailand. The details of the analysis can be described as follows:

\[ \chi^2 = 5.86, \text{ df}=20, \text{ p-value}=0.99908, \text{ RMSEA}=0.000 \]

Figure 1: Confirmatory factor analysis for corporate social responsibility reporting.

Table 3 Confirmatory factor analysis for corporate social responsibility reporting

<table>
<thead>
<tr>
<th>Variable</th>
<th>( b )</th>
<th>( \text{SE} )</th>
<th>( t )</th>
<th>( R^2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR1</td>
<td>0.06</td>
<td>-</td>
<td>-</td>
<td>0.03</td>
</tr>
<tr>
<td>CSR2</td>
<td>0.18</td>
<td>0.08</td>
<td>2.30</td>
<td>0.19</td>
</tr>
<tr>
<td>CSR3</td>
<td>0.20</td>
<td>0.09</td>
<td>2.36</td>
<td>0.27</td>
</tr>
<tr>
<td>CSR4</td>
<td>0.07</td>
<td>0.04</td>
<td>1.82</td>
<td>0.03</td>
</tr>
<tr>
<td>CSR5</td>
<td>0.17</td>
<td>0.08</td>
<td>2.29</td>
<td>0.19</td>
</tr>
<tr>
<td>CSR6</td>
<td>0.15</td>
<td>0.05</td>
<td>2.70</td>
<td>0.15</td>
</tr>
<tr>
<td>CSR7</td>
<td>0.24</td>
<td>0.10</td>
<td>2.37</td>
<td>0.42</td>
</tr>
<tr>
<td>CSR8</td>
<td>0.22</td>
<td>0.09</td>
<td>2.36</td>
<td>0.27</td>
</tr>
<tr>
<td>CSR9</td>
<td>0.16</td>
<td>0.07</td>
<td>2.31</td>
<td>0.18</td>
</tr>
<tr>
<td>CSR10</td>
<td>0.25</td>
<td>0.11</td>
<td>2.37</td>
<td>0.35</td>
</tr>
</tbody>
</table>

\( \chi^2 = 5.86, \text{ df}=20, \chi^2/2 = 0.29, \text{ p-value}= 0.99, \text{ RMSEA}= 0.00 \)

Note \( |t| > 1.96 \) means that \( p <.05; \) \( |t| > 2.58 \) means that \( p <.01 \)
The Measurement Model Analysis by confirmatory factor analysis for Corporate Social Responsibility Disclosure (CSRD) found that the model was consistent with empirical data after modeling without eliminating any indicators from the measurement model. The chi-square test result was 5.86, the statistical probability (p) was 0.99, the degrees of freedom (df) was 20, the RMSEA value was 0.00, the SRMR was 0.016, the GFI was 1.00, the CFI was 1.00, and the AGFI was 0.99.

In other words, the corporate social responsibility disclosure (CSRD) consists of 10 elements: corporate governance disclosure (CSR1), corporate disclosure statement on corporate social responsibility (CSR2), disclosure of company information on anti-corruption (CSR3), disclosure of company information on respect for human rights (CSR4), disclosure of company information on fair labor practices (CSR5) consumer responsibility (CSR6), corporate social responsibility (CSR7), disclosure corporate social responsibility disclosure (CSR8), corporate social responsibility disclosure (CSR9), and corporate sustainability reporting (CSR10). The CSR10 is the most important, followed by CSR7, CSR8, CSR3, CSR2, CSR5, CSR9, CSR6, CSR4, and CSR1 respectively.

Chi-Square=24.51, df=15, P-value=0.05696, RMSEA=0.043

Figure 2: confirmatory factor analysis for firm value

Table 4: confirmatory factor analysis for firm value

<table>
<thead>
<tr>
<th>Variable</th>
<th>b</th>
<th>SE</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>5.65</td>
<td>-</td>
<td>-</td>
<td>0.70</td>
</tr>
<tr>
<td>ROE</td>
<td>6.82</td>
<td>1.81</td>
<td>3.77</td>
<td>0.50</td>
</tr>
<tr>
<td>EPS</td>
<td>1.15</td>
<td>0.65</td>
<td>1.78</td>
<td>0.01</td>
</tr>
<tr>
<td>TBQ</td>
<td>0.06</td>
<td>0.06</td>
<td>0.92</td>
<td>0.00</td>
</tr>
<tr>
<td>EVA</td>
<td>0.03</td>
<td>0.06</td>
<td>0.50</td>
<td>0.00</td>
</tr>
<tr>
<td>PER</td>
<td>-0.92</td>
<td>0.06</td>
<td>-1.09</td>
<td>0.01</td>
</tr>
<tr>
<td>PBR</td>
<td>0.46</td>
<td>0.17</td>
<td>2.72</td>
<td>0.04</td>
</tr>
<tr>
<td>DDY</td>
<td>0.22</td>
<td>0.15</td>
<td>1.41</td>
<td>0.01</td>
</tr>
</tbody>
</table>

χ² = 24.51, df = 15, χ²/2 = 1.63, p-value = 0.057, RMSEA = 0.043

Note: | t | > 1.96 means that p <.05; | t | > 2.58 means that p <.01
The analysis of the measurement model by the confirmatory factor analysis for firm value (FMVL) confirmed that the model was consistent with the empirical data after modeling without eliminating any indicators from the measurement model. A statistical test on Chi Square was 24.51, the probability statistically (p) was 0.057, the degrees of freedom (df) was 15, the GFI was 0.98, the CFI was 0.96, and the AGFI was 0.95.

In other words, firm value (FMVL) consists of 8 components: return on assets (ROA), return on equity (ROE), earnings per share (EPS), Tobin’s Q ratio (TBQ), economic value added (EVA), market price-earnings ratio (PER), Price-Book Value per share (PBR) and dividend yield (DDY). It was found that return on equity (ROE) was the most important, followed by ROA, EPS, PER, TBQ, DDY, EVA, and PBR respectively.

Figure 3 Structural equation model on the impact of corporate social responsibility reporting on firm value of companies listed on the Stock Exchange of Thailand.
Table 5: Analysis of the impact of corporate social responsibility reporting on firm value of companies listed on the Stock Exchange of Thailand

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>CSRD</th>
<th>FAVL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>TE</td>
<td>DE</td>
</tr>
<tr>
<td>CSRA</td>
<td></td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.09)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>CSRI</td>
<td></td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.07)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>TYPE</td>
<td></td>
<td>-0.02</td>
<td>-0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>SHDS</td>
<td></td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.09)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>POID</td>
<td></td>
<td>-0.02</td>
<td>-0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>AGEC</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
</tr>
<tr>
<td>TADT</td>
<td></td>
<td>-0.12</td>
<td>-0.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.09)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>SHHD</td>
<td></td>
<td>0.17</td>
<td>0.17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.09)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>SIZE</td>
<td></td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.06)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>FMVL</td>
<td></td>
<td>0.19*</td>
<td>0.19*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.08)</td>
<td>(0.08)</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 298.20, \text{df} = 260, \chi^2/2 = 1.15, p-value = 0.052, \text{RMSEA} = 0.021 \]

Note: \( p^* < .05 \)

From the data analysis results, it was found that the model based on the hypothesis was consistent with the empirical data. The Chi Square statistical test was 298.20, the probability statistically (p) was 0.052, the degrees of freedom (df) was 260 the \( \chi^2/2 \) was 1.15, the RMSEA value was 0.021, the SRMR was 0.046, the GFI was 0.94, the CFI value was 0.98, and the AGFI value was 0.91. The CSRD had a positive influence on the FMVL with statistical significance at 0.05 with the coefficient of influence at 0.19.

From the study result, it was found that the CSRA, CSRI, SHDS, SHHD and SIZE had directly positive impact on the CSRD at 0.10, 0.06, 0.07, 0.17, and 0.07, respectively, while the TYPE, POID, and TADT had directly negative impact on the CSRD at -0.02, -0.02 and -0.12, respectively. From the study, it was also found that the CSRA, TYPE, SHDS, TADT, and SIZE had directly positive impact on FMVL at 0.13, 0.06, 0.08, 0.06, and 0.06, respectively. While the CSRI, POID, and SHHD had directly negative impact on FMVL at -0.03, -0.01, and -0.02, respectively. While CSRA, CSRI, SHDS, SHHD, and SIZE had indirectly positive impact on FMVL through the CSRD at 0.02, 0.01, 0.01, 0.03 and 0.01, respectively, and variable of types of auditor (TADT) had indirectly negative impact on firm value (FMVL) through disclosure of corporate social responsibility (CSRD) at -0.02 for all 3 variables. The TYPE and POID had no indirect impact on FMVL. From the study, it was also found that the AGEC had no impact on the CSRD, FMVL, and no indirect impact on the FMVL.

Research Discussion and limitations

The CSRA, CSRI, TYPE, SHDS, POID, AGEC, TADT, SHHD and SIZE had indirectly positive impact on FMVL through the CSRD. This is consistent with the hypothesis with no statistical significance. The results of past various studies and the findings of this work are clearly in the same direction when compared to prior literatures: Alsaeed (the 2006th), Maheshvarl (2007th), Carmelo (the 2008th), Adelopo (the 2010th) and Amir Bamea and Amir Rucin (2010). The result of this study was also consistent with the findings of Leland and Pyle (1977 Ross (1977) and Brennan and Copeland (1988), including the context of the corporate social responsible award in Arnat Leemakdej in 2013 all resulted in the support that CSRA and CSRI affect the dividend payout, stock splits, shares listing on the Stock Exchange. This is inconsistent with the study conducted by Brechetti et al (2012) that found that the award cannot be a factor that could predict the increased firm value. Reverte (2008)
found that the shareholder structure affects CSR disclosure to the shareholders to obtain information directly from the company. The structure of the shareholders will not be a major incentive to executives in the corporate social responsibility report if the report is not beneficial to the company or the benefits of disclosure on the cost to be used in the preparation of the information. While the results of the research conducted by Hossain et al. (1998) to study the results of this study were similar in terms of the type of audit firm has no relation to the disclosure of environmental information.

Corporate social responsibility reporting has a directly positive influence on firm value. The results of the CSR report had a directly positive impact on the firm value at statistical significance level of 0.05. Based on the overall study, it can be concluded that the CSR reporting had directly positive impact on firm value. This is consistent with the results of Maheshwarl (2007), Nazli (2007), Amir Bamea and Amir Rucin (2010), Otgontsetseg et al. (2013) and Chih-Wei and Mei-Ling (2014) that found that CSR reporting had a directly positive impact on firm value.

**Conclusions and Recommendation**

The study on CSR reporting is consistent with a study on the corporate social responsibility report of the SET and rhea Securities and Exchange Commission of Thailand (SET, 2012). It is only a guideline and not a rule or regulation of any kind. The results of some elements in the report, it was also reported that unclear. Overall the report found that the negative impact on the company will not disclose any such penalties amount of penalty and the amount of hazardous materials exist. Therefore, those who will use the findings should consider such limitations.

The findings of this research indicated that the study on the impact of the corporate social responsibility disclosure on the CSRA and company characteristics that had impact on the firm value. When each variable was considered, the relationship between variables was found without statistical significance except industry variable categories which were divided into groups: manufacturing process industry and non-manufacturing process industry. It can be said that the identification of features to describe a form of CSR reporting that affect firm value may only be classified based in the type of the industry. Therefore, future research should focus on educational issues even more.

**Acknowledgments**

I am deeply grateful to Associate Professor Dr. Salinan Boonmee, Dean of faculty of business administration and information technology for her invaluable advice and supporting of this study. Furthermore, I also sincerely thank to Rajamangala University of Technology Suvarnabhumi University supporting of this study. Special thanks my family and friends to give encouragement for me. Additionally, I would like to thank those whose names are not mentioned here but have greatly inspired and encouraged us until this study comes to a perfect end.

**Bibliography**

Arnat Leemakdej (2013). *The award signals CSR case studies of companies listed on the Stock Exchange of Thailand*. Faculty of Commerce and Accountancy, Thammasat University, Year 36, No. 139, pp. 27-42.


Abstract

The objectives of this study were to explore the effects of corporate social responsibility report influencing the firm’s value of companies listed on the Stock Exchange of Thailand and to study the factors influencing the corporate social responsibility report and the firm value. According to the 2012 Social Responsibility Report of the Stock Exchange of Thailand, the research was conducted by studying data from the Annual Report (Form 56-1), annual financial statements, Financial Statements notes and 2015 corporate social responsibility report with a sample population from 360 companies. Data of the structural equation model were analyzed as Multiple Indicators and Multiple Causes (MIMIC) Model.

The analyzed results found that the model by assumptions was consistent with empirical data with the following statistical test: $\chi^2 = 48.25$, df = 55, $\chi^2$/df = 0.88, CFI = 0.98, GFI = 0.96, AGFI = 0.96, RMSEA = 0.048 and SRMR = 0.031. It also found that the variable of corporate social responsibility report in terms of information disclosure and fair workers treatment (CSR5) had a direct positive influence on variable of firm value (FMVL) at a statistical significant of 0.05, with influence coefficient of 0.33* the variable of corporate social responsibility report in terms of information disclosure, responsibility for consumers (CSR6) and environmental management (CSR8) had a statistical significant of 0.01, with influence coefficient of 0.52** and 1.08**.

Keywords: Corporate Social Responsibility, Firm’s Value, Disclosure.

Introduction

Rapid changes in the economy, society, environment, and technology have resulted in fiercer competition in the current business environment than in the past. One reason comes from the price competition making each company wants the lowest production, good procurement, and raw materials costs for the companies to be able to compete in the industry. Companies are looking for ways to compete, causing undue use of the world's resources to have the lowest production cost and able to compete with competitors. The effect of such actions is rapidly depleting the world's resources and when the resources are limited, there will be potential of problem of lacking resources. Manetti (2011) thus, recommended that companies should operate their business by paying attention to the impact on society, the community and the environment coupled with business operations by formulating business strategies with consideration should be given to the conservation of natural resources as well as the preservation of the environment and the care of society and the community together. Companies that operate in this form can be regarded as a company that recognizes the importance of the majority and a company that operates without only hoping for their own benefit (Kolodinsky et al., 2010).

The company's corporate social responsibility information is reported in the United States, which help the company get the attention from investors. And can add value to the company (Jeffrey et al., 2012). Investors are interested in investing $6 trillion in the company. From, the Research in the
US (Social Investment Forum, 2014), it can preliminarily be concluded that the Company will conduct its business with due regard to only create maximum value for shareholders alone may not be enough for the current race because companies that operate in such a form that the Company may not be able to sustainably stay in business. Dane (2016) found that the reporting of social responsibility can reduce errors that could have happened to the company. It has also been found that the share price of the company will decrease when the company has been reported not responsible for the society. Adequate social responsibility reporting can also add value to the company. Brooke et al. (2014) noted that today's business attractiveness to the needs of investors is not only the highest turnover. Business infrastructure is another factor that attracts investors into the company. Based on this study, investors are willing to pay a higher amount if the company is likely to be involved in social activities. Therefore, social activities have the potential to increase the company value. Freeman (1984) suggested that the company will be able to run sustainable business if it implements a concept that takes the interests of the stakeholders into account in a company strategy. Companies must design management strategies by incorporating the company's activities that express corporate social responsibility (CSR). That is a concept where the company operates in contributing to better the society quality, clean, pollution-free and safe environment through voluntary interaction with stakeholders (European Commission, 2005). This concept reflects more on the current research.

The researcher thus, has recognized the importance of reporting corporate social responsibility information in the Management Analysis Report and the company's financial reports because this information is very useful for those who are interested in investing in the company. The content, guidelines, size, and methodology for the management analysis report have not been defined in Thailand. CSR reporting is only a voluntary presentation of the company management, this report is actually very useful for assessing the potential impact on a company from the future. Therefore, promoting Corporate Social Responsibility to be more effective is necessary to find out how the social responsibility of a listed company in the Stock Exchange of Thailand is influenced by the factors and how it can affect its value. The researcher sees the importance of studying about Impact of Corporate Social Responsibility Reporting on Firm Values of Companies Listed in the Stock Exchange of Thailand, companies with different features and how does a company reporting different social responsibility information impact the change in the value of its business in order to use this information as a guideline, relevant authorities can use this information to conduct a study on the appropriate reporting of social responsibility information for listed companies listed on the Stock Exchange of Thailand companies listed on the Stock Exchange of Thailand in the future.

**Research Objective**

To study the impact of corporate social responsibility reporting on firm value of companies listed on the Stock Exchange of Thailand

**Research hypotheses**

**Hypothesis 1:** reporting CSR information disclosure on good corporate governance (CSR1) has directly positive impact on the firm value

**Hypothesis 2:** reporting CSR information disclosure on fairness (CSR2) has direct positive impact on the firm value

**Hypothesis 3:** reporting CSR information competition strategy disclosure on anti-corruption (CSR3) has direct positive impact on the firm value

**Hypothesis 4:** reporting CSR information competition strategy disclosure on human right respect (CSR4) has direct positive impact on the firm value

**Hypothesis 5:** reporting CSR information disclosure on the fair treatment of workers (CSR5) has direct positive impact on the firm value

**Hypothesis 6:** reporting CSR information disclosure on the responsibility toward consumers (CSR6) has direct positive impact on the firm value

**Hypothesis 7:** reporting CSR information disclosure on Community and Social Development (CSR7) has direct positive impact on the firm value
**Hypothesis 8** reporting CSR information disclosure on Environmental Management (CSR8) has direct positive impact on the firm value

**Hypothesis 9** reporting CSR information disclosure on Innovation and dissemination of innovation by implementing social responsibility (CSR9) has direct positive impact on the firm value

**Hypothesis 10** reporting CSR information disclosure on preparation of sustainability report (CSR10) has direct positive impact on the firm value

**Literature Review**

From the literature review conducted to analyze Impact of Corporate Social Responsibility Reporting on firm value of companies listed on the Stock Exchange of Thailand, the results of the review can be summarized as shown in Table 1.

**Table 1:** Historical data on corporate social responsibility, company characteristics, and firm value

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- The profitability of a business</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Structure of ownership</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Ivy Isack and Rebecca Chyi (2003)</td>
<td>Transparent Blue Skies for the Global Airline Industry: A Study of Key Accounting Disclosures</td>
<td>- The size of the business</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The issuance of the report</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Carmelo Reverte (2008)</td>
<td>Determinants of Corporate Social Responsibility Disclosure Rating’s by Spanish listed firms</td>
<td>- The ability to make a profit</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Structure of ownership</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The size of the business</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Ownership structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial bargaining power</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Return</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Corporate size</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Years of business operation</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Disclosure</td>
<td>#</td>
<td>x</td>
</tr>
<tr>
<td>Magali A., Delas Dror Etzion and Nicholas Nairn-Birch (2013)</td>
<td>Triangulating Environmental Performances: What do CSR Ratings Really Capture</td>
<td>- The capital structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The size of the business</td>
<td>+</td>
<td>/</td>
</tr>
</tbody>
</table>
Table 1: (Continuous)

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Relationship</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muiching</td>
<td>Corporate Governance</td>
<td>Reporting</td>
<td>#</td>
<td>/</td>
</tr>
<tr>
<td>Criia Chan, John Watson</td>
<td>Quality and CSR Disclosures</td>
<td>The size of the business</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>and Devid woodliff (2014)</td>
<td></td>
<td>Administrative structure</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Ali Uyer, Mreve Kilic and</td>
<td>Association between Firm Characteristics</td>
<td>The size of the business</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Nizamettin Bayyurt (2013)</td>
<td>Voluntary Disclosure : Listed Companies</td>
<td>Profitability</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Chih-wei Peng and Mei-ling</td>
<td>The effect of corporate social performance</td>
<td>Age to the operation</td>
<td>+</td>
<td>/</td>
</tr>
<tr>
<td>Yang (2014)</td>
<td>of financial performance: the moderating</td>
<td>Structure of ownership</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>effect of ownership concentration</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Methodology

Population and sample

The population in this study was 570 companies listed on the Stock Exchange of Thailand in 2015 (as on January 10th, 2016). The above amount does not include the companies in the market for Alternative Investment (MAI) because the purpose of fundraising for these companies cannot be clearly identified. This may affect the reporting of CSR information, which will affect data analysis (Booth et al. 2000, Sukcharoensin, 2003).

The sample group used in this study was selected based on Structural Equation Model (SEM) analysis to provide parameters from the accuracy and reliability analysis. The composition used to determine the sample size in the analysis by Hair et al. (1998) suggested that the optimal sample size is in the range of 100 to 200 samples. Additionally, Golob (2003) recommends that the analysis of the structural equation model by approximation. The Maximum Likelihood value should be at least 15 times the observed variable. From the structural equation model, there are 24 variables observed. Therefore, the sample size of this study should be 360 as shown in Table 2.

Table 2: Number of samples by industry groups

<table>
<thead>
<tr>
<th>Industrial groups’ names</th>
<th>No. of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agro-Industrial and Food Industrial groups</td>
<td>(51 x 360)/570</td>
</tr>
<tr>
<td>2. Consumer product industrial groups</td>
<td>(40 x 360)/570</td>
</tr>
<tr>
<td>3. Financial business group</td>
<td>(59 x 360)/570</td>
</tr>
<tr>
<td>4. Industrial product industrial groups</td>
<td>(85 x 360)/570</td>
</tr>
<tr>
<td>5. Resource industrial groups</td>
<td>(154 x 360)/570</td>
</tr>
<tr>
<td>6. Service industrial groups</td>
<td>(40 x 360)/570</td>
</tr>
<tr>
<td>7. Technology Industrial groups</td>
<td>(100 x 360)/570</td>
</tr>
<tr>
<td>8. Real estate and construction industrial groups</td>
<td>(41 x 360)/570</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>360</strong></td>
</tr>
</tbody>
</table>
Research Format

The researcher has conducted studies on related concepts, theories, and research. To define the operational definition and structure of the variables to be studied in the research framework, a paper was prepared to measure the level of CSR reporting to measure the disclosure statistics. Corporate social responsibility by reviewing the information from the annual list (form 56-1), annual financial statements, notes to financial statements, and report on CSR in the accounting year 2015. This was done to calculate the rating scale of CSR reporting.

Data Collection

The researcher statistically recorded the CSR Information reports of companies in the industries used in this research using papers to conduct the measurement on the CSR reporting. If the company discloses information on corporate social responsibility, the score would be 1 and if the company has addressed the issue of disclosure of corporate social responsibility and there was a disclosure of corporate social responsibility in individual aspect. Then the statistics on social responsibility disclosures were summarized. However, if the company did not disclose Corporate Social Responsibility information on any aspect, the scores would be 0, and if the disclosure is relevant to the show CSR information according to the CSR Information reporting guidelines but the information is not relevant to the company, it is entered as N / A (Not Applicable).

The statistics used to analyze data

1. Descriptive Statistics
   Descriptive Statistics on the level of disclosure on CSR Information was separated into 3 levels: high, mediocre, and low for each industry presented. The statistics are expressed in terms of the value and percentage.

2. Inference Statistics
   Multivariate statistical analysis, structural equation model by analyzing the influence of Corporate Social Responsibility Model of firm value of listed companies in stock exchange of Thailand. The statistics used to analyze the structural equation model with a statistical model Multiple Indicators and Multiple Causes (MIMIC) Model as structural equation model is unique about the relationship within and multivariate relationships.

Results

From the analysis result, it was found that the models were based on assumptions consistent with empirical data. The statistical test Chi Square at 48.25 the statistical probability (p) equal to 0.075, the degrees of freedom (df) equal to 55 the $\chi^2/2$ equals 0.88 value, RMSEA equals 0.048, the SRMR equal to 0.031, the GFI equal to 0.96, CFI was 0.98 and AGFI was 0.96. When considering the test results, it is found that the model is appropriate. That is, social responsibility reporting has a negative impact on business value of companies listed on the Stock Exchange of Thailand.

The study found that the hypothesis model was consistent with empirical data. The statistical test was $\chi^2/df = 0.88$, CFI = 0.98, GFI = 0.96, AGFI = 0.96, RMSEA = 0.048 and SRMR = 0.031. Therefore, it was concluded that the model is appropriate. Or it can be said that CSR has a negative impact on the value of the business of companies listed on the Stock Exchange of Thailand by testing the hypothesis, it was found that the research hypotheses 5, 6, and 8 were accepted.

The results showed that the SHHD and CSR5 had a positive impact on firm value (FMVL) with statistical significance level of 0.05, with a coefficient of influence equal to 0.10 and 0.33, respectively, while the shareholder structure (SHDS) and proportion of independent directors (POID) had a negative impact. CSR6 and CSR8 had a positive impact on the firm value (FMVL) with statistical significance level of 0.01, with a coefficient of influence of 0.52 and 1.08, respectively. The test results are shown in Figure 1 and Table 3.
Chi-Square=48.25, df=55, $\chi^2$=0.88, p-value=0.075, RMSEA=0.048

Figure 1: The structural equation model based on the hypothesis of corporate social responsibility reporting impact on the firm value of companies listed on the Stock Exchange of Thailand
Table 3: The results of the analysis on the structural equation model based on the hypothesis

<table>
<thead>
<tr>
<th>Dependent/Independent</th>
<th>CSR1</th>
<th>CSR2</th>
<th>CSR3</th>
<th>CSR4</th>
<th>CSR5</th>
<th>FMVL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TE</td>
<td>DE</td>
<td>IE</td>
<td>TE</td>
<td>DE</td>
<td>IE</td>
</tr>
<tr>
<td>SHDS</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>-</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
</tr>
<tr>
<td>POID</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
<td>0.55</td>
<td>0.55</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
<td>(0.41)</td>
<td>(0.41)</td>
<td>-</td>
</tr>
<tr>
<td>SHHD</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>-</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
</tr>
<tr>
<td>AGEC</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
<td>0.00</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>-</td>
<td>(0.03)</td>
<td>(0.03)</td>
<td>-</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.03</td>
<td>0.03</td>
<td>-</td>
<td>0.06</td>
<td>0.06</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.05)</td>
<td>-</td>
<td>(0.28)</td>
<td>(0.28)</td>
<td>-</td>
</tr>
<tr>
<td>FMVL</td>
<td>0.26</td>
<td>0.26</td>
<td>-</td>
<td>-0.08</td>
<td>-0.08</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.94)</td>
<td>(0.94)</td>
<td>-</td>
<td>(0.11)</td>
<td>(0.11)</td>
<td>-</td>
</tr>
<tr>
<td>SHDS</td>
<td>0.08**</td>
<td>0.08**</td>
<td>-</td>
<td>0.05**</td>
<td>0.05**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
</tr>
<tr>
<td>POID</td>
<td>1.83**</td>
<td>1.83**</td>
<td>-</td>
<td>1.75**</td>
<td>1.75**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.32)</td>
<td>(0.32)</td>
<td>-</td>
<td>(0.28)</td>
<td>(0.28)</td>
<td>-</td>
</tr>
<tr>
<td>SHHD</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-</td>
<td>0.02</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
</tr>
<tr>
<td>AGEC</td>
<td>-0.02</td>
<td>-0.02</td>
<td>-</td>
<td>0.08**</td>
<td>0.08**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.03)</td>
<td>-</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: p* < .05, p** < .01
<table>
<thead>
<tr>
<th>Dependent/Independent</th>
<th>CSR6</th>
<th>CSR7</th>
<th>CSR8</th>
<th>CSR9</th>
<th>CSR10</th>
<th>FMVL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TE</td>
<td>DE</td>
<td>IE</td>
<td>TE</td>
<td>DE</td>
<td>IE</td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.14</td>
<td>-0.14</td>
<td>-0.34</td>
<td>0.34</td>
<td>0.34</td>
<td>0.84**</td>
</tr>
<tr>
<td></td>
<td>(0.26)</td>
<td>(0.26)</td>
<td>(0.23)</td>
<td>(0.23)</td>
<td>(0.31)</td>
<td>(0.31)</td>
</tr>
<tr>
<td>FMVL</td>
<td>0.52**</td>
<td>0.52**</td>
<td>0.00</td>
<td>0.00</td>
<td>1.08**</td>
<td>1.08**</td>
</tr>
<tr>
<td></td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.13)</td>
<td>(0.13)</td>
<td>(0.40)</td>
<td>(0.40)</td>
</tr>
</tbody>
</table>

$\chi^2 = 48.25$, df = 55, $\chi^2/2 = 0.88$, p-value = 0.075, RMSEA = 0.048

Note: p* < .05, p**<.01
Research Discussion and Limitations

CSR reporting impacts on firm value in the aspect of good governance, the fair treatment on workers, the responsibility toward consumers, environmental management, and innovation and dissemination of innovation by implementing social responsibility had directly positive impact on the firm value with statistical significance. This is consistent with the findings of Maheshwarl (2007), Nazli (2007), Amir Bamea and Amir Rucin (2010), Otgontsetseg et al. (2013) and Chih-Wei and Mei-Ling (2014) that found that the corporate social responsibility reporting had a directly positive impact on the firm value. Education, social and community development were found to have a directly negative impact on the firm value. This is consistent with the findings of the Locket et al. (2006) that found that when investing in community development and more social company will be recognized by the community and society but the company performance will be reduced.

Conclusions and Recommendation

From the limitations of this study, it was found that corporate social responsibility reporting is a study according to a study report on the social responsibility of the Securities and Exchange Commission of Thailand (SET, 2012) which is only a guideline and not a rule or regulation of any kind. Therefore, results of some elements in the report were unclear. Overall it was found that the report that would have negative impact on the company would not be disclosed such as any penalty the amount of penalty, and the amount of hazardous materials, etc. Therefore, those who will use the result of this study should consider such limitations.

Suggestions in this study is the study findings reported that the impact of CSR on the firm value. When considered as a whole, according to a model defined during the study period of three years to study it. The model is appropriate in all years studied. The report takes the form of corporate social responsibility to serve as a model of corporate social responsibility report can be implemented. Greater clear results are achieved by reporting only a six elements of good governance, the fair treatment on workers, the responsibility toward consumers, environmental Management, and Innovation and dissemination of innovation by implementing social responsibility complied with reporting standards of the Global Reporting Initiative (GRI). Therefore, regulators and companies listed on the Stock Exchange of Thailand should consider the social responsibility of a report based on the standard of the Global Reporting Initiative (GRI).

Suggestions

Researcher has divided the presentation of the suggestion in this section into 2 parts as follows:

1. Suggestions for practical implications

   Because this was conducted using corporate social responsibility disclosure, annual reports (56-1), financial statements, and notes to financial statements so the data may be inconsistent with the actual data.

2. Suggestions for further research

   (1) Further research should be conducted on expansion of variables that can be done by increasing the context with different aspects of reporting standards.

   (2) In view of the degree of disclosure corporate social responsibility should further provide qualitative view of additional information.

   (3) Further study may also be conducted by extending the duration of the study to prove further research in terms of consistency and contrast to the duration of this study.

Bibliography


Stock Exchange of Thailand (2016). The listed of companies listed on the stock exchange.


Causal Relationship Model of Firm Characteristics Factors and Good Cooperate Governance affecting the Performance of the Companies Listed on the Stock Exchange of Thailand

Senee Puangyanee
Faculty of Business Administration and Information Technology,
Rajamangala University of Technology Suvarnabhumi, Thailand
Email: Seneermutsb@hotmail.com

Police Major General Supisarn Bhakdinarinath
Faculty of Political Science North Bangkok University
Email: Supisarn2497@gmail.com

Abstract
The objective of this research was to develop the causal relationship model of firm characteristics factors and good corporate governance affecting the performance of the companies listed on the Stock Exchange of Thailand. The developed model consisted of 3 latent variables and 8 observable variables. The sample of this study was 338 companies listed on the Stock Exchange of Thailand. Data on annual reports (form-56), annual financial statements and notes to the financial statements during the years 2010-2013. The statistics used in this study were descriptive statistics. The causal model was analyzed through a path analysis with LISREL 8.80 Student Edition. The results showed as follows. By testing the consistence of the causal model of firm characteristics (CHA), the assumed model was consistent with empirical data. Based on the statistical test, the chi-square was 22.08. The statistical probability \( p = 0.077 \), the degree of freedom \( df = 0 \), \( \chi^2/2 = 1.58 \), RMSEA was 0.041, SRMR was 0.037, GFI was 0.98, CFI was 0.99, AGFI was 0.96. The latent variable of firm characteristics (CHA) had directly negative impact on performance (PAL) with a statistical significance level of 0.01. A path coefficient was 0.18. However, CHA variable did not indirectly influence performance (PAL) and it had directly negative impact on good corporate governance (GGN) with a path coefficient of 0.02 without statistical significance level. The latent variable of good corporate governance (GGN) had directly positive impact on the performance (PAL) with a statistical significance level of 0.05, with a path coefficient of 0.18.

Keywords: Firm characteristics, good corporate governance, performance

Introduction
The emergence of the economic crisis of 1997 in Southeast Asia has become a concrete example of the importance of corporate governance in developing countries (Rasiah, 1999). The economic loss and damage to investors' valuables was invaluable resulted from the ineffectiveness of the corporate governance mechanism. This is due to the laxity of monitoring and supervising the behavior of executives to protect the interests of shareholders from inappropriate behavior. This also includes fraud, misconduct, and the misappropriation of the business resources by a management or a group of persons that influence the management of the business or even window dressing the financial statements that mislead stakeholders to make incorrect decision that would ultimately cause enormous losses (Mohammad, 2008).

The complexity and dynamics of the capital flows under the current global economy system results in the waned boundaries of the country's territory. The uniqueness of the market has defined the deep relationship between the market, financial markets, government, and regulators. For this reason, corporate governance has become more and more important because the efficient corporate governance and control system will enable the business to survive in the rapidly changing business environment (Van den Berghe, 2002). Corporate governance is very important for the growth and the survival of the modern companies. Besides helping companies reduce conflicts of interest and in response to legal requirements, good corporate governance has also attracted the attention of wealthy and institutional investors. Additionally, it will also make the company attractive business alliance partner, which gives the company the opportunity to make profitable investments (Bonna, 2012).

However, there are problems with corporate social responsibility reporting in the aspects of appropriate principles and guidelines for corporate social responsibility reporting and most businesses have misunderstandings and are in a narrow frame of mind thinking that corporate social responsibility is to donate to public charity, which is trying to solve problem after the fact and not the root causes (Arporn Chivakriengkai, 2007). Additionally, the organization appropriate size, being well equipped, and having elements of a good quality result in the Board being
able to supervise the organization to disclose important both financial and non-financial information relevant to the organization to be accurate, complete, timely and transparent through equal and reliable channel providing easy access to information. (Ausana Phatramontri, 2016). The presence of the commission with proportionate and appropriate decision-making process is also an important factor affecting the performance of CRS (Zahm, 1989). Therefore, it is interesting to study the relationship of corporate governance at the composition of the board and sizes of listed companies (Ausana Phatra Council, 2016).

Therefore, this study was conducted because the realization of the importance of the causal relationship model of company characteristics and good corporate governance that impact the performance of companies listed on the Stock Exchange of Thailand. The researcher hopes that the results of this research will be beneficial to companies to apply them as a guideline for planning the company's attributes to be in line with good corporate governance and impact the performance of companies listed on the Stock Exchange of Thailand.

Research Objectives

The research on the causal relationship model of company characteristics and good corporate governance that impact the performance of companies listed on the Stock Exchange of Thailand was conducted to develop a causal relationship model of key factors that impact the ability to operate.

Conceptual framework

In the aspect the conceptual framework of the research, the researcher aims to study the causal relationship model of company characteristics and good corporate governance that impact the performance of companies listed on the Stock Exchange of Thailand. The researcher reviewed the literature of foreign and domestic research as shown in Figure 1.

![Conceptual framework](image)

Figure 1: Research conceptual framework

Hypotheses

In this research on the causal relationship model of company characteristics and good corporate governance that impact the performance of companies listed on the Stock Exchange of Thailand, the hypotheses were set as follows: company characteristics had direct influence on the performance of companies listed on the Stock Exchange of Thailand and indirect influence through good corporate governance of companies listed on the Stock Exchange of Thailand.

Research Methodology

Researcher determines the population of this research to be companies listed on the Stock Exchange of Thailand in 8 industry groups (as of February 9th, 2015, the Stock Exchange of Thailand, 2015) selected to be qualified for the study. Only 338 companies were found to have met the selection criteria and appropriate data to conduct a study on the causal relationship model of company characteristics and good corporate governance that
impact the performance of companies listed on the Stock Exchange of Thailand. The researcher collected the data by paper to record the disclosure of corporate governance information. The data statistics were compiled from the annual report (Form 56-1), annual financial statements, and notes to the financial statements for the 2013 fiscal year. The research format was an empirical research done by collecting data from secondary sources. Papers were used to collect information about company characteristics and good corporate governance that impacted on the performance of listed companies in the Stock Exchange of Thailand. The research was conducted to collect and analyze data during August to November 2016. When data collection is complete, the researcher proceeded to process of defining the statistics that were appropriate and consistent with statistical data to answer the research objectives set by the statistics used in data analysis was done with descriptive statistics and inferential statistics using path analysis (Path Analysis) to determine the causal factors of company characteristics and good corporate governance that impact the performance of companies listed on the Stock Exchange of Thailand and to test the hypotheses defined in the study with statistical significance at 0.05.

Research Results and Discussion

Research Results

The analysis of company characteristics, good corporate governance, and performance of companies listed on the Stock Exchange of Thailand as shown in Table 1-5.

Table 1: The results of the confirmatory factor analysis on features of companies listed on the Stock Exchange of Thailand.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>b</th>
<th>SE</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIZ</td>
<td></td>
<td>0.09</td>
<td>-</td>
<td>-</td>
<td>0.02</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td>2.35</td>
<td>1.35</td>
<td>1.74</td>
<td>0.02</td>
</tr>
<tr>
<td>STR</td>
<td></td>
<td>6.64</td>
<td>2.89</td>
<td>2.30</td>
<td>0.73</td>
</tr>
<tr>
<td>BOA</td>
<td></td>
<td>4.10</td>
<td>1.84</td>
<td>2.22</td>
<td>0.84</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 0.70, \text{df} = 2, \chi^2/2 = 0.35, \text{p-value} = 0.70, \text{RMSEA} = 0.00 \]

Notes: \( | t | > 1.96 \text{means } p < .05; \ | t | > 2.58 \text{means } p < .01 \)

Figure 2: model of confirmatory factor analysis of company characteristics of companies listed on the Stock Exchange of Thailand.
Table 1 and Figure 2: From the measurement model by characteristics (CHA) analysis, it was found that the model was consistent with the empirical data after model adjustment without cutting off any indicators, it was found that the Chi Square statistical test result was 0.70, the statistical probability (p) was 0.70, degrees of freedom (df) was 2, value $\chi^2/2$ was 0.35, RMSEA was 0.00, SRMR was 0.0074, GFI was 1.00, CFI was 1.00, and AGFI was 0.99. In other words, the CHA consisted of four components: SIZ, AGE, STR, and BOA. The STR was most important, followed by the BOA, AGE, and SIZ, respectively.

Table 2: the results of the confirmatory factor analysis of the corporate governance of companies listed on the Stock Exchange of Thailand

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>SE</td>
</tr>
<tr>
<td>CG1</td>
<td>36.51</td>
<td>-</td>
</tr>
<tr>
<td>CG2</td>
<td>10.88</td>
<td>0.85</td>
</tr>
</tbody>
</table>

$\chi^2 = 0.00$, df = 0, $\chi^2/2 = 0.00$, p-value = 1.00, RMSEA = 0.00

Notes $| t |> 1.96$ means $p < .05$; $| t |> 2.58$ means $p < .01$

Figure 3: model of confirmatory factor analysis of good corporate governance of companies listed on the Stock Exchange of Thailand.

From Table 2 and Figure 3, analysis on measurement model by good corporate governance (GGN), it was found that the model was consistent with empirical data after adjusting the model without cutting out any indicators; it was found that the Chi Square statistical test result was 0.00, the statistical probability (p) was 0.00, degrees of freedom (df) was 0, $\chi^2/2$ was 0.00, RMSEA was 0.00, SRMR was 0.00, GFI was 1.00, CFI was 1.00 and the AGFI was 1.00. In other words, the GGN was composed of two elements: CG1 and CG2. The CG1 was the most important followed by CG2.

Table 3: the results of the confirmatory factor analysis on the performance of companies listed on the Stock Exchange of Thailand

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>SE</td>
</tr>
<tr>
<td>ROA</td>
<td>6.92</td>
<td>-</td>
</tr>
<tr>
<td>ROE</td>
<td>9.07</td>
<td>0.29</td>
</tr>
</tbody>
</table>

$\chi^2 = 0.00$, df = 0, $\chi^2/2 = 0.00$, p-value = 1.00, RMSEA = 0.00

Notes $| t |> 1.96$ means $p < .05$; $| t |> 2.58$ means $p < .01$
Figure 4: components model to confirm the performance of companies listed on the Stock Exchange of Thailand

From Table 3 and Figure 4, analysis on measurement model by PAL, it was found that the model was consistent with empirical data after adjusting the model without cutting out any indicators, it was found that the Chi Square statistical test result was 0.00, statistical probability (p) was 0.00, degrees of freedom (df) was 0, $\chi^2/2$ was 0.00, RMSEA was 0.00, SRMR was 0.00, GFI was 1.00, CFI was 1.00, and AGFI was 1.00. In other words, the PAL was composed of two elements: ROA and ROE. The ROE was the most important followed by ROA.

The causal relationship analysis between the company characteristic, good corporate governance, and the performance of companies listed on the Stock Exchange of Thailand as shown in Table 4-5. Table 4 shows the influence of the model coefficients of the causal factors for company characteristics, good corporate governance, and the performance of listed companies in the Stock Exchange of Thailand. According to the hypothesis, it was consistent with empirical data after research models modification.

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Supervisor</th>
<th>Ability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TE</td>
<td>DE</td>
</tr>
<tr>
<td>CHA</td>
<td>-0.02**</td>
<td>-0.02</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>GGN</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$\chi^2 = 22.08$, $df=14$, $\chi^2/2= 1.58$, p-value = 0.077, RMSEA = 0.041, SRMR = 0.037, GFI =0.98, CFI = 0.99, AGFI =0.96

Table 4 shows the model of consistency check of a causal relationship on the CHA, it was found that models based on hypotheses are consistent with empirical data with the Chi Square statistical test result was 22.08, statistical probability (p) was 0.077, the degrees of freedom (df) was 0, $\chi^2/2$ was 1.58, RMSEA was 0.041, SRMR was 0.037, GFI was 0.98, CFI was 0.99, and AGFI was 0.96.

The latent CHA had a direct negative impact on PAL with statistical significance at 0.01 and the coefficient at 0.19 but no indirect impact on PAL. The latent CHA also had a direct negative impact on GGN with the coefficient at 0.02 but with statistical insignificance. The latent GGN had a direct negative impact on PAL with statistical significance at 0.05 and the coefficient at 0.18.
Therefore, the researcher modified the research model based on the theoretical feasibility and model modification indices: MI, this is the value that the program suggests or the greatest value. The specific statistics of each parameter are equal to the chi-square values. When each parameter is set to be independent parameter or the conditions are relaxed by defining the variance measurement. (Nongruk Virutchai, 1999), the data was then used to modify the research model to conform to the empirical data and to obtain the statistic of the criteria as shown in Table 5.

Table 5: the result of the analysis on statistics of causal relationship model of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand after the model modification

<table>
<thead>
<tr>
<th>Index value</th>
<th>Criteria</th>
<th>Statistical value</th>
<th>Considering the results</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \chi^2 / df )</td>
<td>&lt; 2.00</td>
<td>1.58</td>
<td>Through the condition</td>
</tr>
<tr>
<td>P-value</td>
<td>&gt; 0.05</td>
<td>0.077</td>
<td>Through the condition</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt; 0.90</td>
<td>0.98</td>
<td>Through the condition</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt; 0.90</td>
<td>0.96</td>
<td>Through the condition</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt; 0.90</td>
<td>0.99</td>
<td>Through the condition</td>
</tr>
<tr>
<td>SRMR</td>
<td>&lt; 0.05</td>
<td>0.037</td>
<td>Through the condition</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt; 0.05</td>
<td>0.041</td>
<td>Through the condition</td>
</tr>
</tbody>
</table>
From Table 5, the results, it was found that the causal relationship model of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand after the model modification was well consistent with the empirical data based on the Chi Square \( \chi^2 \) statistical test result was 22.08, degrees of freedom (df) was 14, statistical significance (P-value) was 0.077 meaning that the Chi Square had no impact with statistical significance on Chi Square degrees of freedom \( \chi^2 / df \) that was at 1.58. The GFI was 0.98, AGFI was 0.96, CFI was 0.99, SRMR was 0.037, RMSEA was 0.041. These statistics meet the criteria set indicating that the research model is consistent with the empirical data / acceptance level. Thus, it can be concluded that the causal relationship model of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand after the modification was in harmony with the data and can be used as a model to develop causal relationships of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand.

Discussion

The researcher can analyze the results and meanings of the research results, the causal relationship model and examine the components of the CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand as can be as follows:

From the result, it was found that the causal relationship model of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand reflected that the relationship model is harmonious. The researcher has adapted the model. Thus, it is concluded that the model is suitable for use in the development of a causal relationship model of CHA, GGN, and performance of companies listed on the Stock Exchange of Thailand. This is consistent corresponds to the past studies conducted by Camfferman and Cooke (2002), Alsaeed (2006), Adelopo (2010) and Atsara Parawon (2007) that found that organizational size had a statistically significant positive correlation with the corporate governance disclosure level of the company and it was found that large companies are more exposed than smaller companies. Due to disclosure, the costs involved are relatively high. Larger companies are less likely to spend less on information than smaller companies. The results are consistent with the results of the study conducted by Atsara Parawon (2004) that found that the company’s operating life was positively correlated with the degree of disclosure. It was found that companies with long operating lives had high levels of disclosure. Perhaps due to past experience, the company has learned how to disclose information to interested parties or users, and the research of Pattaraporn Pongsapradit in 2007 found that the level of disclosure of information and transparency of the business measured by the overall score is associated with poor profitability. That is companies are likely to increase visibility and increase credibility to the shareholders when the performance is unsatisfactory. Additionally, the research conducted by Supana Sukanantasak in 2014 found that profits were increased when transparent reporting was done and shareholder confidence is increased. The correlation analysis results were consistent with the results of this study.

It was also found that the impact of causal factors on the performance of companies listed on the Stock Exchange of Thailand was higher than the direct impact of the CHA on the performance of listed companies in the Stock Exchange of Thailand. Therefore, the ability to operate of listed companies in the Stock Exchange of Thailand can be improved by improving the performance of companies listed on the Stock Exchange of Thailand to continuously have quality CHA, GGN.

Suggestions

Researcher has divided the presentation of the suggestion in this section into 2 parts as follows:

1. **Suggestions for practical implications**

   Because this was conducted using corporate governance disclosure, annual reports (56-1), financial statements, and notes to financial statements so the data may be inconsistent with the actual data.

2. **Suggestions for further research**

   (1) Further research should be conducted on expansion of variables that can be done by increasing the context with different aspects of reporting standards.

   (2) In view of the degree of disclosure, good corporate governance should further provide qualitative view of additional information.

   (3) Further study may also be conducted by extending the duration of the study to prove further research in terms of consistency and contrast to the duration of this study.
Bibliography


Arporn Chewakriengkai, (2007), *Business operation with Corporate Social Responsibility*, Bangkokbiznews


http://www.set.or.th/th/regulations/rules/disclosure_files/BorJorPor2300_TH.pdf [2013, September 30th], Text And Journal Publication


The Stock Exchange of Thailand (2007), *Exchange's regulations on information disclosure of listed companies* (online) accessible from:

The Stock Exchange of Thailand (2013), *Guidelines on Information Disclosure of Listed Companies* (online), accessible from: :

Usanaa Bhatapron,omtre (2007), *Good Corporate Governance," modern internal audits, concepts, and case studies, Bangkok*


Corporate Approaches to Indigenous Stakeholders: Analysing an emerging reconciliation reporting framework

Daniel Schepis, The University of Western Australia

35 Stirling Highway Crawley
Australia 6006
daniel.schepis@uwa.edu.au

Manuscript prepared for the 4th International Conference on CSR, Sustainability, Ethics and Governance. Fremantle 26-28 July 2017
Abstract

Many local and foreign companies operating in Australia are now establishing Reconciliation Action Plans (RAPs) to commit to and report on specific activities for engaging Indigenous stakeholders. RAPs align with general approaches to sustainability reporting, however we do not understand how these specific activities fit into companies’ broader CSR strategies. Using reporting to identify corporate approaches, this paper explores: (1) how firms integrate reconciliation activities into their sustainability reporting and (2) do firms with RAPs disclose more ‘reconciliation’ activities than others. A content analysis is performed based on a sample of sustainability reports and website data from Australian extractive companies. Results indicate that firms do integrate their reconciliation activities into their general sustainability reporting, however the quality of disclosure was in most cases low. The analysis also shows that on average, firms with RAPs do disclose reconciliation activities in greater detail than similar firms without. These findings offer a theoretical contextualisation of RAPs and provide impetus to further analyse this emerging practice and its outcomes.

Keywords: CSR, Sustainability Reporting, Indigenous, Extractive Industries

1. Introduction

With the mainstreaming of corporate social responsibility (CSR) practices, an ever increasing number of organisations are publically active in this domain (Sethi, Martell & Demir 2016). Acceptance of CSR as a necessary business activity has been coupled with growing recognition of the strategic need to effectively engage organisational stakeholders (Fooks et al 2013). Given the strategic role of CSR, its format and implementation standards vary greatly across industry and country contexts (Hahn & Kühnen 2013). In addition to contextual diversity, CSR practices continue to evolve, both in how they are applied by firms and in the external structures applied by government and non-government actors. Despite the large body of existing CSR research, its dynamic nature necessitates ongoing analysis from various perspectives to evaluate practices and understand emerging trends (Aguinis & Glavas 2012).

As CSR is for the most part, voluntary and outside of legislative requirements, companies are largely in control of how they develop and present their practices (Michelon, Pilonato & Ricceri 2015). As a strategic instrument, CSR offers firms great flexibility in how they engage with stakeholders and what information they choose to disclose (Jenkins 2004). Even while global CSR initiatives and frameworks are increasing in number and sophistication, companies ultimately have options whether to subscribe to them and negotiate their application and performance expectations (Haalboom 2012). Critical perspectives of CSR characterise these actions as piecemeal or window dressing and highlight that company reports do not necessarily reflect actual performance (Utting 2005; Milne & Gray 2013). In seeking to understand CSR strategy through corporate disclosures, we must therefore apply in-depth critical analysis in order to interpret emerging practices (Ranängen & Zobel, 2014).

This study investigates the emergence of Reconciliation Action Plans (RAPs) in Australia, a contextually specific form of CSR directed towards engaging Indigenous stakeholders. In establishing a RAP, local and foreign firms commit to undertake and report on specific internal and external activities that promote the broader reconciliation agenda. These plans follow a standardised framework and are endorsed and managed by a nationally recognised NGO. While this initiative commenced over a decade ago, we have no empirical research into
stakeholder or company outcomes, nor do we understand how these specific activities fit into companies’ broader CSR strategies. Using reporting as a way to identify corporate approaches, this study explores: (1) how do firms integrate reconciliation activities into their sustainability reporting? and (2) do firms with RAPs disclose more detailed ‘reconciliation’ activities than others?

2. Exploring CSR Strategy through Disclosures
In analysing CSR strategies, academics often rely on company-produced reports and other publications to identify relevant activities and performance. While the insights available from these disclosures are limited and often skewed, they are considered to be representative of corporate attitudes to sustainability and offer good bases for comparison between companies and development over time (Fuisz-Kehrbach 2015). The development of CSR practices is inextricably linked with the emergence of non-financial corporate reporting, both of which seeking to satisfy increasing public scrutiny and stakeholder expectations (Lozano & Huisingh 2011; Milne & Gray 2012). Firms are not only disclosing more information relating to their social and environmental performance, but these disclosures are increasingly being released in dedicated stand-alone reports in regularity akin to traditional financial reporting practices (Hahn & Kühnen 2013).

CSR disclosures are among companies’ most visible and widely published documents and represent effective means of communication with key external stakeholders (Jenkins & Yakovleva 2006; Hetze 2016). In recognising the strategic value of CSR, it is acknowledged that disclosing firms present favourable corporate images that enable them to achieve their objectives (Van Der Laan 2009). Involvement in CSR is often explained through legitimacy theory, suggesting corporate motivations often lie in managing stakeholder relations rather than improving their sustainability (Jenkins 2004; Castello and Lozano 2011). Given the voluntary and undefined nature of CSR, it can be critiqued as a discursive practice through which corporations seek to control stakeholder definitions and their perceived responsibilities to those groups (Coronado & Fallon 2011; Humphreys 2014; Parsons et al, 2014).

While CSR reporting is a widespread practice, especially among large multinationals, standards and styles vary greatly, attracting ongoing criticism from academic and institutional perspectives. As Milne and Gray (2012) highlight, the United Nations has on multiple occasions expressed disappointment at the low quality and lack of progress of sustainable development reporting. UNEP Sustainability has long sought to promote better standards such as reporting performance information against wide ranging, specific targets, along with clear descriptions of current events. In contrast CSR disclosures are often characterised by a reliance on anecdotal evidence and an avoidance of controversial or potentially negative issues (Hilson 2012; Sethi et al 2016).

2.1 Voluntary Reporting Initiatives
One developing trend that seeks to address issues of quality and consistency has been the emergence of voluntary reporting frameworks. This includes a diverse range of initiatives, often facilitated by external bodies such as the Global Reporting Initiative (GRI) or industry and country specific variations that set standards of the type and detail of information to be disclosed (Raufflet, Barin Cruz & Bres 2014). CSR frameworks have been considered to serve as regulatory scripts, through which companies are able to show alignment with institutional expectations (Ranängen & Zobel, 2014). These initiatives promote common approaches, which as Chen and Bouvain (2009) found, has led to convergence in some aspects of reporting, although other aspects are still considered to vary significantly. So while
these standardisation initiatives seek to harmonize reporting styles and content, it is also suggested that they offer corporations the ability to ‘pick and choose’ criteria to follow based on convenience or preference, which contributes to ongoing differences in reporting quality (Fortanier, Kolk & Pinkse 2011; Raufflet, Barin Cruz & Bres 2014).

Despite advances in the number of firms engaging in CSR and in the amount of disclosures, companies are still scrutinised with regards to their level of commitment and the actual outcomes and beneficiaries of these activities (Milne & Gray 2012; Hilson 2012). Michelon, Pilonato and Ricceri (2015) identify the use of practices such as stand-alone reports, assurance and reporting guidance, are often largely symbolic and do not necessarily improve reporting quality. Similarly, participation in voluntary initiatives does not automatically suggest greater external accountability, in fact when considering the strategic aims of CSR, companies may be content with the appearance of accountability (Hess 2008).

One method in which the perceived accountability of CSR activities can be enhanced is through partnerships with external organisations, in particular large industry collectives or NGOs connected to certain issues or stakeholder groups. Partnerships with NGOs can strengthen firms’ CSR efforts through their expertise and relationships with stakeholders, while also benefiting the NGO (Conley & Williams 2005). From a strategic perspective, endorsement from NGOs provides normative legitimacy which strengthens the position of firms among key stakeholders (Nijhof, de Bruijn & Honders 2008). While these alliances offer benefits to both parties, they are also contested practices within the context of CSR, raising issues of independence, co-optation and subversion (Baur & Schmitz 2012). The evaluation of firms’ CSR activities and reporting should therefore consider their strategic objectives and not necessarily take affiliations or endorsements from external parties as indication of the firms’ performance in those areas.

3. Reconciliation Action Plans

Within the Australian context, reconciliation quite broadly refers to the building of relationships, respect and trust between Aboriginal and Torres Strait Islander peoples and the wider Australian community. This agenda was formalised through the Federal Government’s formation of the Council for Aboriginal Reconciliation in 1991, which later evolved into an independent, not-for-profit foundation, Reconciliation Australia (RA), in 2001. In 2006, Reconciliation Australia launched the RAP initiative which provides a framework for various organisations to engage in reconciliation activities. RAPs have a standardised framework based on three pillars: Relationships, Respect and Opportunities, from which organisations develop and commit to specific actions and are officially endorsed by RA. Organisations are required to report on their outcomes annually and also review their activities and targets after a set timeframe.

An increasing number of private, public and not-for-profit sector organisations are establishing RAPs, with 658 created since the concept was launched. Over 3 million people currently work or study in an organisation with a RAP and members of these organisations report greater contact, less prejudice and more trust towards Aboriginal and Torres Strait Islander people than the general population. Similarly, at the organisational level, positive impacts of RAPs are seen to be higher Indigenous employment, greater spending on contracts with Indigenous suppliers and more support for pro bono services, scholarships and traineeships; however no comparative analysis with non-RAP firms exists. While the reported impacts are impressive, there remains a dearth of external research examining the effects of RAPs on organisational behaviour and the lasting outcomes for members of the Indigenous
stakeholders. One ongoing performance review found mixed results at the workplace level, with a downward trend in employee awareness of RAP initiatives and their perceived impacts, but improvements in other outcomes (Polity 2015).

Despite the standardised framework, analysing organisational approaches and performances of their RAP activities is difficult, primarily due to the types of initiatives and targets varying greatly by organisational type. While some organisations contribute significant resources, the RAP program has no formal requirements for financial commitments. Even by focusing on the growing corporate RAP category, a wide range of firm sizes and industries are represented, which suggests the likelihood of diverse motivations for voluntarily committing resources to reconciliation endeavours. It is clear that Indigenous engagement is currently on the agenda of many prominent Australian companies, as highlighted by the Business Council of Australia’s report that 40 of their members currently have a RAP and 80 currently participate in their Business-Indigenous network (BCA, 2014). Similarly, in the latest RAP Impact Measurement report (2015), RA highlighted recruiting ASX200 listed firms and large private and multinational firms as a priority for growing the program.

3.1 The Role of RAPs in CSR
At present, there has been little theoretical investigation into corporate involvement in reconciliation activities and as such the role of RAPs in CSR is largely unknown. There have however been many studies examining corporate engagement with Indigenous communities, including within the Australian context specifically (Jenkins 2004; Coronado & Fallon 2011; O’Faircheallaigh 2015). From this perspective, it is clear that Indigenous people represent important stakeholders for firms operating in Australia (Crawley & Sinclair 2003). Indeed, from the current socio-political environment it is apparent that firms must update their Indigenous engagement policies and practices to reflect the expectations of relevant stakeholders and the general public (Humphries 2014). This perspective therefore closely aligns with conceptualisations of CSR as “the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles” (Johnson 1971, p. 51).

Certain elements of RAPs focused around relationship building, consultation and cultural awareness are common stakeholder engagement practices found in different contexts (Hilson 2012; Prno & Slocombe 2012). Other activities included in RAPs such as activities promoting Indigenous employment, training or contracting opportunities, align with affirmative action practices more broadly, however in contrast to initiatives around the world, RAPs are entirely voluntary, with no legislated requirement to report progress (Daly, Gebremedhin & Sayem 2013). In recognising the lack of legal obligation, the adoption of Indigenous specific policies can be seen as responses to companies’ perceived social responsibilities (Livesey 2002; Trebeck 2008). From a CSR perspective, these activities are reconciled by developing business cases to satisfy stakeholder interests as a means to continue their core profit seeking activities (Trebeck 2008).

There are several possible explanations for companies’ participation in the RAP program over less onerous or more flexible avenues to addressing their social responsibilities. Part of the appeal is likely to be the profile of RA as the organising body. As Humphreys (2014) suggests, strategic partnerships with non-profit organisations representing a cause, provide companies legitimacy in that domain and are seen align them with the norms and expectations of that group. Moreover, the RAP format can be perceived as a form of voluntary corporate social disclosure, which in itself represents an attempt at legitimation (Van Der Laan 2009). Based on the public nature of RAP reporting, parallels with other
reporting frameworks such as GRI are evident, as they both offer firms recognition of compliance with set standards (Fuisz-Kehrbach 2015). Corporate approaches to RAPs still remain unclear however, particularly the manner in which these activities are tied to organisational strategies and fit within existing CSR activities. The emergence of new forms of community engagement discourses and practices, such as RAPs, necessitates critical analysis to examine and understand these activities (Mayes, McDonald & Pini, 2014).

3.2 The Case of CSR in the Extractives Industry

To explore the use of RAPs in practice, it is valuable to examine their intersection with CSR practices within a specific industry context. The extractives industry represents an appropriate case given the widespread adoption of CSR activities, proliferation of disclosure standards and frameworks and long term recognition of the importance of Indigenous stakeholders within the Australian context (Fuisz-Kehrbach 2015; Ranängen & Zobel, 2014; Hanna & Vanclay 2013). Many mining, oil and gas companies were among the earliest adopters of RAPs and this remains one of the most represented industries within the corporate category (BCA, 2014).

Extractive companies are often regarded as leading proponents of CSR and have been shown to disclose greater levels of social and environmental information than firms in other industries (Ranängen & Zobel, 2014; Hilson 2012, KPMG 2015). Advances in the sophistication of CSR practices are considered a more recent trend, in contrast to earlier eras where extractive companies lagged behind or actively resisted addressing environmental or social issues (Sethi et al 2016). Industry level sustainability initiatives are gaining prominence, as evidenced by the establishment of bodies such as the International Council on Metals and Mining (ICMM) and International Petroleum Industry Environmental Conservation Association (IPIECA). These bodies have formed reporting guidelines and contribute to collective discourse, while in recent years they have also incorporated policies relating to Indigenous rights (Haalboom 2012). Subscription to industry standards remains voluntary and there remains significant variance between the maturity of reporting content and style between firms (Fuisz-Kehrbach 2015; Jenkins & Yakovleva 2006).

CSR is an important activity for extractive firms as their operations are typically associated with significant social and environmental costs, due to their locations and land access and usage requirements (Cragg & Greenbaum, 2002; Kemp & Owen, 2013). The impact is particularly great on Indigenous people, many of whom have a cultural and spiritual connection to the land used (Coronado & Fallon, 2010). CSR disclosures in the extractive industries have been characterised as emphasising altruistic/philanthropic activities, particularly self-laudatory in nature, as opposed to tying sustainability to corporate strategy (Fuisz-Kehrbach 2015). An additional issue raised regarding voluntary CSR initiatives in the extractive industries, is that they are susceptible to being abandoned or diluted as ownership structures or economic conditions change and their enforcement is problematic (O’Faircheallaigh 2015). Further work is required to determine how these initiatives support governance arrangements, particularly across different operating contexts (Hilson 2012; Prno & Slocombe 2012).

3.3 Extractive Industries within the Australian Context

Engagement with Indigenous groups is common practice for extractive companies operating in Australia, with many entering into agreements with local Traditional Owner groups to enhance the security of their capital investments (Crawley & Sinclair, 2003). A key driver of this practice was the introduction of Native Title legislation in 1993, granting Traditional
Owners (TO) certain land rights and a degree of influence over mining projects through a right to negotiate over mining leases (Crawley & Sinclair 2003; Parsons 2008). While this has contributed to recognition of Indigenous peoples’ rights and status as key stakeholders, their legislative protections are quite limited and large extractive companies maintain significant power in these relationships (O’Faircheallaigh, 2013; Parsons, 2008). As such, voluntary CSR activities remain important practices for companies to manage their relationships with Indigenous groups (O’Faircheallaigh, 2015).

Beyond legal obligations, a central facet of extractive companies’ CSR approaches is the notion of social licence to operate (SLO), which is used to demonstrate their perceived legitimacy among external stakeholders who may constrain or frustrate the firm’s activities (Owen & Kemp, 2013; Parsons, Lacey & Moffat 2014). Companies therefore frame CSR activities within a business case for maintaining their SLO, particularly in relation to maintaining positive relationships with Indigenous groups who could potentially ‘revoke’ their license (Parsons et al, 2014; O’Faircheallaigh, 2013). In an absence of set standards or measurement, SLO is a flexible concept, exposed to the power relations between companies and stakeholders (Coronado & Fallon, 2010; Parsons et al, 2014). The rhetorical applications of SLO discourse enable firms to not only manage their stakeholder commitments but also influence stakeholder definitions, often generalising to broader society (Coronado & Fallon 2010).

3.4 Research Approach
Corporate involvement in Indigenous reconciliation is an emerging area in Australia and the uptake in RAPs indicates that many companies are pursuing formal frameworks to demonstrate their activities. Given the nascent stage of the RAP initiative and lack of research into application and outcomes, corporate approaches to reconciliation remain unclear, particularly regarding how they are integrated with existing functions, including CSR. This is an important point to consider, as participation in the RAP program requires a holistic, company-wide approach. By examining companies’ general sustainability reporting practices, we can gain insight into the extent to which reconciliation activities are approached within the scope of CSR or if they represent stand-alone initiatives. Moreover in order to explore the effect of RAPs on corporate involvement in reconciliation, we can also examine whether firms with RAPs disclose more reconciliation activities than those without.

4. Methodology
This study applies a content analysis approach to explore CSR disclosures of extractive companies operating in Australia. Content analysis has long been considered the most common research method to investigating corporate sustainability disclosure practices (Fifka 2013). While CSR disclosures are strategic tools that do not necessarily equate with actual activities, they do serve as useful proxies to determine corporate priorities and attitudes (Fuisz-Kehrbach 2015). This approach is appropriate for conducting transparent comparisons across companies and analysing reporting styles and quality based on a framework of common components (Michelon et al 2015).

To compare across firms a framework was developed to include components central to the reconciliation program. This contributed to the research focus of identifying what reconciliation activities are included in general CSR disclosures but also the level of detail in which they are described (Hahn & Kühnen 2013). Reconciliation components were determined based on the three pillars represented in the RAP framework (Relationships, Respect and Opportunities), with applicable activities defined based on RA’s RAP reporting
guide and Reconciliation Barometer. In line with the measures used by RA five components were identified: Partnerships with Aboriginal and Torres Strait Islander organisations, including pro bono services offered (Relationships); Cultural Learning such as cultural awareness training and ceremonies (Respect); Employment of Aboriginal and Torres Strait Islander workers (Opportunities); Business including number and dollar value of contracts with Aboriginal and Torres Strait Islander companies (Opportunities); and Education including contributions to Aboriginal and Torres Strait Islander scholarships and training initiatives (Opportunities).

To assess the level of detail disclosed in relation to these components, the content scale from the consolidated narrative interrogation (CONI) methodology (Table 1). was adopted an evaluative tool of reporting quality (Beck, Campbell & Shrives 2010). This scale is used to evaluate content in terms of information content and character, assessing not just the level of information but also the depth and detail included (Beck, Campbell & Shrives 2010). It also serves as an appropriate comparative measure, being originally used to contrast British and German firms. This scale captures a broad range of disclosure practices, from Type 1 which merely address an issue in minimal detail at a general level, to Type 5 which represents a comprehensive disclosure including qualitative narrative, numerical information and is contextualised through comparison to previous measures, targets or trends (Beck, Campbell & Shrives 2010). For the purposes of this study, disclosures were assigned a single score for each component, based on the highest level of disclosure type identified. This was due to the specific research approach and nature of the data sample which made longitudinal and volumetric measurement inappropriate.

Table 1. Content Scale

<table>
<thead>
<tr>
<th>Type</th>
<th>Disclosure Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>does not address issue</td>
</tr>
<tr>
<td>1</td>
<td>addresses issue related to category definition; pure narrative</td>
</tr>
<tr>
<td>2</td>
<td>addresses issue related to category and provides details; pure narrative</td>
</tr>
<tr>
<td>3</td>
<td>addresses issue related to category in numerical way purely quantitative</td>
</tr>
<tr>
<td>4</td>
<td>addresses issue related to category in numerical way, including qualitative explanations; narrative and quantitative</td>
</tr>
<tr>
<td>5</td>
<td>any numerical disclosure to the category including qualitative statements demonstrating year comparisons; narrative, quantitative and comparable</td>
</tr>
</tbody>
</table>

Disclosures were read thoroughly, with each mention to reconciliation activities coded and assigned to one of the five related components. Each coded text passage was then evaluated from 1 to 5 based on the type of disclosure it matched and no information pertained to a component, a 0 was recorded. A second independent researcher was then asked to evaluate each passage in the same way, however based on the distinctiveness of each disclosure type, no disagreement was identified. Companies were given a score for each component, based on the level of disclosure identified.

4.1 Sample

A purposeful sample was identified based on extractive companies operating in Australia that had RAPs registered on the RA database (Table 2a). A total of ten companies fit that criteria and therefore to perform a comparative analysis a further ten companies that did not have RAPs was also identified based on extractive firms of a similar size, also operating in Australia (Table 2b). The sample consisted of a mixture of Australian (11) and foreign (9)
headquartered firms with mining (8), oil and gas (8) and diversified (4) operations. Of the companies with registered RAPs analysed, 6 had recently released their first RAP, while 4 had completed previous versions.

Table 2a. Sample of Companies with RAPs

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Assets</th>
<th>Headquarters</th>
<th>Industry</th>
<th>Report Focus</th>
<th>Report Type/Year</th>
<th>Latest RAP</th>
<th># RAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td>$52b</td>
<td>UK</td>
<td>Diversified</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2014-15</td>
<td>1</td>
</tr>
<tr>
<td>Arrow</td>
<td>n/a</td>
<td>Australia</td>
<td>Oil &amp; Gas</td>
<td>Aus</td>
<td>CSR/2014</td>
<td>2013-14</td>
<td>1</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>$124.6b</td>
<td>Australia/UK</td>
<td>Diversified</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2013-15</td>
<td>4</td>
</tr>
<tr>
<td>Glencore</td>
<td>$128.5b</td>
<td>Switzerland</td>
<td>Diversified</td>
<td>Global</td>
<td>CSR/2014</td>
<td>2014-16</td>
<td>1</td>
</tr>
<tr>
<td>INPEX</td>
<td>$40.3b</td>
<td>Japan</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2016-18</td>
<td>4</td>
</tr>
<tr>
<td>Origin</td>
<td>$28.9b</td>
<td>Australia</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2015-16</td>
<td>1</td>
</tr>
<tr>
<td>QGC (BG Group)</td>
<td>$59.7b</td>
<td>Australia (UK)</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2015-16</td>
<td>1</td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>$87.5b</td>
<td>UK</td>
<td>Diversified</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2016-19</td>
<td>2</td>
</tr>
<tr>
<td>Whitehaven Coal</td>
<td>$4.1b</td>
<td>Australia</td>
<td>Mining</td>
<td>Aus</td>
<td>Annual/2015</td>
<td>2015-17</td>
<td>1</td>
</tr>
<tr>
<td>Woodside</td>
<td>$23.8b</td>
<td>Australia</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR/2015</td>
<td>2016</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 2b. Sample of Companies without RAPs

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Assets</th>
<th>Headquarters</th>
<th>Industry</th>
<th>Report Focus</th>
<th>Report Type/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoa</td>
<td>$36.7b</td>
<td>USA</td>
<td>Mining</td>
<td>Aus</td>
<td>CSR 2013</td>
</tr>
<tr>
<td>Chevron</td>
<td>$266b</td>
<td>USA</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>$117.1b</td>
<td>USA</td>
<td>Oil &amp; Gas</td>
<td>Global</td>
<td>CSR 2014</td>
</tr>
<tr>
<td>FMG</td>
<td>$19.3b</td>
<td>Australia</td>
<td>Mining</td>
<td>Aus</td>
<td>Annual 2015</td>
</tr>
<tr>
<td>Iluka</td>
<td>$2.1b</td>
<td>Australia</td>
<td>Mining</td>
<td>Aus/USA</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>Newmont</td>
<td>$24.1b</td>
<td>USA</td>
<td>Mining</td>
<td>Global</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>Oz Minerals</td>
<td>$2.6b</td>
<td>Australia</td>
<td>Mining</td>
<td>Aus</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>Peabody</td>
<td>$13.9b</td>
<td>USA</td>
<td>Mining</td>
<td>Global</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>Santos</td>
<td>$21.93b</td>
<td>Australia</td>
<td>Oil &amp; Gas</td>
<td>Aus</td>
<td>CSR 2015</td>
</tr>
<tr>
<td>South32</td>
<td>$15.4b</td>
<td>Australia</td>
<td>Mining</td>
<td>Global</td>
<td>Annual 2015</td>
</tr>
</tbody>
</table>

Two forms of disclosures analysed were analysed from each company: the latest CSR/sustainability report available and sustainability information found on the company’s website. Three of the companies did not have stand-alone sustainability reports, in which case related information from their annual report was analysed. Of the reports analysed 13 had a global focus, covering their operations in all countries, while 7 focused specifically on their Australian operations. Given globally focused reports had limited space to address reconciliation activities within the specific Australian context, an additional analysis was performed on website data which often had dedicated sites or subsections for addressing sustainability of their Australian operations.

5. Results

The analysis results offer a descriptive perspective of CSR disclosure quality across the companies sampled as indicated in Tables 3a, 3b, 4a and 4b. These will be described in brief, followed by comparison between the two sample groups.

Nearly all the components are addressed at some level across all the reports analysed. Disclosures relating to employment were by far the most detailed on average (3.2), with three firms (BHP Billiton, QGC, Woodside) including extensive detail and contextual comparison. Disclosures relating to cultural learning activities were the least detailed, with the majority of firms only offering narrative insight. Overall, most firms included a medium level of detail of reconciliation activities in their general sustainability reports, however Anglo American
included almost no detail apart from a minor, generalised statement: “coal operations in Australia [...] are located near Indigenous Peoples’ territories. These operations continue to foster constructive relationships that are based on mutual respect, meaningful engagement, trust and mutual benefit.”

Table 3a Disclosure Level for RAP Sample CSR/Annual Reports

<table>
<thead>
<tr>
<th>Company</th>
<th>Partnership</th>
<th>Cultural Learning</th>
<th>Employment</th>
<th>Business</th>
<th>Education</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.2</td>
</tr>
<tr>
<td>Arrow</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>2.8</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Glencore</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>INPEX</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td>Origin</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1.6</td>
</tr>
<tr>
<td>QGC</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2.6</td>
</tr>
<tr>
<td>Whitehaven</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>2.4</td>
</tr>
<tr>
<td>Woodside</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>1.9</strong></td>
<td><strong>1.4</strong></td>
<td><strong>3.2</strong></td>
<td><strong>1.7</strong></td>
<td><strong>2.3</strong></td>
<td><strong>2.1</strong></td>
</tr>
</tbody>
</table>

Among the sample of firms without RAPs, reconciliation activities were generally disclosed at lower levels in CSR reports (averages = 1.5 and 2.1 respectively). Similar to the RAP sample, employment activities were disclosed in greater detail (1.9), while the business and education components were the least detailed among this sample. Two companies (Alcoa and Chevron) did not include information relating to any of the components analysed. While these reports did include some of their Australian activities, the reports’ scopes were quite broad and covered all their international operations. One company (FMG) was identified as including the highest level of detail (4.2) across all components, averaging higher than all companies with RAPs. Although this information was included in FMG’s general annual report, a large portion was attributed to activities with Indigenous stakeholders, possibly enabled by the domestic scope of the company’s operations.

Table 3b Disclosure Level for Non-RAP Sample CSR/Annual Reports

<table>
<thead>
<tr>
<th>Company</th>
<th>Partnership</th>
<th>Cultural Learning</th>
<th>Employment</th>
<th>Business</th>
<th>Education</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoa</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chevron</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td>FMG</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4.2</td>
</tr>
<tr>
<td>Iluka</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Newmont</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Oz Minerals</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Peabody</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td>Santos</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>South32</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>1.7</strong></td>
<td><strong>1.6</strong></td>
<td><strong>1.9</strong></td>
<td><strong>1.2</strong></td>
<td><strong>1.2</strong></td>
<td><strong>1.5</strong></td>
</tr>
</tbody>
</table>

In evaluating the detail of companies’ reconciliation activities including on their websites, similar patterns are evident. Employment remains the component which is disclosed in greatest detail (3.1), while business the least (1.2) and cultural learning remain low (1.5). Overall a similar quality of information is disclosed on average (2.1) on websites compared
to reports; however there is some variance among companies with 4 disclosing information in greater detail online.

Table 4a Disclosure Level for RAP Sample Website Information

<table>
<thead>
<tr>
<th>Company</th>
<th>Partnership</th>
<th>Cultural Learning</th>
<th>Employment</th>
<th>Business</th>
<th>Education</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Arrow</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Glencore</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>INPEX</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>1.6</td>
</tr>
<tr>
<td>Origin</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2.2</td>
</tr>
<tr>
<td>QGC</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2.2</td>
</tr>
<tr>
<td>Whitehaven</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1.4</td>
</tr>
<tr>
<td>Woodside</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>2</strong></td>
<td><strong>1.5</strong></td>
<td><strong>3.1</strong></td>
<td><strong>1.2</strong></td>
<td><strong>2.5</strong></td>
<td><strong>2.1</strong></td>
</tr>
</tbody>
</table>

A similar pattern is evident when comparing the quality of website disclosures among the non-RAP sample. Four firms disclosed information in greater detail on their corporate websites. Alcoa and Chevron include some detail of their reconciliation activities online compared to none in their CSR report, possibly because their websites have Australian subsections with more specific information. In contrast, Oz Minerals does not include any reconciliation activities on their website, however did make some reference in their report.

Table 4b Disclosure Level for Non-RAP Sample Website Information

<table>
<thead>
<tr>
<th>Company</th>
<th>Partnership</th>
<th>Cultural Learning</th>
<th>Employment</th>
<th>Business</th>
<th>Education</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoa</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.4</td>
</tr>
<tr>
<td>Chevron</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>FMG</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Iluka</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>Newmont</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td>Oz Minerals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Peabody</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Santos</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>South32</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Sample Total</strong></td>
<td><strong>1.7</strong></td>
<td><strong>0.3</strong></td>
<td><strong>1.8</strong></td>
<td><strong>0.7</strong></td>
<td><strong>1.7</strong></td>
<td><strong>1.4</strong></td>
</tr>
</tbody>
</table>

Overall in examining the two groups of companies, those with RAPs can be seen to report reconciliation activities in greater detail than those without across both disclosure formats. As an indication of this pattern at the group level, companies with RAPs represented seven of the top ten in both formats analysed. There was also a greater number of higher quality disclosures (types 4 and 5) identified in the RAP sample. When considering disclosure quality for individual companies however, a few companies without RAPs (namely FMG, Santos and Newmont) did include relatively high levels of information compared to many of the firms with RAPs. This suggests that reconciliation activities are common throughout the industry and not only those with RAPs are actively involved or disclose this kind of information.
6. Discussion
This paper presents exploratory insight into the growing corporate engagement in reconciliation, by examining how these activities are integrated with broader sustainability reporting. The analysis suggests that among the companies sampled, there are signs that reconciliation type activities are to a certain extent being disclosed in reports and websites. While the quality of disclosure was in most cases low, often consisting of qualitative examples or general statements, this does serve as some public acknowledgement of firms’ Indigenous stakeholders and their relevance in terms of CSR practices (Michelon, Pilonato & Ricceri 2015).

In considering the aspects which companies placed greatest emphasis, the analysis revealed that Indigenous employment was the component presented in the greatest detail across both groups and disclosure channels. This focus is noteworthy, as while local employment is common practice within extractive industries, it also indicates that communicating these activities is of particular importance to companies, to some extent reflecting their CSR approach. Employment opportunities are benefits often highlighted to maintain a firm’s SLO and within the Australian context, these are commonly included in Indigenous Land Use Agreements (Parsons et al, 2014; O’Faircheallaigh, 2015). In addition, another external activity, Indigenous education, was the second most detailed component, which could be critically interpreted as companies seeking to position themselves as providers of opportunities in order to justify their legitimacy (Mayes et al, 2014). To contrast, internal activities, such as cultural awareness activities in particular, received less focus despite being an important component of the RAP program. This suggests that while RAPs encourage firms to adopt formalised approaches to reconciliation, disclosure are still influenced by strategic objectives (Fuisz-Kehrbach 2015; Raufflet, Barin Cruz & Bres 2014).

The lack of more detailed disclosures (types 4 and 5) in the sample indicates a relative absence of technical detail, which could be considered indicative of deficiencies in sustainability reporting generally (Beck, Campbell & Shrives 2010; Milne & Gray 2012). This sits in contrast to RAPs themselves, as the prescribed framework requires detailed narrative, quantitative measures and yearly comparisons for each component, equivalent to type 5 disclosures in the scale used in this instance. The level of detail is likely to be limited by reporting constraints and broader company scopes, however similar patterns were identified in website disclosures which are arguably more flexible and regionally specific. This aligns with previous research highlighting the voluntary and undefined nature of CSR allows companies to disclose information strategically, often with limited information and a focus on crafting a positive image (Jenkins & Yakovleva 2006; Milne & Gray 2012; Sethi et al 2016).

The second outcome of this research identified that firms with RAPs disclosed more detailed information of reconciliation type activities on average than those without. This serves to draw out the influence of the RAP program, particularly in an industry where engagement with Indigenous stakeholders is standard practice and the majority of firms already engage in related activities (O’Faircheallaigh 2013; Parsons, 2008). Despite this general trend, the analysis did identify some firms without RAPs disclosing relatively detailed levels of information, indicating alignment with RA is not essential to involvement in reconciliation activities. This may relate to the contextual focus, given extractive companies are understood to have relatively advanced disclosure practices, particularly relating to Indigenous stakeholders in Australia (KPMG 2015; Parsons et al, 2014). Nevertheless based on their reporting at a group level, the results suggest that firms that choose to participate in the RAP
program are more likely to place greater importance on detailing their reconciliation activities within their general sustainability disclosures.

While difficult to discern from this exploratory analysis, this research begins to clarify the role of RA in influencing reporting within this domain. All but one company referred to the concept of reconciliation and their RAP in their general sustainability reporting. This indicates some degree of integration into their strategic CSR practices, rather than being treated as a stand-alone document within their Australian operations. It also alludes to the emerging role of RA, as a partnered NGO that can be included in disclosures to support and legitimize a company’s activities (Nijhof, de Bruijn & Honders 2008). Other external bodies, such as GRI, ICMM and IPIECA were also referenced by companies in the sample to convey adherence to industry reporting standards (Raufflet, Barin Cruz & Bres 2014). Outside of the RAP program however, reconciliation activities were reported in various styles and levels of detail in general sustainability disclosures, reflective of the flexible nature of voluntary reporting which allows firms to pick and choose (Fuisz-Kehrbach 2015; Jenkins & Yakovleva 2006).

7. Conclusion
This study sought to identify corporate approaches to reconciliation by examining disclosure behaviours across five dimensions considered central to the reconciliation movement. Ultimately it is difficult to determine a company’s commitment to reconciliation based solely on their disclosures, however it does indicate integration into broader CSR strategy, which can be considered to at least symbolically advance reconciliation. By making their reconciliation activities public and extending the audience beyond the RAP, companies are in effect acknowledging Indigenous stakeholders and commitments to engagement (Ranången & Zobel, 2014). This research does suggest some influence of the RAP program, by identifying companies with RAPs disclosed greater detail than those without, however this could stem from factors inherent in the companies that choose to participate and their overall approaches to sustainability.

An outcome of this research is to consider the growing corporate interest in reconciliation within the broader understanding of CSR. It is important to recognise companies have agendas which influence their participation in reconciliation activities and that RAPs themselves are strategic tools with sufficient flexibility to shape disclosures to support company objectives (Haalboom 2012). Sustainability disclosures, including RAPs, ultimately only tell us what companies say they do, we have limited understanding of their actual performance (Utting 2005; Milne & Gray 2013). Frameworks and NGO supported initiatives do however contribute to more consistent and better quality reporting, which in turn increases accountability and improves exposure which could lead to more contributions to reconciliation movement (Conley & Williams 2005).

This research explores an emergent phenomenon and as such a number of limitations should be noted. The analysis focuses on a small sample of companies due to the low number of companies participating in the RAP program and the need to compare within industry context. Similarly, as the RAP initiative is relatively new we were unable to apply the full CONI methodology given the lack of temporal data. As this area develops, future research may be able to expand the analysis to include more companies, different industries and alternative forms of disclosures (Nijhof, de Bruijn & Honders 2008). It is also important to recognise that reconciliation activities concern CSR issues within a specific operational context, however many companies in the sample release reports which cover their broader
operations, limiting space available to describe activities in detail. Given the firms engaging in the RAP initiative vary in size and operational context, it would be worthwhile identifying other comparative measures to examine how reconciliation activities are integrated into corporate strategies.

This paper makes an important first step in drawing attention to emerging corporate interest in reconciliation and contextualising this phenomenon within the CSR literature. RAPs represent a formalised approach to reconciliation, seeking to increase corporate interest and provide a standardised framework to disclose activities and track performance. It remains to be seen how far the RAP program will grow, however RA has the potential to become an influential body that sets the reporting standards expected of Australian companies (Ranängen & Zobel, 2014). While this paper offers a valuable and timely contribution to our understanding of corporate approaches to reconciliation, there remains a significant need for further empirical research to identify how RAPs are integrated into CSR strategy and whether they influence corporate culture and engagement with Indigenous stakeholders as intended.

References


Adaptive Sustainability

Business Management in an Age of Disruption and Transformation

Jane Stewart
Director Sustain Ability International P/L
Melbourne, Australia
E: jane@sustain-ability-int.com

Dr Colin Hocking
Emeritus Fellow in the School of Education
La Trobe University (Melbourne)
E: C.Hocking@latrobe.edu.au

Paper Presented at the 4th International CSR, Sustainability, Ethics & Governance Conference, 26–28 July 2017 | Centre for Responsible Citizenship and Sustainability, Murdoch University, Perth.
**Title: Adaptive Sustainability – Business Management in an Age of Disruption and Transformation**

**ABSTRACT**

Adaptive Sustainability is a new business management approach that takes businesses beyond compliance, beyond lean, beyond continuous improvement to a new level of prosperity.

Let’s face it, businesses today operate in a dynamically changing, complex and uncertain global environment. In order to remain viable into the future, businesses need to continually innovate and improve performance across all divisions, and adapt to changing business conditions. Keeping up with continually shifting economic, social, political and environmental conditions is difficult, compounded by the necessity to manage daily operations and deliver value to stakeholders.

Adaptive Sustainability is based on an innovative learning and action framework that addresses governance and operational challenges, combines these with principles of systems thinking to create a dynamic, agile, and responsible business management culture.

**Keywords:** business sustainability, business disruption, business transformation, adaptive management, corporate social responsibility, sustainable innovation, agility, culture.

**INTRODUCTION**

There can be no doubt that organisations today operate in a dynamically changing business environment. Companies are getting disrupted at an unprecedented rate with managers and their staff struggling to keep up with new technologies, new business models, new economic and regulatory challenges, and the consequences of the hyper connected digital world. At the same time social responsibility and environmental sustainability are fast becoming a critical part of doing business. Effective engagement using sustainable business frameworks not only enables an organisation to deliver on its social and environmental obligations, it can also maximise productivity and performance by making positive changes to core elements of the profit making process, and building resilience for the future.

To tackle the issues outlined above, many companies have implemented a range of future-oriented initiatives. To handle the changing business environment, business leaders are implementing continuous improvement programs aimed at upgrading organisational processes and change management programs to meaningfully engage staff in new activity. To handle the increasingly demanding expectations of stakeholders, and the organisational risk associated with non-compliance, business leaders are also putting in place a range of corporate social responsibility and sustainable development programs.

These different approaches have helped some businesses address a multiplicity of challenges, and to change the way they do business. But with the rate of change likely to increase, and the elements of change likely to become more unpredictable and even disruptive, the time has come to look beyond our current business practices, and to develop a new business management approach that takes a broader view of organisations, the context in which they operate, the stakeholders with whom they engage and the societal value they create. The ultimate goal is to foster ongoing prosperity for an organisation, its staff, its community and the natural environment.

Adaptive Sustainability is a new and innovative approach to business management that aims to encourage new mindsets that can adapt to change, and develop new skillsets that can address today’s complex business challenges. This paper begins by setting the context in which businesses operate. It then describes a range of existing continuous improvement methodologies that focus on processes and procedures, as well as a range of change management models that address the human aspect of change. It discusses the shortfalls of these approaches and argues that a continuous, open-ended process of adaptation to changing circumstances would be a better approach in today’s unpredictable business environment. The paper then introduces a new framework based on ideas of adaptive sustainability. Finally it describes how to apply this framework and use it to manage business activity at any scale.
TODAY’S DYNAMICALLY CHANGING BUSINESS ENVIRONMENT

In 1972 a group called The Club of Rome published a controversial book that predicted the collapse of our global economy by 2030 if civilisation continued its exponential economic and population growth, even though these will be ultimately constrained by the limits of our planet’s finite supply of natural resources (Club of Rome, 1972). A Melbourne researcher by the name of Graham Turner, recently revisited their modelling and compared it to actual data and found that up until 2010, the year in which full data was available, the real world data was strikingly similar to the book’s forecasts (Turner, 2014). This implies that we are only thirteen years away from this 2030 crash point.

Whether you believe this prediction or not, we don’t think anyone would disagree that businesses today operate in a dynamically changing and unpredictable business environment, and that major changes are on the way, or already under way. As predicted, natural resource management has become a significant issue for business with the unpredictability in supply chains becoming a tangible business risk. With many organisations managing a supply chain that is increasingly global and complex, any disturbance across this interdependent network has the potential to cause major disruption.

Consider the food industry and the complex and far reaching supply chains involved in large scale food manufacture. A recent study in America found that the crisis in “Big Food” had now reached its most disruptive and dynamic point, with consumers sending a very clear message regarding healthier food choices and more natural ingredients in their buying preferences (Ferrari, 2015). This is a new trend that large food manufacturers did not predict, nor address in their strategic planning. Many large food manufacturers are now trying to tap into this growing consumer market, and struggling to secure their organic, sustainable and ethical food supply chains.

Some multinational organisations are moving to handle this challenge by setting up longer-term buying agreements with their suppliers to safeguard their supply, while others are buying small organic and health food companies outright and bringing them under their corporate brand and management. But what are the long term consequences of these approaches? What is it going to do to the smaller companies involved in organic, sustainable and ethical food supply chains? Consumers are already resisting this change, as many of them no longer trust where their food comes from when they see big brand names on their local and smaller family products (Kowitt, 2015). The organic industry is also feeling the effects as global corporations like Wal-Mart enter the organic packaged food market and drive prices down to gain significant market share (Katje, 2014). While the consumer may benefit in the short term, pressure is exerted on organic farmers to provide high quality at low margins results in distressed commercial arrangements.

Of course the food industry is not the only sector trying to manage an unpredictable and changing business environment. Energy, water, transportation, technology and other industries are experiencing the process of dramatic and unprecedented transformation. According to Larry Downes and Paul Nunes in their book, Big Bang Disruption: Strategy in the Age of Devastating Innovation, “Big bang disruption” is large-scale, fast-paced innovation that can disrupt stable businesses very rapidly. With big bang disruption, entire markets can quickly be obliterated as customers move away from traditional products and move towards products that are better, cheaper, quicker, smaller, more ethical, more personalised and/or more convenient (Downes, 2014).

CURRENT BUSINESS MANAGEMENT APPROACHES

With these predictions in mind, and with unavoidable disruption on its way, it is important to understand how today’s companies are dealing with the rapidly changing business environment. In most cases businesses address the gaps in their products and services using processes that aim to progressively improve the way they do things. This seems obvious, but not always well implemented.

A number of progressive improvement models have been developed to help businesses adapt to change by looking at improvement as a continuous activity with ongoing development of products, services or processes, achieved through incremental or breakthrough improvements. One of the most widely used tools for this is a four-step model known as “Plan–Do–Check–Act”, also known as the Deming Cycle (Deming, 2017). This type of process seems simple and indeed it is. But the power comes from carrying out each step carefully and keeping the goal of continuous improvement in mind.

Six Sigma is another technique that focuses on process improvement with the goal to increase the quality of the output of a particular process by identifying and removing the causes of defects and minimising variability in manufacturing and business processes (Performance Drivers, 2017). Yet another approach, Lean Thinking, is a continuous improvement model which aims to help maximise customer value while minimising waste and using fewer resources (LEAN Enterprise Institute, 2017).
While these approaches have strong advocates and have achieved some degree of success, they also have their critics. Some detractors criticise these models for being narrowly designed to fix an existing process, rather than using processes that allow new products or disruptive technologies to arise (Morris, 2006). Others’ criticisms are that existing processes focus on implementing a particular checklist of tools and processes, rather than on changing the mindset of the people involved. In many cases a particular approach becomes a process technique that sidesteps any deep thinking or learning, and does not address the psyche or high level capabilities of the people using them (McCullough, 2011). That approach also, where implemented clinically, decreases organisational agility. It is noteworthy that the original creators of the Lean methodology did believe their five step process would promote organisational learning. They argued that a standardisation of work procedures under Lean production processes would enable the setting of benchmarks against which performance could be measured, and in turn guarantee a mechanism for organisation-wide learning (Wang, 2011). However, research into the success of the Lean methodology has shown that, out of 100 manufacturers implementing Lean-manufacturing initiatives over a two year period, nearly 70% said they’d failed to cut costs by at least 5% (McCullough, 2011).

It was therefore inevitable that another layer of business management would develop, looking at the people involved in adaption and improvement, as well as the processes used to produce an organisation’s products and services. By the 2000’s “change management” was accepted as a new business competency. This was defined as “the process of continually renewing an organisation’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers” (Moran, 2001). However an investigation found a failure rate of around 70% in all change programmes initiated (Todnem, 2005). This demonstrates that, while we understand the need for change management, we have not quite nailed a successful approach.

In reality, today’s businesses operate in a dynamically shifting environment, and the change they are trying to manage is unpredictable and occurring at an unprecedented rate. The approaches used to date have been “reactive, discontinuous, ad hoc and often triggered by a situation of organisational crisis” (Todnem, 2005). In a critical review of theories and approaches to change management, Todnem argues that one of the most fundamental aspects of managing change is to understand how it comes about, because this has a direct impact on how it should be managed. He goes on to describe the planned approach to organisational change, based on the idea that “organisations operate under constant conditions that move in a pre-planned manner from one stable state to another” (Todnem, 2005). But this approach has come under increasing criticism because it does not take into account the unpredictable, random and volatile nature of today’s business environment. We argue that a better approach to change management is an emergent approach which emphasises that “change should not be perceived as a series of linear events within a given period of time, but as a continuous, open-ended process of adaptation to changing circumstances and conditions”, in effect, an approach that allows new ideas to emerge, ones that were not conceived on at the start (Todnem, 2005). Emergence is now a well identified property of complex systems, in which emergent properties can arise that are not just a sum total of existing properties of the system, but also of their interactions. They can be thought of as unexpected behaviours that stem from these multiple interactions which can be either positive or negative. It is time we start to think of an organisation as a functioning system, operating in a complex, interconnected and dynamically changing business environment, and to manage all of the organisation’s activity from this viewpoint.

Take for example the closure of Hazelwood Power Station in Victoria. Very few people would have predicted this five years ago, but the complex interactions between power prices and availability, attitudes to climate change, price of coal, the push towards renewable energy in Victoria, and numerous other factors, has led to this once unimaginable event. This example highlights the concept of complex systems and an emergent process that develops through the relationship between numerous variables internal and external to an organisation.

In order to cope with the complexity and uncertainty of the business environment, it is suggested that organisations need to adopt an “extensive and in-depth understanding of strategy, structure, systems, people, style and culture, and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process” (Todnem, 2005). Furthermore, Burns argues, “successful change is less dependent on detailed plans and projections than on reaching an understanding of the complexity of the issues concerned and identifying the range of available options” (Burns, 2004). The emergent approach to change is more concerned with change readiness and facilitating for change than providing specific pre-planned steps for each change project and initiative.

It is with these ideas around continuous improvement and change management in mind that we propose a new situational and responsive approach to business management. An approach that is based on a new way of thinking that can help businesses and their stakeholders to survive and prosper in today’s dynamically changing business environment.
**USING SYSTEMS THINKING TO INFORM ADAPTIVE SUSTAINABILITY**

Adaptive Sustainability is a new approach to business management in this age of disruption and transformation. It takes its inspiration from the natural world which has been successfully managing change for 3.8 billion years. Our planet handles change through an infinite number of natural systems all interconnected and all working together to keep the planet in balance, while producing the fresh air, clean water and clean food that sustains all life on earth. Every minute of every day these natural systems go through a series of complex processes, while adapting to changing circumstances and responding with emerging activity so that they maintain their equilibrium and maximise their performance. What is important to understand is that each one of these systems, not matter how large or small, how simple or complex, share the same set of general characteristics and behaviours. If you extrapolate these behaviours into a set of organising principles then you have an insight into how a successful, complex and adaptive system operates.

Now consider that all organisations are a form of an open ended social system interacting and interdependent with numerous other socio-economic and environmental systems. We propose that, just like natural systems, these social systems will follow the same set of organising principles to adapt to their changing conditions, maximise their performance and maintain balance. This new way of thinking recognises that the underlying structures and mechanisms that generate activity and equilibrium in the natural world are much the same as the structures and mechanisms that generate activity in the human world. It draws its underlying framework from the realisation that businesses operate in a changing and unpredictable environment, where elements are linked through a rich and deep network of connections, and where the effects of an action are at best probabilistic, and possibility even chaotic, with no certainty but only a degree of predictability in some outcomes (Coffey, 2010).

We can take our thinking and associated practice a step further by using some key tools and strategies from another paradigm known as Systems Thinking. This provides a disciplined way of understanding what the underlying structures and dynamic relationships in an organisation are, among the myriad of data, information and people. It leads to expanded individual and collective thinking skills and improves decision-making by focusing attention on the real causes of performance problems, and the systems changes that will produce improved results (Senge, 1990).

While Systems Thinking was a key element of Peter Senge’s 1990 seminal work *The Fifth Discipline: The Art and Practice of the Learning Organization*, it has not yet become commonplace in companies across the globe. This will not be a surprise to those who have tackled the deeper aspects of Systems Thinking, as they will know it doesn’t take long before the subject itself becomes very complex. Even Russell Ackoff, a pioneer in the field of systems thinking, acknowledges that a failure to communicate ideas in a way people can easily understand has lead to poor implementation of systems thinking (Ackoff, 2005).

In order to come to terms with this complexity, we have drawn on the principles of systems derived from the natural world, and combined these with tools and strategies from Systems Thinking theory, to create our own practical and accessible framework that can be used to guide Adaptive Sustainability - the new business management approach we are proposing. In essence we have turned the systems principles into a series of “Investigative Lenses” through which to examine an organisation, in ways that can lead to optimisation of its ongoing prosperity. The underlying approach in Adaptive Sustainability is to develop a moment by moment view of the organisation, determine the relative importance of different elements and then respond with action that is relevant and pertinent to the situation at hand. The ultimate goal is to use this understanding of the organisational system to identify leverage points that can prioritise actions to increase productivity across the entire business. This systems approach, focused on a small set of high leverage interventions that continually reinforce each other, is the most efficient and effective way to understand all of the important factors influencing a business, and keep it focused on maximum prosperity and profitability.

**ADAPTIVE SUSTAINABILITY FRAMEWORK**

Adaptive Sustainability is a new management approach that aims to shift business focus from profit to prosperity through agility and sustainability. This new view of achieving prosperity is a more societally appropriate way to look at business today, as it leverages socio-economic and environmental influences on the business, as well as strengthening the ability to interpret upcoming and unpredictable transformations and disruptions that are on their way. This new view of prosperity also involves looking beyond the organisation itself and building prosperity for all of its stakeholders – its staff, its shareholders, its community and even the natural environment. We call this Prosperity 2.0.
The Adaptive Sustainability Framework is a way that any business operating within the world of complex systems relationships, can investigate all of the key factors that might influence its short term and longer term success. The Adaptive Sustainability Framework investigates all of the socio-economic and environmental factors relevant to a business, and encourages those doing the investigation to look for links between these factors. To give structure to this investigation, the socio-economic factors within the Adaptive Sustainability Framework, are divided into two sub-groups, and the environmental factors are divided into three sub-groups.
The Foundations within the socio-economic factors relate to how the organisation is set up to go beyond business as usual and move towards identifying disruptive and transformational innovation. The Relations part of the socio-economic sub-group relate to how the business engages with all of its stakeholders to create positive societal value. The Inputs, Outputs and Impacts of the organisation make up the environmental sub-groups.
Each one of these sub-groups can then be broken down into key areas of action. The Foundations sub-group is comprised of action areas dealing with Business & Ethics, Governance, Economic Value and Sustainable Innovation. The Relations sub-group is comprised of action areas dealing with Workplace Health and Wellbeing, Community Health and Wellbeing and Communication and Engagement. The Inputs sub-group is comprised of action areas dealing with Water, Energy, Materials and Transport. The Outputs sub-group is comprised of action areas dealing with Waste and Emissions and the Impacts sub-group is comprised of action areas dealing with Biodiversity and Land. All of these action areas have been developed to best practise guidelines, international standards and latest industry trends, to help guide organisations in their responsible business activity. In reality, all manner of issues fall under these areas of action, including risk management, resource efficiency, supply chain management, social impact, environmental impact, sustainable procurement, whole system design and a range of other areas of action.

The Adaptive Sustainability Framework can be used at a different levels within the organisation, depending on the scope of investigation. The objective is to help all working people, no matter where they sit within an organisation, to consider the socio-economic and environmental factors, the associated sub-groups and key areas of actions involved in operating a responsible and sustainable organisation and take positive steps towards this in their daily activity.
ADAPTIVE SUSTAINABILITY INVESTIGATIVE LENSES

As stated previously, the Adaptive Sustainability approach takes its inspiration from the natural world. With this in mind, we have turned key systems principles into a series of “Investigative Lenses” through which to examine a social system, or business, in order to maximise its ongoing prosperity. These Investigative Lenses should guide activity around a continuous cycle of investigation through the following stages – Visioning, Scanning, Setting up Succeeding and Leveraging. Each one of these stages is linked to one or more of the key systems principles and each of these stages has the potential to change the way we think and how we manage our business activity. Of course each one of these principles, or lenses, is not meant to be applied individually or independent of each other, but rather as continuous cycles of interconnected investigation.

<table>
<thead>
<tr>
<th>Adaptive Sustainability Investigative Lenses for Business</th>
<th>Systems Principles</th>
<th>Systems Principles Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visioning</td>
<td>Purpose</td>
<td>All systems have a unique purpose</td>
</tr>
<tr>
<td>Scanning</td>
<td>Context</td>
<td>All systems operate in, and are influenced by, a dynamic environment or context.</td>
</tr>
<tr>
<td>Setting up</td>
<td>Structure</td>
<td>The structure of a system determines its behavior.</td>
</tr>
<tr>
<td></td>
<td>Interdependence</td>
<td>All systems are composed of inter-dependent parts.</td>
</tr>
<tr>
<td>Succeeding</td>
<td>Activity</td>
<td>*Systems behavior is an emerging phenomenon</td>
</tr>
<tr>
<td></td>
<td>Feedback</td>
<td>Feedback loops regulate a system’s major dynamic behaviour</td>
</tr>
<tr>
<td>Leveraging</td>
<td>Optimisation</td>
<td>Unexpected ideas and possible actions arise when a systems approach is used</td>
</tr>
</tbody>
</table>

Table: Link between Investigative Lenses and Systems Principles

* The activities of a system (including a business) can best be viewed as what emerges from the operation of the system. When the system is in balance, these activities appear set and predictable. However, when there is an opportunity for evolutionary change (including when the system is challenged by unexpected or disruptive change), the emergent properties of the system can assist it to undertake transformational change to take advantage of the new circumstances.

Let us put all of these ideas together and start looking at a practical example. Where should a business start its investigation? Obviously it is important to choose an action area that is material to the organisation’s purpose and operations. For most businesses operating in today’s competitive marketplace, one important area that most organisations are likely to want to address is energy efficiency and consumption. An investigation into a business’ energy use and its associated cost will be different for every organisation, but it might begin by looking something like this.
<table>
<thead>
<tr>
<th>Investigative Lenses</th>
<th>Investigation Question</th>
<th>Potential answers / actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visioning</td>
<td>What is the business trying to achieve?</td>
<td>Use energy efficiently and source from renewable sources when possible.</td>
</tr>
<tr>
<td>Scanning</td>
<td>What context is the business operating in?</td>
<td>Understand legislation, codes of practice and/or standards. Investigate renewable energy schemes.</td>
</tr>
<tr>
<td>Setting up</td>
<td>What structures need to be in place to maximise our efforts?</td>
<td>Map out energy use and determine the best physical, organisational and behavioural structures.</td>
</tr>
<tr>
<td></td>
<td>What capabilities are required for coordinated activity?</td>
<td>Map out all relevant stakeholders and determine the expertise they can bring to your activity.</td>
</tr>
<tr>
<td>Succeeding</td>
<td>What activities do we need to undertake to achieve our goal?</td>
<td>Map current activities, collect current data and set future targets for electricity and gas and issues. Develop goals, strategies, targets and actions.</td>
</tr>
<tr>
<td></td>
<td>How will I know if I am doing well?</td>
<td>Establish energy metrics and undertake cycles of monitoring, learning &amp; adaption.</td>
</tr>
<tr>
<td>Leveraging</td>
<td>How can I maximise my performance?</td>
<td>Keep an eye on trends and patterns and set triggers for major change.</td>
</tr>
</tbody>
</table>

The ultimate task is to apply the systems based Investigative Lenses to each of the socio-economic and environmental factors, while keeping in mind all of the potential links between these factors. To consider how this might work, let’s look again our energy example. Perhaps a business is examining its connection with the community as part of its investigation of energy and realises that it can become part of a community power project. This not only allows them to source renewable energy, it also creates the opportunity to secure a long term supply, decrease costs, decrease emissions, build links with their community and demonstrate leadership in responsible and sustainable business behaviour to their stakeholders.

Or perhaps a business is examining its compliance issues as part of its investigation of energy and realises that there are a number of voluntary codes and standards such as the National Greenhouse Energy Reporting Scheme, the National Pollutant Inventory and even the Global Reporting Initiative, that even though they may or may not be required to participate in, can be used as a practical source of information to set up business metrics and practices around sustainable energy use and associated greenhouse emissions.

**ADAPTIVE SUSTAINABILITY IN SUMMARY**

The point is that like a natural system, businesses must start to address their complex challenges in an adaptive way, and people working in the business must start to use deep thinking and organisational learning as part of their day to day management approach. This means holding their vision and values in place, keeping their eye on the big picture, setting up operations to maximise productivity while meeting customer demand, engaging with stakeholders in a transparent way and ultimately creating economic, social and environmental value through the activity of the business. Looking at a business in this new way, will not only lead to a new and quite different understanding of how one aspect of the business (eg energy supply and cost) might be improved, but will also open up unexpected opportunities. These new insights are an emergent property of investigating the business as a whole system and can lead to prosperity in previously unimagined ways.

The Adaptive Sustainability approach is comprised of a series of related tools to help plan, implement, monitor, adapt and optimise business activity. The idea is to use the “Investigative Lenses” to guide your business thinking and keep ahead of change, disruption and unpredictability. The “Framework” is then used to help make sure you undertake this business activity in a responsible and sustainable way. The image below represents this full Adaptive Sustainability approach.
Adaptive Sustainability – Business Management in the Age of Disruption and Transformation
LEVERAGE: A (NOT SO) NEW FRIEND FOR BUSINESS

Of course the most powerful and innovative aspect of the Adaptive Sustainability approach is the concept of leverage. According to Peter Senge, one of the leading thinkers in systems thinking as it relates to business management, the bottom line of systems thinking is the concept of leverage. In systems thinking a leverage point is a place in a system's structure where a solution element can be applied. It's a low leverage point if a small amount of change causes a small change in system behaviour. It's a high leverage point if a small amount of change force causes a large change in system behaviour (Senge, 1990). Our non-systematic ways of thinking consistently lead us to focus on low leverage changes. Most times we focus on symptoms where the stress is greatest. But these efforts only make matters better in the short run, and often worse in the long run. It’s hard to disagree with the principles of leverage. But the important leverage point in most real-life systems, such as most organisations, is not obvious to most of the people in those systems. This is because they don’t see the structures underlying their actions.

Consider our energy use and cost example for a business. Often businesses try to source cheaper energy as a solution to their high costs and there is no shortage of suppliers vying for your business in today's competitive marketplace. But maybe a deeper look into their operations through root cause analysis could uncover a higher leverage point solution? There are many ways to do this but most methods are based on deep questioning to uncover structural issues. How much energy do you use? When do you use energy? What are the hours of peak usage? Does high-load equipment need to be operated during these times? Can you push some activity into an off-peak period? This list of questions continues depending on the business and its activity.

A systems approach, focused on a small set of high leverage interventions that continually reinforce each other, is the most efficient and effective way to move an organisation on a path toward maximum performance. The best way to maximise your action is to understand and apply how to intervene in a system in increasing order of effectiveness. Leading system thinkers have carefully considered a whole range of different systems and created a systematic approach to maximise leverage. The list below shows these actions from highest leverage opportunity to lower leverage opportunity.

1. Change the mindset out of which the system arises.
2. Rearrange the parts of the system.
3. Change the goals of the system.
4. Change the rules of engagement of the system.
5. Change the information flows of the system.
6. Change the feedback processes of the system.
7. Change the parameters of the system.

(Taken from Meadows, 1999)

This is a critical concept that can be applied to any system. The Adaptive Sustainability approach can translate these actions into real and transferable business steps in the order of priority to achieve greatest leverage or greatest positive change within a business with least amount of effort. This is a game changer for business.

CONCLUSION

Most businesses think about their structures, operations and outputs in linear ways, despite the increasingly interlinked and complex nature of the factors that affect them. Adaptive Sustainability offers a way for organisations to re-calibrate their management of these challenges, by applying a more systems-based approach. The Adaptive Sustainability approach uses “Investigative Lenses” as a guide to continuous cycles of investigation. It combines this with a “Framework” to guide investigators in their consideration of socio-economic and environmental factors and their related key areas of actions. The ultimate objective is create a new and innovative approach to business management that fosters new mindsets. These new mindsets can assist a business to adapt to change and develop new skillsets to address and take advantage of today’s complex challenges. The ultimate goal is prosperity for the organisation - its staff, its shareholders, its community and even the natural environment.
REFERENCES


Corporate Social Responsibility in Bolivia: Meanings and Consequences

Boris Herbas Torrico (Bolivian Catholic University, Cochabamba, Bolivia)
Björn Frank (Sophia University, Tokyo, Japan)
Carlos Arandia Tavera (Bolivian Catholic University, Cochabamba, Bolivia)

ABSTRACT

Corporate social responsibility (CSR) has been studied extensively in developed countries. However, although most of the world’s consumers live in developing countries, the study of CSR in developing countries in general, and in Bolivia in particular, still is very limited. Developing countries are characterized by widespread poverty, corruption, inequality, social exploitation, and environmental pollution and, consequently, offer abundant opportunities for CSR. In addition, research on CSR in developing countries has the potential to promote equality, social justice, transparency, and accountability by holding frequently irresponsible local and international organizations to account. For that purpose, this study explores the nature of CSR practices and their effectiveness in influencing consumer attitudes in Bolivia as the least developed among the developing countries in the Americas. To this end, this study uses data collected in Bolivia using both structured surveys (quantitative data) and unstructured questionnaires / in-depth interviews (qualitative data). Using structural equation modeling of the quantitative data on two product categories and multiple brand contexts from 1016 consumers, this study tests a series of hypotheses on the consequences of CSR practices in developing countries. The results indicate that CSR practices exert a direct influence on customer satisfaction and on indirect, mediated influence on customer loyalty. Moreover, the results of qualitative data analysis suggest that multinational companies and young managers are leading the way in implementing CSR practices in Bolivia. Managerial implications are discussed.

Keywords: corporate social responsibility, customer satisfaction, customer loyalty, developing country, eco-friendly practices, ethical behavior, Latin America, recycling convenience.
INTRODUCTION

The 2008 global financial crisis has increased the trend for organizations to identify themselves as responsible and trustable. For example, according to Bhattacharya (2009), organizations are pursuing activities to measure and reduce their carbon footprint, thus increasing their value to society. In particular, organizations are moving away from firm-centric strategy determined solely by executive boards, to cooperative value creation emphasizing cooperation with stakeholders (Bhattacharya 2009). Corporate social responsibility (CSR) practices that benefit direct and indirect stakeholders such as customers, employees, society, and the environment are a key pillar in this trend toward cooperative value creation. Such CSR practices may appear as selfless actions, but they have the potential to benefit firms through beneficial stakeholder reactions. For example, CSR practices cause consumers to feel proud to be affiliated with the focal, apparently socially responsible company and thus strengthen consumers’ brand identification, which can lead to greater sales and revenues (Bhattacharya and Sen 2004).

While the literature on CSR predominantly focuses on the effects of CSR in developed countries, there is a gap in exploring the effects of CSR in developing countries. As developing countries comprise the majority of the world’s population, generating knowledge of role of CSR in developing countries would be highly relevant to managers and policy-makers. In particular, virtually no studies illuminate the effects of CSR practices by companies in Latin American countries (Haslam 2007). According to De Olivera (2006), CSR in Latin America has been shaped heavily by socio-economic and political conditions that aggravate environmental and social problems such as deforestation, unemployment, inequality, and crime. Thus, CSR practices are seen as hope for positive change in the face of persistent poverty, environmental degradation, corruption and economic stagnation.

In the specific case of Bolivia, the least developed country in the Americas, CSR practices have arrived 20 years ago. Since then, Bolivian organizations have come to understand that CSR practices consist of not only philanthropy but of a holistic management system that adds value to stakeholders (Sanchez 2016). Although many Bolivian organizations nowadays attempt to include CSR practices in their marketing strategy, there is a lack of research to determine whether those practices have any influence on Bolivian consumers and thus on whether those practices have the potential to pay off financially.

To fill this significant gap in the CSR literature, where studies on developing countries are scarce, our study explores the influence of CSR practices on consumer attitudes in Bolivia as a developing Latin American country that has not yet been studied. For that purpose, we develop a model that describes the influence of CSR practices (recycling convenience, eco-friendly practices, and ethical behavior) on customer satisfaction and consumer loyalty. To test this model, we perform structural equation modeling (SEM) of original quantitative data on two product categories collected from 1016 consumers in Bolivia. To provide further verification of our results, we also collect qualitative data from in-depth interviews with CSR experts in Bolivia.

THEORETICAL BACKGROUND AND HYPOTHESES

In this section, we discuss the theoretical background behind our study and develop our research hypotheses.

Theoretical foundation. According to Rahman (2008), there is no dominant theoretical perspective for the study of CSR practices. However, Rahman (2008) suggests three main approaches to studying CSR practices: political economy theory, legitimacy theory, and stakeholder theory. Although other theories exist (such as decision-usefulness theory, positive accounting theory, and agency theory), Gray et al. (1995) argue that those theories are not useful for the study of CSR practices because CSR is motivated by market failures and the
desire to change current business practices, and those theories are not. Bowen (1953) proposed that managers should be responsible for their actions in a sphere wider than the profit-and-loss statement. As a consequence, according to Castaldo et al. (2009), several schools of managerial thought have emerged, and most of the conceptualizations of CSR relate to stakeholders.

According to Freeman (1994), stakeholder theory relates to the study of interest groups who can affect, or be affected by, the firm’s activities, such as customers. Specifically, according to Berman et al. (1999), stakeholder theory suggests that firms are interested in their consumers because of the perceived benefit in terms of improved financial performance. As argued by Chi and Gursoy (2009), since customer satisfaction influences financial performance, stakeholder theory is appropriate for studying the mediated effect of the perceived benefit of CSR practices on financial performance via customer satisfaction. Hence, our study is based on stakeholder theory to analyze the influence of CSR practices on customer satisfaction.

**Figure 1. Conceptual model and hypotheses**

**Effect of CSR practices on customer satisfaction (H1).** Chung et al. (2015) suggest that consumers evaluate organizations and products in terms of their CSR practices. Moreover, different studies find that CSR practices have a significant influence on customer-related outcomes (Bhattacharya and Sen 2004). For example, Creyer and Ross (1997) find that CSR practices influence consumers’ purchase decisions. Additionally, according to Creyer and Ross (1997), consumers are willing to pay higher prices to reward organizations’ CSR practices. Moreover, according to Luo and Bhattacharya (2006), customers derive value and consequently higher satisfaction from products that are made by socially responsible organizations. Specifically, Bhattacharya and Sen (2004) suggest that CSR practices make consumers perceive an organization to have a better reputation, a higher fit between the organization and their personal causes; and a stronger personal connection. Furthermore, Maignan and Ferrell (2001) suggest that CSR practices have a positive impact on a consumer’s evaluation of products. Similarly, Brown and Dacin (1997) propose that CSR associations influence product evaluations through the organization’s image. Moreover, de los Salmones et al. (2005) report that CSR practices influence the overall evaluation of services. In addition, Sureshchandar et al. (2002) propose that CSR practices should be understood as an organization’s ethical behavior, and thus as another component of quality. In other words, an
organization whose behavior is perceived to be ethically correct transmits trust to its customers and positively influences their evaluations (de los Salmons et al. 2005). Therefore, based on studies from developed countries, the extant literature suggests that CSR practices positively influence consumer attitudes such as customer satisfaction. Drawing on overwhelming theoretical support, we likewise argue for a positive effect of CSR practices on customer satisfaction in developing countries (H1).

In particular, our study considers three types of CSR practices: recycling convenience (H1a), environmentally responsible / eco-friendly practices (H1b), and ethical behavior (H1c). Although many other types of CSR practices exist, we chose these types of three CSR practices because Ward et al. (2007) suggest that in developing countries, (a) firms with low organizational slack at least should fulfill their legal obligations (ethical behavior), (b) firms with medium organizational slack should positively contribute to sustainable development (recycling convenience), and (c) firms with high organizational slack should align their internal business goals with externally set social goals (environmentally responsible practices).

Effect of recycling convenience on customer satisfaction (H1a). According to Berry et al. (2002), convenience is the ability to reduce consumers’ non-monetary costs (i.e., time, energy, and effort) when purchasing products or services. Regarding recycling convenience, Ando and Gosselin (2005) find evidence that links convenience with recycling rates. Moreover, Sidique et al. (2010) propose that recycling is increased when consumers feel it as a convenient activity. Additionally, Domina and Koch (2002) find that convenience is an important determinant of recycling behavior. Similarly, Vining and Ebreo (1990) suggest the existence of differences between recyclers and non-recyclers due to recycling convenience. Hence, the available literature suggests that recycling convenience is an antecedent of recycling behavior and thus determines the consumption of recyclable products.

In this broad literature on recycling, a number of studies link recycling to consumer attitudes. Mobley et al. (1995) suggest that purchase behavior of recyclable products is driven by overall affect towards recycling and is the foundation of consumer attitudes. Moreover, Minton and Rose (1997) find that attitudes are determinants of the consumption of recyclable products. In addition, Biswas et al. (2000) suggest that consumer attitudes towards recycling influence recycling shopping behavior. Furthermore, Srivastava and Kaul (2014) suggest that convenience influences attitudes such as customer satisfaction. While these studies reflect the situation of developed countries, we draw on this theoretical background to hypothesize analogously that recycling convenience positively influences customer satisfaction in developing countries (H1a).

Effect of eco-friendly practices on customer satisfaction (H1b). Nowadays, consumers recognize the importance of protecting the environment. As a consequence, environmentalism has become a major issue in the marketplace, making consumers more ecologically conscious and inducing them to buy eco-friendly products (Kalafatis et al. 1999). Specifically, Kalafatis et al. (1999) argue that organizations that adopt eco-friendly practices are favored by environmentally conscious consumers. Moreover, according to Cetindamar (2007), eco-friendly practices require organizations to invest in better technology, methods, tools, and raw materials. In addition, Cetindamar (2007) suggests that these types of investments create increased profits for eco-friendly organizations in the long term. As a consequence, organizations that adopt eco-friendly practices are more innovative and achieve competitive advantage (Porter and Linde 1995) reflected by lower costs and improved customer attitudes (Griffin and Mahon 1997).

From a consumer perspective, Laroche et al. (2001) found that consumers’ perceived importance of the environment is a primary indicator of positive attitudes toward organizations’ eco-friendly practices. Hence, consumers with environment-related psychological needs prefer to purchase from firms engaging in eco-friendly practices (Manaktola and Jauhari 2007).
Likewise, consumers that consider themselves environmentalists are willing to make a special effort to buy products or services from organizations with eco-friendly practices (Han et al. 2009). This theoretical background leads us to suggest that firms’ eco-friendly practices are valued by many customers and thus should translate into higher average levels of customer satisfaction. While this theoretical background consists of studies from developed countries, we predict analogously that consumer perceptions of corporate eco-friendly practices positively influence customer satisfaction in developing countries (H1b).

**Effect of ethical behavior on customer satisfaction (H1c).** Global competition has pressured organizations to cut costs in search for cheap labor, and some organizations have responded to this pressure by implementing abusive labor practices (Rudell 2006). Governments, organizations, and consumers have benefited directly and indirectly from such unfair labor practices. According to Rudell (2006), consumers play a main role in ensuring an ethical marketplace through socially conscious and informed product selection. For example, Roberts (1995) proposes that socially conscious consumers express their social concerns through their purchasing power (Roberts 1995). Therefore, consumers with high ethical standards react to an organization’s degree of ethical behavior regarding different dimensions, such as the perceived fairness of labor practices (Sen and Bhattacharya 2001).

In line with this theoretical perspective, empirical research indicates positive effects of a firm’s ethical practices on consumer attitudes and behaviors. Davidson (1998) proposes that similar to price and quality, an organization’s degree of ethical behavior is an important attribute in consumers’ purchase decisions. The ethics literature proposes the existence of a relationship between a consumer’s ethical predispositions and purchase intentions (Whalen et al. 1991). For example, Abratt and Sacks (1988) suggest that consumers avoid transactions with dishonest and unethical organizations. Moreover, Elliott and Freeman (2005) report that consumers are willing to pay more for products made under ethically responsible conditions. Specifically, these authors find high elasticities of demand for products made under good conditions, meaning that organizations can increase their market share when their products are identified as being made under ethically responsible conditions (Auger et al. 2003). Similarly, Folkes and Kamins (1999) propose that an organization’s degree of ethical behavior determines consumer attitudes. Therefore, this stream of literature suggests that an organization’s ethical behavior positively influences consumer attitudes in general and, presumably, also customer satisfaction in particular. While this theoretical background is limited to studies from developed countries, we analogously hypothesize that consumer perceptions of a firm’s degree of ethical behavior positively influence customer satisfaction in developing countries (H1c).

Finally, we seek to understand how the perception of CSR practices affects consumer loyalty. Customer loyalty is considered an attitudinal construct reflecting the customer intention to purchase again from a brand (Biong 1993). According to Sureshchandar et al. (2002), CSR practices should influence customer loyalty. Specifically, a consumer’s perception of CSR practices should increase commitment to a brand because these CSR practices express (a) the brand’s character (Brown and Dacin 1997), (b) values differentiating the brand from other brands (Turban and Greening 1997), (c) respect for society in general and customers in particular, and (d) the desire to comply with quality standards (de los Salmones et al. 2005). Consumers reward these efforts with loyalty towards the organization (Maignan et al. 1999). Different research shows that consumers are willing to buy products from organizations associated with social causes (Ross et al. 1992). Hence, CSR practices should increase customer loyalty (Maignan et al. 1999). Hence, we infer from this stream of literature from developed countries that perceived CSR practices positively influence customer loyalty, and we posit that these influences are mediated by customer attitudes toward the focal brand.

The most prominent and empirically verified type of customer attitude affecting customer loyalty, and thus the most likely mediator of the effects of CSR practices on customer
satisfaction, is customer satisfaction (Johnson et al. 1997; Fornell et al. 2006; Frank et al. 2014). Not only empirical academic studies, but also large-scale national customer barometers (e.g., American Customer Satisfaction Index) from developed countries confirm the cross-industry and cross-country validity of the causal relationship between customer satisfaction and customer loyalty (Fornell et al. 2006; Johnson et al. 2011). As an extension of the hypothesized influence of CSR practices on customer satisfaction (H1), we thus propose that customer satisfaction mediates an influence of CSR practices on customer loyalty in developing countries (H2). This has not yet been shown in the CSR literature whose focus is on developed countries.

**METHODODOLOGY**

**Measures**

Based on our literature review, we developed a questionnaire for a consumer survey. Based on the result of a pilot test, we improved the questionnaire to ensure the reliability and validity of the scales. The questionnaire contained two sections. Section 1 included questions regarding brand-specific CSR practices in the industry context of grocery stores (service industry) or soft drinks (product industry). Section 2 included questions regarding consumer attitudes: customer satisfaction and customer loyalty for the respective industry context. As the intended contribution is to explore the role of CSR in consumer attitudes and behavioral intentions in a developing country, as opposed to the abundance of research from developed countries, we chose to focus on Bolivia as the least developed among the developing countries in the Americas. This choice ensures a clear focus on a developing country and a marked contrast from the known situation in developed countries.

In terms of product contexts, we focused on consumer perceptions of grocery stores and soft drinks for two reasons. First, we sought to study the benefits of CSR practices as a marketing tool in a real, actually experienced product/service context rather than in an artificial experiment. Second, we chose to focus on multiple brands in a product and a service context in order to understand the degree to which findings can be generalized across contexts because generalizing purely context-specific results can lead to misinterpretations that are costly to practitioners following the results of research. Third, due to the multi-dimensionality and complexity of CSR practices (Maignan and Ferrell 2001), consumers in Bolivia and elsewhere have difficulties in acquiring and memorizing information about CSR practices (Mohr et al. 2001), which might impair the validity of results obtained in research. Therefore, we focused on grocery stores and soft drinks as two contexts that are very well known to Bolivian consumers. Moreover, these industries are well known for their investments in CSR practices, and thus, to some extent, consumers feel involved with those CSR practices.

Section 1 of the questionnaire measured CSR practices with three latent constructs using 10-point Likert-type scales ranging from 1 (strongly disagree) to 10 (strongly agree). In particular, we measured recycling convenience with three items from Pickett-Baker and Ozaki (2008). We measured eco-friendly practices with four items from Webb et al. (2007). Finally, we measured ethical behavior with two items based on Schmeltz (2012). Similarly, section 2 of the questionnaire measured customer satisfaction and customer loyalty with latent constructs with 10-point Likert-type scales from Fornell (1992).

**Data collection and sample profile**

Our data collection focused on consumer across Bolivia aged 18 years and older. We conducted a physical, rather than electronic, survey because electronic surveys are not widely used in Bolivia due to unreliable Internet provider service.
Table 1. Descriptive statistics and psychometric properties of constructs

<table>
<thead>
<tr>
<th>Measure</th>
<th>Grocery stores</th>
<th>Soft drinks</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>CR</td>
<td>AVE</td>
</tr>
<tr>
<td>Recycling convenience</td>
<td>5.740</td>
<td>1.947</td>
<td>0.853</td>
<td>0.774</td>
</tr>
<tr>
<td>Eco-friendly practices</td>
<td>8.891</td>
<td>1.666</td>
<td>0.818</td>
<td>0.530</td>
</tr>
<tr>
<td>Ethical behavior</td>
<td>6.372</td>
<td>1.934</td>
<td>0.884</td>
<td>0.884</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>6.664</td>
<td>1.423</td>
<td>0.809</td>
<td>0.586</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>6.690</td>
<td>1.574</td>
<td>0.839</td>
<td>0.637</td>
</tr>
<tr>
<td><strong>Model measurement fit</strong></td>
<td><strong>χ²/d.f.</strong></td>
<td><strong>RMSEA</strong></td>
<td><strong>CFI</strong></td>
<td><strong>NFI</strong></td>
</tr>
<tr>
<td></td>
<td>3.322</td>
<td>0.069</td>
<td>0.956</td>
<td>0.938</td>
</tr>
</tbody>
</table>

For the grocery stores sample, we collected 489 valid questionnaires. In this sample, 55% of the respondents were male and 45% female. Their ages ranged from 18 to 71 years. Most of the respondents were college students (65%), and the rest were professionals (35%). For the soft drink sample, we collected 527 valid questionnaires. In this sample 53% of the respondents were male and 47% female, with ages ranging from 18 to 82 years. In this sample, the 54% of the respondents were college students, and the rest professionals (46%). Both samples had a similar age and gender distribution and thus appeared comparable.

**Convergent and discriminant validity of the samples**

Based on Anderson and Gerbing (1988) our study assessed the adequacy of measurements using a confirmatory factor analysis (CFA) with maximum likelihood estimation. As shown in Table 1, the goodness-of-fit indices in both industries show that the five-factor model has an acceptable fit with the data (grocery stores: χ²/d.f. = 3.322, p < 0.001, RMSEA = 0.069, CFI = 0.956, NFI = 0.938; soft drinks: χ²/d.f. = 2.473, p < 0.001, RMSEA = 0.053, CFI = 0.968, NFI = 0.947). All items load significantly on their specified latent construct (p < 0.01) with loadings above 0.60. The construct reliabilities for recycling convenience, eco-friendly practices, ethical behavior, customer satisfaction, and customer loyalty in grocery stores are 0.853, 0.818, 0.884, 0.809, and 0.839, respectively. In the case of soft drinks, the construct reliabilities for recycling convenience, eco-friendly practices, ethical behavior, customer satisfaction, and customer loyalty are 0.859, 0.822, 0.810, 0.801, and 0.850, respectively. These values satisfy the threshold recommended by Hair et al. (2010), indicating the internal consistency of items for each construct. In addition, we calculated composite reliability (CR) and average variance extracted (AVE) to examine convergent and discriminant validity. As shown in Table 1, all CR /AVE values exceed the recommended threshold values of 0.7 / 0.5 (Fornell and Larcker 1981), and all AVE values exceed the squared correlation between the focal factor and any other factor. These results confirm the convergent and discriminant validity of our measurement model (see Table 1).

**RESULTS OF ANALYSIS: HYPOTHESIS TESTS**

**Quantitative data analysis**

Based on the quantitative data obtained through our consumer surveys, we tested our hypotheses using structural equation modeling (SEM) with maximum likelihood estimation. As shown in Figure 2, the results suggest that the model fit the data of each industry context appropriately (grocery stores: χ²/d.f. = 3.288, p < 0.001, RMSEA = 0.068, CFI = 0.955, NFI = 0.936; soft drinks: χ²/d.f. = 2.387, p < 0.001, RMSEA = 0.051, CFI = 0.969, NFI = 0.947). All hypothesized paths are significant and positive, providing first signs of support for H1-H2.
In the following step, to test whether customer satisfaction indeed mediates the effects of CSR practices on customer loyalty, as suggested by H2, we re-estimated the proposed model with three additional, direct (non-mediated) paths from recycling convenience, eco-friendly practices, and ethical behavior to customer loyalty. The revised model shows an adequate, but slightly lower nominal fit with the data (grocery stores: \( \chi^2/d.f. = 3.322, p < 0.001, \text{RMSEA} = 0.053, \text{CFI} = 0.955, \text{NFI} = 0.936 \); soft drinks: \( \chi^2/d.f. = 2.473, p < 0.001, \text{RMSEA} = 0.053, \text{CFI} = 0.968, \text{NFI} = 0.947 \)). However, all the newly added direct paths from CSR practices to customer loyalty are non-significant for grocery stores, and only one path (from recycling convenience to customer loyalty) is significant (\( p < 0.01 \)) for soft drinks. Despite the additional path, there was no significant chi-square difference between the hypothesized model and the extended model (grocery stores: \( \Delta \chi^2 = 7.599, \Delta d.f. = 3 \); soft drinks: \( \Delta \chi^2 = 0.272, \Delta d.f. = 3 \)). Thus, we considered our hypothesized model for additional analyses. Independent of whether recycling convenience has an additional effect on customer loyalty, the results indicate that customer satisfaction mediates the effects of CSR practices on customer loyalty (H2). Moreover, we estimated an additional model without customer satisfaction, only with direct path from CSR practices to customer loyalty. As verified by Sobel tests, all of these path coefficients become significantly weaker when adding customer satisfaction to the model (grocery stores: \( Z_{\text{recycling convenience}} = 7.071, p < 0.01; Z_{\text{eco-friendly practices}} = 9.714, p < 0.01; Z_{\text{ethical behavior}} = 10.404, p < 0.01 \); soft drinks: \( Z_{\text{recycling convenience}} = 4.345, p < 0.01; Z_{\text{eco-friendly practices}} = 5.455, p < 0.01; Z_{\text{ethical behavior}} = 7.469, p < 0.01 \)). These results provide evidence of the hypothesized mediating role of customer satisfaction (H2).

As Figure 2 shows in detail, the results for both industries support the hypothesized effects of recycling convenience (H1a: \( \beta_{\text{grocery stores}} = 0.201, p < 0.01; \beta_{\text{soft drinks}} = 0.123, p < 0.05 \)) and ethical behavior (H1c: \( \beta_{\text{grocery stores}} = 0.439, p < 0.01; \beta_{\text{soft drinks}} = 0.367, p < 0.01 \)) on customer satisfaction. They partially support the hypothesized effect of eco-friendly practices (H1b: \( \beta_{\text{grocery stores}} = 0.070, p < 0.01; \beta_{\text{soft drinks}} = 0.030, p > 0.05 \)) on customer satisfaction. Figure 2 also indicates a significant positive influence of customer satisfaction on customer loyalty for both industry contexts (H2: \( \beta_{\text{grocery stores}} = 0.707, p < 0.01; \beta_{\text{soft drinks}} = 0.955, p < 0.01 \)).

**Qualitative data analysis**
To complement our analyses and to obtain information not accessible through quantitative analysis, we interviewed five Bolivian CSR experts regarding the meaning and implementation of CSR practices in Bolivia. The experts were selected based on the recommendations given by the Observatory on Corporate Social Responsibility in Cochabamba, Bolivia. Most of the experts conceptualize CSR practices as a management system that allows organizations to manage environmental, social, and economic business processes for continual improvement. These experts agreed that firms implement CSR practices in Bolivia but only partially in the sense that they focus on environmental dimensions, such as eco-friendly practices, but tend to overlook social dimensions of ethical conduct, such as responsible labor practices. For example, many firms do not comply with Bolivian labor law due to unfair labor practices. This finding is intriguing because our quantitative analysis shows extremely strong effects of labor-related ethical behavior on customer satisfaction and customer loyalty (see Figure 2). Compared with the status quo, a greater focus on ethical behavior thus would have the potential to pay off. In addition, the experts pointed out that young managers with access to a more international education and to best practices from developed countries are raising awareness toward CSR practices in Bolivia and advocating the use of eco-friendly business processes.

Based on hands-on business experience and actual marketing practitioner insights, the CSR experts also suggested that CSR practices indeed would influence customer loyalty in Bolivia, as hypothesized in our study (H1-H2). Specifically, the experts suggested that Bolivian consumers value a firm’s perceived honesty because this increases both their trust in an market where still not every firm can be trusted and their consequential repurchase intentions. In these descriptions, the experts conceptualized a firm’s honesty as true compliance of products or services with consumer requirements and as true statements about this compliance. Furthermore, the CSR experts suggested that consumers feel inherent satisfaction when purchasing from socially conscious firms because of the satisfaction with the values that these firms represent. In addition, the CSR experts proposed that CSR practices would improve over time in Bolivia because younger consumers are socially conscious and would demand eco-friendly products and services as they become older and grow in purchasing power and market influence.

Finally, two of the five experts suggested that the Bolivian agribusiness industry currently is working on inclusive businesses, which are sustainable businesses aiming to benefit low-income communities. Moreover, all CSR experts agreed that multinational organizations, such as Unilever and The Coca Cola Company are leading the way in implementing CSR practices in Bolivia.

**DISCUSSION AND THEORETICAL IMPLICATIONS**

To address the literature gap on CSR in developing countries, our study aims to increase the understanding of the effects of CSR practices on consumer attitudes, such as customer satisfaction and customer loyalty, in a developing country at the example of Bolivia, which is the least developed among the developing countries in the Americas. In particular, this is the first such empirical study on the effects of CSR in Bolivia, which – like many developing countries – still lags behind in building a strongly research-oriented university system.

Using SEM of quantitative data from two industry contexts, we explore the direct [indirect] relationships between recycling convenience, eco-friendly practices, and ethical behavior with customer satisfaction [customer loyalty]. With the exception of a single non-significant path in the soft drink context (from eco-friendly practices to customer satisfaction: $\beta_{\text{soft drinks}} = 0.030, p > 0.05$), our findings support the hypothesized linkages among the study constructs (H1-H2).

The results of our additional qualitative data analysis support the quantitative findings. Similar to our quantitative results, interviews with Bolivian CSR experts confirm the influence
of CSR practices on customer satisfaction (H1) and customer loyalty (H2). These experts also confirmed that CSR practices lead to intrinsic satisfaction with the values responsible firms present and thus that customer satisfaction mediates the effects of CSR practices on customer loyalty (H2). Hence, we found theoretical and empirical coherence between the qualitative and quantitative results.

In addition, the CSR experts proposed a role of trust as an additional moderator of the relationship between CSR practices and customer loyalty. Their argumentation suggests that CSR practices signal honesty, which helps build trust within the frequently non-trustworthy market environment of a developing country and thus is effective in influencing customer loyalty. This qualitative result appears to be of special importance to our studied context of developing countries and corresponds with reasons for an enhanced importance of brand reputation in developing countries (Frank et al. 2013). As additional insights, the CSR experts reported that Bolivian firms focus more on environmental than social CSR practices, that young managers and multinational firms are leading the way in implementing and promoting CSR practices, and that younger consumers drive increasing demand for products and services from ethically responsible firms. These results correspond with recent findings of a greater importance of value identification for younger consumers (Herbas Torrico and Frank 2017), which our finding thus may extend to CSR contexts.

Of particular interest, a nominal comparison of the effects of distinct CSR types on customer satisfaction indicates consistently for both industry contexts that ethical behavior has the strongest effect, followed by recycling convenience and eco-friendly behavior. As ethical behavior most strongly concerns social and labor conditions, this result may indicate that consumers in developing countries most strongly focus on still unmet social needs, whereas environmental needs are only secondary. By contrast, social needs more or less tend to be met in developed countries, where environmental CSR appears to be more effective as a differentiator (Khanna et al. 2005).

**MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH**

Our quantitative and qualitative results suggest that CSR practices directly influence customer satisfaction and indirectly influence customer loyalty for Bolivian consumers. This result has the following managerial implications.

First, our study suggests that not only in developed countries, but also in developing countries, consumers consider a brand’s CSR practices when evaluating its products and services (H1). Therefore, in order to increase customer satisfaction, firms should behave ethically because consumers are willing to pay higher prices or show different signs of loyalty as a way to reward the firm’s ethical behavior. Specifically, according to Creyer and Ross (1997), in order to behave ethically, organizations should subscribe to values such as transparency, honesty, and humility.

Second, our study finds that recycling convenience is an important antecedent of customer satisfaction in a developing country context where limitations in financial resources often make harmless disposal and waste treatment practices difficult (H1a). This finding suggests that organizations should not only consider the use of recyclable materials when designing a product, but they should also ease the recycling process for the consumer. For example, Domina and Koch (2002) suggest that consumers are willing to recycle a wider variety of waste when the system is more convenient. Therefore, firms in developing countries should develop recycling systems that make recycling a convenient activity. For example, municipalities could implement curbside collection days for recyclable products.

Third, our results show that eco-friendly practices influence customer satisfaction in a developing country context where environmental degradation frequently is a problem (H1b).
This suggests that consumers in a developing country indeed are aware of the influence of their own purchase behavior on the environment. Therefore, as Han et al. (2009) proposed, organizations should actively inform less environmentally conscious groups that eco-friendly purchasing exerts a positive influence on the environment, and convince them that protecting the environment is everyone’s responsibility. These campaigns would motivate consumers to engage in eco-friendly activities, strengthen their intentions to purchase eco-friendly products, and thus increase their satisfaction.

Fourth, we find that ethical behavior influences customer satisfaction in a developing country context where ethical standards in labor practices, product safety, and social contributions tend to be lower than in developed countries (H1c). Therefore, our results suggest that organizations in developing countries should consider behaving ethically to their own benefit. While unethical behavior might be motivated by cost-cutting and increased short-term profits through cheating, a negative stakeholder reaction to such behavior may offset all apparent profit-related benefits of unethical behavior. Due to the stakeholder reaction by consumers, a firm’s ethical behavior should increase its market share because consumers identify its products as being made under ethically impeccable conditions and reward the firm through higher purchases (Auger et al. 2003). As the CSR experts in our qualitative study suggested, Bolivian firms are currently breaching the labor law. Thus, in order to behave ethically and increase customer satisfaction, such firms first should comply with the labor law, especially since ethical behavior consistently has the strongest effect on customer satisfaction across product categories in our quantitative study.

Of particular note, our consistent finding across categories of a greater role of ethical behavior and a smaller role of environmental CSR in our developing country context of Bolivia are especially intriguing because the results of our qualitative study indicate that Bolivian firms follow the opposite strategy of focusing more on environmental CSR and less on social or labor-related ethical behavior. Our results thus suggest a need for Bolivian firms with limited resources for CSR to rethink and to align their CSR activities with consumer priorities for ethical behavior, rather than for environmental CSR.

Fifth, our results show that CSR practices indirectly influence customer loyalty through customer satisfaction (H2). Similar to de los Salmones et al. (2005), this finding suggests that CSR practices do influence customer loyalty, or purchase behavior in general, via the overall valuation the user makes of the received product or service. Therefore, in order to make profits from consumer purchases, firms in developing countries should link their economic orientation with a social orientation. Specifically, such firms should have well-defined codes of ethics and a clear philosophy of social commitment, have respect for the environment, and show honesty. Moreover, firms from developing countries should subscribe to international codes to formalize their policies and to grow from benchmarking themselves against organizations in other developing or even developed countries. In addition, firms in developing countries should communicate their social orientation and environmental involvement using the Internet. For example, organizations can use both social media and mass media to inform society about their CSR practices. The use of the Internet reduces costs, which is of crucial importance in developing countries.

Finally, our qualitative results also show that local firms in a developing country lag behind multinationals. Therefore, local firms and the government should enforce the use of CSR practices to improve operations and thus increase customer satisfaction.

This study had many limitations. For example, we only collected data from two industries. Future studies should collect data from other industries to validate and improve our model. Moreover, future research can study the influence of cultural factors on the importance of the CSR practices included in our model. As typical for developing countries with a traditional
economic structure, Bolivia is characterized by traditional values. We thus propose that future studies account for the moderating effect of traditions in analyzing the effects of CSR practices.

In order to address the lack of CSR studies in developing countries in general and in Bolivia/Latin America in particular, our work is an attempt to provide new ideas about the consequences and meanings of CSR practices in a developing country context with a still low level of development. We hope that our study stimulates new research to deepen the understanding of the commercial implications of CSR practices for firms in developing countries.

ACKNOWLEDGMENTS

The authors thank all survey respondents. They gratefully acknowledge government financial support from KAKENHI (grant no. 15H05395). Finally, the authors thank the administrative and financial support given by the Bolivian Catholic University.

REFERENCES


Beyond the numbers; researching the real experience of burnout.

Anita L Wheeldon, Bronte van der Hoorn
University of Southern Queensland

Abstract. Burnout is a profound human experience with potentially life altering and devastating effects on sufferers. It is also an organisational challenge that has significant performance and economic impact and which should provoke questions of corporate social responsibility and the need for organisations to have agency in the understanding and prevention of the occurrence of burnout.

Currently, the literature on burnout is primarily grounded in a positivist research paradigm and is quantitative in nature. Such positivist literature provides a generalised understanding of burnout and its variables. However, this approach is limited in its ability to uncover rich data that provides deeper exploration of this phenomenon and important new insights.

By exploring burnout through qualitative methods grounded in phenomenology, findings show that burnout is not relegated to just one aspect of an individual’s life but is multi-faceted by nature.
Introduction

It is critical that we consider new research methods if we are to develop greater insight into the experience of burnout and find new approaches to reducing its occurrence and severity. To date, the research methods used to explore this phenomenon have been primarily quantitative and grounded in a positivist research paradigm. However, burnout is a highly subjective, profound and complex human experience with potentially life altering and devastating impact on sufferers. Such a powerful experience should provoke questions of corporate social responsibility and the need for organisations to have agency in the understanding and prevention of the occurrence of burnout.

Understanding more fully the lived experience of burnout in terms of specific experiences (rather than generalisations) is vitally important in this field of research. This paper reports on the findings of a study that has trialled a new research method for exploring burnout from a qualitative and phenomenological perspective.

To elaborate on the problem being addressed, objectively quantifying human experiences provides one perspective for exploring the phenomenon but potentially disregards the complexity of the lived experience of burnout. As such, mixed methods research that combines both quantitative and qualitative approaches is likely to provide a more complete understanding of the phenomenon. Yin (2006) talks of the converging evidence produced in mixed methods research that is presumably more compelling than that produced by a single method alone.

We commence our argument for an alternative approach to exploring burnout through an examination of existing literature on burnout. Our focus in this literature review is on highlighting the methods that have been previously adopted for exploring the phenomenon. From this review of the literature, our identified research gap is highlighted and our research question is stated. The proposed research methodology and method is then explained. We then report on the findings of a trial study adopting this research method and discuss the implications of these findings.

The evolution of burnout research

The research field of workplace wellbeing and specifically burnout is well established with over 35 years of research (Schaufeli, Leiter & Maslach 2009), much of it is quantitative in nature. In its pioneering phase of the 1970’s initial articles on burnout were exploratory (Maslach, Schaufeli & Leiter 2001). Initial studies from Freudenberger (1975) provide direct accounts of the process of burnout by reporting the feelings of emotional depletion and loss of motivation and commitment that he and others working in the alternative health care agency felt. He was the first to coin the experience with the term colloquially used to refer to the effects of chronic illicit drug abuse—burnout (Schaufeli, Leiter & Maslach 2009). Simultaneously Maslach (1976) was exploring the experience of health care workers who expressed the feeling of being emotionally exhausted and who developed negative perceptions and feelings about their clients or patients (Schaufeli, Leiter & Maslach 2009).

It was from these exploratory beginning that burnout research moved into an explanatory phase in the 1980’s, largely following the quantitative tradition and utilized methods such as surveys and questionnaires to analyse large population groups and provide numerical grounding and analysis to what had previously been considered ‘pop psychology’ (Maslach, Schaufeli & Leiter 2001). During this period there was a particular focus on the quantified assessment of burnout. The scale with the strongest psychometric properties was the Maslach Burnout Inventory (MBI) (Maslach & Jackson 1981) adopted by many researchers and practitioners.

The MBI moved through a number of iterations; the Maslach Burnout Inventory-Human Services Survey (MBI-HSS), the Maslach Burnout Inventory-Educators Survey (MBI-ES) and the Maslach Burnout Inventory-General Survey (MBI-GS). All instruments explored three dimensions thought to influence burnout; emotional exhaustion, depersonalization, and reduced personal accomplishment (Maslach, Jackson & Leiter 1997).

In the early 2000’s Demerouti et al. (2001) developed the Job Demands-Resources (JD-R) model that conceptualises (1) that excessive job demands such as psychological and emotional demands can exhaust workers’ mental resources and contribute to problems such as anxiety, burnout, and depression; and (2) a motivational process whereby job resources have motivational potential to promote high work engagement, low
cynicism, and improved performance (Bakker & Demerouti 2007). The Oldenburg Burnout Inventory was
developed as an alternative scale to assess burnout grounded in the JD-R model (Demerouti & Bakker 2008).
These two research method developments are of key importance to this study.

The past 20 years has seen a range of research that extends our understanding of the multitude of variables that
mediate and moderate the experience of burnout based on quantitative approaches. Leiter and Shaughnessy
(2006) introduced the Areas of Work life model of burnout which established that burnout was a multi-faceted
construct. This model summarised a wide range of burnout research to identify six general areas of work life;
manageable workload, control, reward, community, fairness, and values. They proposed in general that
mismatches (or matches) of individual expectations or aspirations contributed to burnout (or work engagement).

Contributions from Schaufeli et al. (2002) investigated the opposite dimensions of burnout and engagement to
establish that burnout mediates the relationship between job demands and health problems, and engagement
mediates the relationship between job resources and turnover intention. Demerouti, Mostert and Bakker (2010)
established that burnout (cynicism/disengagement) and work engagement (dedication) and work engagement (dedication)
seem to be each other’s opposite and the energy dimensions (exhaustion vs. vigor) seem to represent two separate but highly related
constructs. Again, both these studies are grounded in quantitative research methods.

Having highlighted the primarily quantitative evolution of burnout research, we now consider burnout studies
that have adopted a qualitative approach. One of the few qualitative offerings is Ekstedt and Fagerberg (2005)
whose qualitative contribution investigates the lived experience of the time proceeding burnout. Through
analysis of interviews of individuals attending a stress clinic in Sweden, they found that individuals had a
profound feeling of being trapped with a conflicting drive for self-nourishment on one side and being burdened
by responsibilities and demands on the other. They found that ‘reaching the bottom’ meant the sufferer
experienced acceptance, ceasing the struggle and letting go to mark the turning of the tide and the
commencement of recovery.

Another example of recently published qualitative burnout research is offered by Williams Jr, Thomas and Liao-
Troth (2017) who used a phenomenological approach to investigate the psychological aspects of the truck
drivers experience. Using interviews and blogs to collect data, this qualitative study uncovers high levels of
stress leading to burnout amongst truck drivers, particularly long-haul drivers. Other qualitative studies remain
scarce.

We strengthen our argument regarding the dominance of quantitative research in this field through a simple
review (Refer Table 1) of the top 20 articles in the Scopus research database, focussed on recent publications. A
search of the keyword ‘burnout’ resulted in 2 qualitative articles, 1 mixed method offering and 1 literature
review. The other 16 articles all exhibited quantitative approaches. As well as being heavily quantitatively
stacked, these top 20 articles are also work life centric and mainly focused on human services such as the
education or health professions. Through this search of Scopus, we again highlight the relative paucity of
qualitative research in this research domain.

The absence of qualitative studies is consistent with the research traditions of psychology. However drawing on
Smith (2015), in contemporary psychology those wishing to better understand an individual’s grasp of the world
will tend to seek qualitative methods. It is therefore important to seek alternative research methods that are
sympathetic to the nuances and complexities of burnout to advance our understanding of this potentially
devastating phenomenon.
<table>
<thead>
<tr>
<th>Ref</th>
<th>Author</th>
<th>Year</th>
<th>Article Title</th>
<th>Publication</th>
<th>Research Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Williams, D.F., Thomas, S.P., Liao-Troth, S.</td>
<td>2017</td>
<td>The truck driver experience: Identifying psychological stressors from the voice of the driver</td>
<td>Transportation Journal 56(1), pp. 54-76</td>
<td>Qualitative</td>
</tr>
<tr>
<td>2</td>
<td>Hämmig, O.</td>
<td>2017</td>
<td>Health and well-being at work: The key role of supervisor support</td>
<td>SSM - Population Health 3, pp. 393-402</td>
<td>Quantitative</td>
</tr>
<tr>
<td>3</td>
<td>McKinley, T.F., Boland, K.A., Mahan, J.D.</td>
<td>2017</td>
<td>Burnout and interventions in paediatric residency: A literature review</td>
<td>Burnout Research 6, pp. 9-17</td>
<td>Literature review</td>
</tr>
<tr>
<td>4</td>
<td>Tsiga, E., Panagopoulou, E., Montgomery, A.</td>
<td>2017</td>
<td>Examining the link between burnout and medical error: A checklist approach</td>
<td>Burnout Research 6, pp. 1-8</td>
<td>Quantitative</td>
</tr>
<tr>
<td>5</td>
<td>Ryan, S.V., von der Embse, N.P., Pendergast, L.L., Segool, N., Schwing, S.</td>
<td>2017</td>
<td>Leaving the teaching profession: The role of teacher stress and educational accountability policies on turnover intent</td>
<td>Teaching and Teacher Education 66, pp. 1-11</td>
<td>Quantitative</td>
</tr>
<tr>
<td>7</td>
<td>Yang, S., Meredith, P., Khan, A.</td>
<td>2017</td>
<td>Is mindfulness associated with stress and burnout among mental health professionals in Singapore?</td>
<td>Psychology, Health and Medicine 22(6), pp. 673-679</td>
<td>Quantitative</td>
</tr>
<tr>
<td>8</td>
<td>Huri, M., Bağış, N., Eren, H., Umaroglu, M., Orhan, K.</td>
<td>2017</td>
<td>Burnout and occupational participation among dentists with teaching responsibilities in universities</td>
<td>Psychology, Health and Medicine 22(6), pp. 693-700</td>
<td>Quantitative</td>
</tr>
<tr>
<td>13</td>
<td>Pezaro, S., Clyne, W., Fulton, E.A.</td>
<td>2017</td>
<td>A systematic mixed-methods review of interventions, outcomes and experiences for midwives and student midwives in work-related psychological distress</td>
<td>Midwifery 50, pp. 163-173</td>
<td>Mixed Method</td>
</tr>
<tr>
<td>14</td>
<td>Miyahara, M., Harada, T., Tanaka, S., Ono, T., Sadato, N.</td>
<td>2017</td>
<td>Mindfulness meditation for future early childhood teachers in Japan</td>
<td>Teaching and Teacher Education 65, pp. 136-144</td>
<td>Qualitative</td>
</tr>
<tr>
<td>15</td>
<td>Cohen, R., Leykin, D., Golan-Hadari, D., Lahad, M.</td>
<td>2017</td>
<td>Exposure to traumatic events at work, posttraumatic symptoms and professional quality of life among midwives</td>
<td>Midwifery 50, pp. 1-8</td>
<td>Quantitative</td>
</tr>
</tbody>
</table>
Clearly, there is a paucity of qualitative studies in the extant burnout literature. This leaves a distinct gap in our understanding of the phenomenon, and an opportunity to extend our understanding beyond the numbers and into the phenomenological (subjective and personal) experience of burnout. By analysing quantitative data alone the nuances and complexities of burnout can potentially be lost as the focus settles on the generalisation of the sample. By viewing the phenomenon through a mixed method approach grounded in phenomenology, the overall concept and whole of life experience of burnout can be better understood and interpreted. As suggested by Johnson and Onwuegbuzie (2004, p. 15) “research in a content domain that is dominated by one method often can be better informed by the use of multiple method”. Therefore, this study poses the research question; What are the insights that can emerge from adopting a mixed methods approach to exploring burnout?

This research study adopts a phenomenological perspective seeking to describe individuals’ lived experience of burnout. Organisational phenomena is complex and as Jean Lee (1992) discusses there is a gap between what is written in scholarly journals and what we experience as members of organisations. German philosophers Edmund Husserl and Martin Heidegger are credited as the fathers of this method of inquiry (Creswell 2013). The central concept of phenomenology is that experience is subjective: it is not possible to objectively observe the world in the traditional physical sciences sense (positivism) (Creswell 2012). Phenomenology is concerned with what the experience of being human is like and provides a rich source of ideas around how to examine and comprehend the lived experience of a particular phenomenon (Creswell 2013). This valuable research approach has been adopted in many other organisational behaviour studies such as exploration of the person-environmental fit conducted by Edwards et al. (2006) and Küpers (2007) work on the wisdom in leadership and organisations. Phenomenology is flexible and does not dictate the use of any one particular research method but rather calls the researcher to adopt the research method and design most suitable to the nature and characteristics of the research question (Hein & Austin 2001). Differing from other burnout research, this study uses quantitative data with qualitative narrative to provide greater comprehension and insight into each participant’s subjective experience. This mixed methods design provides a richness of unanticipated discoveries that are appropriate to the principals of phenomenology which Laverty (2003) interprets as descriptive and focusing on the structure of experience and the organising principles that give form and meaning to the life world.
Instrument Design

As introduced previously, our proposed mixed method approach combines a quantitative instrument and a qualitative instrument. Data was collected in two parts; a baseline measure of burnout (using the validated Oldenburg Burnout Inventory), and an open ended question designed to extract rich narrative about the burnout phenomenon. In collecting the quantitative and qualitative data simultaneously we are provided with different types of information. When these two data types are viewed together we are able to ascertain whether the different data types are aligned (or not) in their sentiment (Creswell 2013).

Quantitative instrument: Oldenburg Burnout Inventory

The Oldenburg Burnout Inventory has been selected as the quantitative instrument in this study. However, by way of justifying our selected instrument, we briefly discuss various quantitative measures of burnout. The Maslach Burnout Inventory (MBI) is one of first and most commonly used burnout assessment tools. The limitation of this particular measure is that it was designed for use in human services where original studies of burnout began. For research outside this sector other instruments should be considered (Demerouti & Bakker 2008). The two most notable are the Utrecht Work Engagement Scale (UWES) (Seppälä et al. 2009) and the Oldenburg Burnout Inventory (OLBI) (Demerouti & Bakker 2008).

The UWES uses a subscale to measure the three engagement dimensions of vigour, dedication and absorption, and has been validated in Europe, North America, Africa, Asia and Australia (Bakker, Albrecht & Leiter 2011). One notable feature of the UWES is that it contains time anchors, i.e. ‘a few times a month’. For this study, such time anchors made this instrument unsuitable, considering the ‘point in time’ nature of the narrative question.

It is the Oldenburg Burnout Inventory (OLBI) that has been selected as the validated instrument for this study. The lack of time anchors allows the flexibility for the instrument to be used in longitudinal studies and its established adaptability across occupations further supports its selection over other measures (Demerouti & Bakker 2008). The OLBI comprises 16 succinct questions that measure the dimensions of burnout and work engagement simultaneously as bipolar constructs. It was first constructed and validated amongst different German occupations, its translation into English has since been validated by Halbesleben and Demerouti (2005). Arguably one of the strengths of the OLBI is its positively and negatively worded questions. The mixed wording of items, within a scale forces respondents to stop and think carefully as they complete their responses (Halbesleben & Demerouti 2005).

Qualitative instrument: Narrative

In this pilot study, the OLBI is complemented by a single narrative response. Narrative research allows individuals to tell stories about their personal or social experiences providing a person-centred approach to the exploration of a research problem (Ollerenshaw & Creswell 2002). Narrative research can be conducted in many different forms, provoked and captured in text, images, videos, journals, or any artefact that may prompt storytelling (Creswell 2012). In this study the narrative is provided in the form of a written response.

The open ended question “Tell me about the circumstances inside and outside of work that have influenced your answers?” is intended to draw inchoate thoughts to the surface and provides the participant with an opportunity to more fully consider and describe their experience. The question is open and exploratory in nature. The use of the exploratory phrase ‘tell me about’ permits the participants to share their diverse perspectives (Creswell 2013). This question aims to support the researcher to put aside the established and ‘taken for granted’ understanding of burnout and to access a phenomenological perspective. The use of narratives is well established in organisational and communications research and provides an alternative, content rich way of exploring complex organisational issues (Boje 2001). Narrative contributions have been provided by Tsoukas and Hatch (2001) who examined the complexity of organisations; organisational learning was narratively examined by Lämsä and Sintonen (2006); and the narrative investigation of the careers of 120 leaders provided an insight into how outstanding leadership is developed by Ligon, Hunter and Mumford (2008).
Data Collection

The instrument was administered to a cohort of 65 employees at an Australian university and participation was voluntary. All participants were members of the professional stream at the university. Participants were introduced to the instrument during a short 15-minute discussion around wellbeing and then asked to submit their completed instrument within the next 24 hour period. There was a 26% response rate (n= 17). Data collection was anonymous.

After standardising the results of the OLBI to account for the positively and negatively worded questions, three scores were recorded for each sample; e) exhaustion; d) disengagement; and overall score. Each of the 16 items in the OLBI has been assigned one element of the two core dimensions exhaustion or disengagement (Demerouti & Bakker 2008); this is used to provide the total ‘e’ and ‘d’ scores.

Narrative analysis

Adopting the process outlined by Creswell (2013), and using the NVivo platform, each participant’s narrative was coded. Specifically, each piece of sample data was bracketed into chunks of text and then each chunk assigned a category or theme. Common themes where identified and the number of themes per sample recorded. Each piece of coded text was also subjectively labelled as positive or negative, and work related or non-work related (Refer Table 2). Negative sentiment was assessed by the presence of terms such as lack, poor, hectic, no control, limited, strained, etcetera. In contrast positive sentiment was assessed by the presence of terms such as enjoy, great, supporting, positively, etcetera.

Findings

Table 2 is a tabulated summary of the study findings. This is followed by three key findings in the data.

Table 2 – Summary of study data

<table>
<thead>
<tr>
<th>Participant</th>
<th>Overall burnout score</th>
<th>D* score</th>
<th>E* score</th>
<th>Overall narrative feel (subjective)</th>
<th>No. of Themes in the narrative</th>
<th>Non-work related factors included in the narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>55</td>
<td>25</td>
<td>28</td>
<td>Negative</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>54</td>
<td>29</td>
<td>21</td>
<td>Negative</td>
<td>5</td>
<td>No</td>
</tr>
<tr>
<td>C</td>
<td>53</td>
<td>23</td>
<td>29</td>
<td>Negative</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>D</td>
<td>50</td>
<td>25</td>
<td>21</td>
<td>Negative</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>E</td>
<td>46</td>
<td>24</td>
<td>20</td>
<td>Negative</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>F</td>
<td>45</td>
<td>21</td>
<td>22</td>
<td>Positive</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>G</td>
<td>45</td>
<td>23</td>
<td>20</td>
<td>Negative</td>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>H</td>
<td>44</td>
<td>19</td>
<td>23</td>
<td>Balanced</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>I</td>
<td>44</td>
<td>23</td>
<td>21</td>
<td>Positive</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>J</td>
<td>42</td>
<td>17</td>
<td>23</td>
<td>Negative</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td>K</td>
<td>41</td>
<td>16</td>
<td>21</td>
<td>Positive</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>L</td>
<td>39</td>
<td>19</td>
<td>19</td>
<td>Positive</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>M</td>
<td>39</td>
<td>20</td>
<td>17</td>
<td>Positive</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>N</td>
<td>38</td>
<td>14</td>
<td>23</td>
<td>Negative</td>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>O</td>
<td>36</td>
<td>18</td>
<td>17</td>
<td>Negative</td>
<td>5</td>
<td>Yes</td>
</tr>
<tr>
<td>P</td>
<td>36</td>
<td>18</td>
<td>16</td>
<td>Negative</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>Q</td>
<td>32</td>
<td>18</td>
<td>13</td>
<td>Positive</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>739</strong></td>
<td><strong>352</strong></td>
<td><strong>354</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D = Disengagement, E = Exhaustion (min=8 – max=40)
n= 17 (overall min=16 – max=80)
Finding 1: Non-work related factors
A key finding from the trial results can be found in the content discussed in the narratives. Specifically, after coding and analysis it was found that of the total (N=17) samples, 11 cited non-work related factors along with work related factors as having influenced their OLBI rating, despite the OLBI referring specifically to the individual’s work life through the constant use of the word ‘work’ in each question (ie; ‘I can tolerate the pressure of my work very well’). Personal factors such as health and home pressures, childcare, and family support emerged as a major role in the feelings of burnout and were mentioned in unison with work related factors.

Finding 2: Discordance in narratives
When considering the number of themes per response, 8 participants mentioned between 3 – 5 separate themes, ranging from work related to home related, some with a negative inflection and some positive. A key feature of the narratives is the inclusion of both negative and positive factors in their responses. This is considered of importance and is relevant to our assessment of the benefits of the research method.

Finding 3: Discordance between quantitative and qualitative instruments
Viewing the OLBI results collectively there are no cases of extreme burnout cases in this sample with all participants reporting burnout levels below the top 3rd (Refer Table 3). This sample group appears to consist of moderately to highly engaged individuals (Refer E score in Table 2). However, once the narrative is viewed alongside this quantitative data an alternative picture begins to show itself. When assigning each theme for a negative or positive sentiment, the population showed an overall negative sentiment. This insight (a contradictory result between the two types of data is purely the result of having coupled the qualitative and quantitative methods.

<table>
<thead>
<tr>
<th>OLBI Score ranges</th>
<th>Number of participants in trial within OLBI range</th>
</tr>
</thead>
<tbody>
<tr>
<td>High burnout score (range 59-80)</td>
<td>0</td>
</tr>
<tr>
<td>Mid-range burnout score (range 38-58)</td>
<td>14</td>
</tr>
<tr>
<td>Low burnout score (range 16-37)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total participants</strong></td>
<td><strong>17</strong></td>
</tr>
</tbody>
</table>

Discussion
This trial study highlights that exploring burnout with a perspective that includes a subjective phenomenological narrative rather than just the traditional quantitative viewpoint expands our understanding of the phenomenon. Narrative enables participants to provide a more personal, and less constrained explanation of their experience. It enables participants to be specific. We now discuss the three findings of non-work related factors, discordance, and emergent insights made possible through the use of a mixed method approach and lastly limitations and future research opportunities.

Non-work related factors
It has been previously established in the literature that burnout is not a phenomenon exclusively relegated to an individual’s working life. This has been established through studies that examine burnout in completely non-work related contexts such as burnout in cancer sufferers, caregivers, and university students (Rehnfeldt and Arman (2008), Dyrbye et al. (2006), Almberg, Graström and Winblad (1997)). There are also a range of studies that investigate the spill over effect of burnout between an individual’s work and home life (Bacharach, Bamberger and Conley (1991), Peeters et al. (2005), Rupert, Miller and Dorociak (2015)). Overwhelmingly the data collected in this study points to a complex set of variables (both work and non-work related) that when combined effect the individual’s potentiality for burnout, even when the primary focus is on burnout ‘from’ work. This supports the observation of Clark (2000) that work and family life influence each other and that organisations, society and individuals cannot ignore the effect of one upon the other.

As such, a key insight from utilising qualitative data to explore burnout is the identification that it is rarely just one factor affecting an individual’s experience of burnout. Rather, a number of factors converge together to overwhelm and deplete the individual and therefore contribute to the burnout experience. Drawing once again on Ekstedt and Fagerberg (2005) the felt burden of an unlimited sense of responsibility to perform well, makes excessive demands on an individual’s resources and dissipates their energy. Clearly, the research method used in
this trial study, discloses that a feeling of burnout in work may not be just related to factors at work. Rather, our experiences at work are moderated by our broader life experience. Therefore, solutions and treatments for burnout need to be multi-faceted and take a broad whole of life approach.

Discordance
This study also reveals the existence of barriers in the workplace that are exhausting to the individuals involved. Participants derive value from what they do (engagement) but are exhausted by the constant constraints barriers present. We see this in two areas of the data. Firstly, the sample participants do have relatively high engagement levels, however, there is also evidence of varying degrees of burnout. Secondly, the narrative and negative reflection within the data perceives the perception of barriers in the participants work and home life that undermine and corrode their intrinsic motivation (IM) or desire to contribute to the organisation and perform well. Studies into intrinsic motivation (IM) supports this observation. IM is a pervasive form of motivation that compels individuals to act for the fun or challenge of the activity rather than by external factors such as rewards, pressure or prod and is therefore of key concern to organisations (Ryan & Deci 2000b). As Ryan and Deci (2000a) also note that maintenance and enhancement of IM requires supportive conditions that will see IM flourish. Non supportive environments will readily disrupt and undermine IM. Assuming, this trial study is representative of the broader employee experience, in this organisation, rather than building motivation within staff (with the goal of preventing burnout), the alternative may be to spend time in removing barriers to facilitate and capitalise on naturally occurring IM. Again, without the contribution of the narrative, providing depth to the instrument, this understanding (and potential alternative strategy for reducing burnout) goes unnoticed and unexplored.

Emergent insight from adopting a mixed methods approach
Returning to our research problem and question and reconsidering the findings presented in this pilot/trial study we see the limitations of a single research method. A mixed-methods approach uncovers the specificity of the phenomenon and provides new avenues for exploration. The OLBI asks questions that pertain to the participant’s work life, yet participants offered narrative around all aspects of their life. The OLBI provided a baseline score of burnout, yet in some cases the narrative disclosed a different negative reflection on the participant’s experiences. An individual might report as having a high level of burnout but it is the rich narrative that tells us the why. It is such insights that may support us in finding solutions to reduce the number of cases and severity of burnout.

To summarise and directly answer our research question, the findings of this trial study highlight that the application of different research methods extends our understanding of the phenomenon of burnout. This extended knowledge can be used to uncover viable prevention and intervention strategies that are multi-faceted it their approach. Interventions that potentially could encompass education, personal development, cultural shifts in our approaches to work but most importantly agency building mechanisms in leadership and organisational structures that recognise and provoke compassionate action towards individuals experiencing burnout. This exploration of alternative preventative and treatment strategies for burnout is made possible by the mixed methods research approach.

Limitations and future research opportunities
Whilst the value of this research method approach has been established in a small pilot study, the biggest limitation is the sample size and diversity of the population in this study. The sample size is relatively small at n=17 and the population is relatively homogenous in that individuals come from one work area and are largely engaged in the same type of work. This is due to the fact that the instrument has only been applied once. Through subsequent application of the instrument its validity will continue to be tested and the value confirmed. This pilot study provides a foundation for future burnout research grounded in phenomenology and adopting a mixed methods approach.
Conclusion

As a result of 35 years of research, the phenomenon of burnout has evolved from its early ‘pop psychology’ beginnings, considered only relevant to those individuals working in human services, to a well-established syndrome that increasingly demands the agency of organisations in implementing preventative strategies and treatments. The quantitative trend firmly established in burnout research has contributed valuable understanding and insight. However, in this study we have shown that in extending our research approaches to mixed methods we are likely to develop a deeper understanding of burnout. It is hoped that this will enable the conception of further meaningful prevention and intervention strategies.

By coupling a qualitative and quantitative approach to researching the phenomena, grounded in the valuing of the personal and subjective perspective, the specifics of the burnout experience become visible. In this study the validated measure of the OLBI acted as an elicitation device and prompts the contribution of rich narrative addressing why participants answered as they did. This alternative research method provided insights into the experience of burnout, including:

- That non-work factors may have a key influence of work-related burnout; and
- That barriers in the workplace may be negatively impacting intrinsic motivation and that it is these barriers that may contribute to feelings of burnout.

Such insights can potentially shift the prevention and intervention strategies adopted by an organisation.

To conclude, this study has demonstrated that taking a mixed method approach, grounded in phenomenology is useful in extending our understanding of burnout. It provides an avenue through which burnout research can evolve and move beyond generalisations and numbers to explore the real specific and personal experience of burnout. And surely, such an understanding and subsequent reconsideration of prevention and intervention strategies should be of concern to any organisation espousing corporate social responsibility.
List of References


Freudenberger, HJ 1975, 'The staff burn-out syndrome in alternative institutions', *Psychotherapy: Theory, Research & Practice*, vol. 12, no. 1, p. 73.

Hein, SF & Austin, WJ 2001, 'Empirical and hermeneutic approaches to phenomenological research in psychology: A comparison', Psychological methods, vol. 6, no. 1, p. 3.


Yin, RK 2006, 'Mixed methods research: Are the methods genuinely integrated or merely parallel', *Research in the Schools, vol. 13, no. 1, pp. 41-7.*
PRACTICE OF CSR
IN 4 AND 5 STAR HOTEL IN THE PROVINCE BALI

Ida Ayu Putri Widawati
Lecturer of Accounting Management of Hospitality Program
at STP Nusa Dua Bali
Darmawangsa Street, Kampial, Nusa Dua. Bali.
Phone (0361) 773537
i.putriwidawati@yahoo.com

Ni Luh Riska Yusmarisa
Lecturer of Accounting Management of Hospitality Program
at STP Nusa Dua Bali
Darmawangsa Street, Kampial, Nusa Dua. Bali.
Phone (0361) 773537
riska_153@yahoo.com

Abstract

Corporate social responsibility (CSR) in recent decades has become an important topic in international conferences as well as the centre of attention of companies, governments and international business forum. This is caused by the pressure on global warming, the principle of dividing prosperity, customer preferences towards ethical business practices, and media support also plays an important role. CSR in the near future will play a key role in sustainable business. Facing increasingly fierce competition, hospitality companies are encouraged to show a positive image to stakeholders (stakeholders) both internally and externally.

This study will explore what CSR practices are predominantly carried out on five-star and four-star hotels in Bali, how is the perspective of the manager of the five and four-star hotel in Bali on CSR, how the manager felt the benefits of doing CSR, what is the motivation for the Hotel manager to engage in CSR, What obstacles for hotel managers to engage in CSR. How the accounting treatment of the expenditure of funds support CSR.

Based on the descriptive analysis of qualitative results showed that in seven four-star hotels and six five-star ones in different tourism objects across Bali Province, found the application of CSR practices are oriented to support community in general carried out by giving donations, using local labour in recruitment labour, respecting local traditions by giving the opportunity to appear at certain events. Support for employees with due regard to health and safety, respect for employees to engage in decision-making. Not all the research object is committed to employ people with disabilities, but all provide equal opportunities for men and women in a career. In an effort to preserve the environment-oriented, hospitality company showed in water conservation with the utilization of waste water, electricity savings and the use of environmentally safety products. The higher the perception of managers will
be the benefits of CSR increasingly serious and long-term CSR such as the establishment of orphanages, nursing homes and schools kindergarten, surgical homes for residents who are less able, keep running the policy towards green hotel, and saving the environment (abrasion beach). The accounting treatment for CSR implementation is done by charging the expenditure as an expense that has previously budgeted as a donation (donation), evidence or documents collected when the truth has been verified directly charged as an expense that will reduce profits. In practice always consider the cost and benefit, the balance between the costs incurred with the benefits obtained.

Keywords: Corporate social responsibility, stakeholders, CSR practices, accounting treatment, cost and benefit

Biographical Notes
Ida Ayu Putri Widawati is a lecturer of Bali Tourism Institute (STP Nusa Dua Bali), she teaches Financial and Accounting Management of Hospitality from Year 1988 until now.

Ni Luh Riska Yusmarisa is a lecturer of Bali Tourism Institute (STP Nusa Dua Bali), she teaches Accounting Management of Hospitality from Year 2011 until now.

Introduction

Along with the growing problem of environmental pollution globally, diminishing resources, and energy waste has attracted a lot of attention to the company, this was due to face enormous reassure from the media, employees, suppliers, activist social groups, governments, and other relevant stakeholders. Companies are encouraged to participate in social responsibility more seriously. There is a growing belief that companies should not only care about how to achieve optimal benefits but also how to be able to contribute to the wider community. Corporate Social Responsibility (CSR) is a business phenomenon that has gained the attention of the company's organization both in large and small around the World (Kang, Lee, & Huh, 2010; Turcsanyi & Sisaye, 2013; Waldman, Kenett, & Zilberg 2010 ). In general, CSR implies that an organization has a responsibility to customers, employees, shareholders, communities and the environment in all aspects of company operations (Crowther & Aras, 2008; Hadi, 2011). This is in line with the opinion of John Elkington who argued Triple Bottom Line Theory that the company not only aims to generate a profit (financial) but also should
pay attention to aspects of society (social) and the surrounding environment (environmental) (Rahmatullah, 2010; Yogimitha, 2011).

The company will be able to grow and survive long (sustainable development) not because it always managed to obtain financial benefits only but also because it is influenced by how the company's attention to the community (social) and the surrounding environment. If the company's social and environmental problems facing the desired benefits cannot be achieved even on the contrary there is a possibility the company will incur a loss. The concept of Corporate Social Responsibility (CSR) aims to integrate environmental and social concerns into everyday business operations voluntarily (Steurer, 2010). The practice of CSR has been adopted by a number of large companies in most countries (Welford, 2004). Many businesses understand that the willingness to assume responsibility for people and the environment can determine the achievement of the company's profitability (Collier & Estebban, 2007). Customers and the public are likely to have a favorable attitude toward the company for the company more socially responsible. In addition to external reasons mentioned above, the academics argued that the company must be committed to implement CSR for internal reasons. a publicly listed company is a company that received a direct mandate from the Act No. 40 of 2007 on Limited Liability due to see the importance of this (Kamal, 2013; Rahmatullah, 2013). This government regulation set to implement social responsibility a publicly listed company (CSR) as the implementation of their responsibility towards the environment and social, especially for companies related to natural resources. This Government Regulation indicates the seriousness of the government of the importance of maintaining harmony between the company and the community and the environment with the goal of sustainability (sustainability). Bali governor even has forged Forum Business World Social Responsibility (CSR) in the Implementation of the Bali Provincial Social Welfare service period 2012-2016 (Provincial Government of Bali, 2012). This forum aims to encourage companies operating in Bali to commit to alleviating poverty and protecting the environment regardless of its business. CSR issue has also become a concern and implemented by the companies in the whole world, but its implementation will differ depending on the country, industry and company (Yu et al., 2012). CSR implementation in the hospitality industry has shown a significant increase either because the consumers who pay great attention to
environmental issues. As research conducted by Nyoman Indah Kusuma Dewi (2014), which examines Exploration Corporate Social Responsibility Program Implementation Case Study at Boutique Hotel in Bali. This study found that there is a strong commitment to the implementation of CSR programs both internally and externally in accordance with the concept of the Triple Bottom Line. The type of CSR program that has been carried out is in accordance with the cause promotions, corporate societal marketing, corporate philanthropy, community volunteering, and socially responsible business practices. Benefits gained by implementing CSR program is reputable (receiving several awards) and improve the company's ability to compete (competitive advantage). Other research conducted by Ni Wayan Budiasni Novi, et al (2015) with the title Implementation of Corporate Social Based on the concept of Tri Hita Karana (Case Study Hotel Como Shambala Estate Banjar Begawan District of Payangan Gianyar regency). The study findings that Hotel Como Shambala Estate is one of the CSR implication as a form of responsibility social. Although in the CSR implementation process are obstacles. The business and less conscious to the environmental hygiene constrain optimization of environmental hygiene program. Based on data collection and research results are qualitatively Hotel Como Shambala Estate has been fulfilling its social responsibility by implementing social programs Como approach (approach Como) is based on the concept of Tri Hita Karana. It is said to be based on the concept of Tri Hita Karana because in the process of implementing social programs, integrating the three elements are in tune with the concept of Tri Hita Karana. Social responsibility aims to establish a harmonious relationship with the community (pawongan), environment (palemahan), and is equipped with interwoven with aspects of the Godhead (parahyangan). The allocation of costs for financing approach Como allocated in two accounts, namely the cost of general and administrative costs (A & G), and HRD.Acceptance by local communities is essential for the survival of the acceptance perusahaan. If not obtained significant public support or commitment to mutual aid between communities and the hotel cannot be applied. The absence of community support around the hotel will weaken the growth or survival of the future hotel. Hotels are encouraged to environmentally friendly (green hotel) in operations such as attention to practices that are friendly to the environment to prevent environmental damage and pollution (Tzschentke, Kirk, & Lynch, 2008). CSR in the hospitality industry in Bali in line with the implementation of CSR in the world, although not as fast when compared with
implementations in companies related to natural resources such as mining companies (Yogimitha, 2011). This is because CSR in the hospitality industry is not the only obligation of volunteerism. However, CSR is an important place due to the benefits as has been stated by Kotler and Lee (2005) and Yu et al. (2012), especially in terms of improving the company's image and corporate sustainability (de Leanis, Ruiz, & del Bosque, 2012; Goddess, 2013). CSR implementation in the four and five star hotels in Bali is that the focus in this study. This is because of the limited research on CSR at the hotel at four and five star as far as the knowledge of researchers. Additionally the hotel with five star classification and become sufficient financial ability to be able to practice CSR. Tourism is a service delivered by people who provide experience and involving the transportation and accommodation of participants and entertainment, giving rise to a potentially disruptive dynamics. So it should be investigated whether the hotel in the practice of CSR has been trying to eliminate the negative impact of the company's operations and otherwise provide good benefits to the company's internal environment, society and the external environment.

This study refers to the practice csr modified by Bhattacharya and Sen (2004) as follows:CSR practice. Modified from Bhattacharya and Sen (2004)

Community support
a. Support of art and health programs; build school and house for the economically disadvantage generous giving

Diversity
b. Gender, race, family, sexual orientation, and disability

Employee support
c. Safety, job security, profit sharing, employee involvement, and training programs to improve work skills

Environment
d. Environment products, waste management, pollution control, and recycling

Suppliers
e. Overseas labor practices and operations despite human right violence

Product
f. Product safety and innovation, marketing Controversies, and antitrust Disputes

2. Theory Framework

a. Stakeholder Theory
Key stakeholders called market stakeholders. These are internal stakeholders who typically engage in economic transactions with businesses including customers, shareholders, employees, creditors, and suppliers. On the other hand, the secondary stakeholders are known as non-market stakeholders. Their external stakeholders do not engage in economic transactions but is affected or may affect the business actions, including media, government, community, business support, public and group activities. Zu (2009) argues that the stakeholder theory to solve the problem of shortage of CSR measurement and give guidelines for how to conduct CSR activities. According to this theory, CSR programs may include activities such as providing decent wages compared to the cost of local employees' lives, protect the environment, build a new school in the community for poor children, treating customers with respect through the quality of products, and truth in advertising and pricing (Campbell, 2007).

b. CSR Practices

Stakeholder theories provide measurements for CSR practices. Most CSR activities cannot be seen as an extension of stakeholder theory (Zu, 2009). There are several classifications of CSR practice in the academic field. Two of which will be introduced in this study. The second classification of CSR practices have different views but have the same meaning where the public, workers and employees, the environment, suppliers, and customers as well as their common focus of these products. According to Bhattacharya and Sen (2004), a comprehensive summary of the different CSR practices contained in Socrates is The Corporate Social Rate Monitor. Database which concluded six broad domains in terms of CSR practices. But in this research we adopt four broad domains like: Community support, Diversity, Employee support and Environment.

c. Research Methodologies

The population of this study is the all four and five star hotel in Bali Province, but we only take six hotels in different tourism area like Kuta Badung, Sanur Denpasar, Nusa Dua, Buleleng, Karangasem, and Ubud, because we know it will be representative. We analyse the data with descriptive analysis of qualitative.

d. Conclusion

1) CSR Practice
Results of the study CSR in 4 star hotels and 5 in the province of Bali, indicating that all were used as samples in six different tourism areas in Bali Province the hotel Mimpi Resort Menjangan, Hotel Matahari Pemuteran Buleleng, Hotel Maya Ubud, Hotel Rama Candi Dasa Karangasem, Puri Bagus Candi Dasa, Sheraton, Four Points and Swiss Belt actively CSR with their own way. In conjunction with the support of the public in general carried out by giving a donation, involving local communities as workers in the hotel, includes a dance studio around to participate in certain events. Donations that are sufficiently large and long-term committed by Hotel Matahari by building three projects such as kindergartens, orphanages for the orphans, and nursing Werdha. Besides Sheraton and Puri Bagus Candi dasa, surgery homes for residents that cannot afford. In its support to support for the employees with due regard to health and safety, pay attention to the comfort of work, to involve in training both training to improve skills and to broaden their knowledge and involving them in decision making.

While support for the appreciation of diversity for example, do not discriminate between men and women in a career, in terms of willingness to employ people with disabilities, obtaining mixed results most states there is no provision to accept employees with disabilities, but there are stated willingness to accept disabled as an employee of the hotel as the Matahari, and some are already employing the disabled people as one of the Sheraton hotel at the steward that is deaf.

Contributions hotel for its support to the reduction of negative environmental impacts instance be done by holding a saving or conservation such as saving water by using waste water for watering the garden, the use of LED lights are energy-efficient use of the light
sensor, the savings in the laundering of linen, use of materials, laundry Friendly environment. Most hotels participate actively in the competition becomes green hotel. As the Matahari beach resort was awarded the national level and the level of ASEAN in its efforts to make TriHita Karana concept as applied in the local culture as well as hotel successfully obtained an award be a green hotel. This study illustrates that the 4 star hotels and 5 in Bali has implemented CSR, attention to the environment, contribute to the surrounding area, in cooperation with the environment or the surrounding community. Most of the management to provide answers and explanations regarding CSR and CSR accounting treatment of the activities associated with the community. Program donations and assistance program is the most dominant practices. Donations and assistance programs aimed at helping disadvantaged people, improving education, and protecting the environment.

Hotel implementing CSR according to the hotel as well as the ability to fit the needs of different environments depends on the location of the hotel. CSR to employees are not forgotten by the hotel. Each hotel has its own way in the attention of employees. Employees are the company's assets that must be maintained and developed. This study differs from the results of Chen (2006) which states that employment in the hotel industry does not receive the respect it deserves. The Hotel conducting the training and giving lectures to increase knowledge of employees as well as the welfare of employees. The hotel management realize that care for employees is one form of CSR.

Gu et al. (2009) states that the term CSR is only recognized by a small number of managers. Although the hotel is doing a variety of CSR practice, not all managers understand very well that there are terms that describe what they have done. Most managers know CSR, but they have a narrow understanding of what they do is community support activities related or environment-friendly activities as CSR. CSR is seen to increase profitability because there
is more benefit indirectly. Improve profitability is not the main purpose for hotels in Bali in implementing CSR activities. CSR is beneficial in the long term both for the company and the environment.

This research is in accordance with Juscius and Snieska (2008) which indicates that CSR activities can benefit the community and lower operational risk. Pryce (2001) stipulates that a large number of small and medium-sized hotels have not experienced the benefits of conducting a social responsibility, but they focus on short-term profits. Small private hotel management more concerned about short-term benefits, such as reducing costs.

2) Manager Perspective of CSR

Perspective Manager 4 and 5 of the CSR practices in general assume that everything related to the activities of CSR is an obligation of the hotel management. According See (2008), there are three things that can affect managers' perceptions of CSR that is the strategy (the perception of the potential benefits of CSR), personal (personal beliefs and interests related to CSR, and reactive (perspective manager on public pressure). Benefits The main application of CSR is a long-term development of the hotel. Long-term development is concerned hotel operations, practice success in the future. Long-term development is intended as support for employees will strengthen the relationship of employees with hotel operations, will grow a sense of belonging, build a reputation and create the corporate culture. Due to human resource are assets of the company. Also support for the community and the environment is getting companies to contribute to it, the environment and society will protect and benefit mutually beneficial.

Most managers do not consider that the costs incurred will directly benefit or benefits, usually there will be indirect benefits to the company's profits. Personal nature relating to the culture of the company, which has a great influence on personal beliefs and interests of managers in terms of CSR practices. However, the influence of corporate culture is more evident at international hotels. This study shows that managers believe their company culture and believe it is the "right thing" to do in relation to CSR. Hotels with CSR practices offer the opportunity for employees to fulfill the desire to do good and welfare of each
individual trigger. None of the hotel saying that they perform CSR activities is to follow government regulations.

3) Accounting Treatment of CSR

Costs incurred related to CSR activities were recorded in costs and do not use a special account in the income statement. Financial Accounting Standards states that an entity does not have to specifically regulate and report costs as long as the presentation of the information presented is reliable.

CSR implemented accounting treatment relating to the descriptive approach which contains about all the social activities of the company, the cost approach, and the approach of presenting CSR benefits and costs associated with annual report (annual report).