

**UNIVERSITY OF VAASA**  
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**Corporate Social Responsibility Comparison of Small-Medium  
Enterprises in Finland and Pakistan:**

CSR Defining, Practicing and Implementing Case Study

Master's Thesis in

Economics and Business Administration

Industrial Management

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**Abstract**

The concept of Corporate Social Responsibility varies from place to place and it is keep changing with time. The phrase CSR became more in use since early 60's, among other several important factors CSR is based on, corporate governance and ethics Environmental stewardship, Sustainable development factors etc. According to researchers CSR based on Philanthropic, Economic and Legal ethics pillars. In Theoretical part of this study there is brief discussion on how SME's operating in two different regions of world. One main purpose of this thesis is to understand the concept of CSR by studying different models and approaches. The data has been gathered using Interview method, Annual reports and Study of CSR reports of the case companies, to find out how these companies defining, practicing and implementing CSR. Conclusion shows that how these business entrepreneurs are focusing Defining, Practicing and Implementing on these factors and the parameters of CSR are accordance with their own understanding.

**Key words:** Corporate Social Responsibility, Environmental Stewardship, Sustainable development

## 1. STUDY INTRODUCTION

The terms sustainable development and corporate social responsibility (CSR) are well known in business and academic communities. In the recent past these topics were highly debatable but now they have become sensitive and powerful political issues. CSR could be defined in many ways and various definitions are available in various articles, books and on the internet, one most commonly used definition is as under “CSR is about business and other organization going beyond the legal obligation to manage the impact they have on environment and society. In particular, this could how organizations interact with their employees, supplier, customers and communities in whom they operate, as well as extent they attempt to protect the environment” (Lea 2002: 10).

### 1.1 Background and Modern Concept

The concept of corporate social responsibility (CSR) is not new, it is as old as business. It is difficult to do business without being socially responsible. Earliest definitions of corporate social responsibilities were defined by Bowen in (1953) as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." The concept and definitions of corporate social responsibility have changed with the change and growth in business activities. "Historically, there have been periods of heightened interest in CSR in the past, such as the late '60s and early '70s. At that time, business organizations such as The Conference Board in the U.S. and the Confederation of British Industry in the U.K. issued calls for business to give greater attention to CSR", (Craig 2003: 05).

With the development in the corporate sector Corporate Social Responsibility (CSR) now become the main issue. "The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic

development. Building on a base of compliance with legislation and regulations, CSR typically includes “beyond law” commitments and activities are pertaining to”. CSR is a wide topic it covers all the important sectors of business and some of according to (Hohnen 2007: 04) these sectors are

- *Corporate governance and ethics*
- *Environmental stewardship*
- *Human rights (including core labour rights)*
- *Sustainable development*
- *Conditions of work (including safety and health, hours of work, wages)*
- *Industrial relations*

This thesis will focus on corporate governance and Ethics, Sustainable development, Environmental stewardship, Stakeholder Trust. Each business may require specific consideration according to their atmosphere, conditions and country laws. The emphasis of this study is to analyze and compare the CSR of small-medium manufacturing business entrepreneurs in Finland and Pakistan. These two countries have versatile nature of businesses and conditions. Due to different geographical locations and per capita income the two countries are different in culture and working conditions. This thesis will provide an insight of few small and medium-sized manufacturing business entrepreneurs operating in Finland and Pakistan to its readers. This thesis will investigate and compare how these companies working on CSR.

## 1.2. Research Scope and Questions

Numerous studies have been made and a number of articles have been written on Corporate Social Responsibility. The main purpose of this research is to study the CSR implementation in Pakistan’s and Finland’s small-medium manufacturing business entrepreneurs and their analysis and comparison.

Areas to be scrutinized in this thesis:

- Study of business entrepreneurs' main focusing areas of CSR in Finland versus Pakistan
- The way business entrepreneurs define the concept of CSR and its implementation
- The amount of involvement of these business entrepreneurs in CSR progress and encouragement tools

### 1.3 Research Method

Qualitative and quantitative methods differ primarily by their analytical objectives by type of questions posed, the types of data collection instruments used, the forms of data produced, the degree of flexibility built into study design. Qualitative and Quantitative research methods can be differentiated by these basic factors. According to Yin (1994), quantitative and qualitative research methods are used for research and which methods are useful depend on the research questions. Qualitative methods allow several ways of data collection and provide the option of higher flexibility and this flexibility stimulates the researcher's new areas of interest. If a researcher chooses the qualitative method, it should be well planned to avoid the risk of not creating anything unnecessary. In this study, qualitative research methodology and company case study will be used in this research. Interviews of executives will be conducted for data collection because of their long working experiences with companies. For secondary sources, reports, documents, and websites will be analyzed. Simple questionnaires will be prepared for gathering data. Types of Qualitative method interviews are

- *Informal*
- *Unstructured*

- *Semi-Structured*
  - *Structured*
- (Hayden 2006)

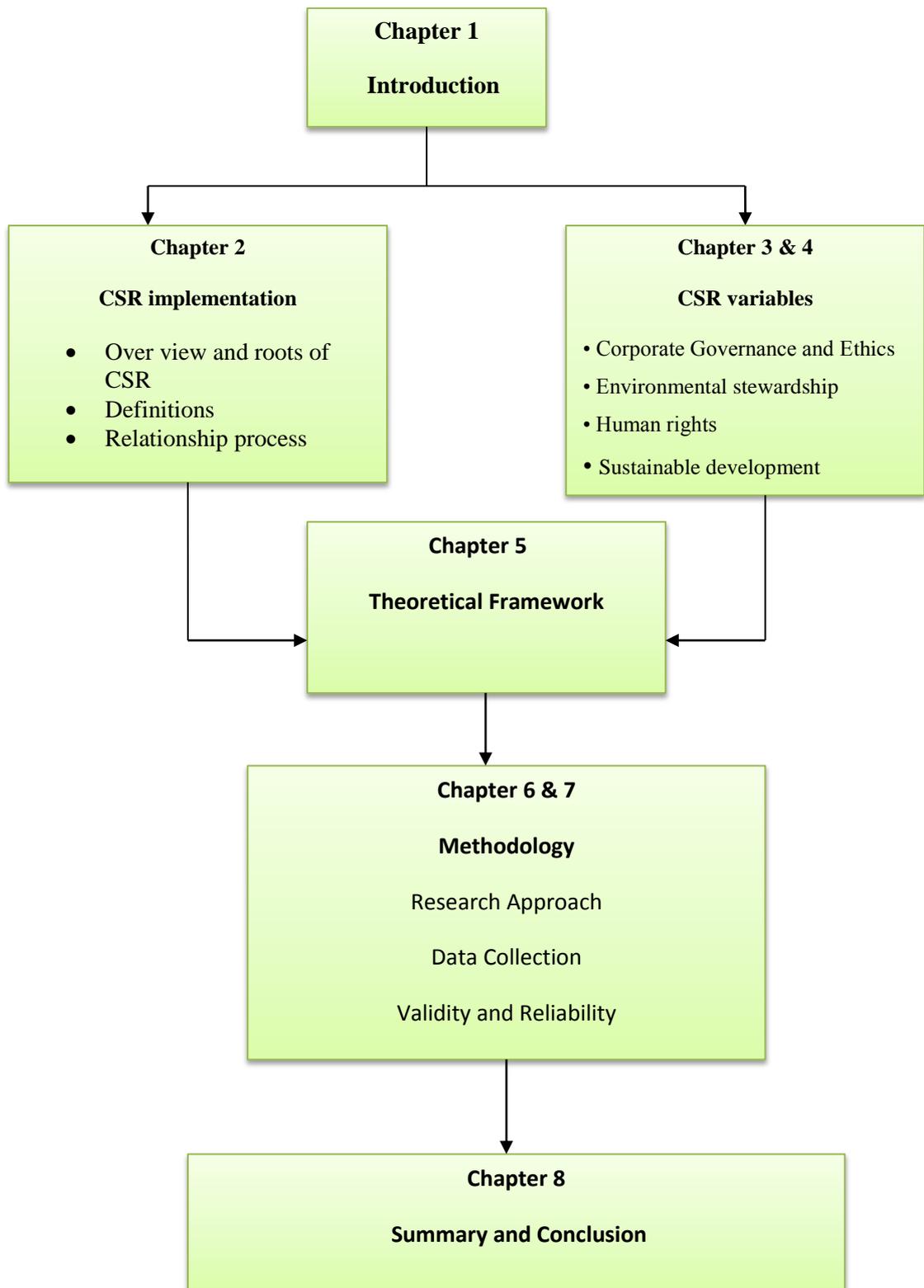
#### Interviews Themes

**Theme 1:** Introduction of the person and his/her understanding with the CSR related questions.

**Theme 2:** Person's influence and participation in the company's CSR policies related questions.

**Theme 3:** Company's Organizational Issues Ethics, Stakeholder relations.

## Structure of the Study



**Figure 1.** Structure of the study

## **2. LITERATURE REVIEW**

Corporate social responsibility is the initial point for any business entrepreneur or Company to gain competitive advantage through good corporate image. The most innovative literature explaining the Corporate Social Responsibility (CSR) concepts, in this chapter it comprises of CSR definitions and its importance in today's business world and further in depth analysis of business entrepreneurs prospective on CSR, Stakeholder prospective and expectations. In the next chapters the aim of the study shall be Company's prospective of CSR and comparison to determine the role of CSR in small-medium enterprises of Asia and Europe.

### Corporate Social Responsibility

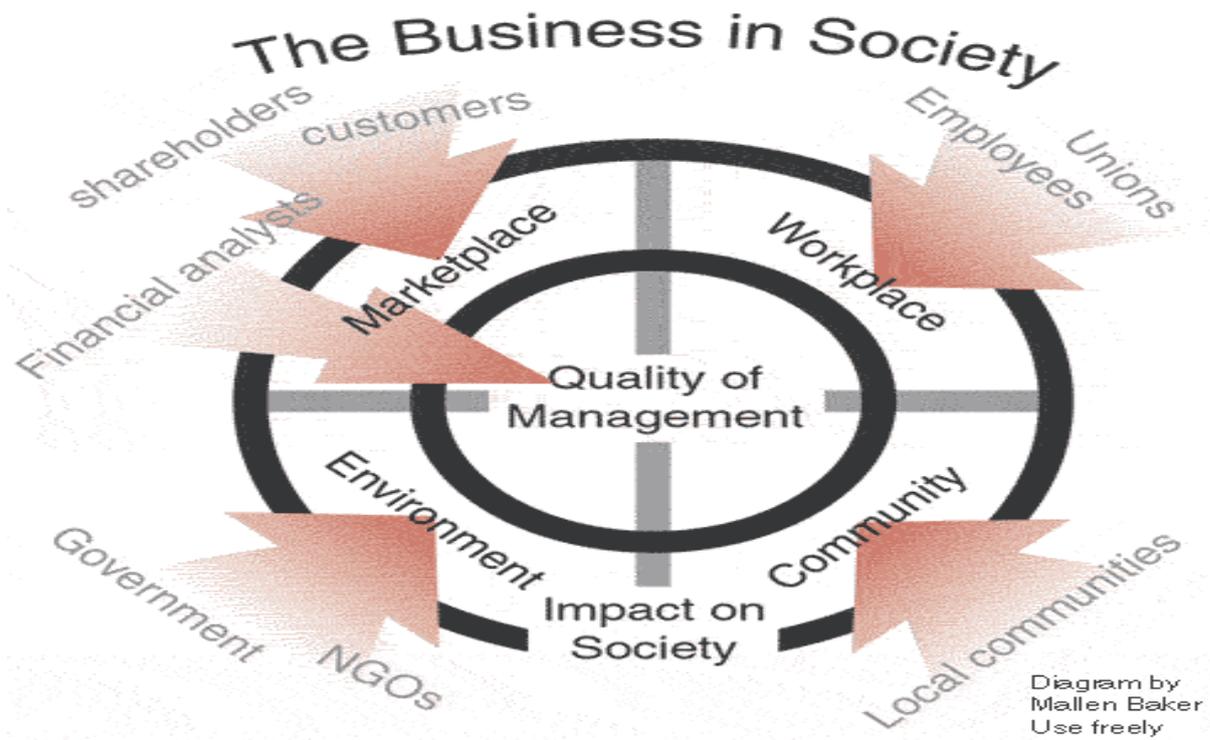
#### 2.1. Definition of Corporate Social Responsibility

The concept and definitions of corporate social responsibility have changed with the change and growth in business activities. It is difficult to do business without being socially responsible, CSR does not have any universal and set definition in other words there is not a single widely accepted theory on Corporate Social Responsibility. Researchers from all over the world are approaching CSR from different point of views and according to research the only social responsibility of companies is to make profits. Asongu (2007: 04) referred the statement of World Business Council for Sustainable Development to define the CSR is "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

CSR history can be explored either through the CSR concept which has been around and evolving for nearly 50 years or from an individual company's perspective as it begins to take its responsibility on the agenda. Due to rapid growth and development in

the corporate sector Corporate Social Responsibility (CSR) now become the main issue in corporate sector. The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations, CSR typically includes “beyond law” commitments and activities are pertaining to.

European Union has explained corporate social responsibility as a responsibility toward the society and environment and thus including these issues in their business operations. CSR has absorbed different terms such as corporate philanthropy, corporate citizenship, business ethics, stakeholder, involvement, sustainability, socially responsible investment and corporate social performance (Silberhorn & Warren 2007: 353). In addition (Dahlsrud 2006, Marsden 2001) states that corporate social responsibility is about the core behavior of companies and the responsibility, for their total impact on the societies in which they operate. He furthermore argue that CSR should not be treated as an optional add-on not an act of philanthropy by corporations because, an ideal socially responsible corporation is one that runs a profitable business that takes into account of all the positive and negative environmental, social and economic effects it has on society. Dahlsrud (2006) refer the statement that Corporate Social responsibility is based on open and transparent business behavior, wherein the institution and individuals are sensitive and careful about direct and indirect effect of their work. The crucial element in social responsibility is the respect towards the ideology and the improvement of company wellbeing whether internal or external communities, nature and the outside world. Baker the director of Business respect is a writer, speaker and strategic advisor on corporate social responsibility has explained some important factors of CSR on World Wide Web.



**Figure 2.** Mallen Baker Director of Business Respect.

## 2.2. Theoretical Explanation of CSR

By implementing on Corporate Social responsibility (CSR) companies can improve their images and by showing their concern on ethical matters on a global scale. Corporate social responsibility provides the platform to companies where these companies can take all their stakeholders into consideration when making business decisions, It is sustained by stakeholder expectations, the ideology of CSR is that how the stakeholders see the company and its activities in the society. Several factors are contributing in the advancement of CSR in these factors the most important is globalization and rapid growth of competition between the Companies, Increase in expertise and companies hiring cultural values and demands mix in the multinational companies. Companies are seriously thinking and they have concerned about environment. The non-profitable organizations are working hard to create awareness of social aspects. There are three basic drivers of corporate social responsibility (1) values,

(2) Strategy and (3) public pressure which consist of pressure group, media and consumers forcing the companies to become more active in social responsibilities (UNIDO 2002).

Theoretically CSR has been discussed for several years now and hotspots are still mushrooming around the world. Several areas of CSR has been discovered but yet many other areas having limited research this is because of rapid development in business and its activities. The deployment of CSR in the key areas is yet in progress, and these are seen as important as compared other business activities within the companies. Some of the most important areas of CSR are Corporate governance and ethics, Environmental stewardship and Human rights (including core labour rights), Sustainable development, which will be briefly discussed in this chapter corporate social responsibility itself is very vast field to understand it accurately, the companies must have to understand and realize that the concept based on the expectations of the stakeholders.

The stakeholders and the companies always build a network in which they all co-exist and each action within the network either directly or indirectly affects the company performance. A strong network and bond always required between stakeholders and companies. Strong dedication is needed in order to maintain a good relationship to all and balance the network, The stakeholders' perceptions vary in four levels or four important pillars of CSR economic, legal, ethical and discretionary (Podnar & Golob 2007: 327-329). According to Porter et al. (2006: 81) argument can be made after the division of CSR into four categories (1) moral obligation (2) operating license (3) reputation and lastly most important (4) sustainability. In first category moral obligation it refers to good – ethical values means respect of people and existing communities are essential. Operating license is the permission of different operations from stakeholder and societies existing within their environment. Sustainability refers specifically to environmental and community stewardship.

### 2.3. Development of CSR

According to Henderson (2001:xiv) "CSR does not stand alone, it forms one element of new millennium collectivism, Its adoption would reduce competition and economic freedom, and undermine the market economy. The commitment to it marks an aberration on the part of the businesses concerned, and its growing hold on opinion generally is a matter for concern". In early 20<sup>th</sup> century it was common thinking of most businessmen that their social responsibility for the country is to support the growth of economic. It is fact that the roots of CSR are as long as the sustainability by history point of view. Windsor (2001) has explained and examined that, today it has gained its value among businessmen scholars and governments as a vital tool for sustainable development. Even now companies from all over the world are encouraging themselves to support and implement CSR in their business operations.

According to several writers and researchers "much has changed in the last 50 years in the area of CSR", It is providing a platform to companies around the world a competitive advantage through positive linkage to corporate image. Internationally companies and authorities are considering seriously different factors of implementing CSR. These companies and authorities well understood the fact that to perform things right ethically and doing business is not all about money "social responsibility involves a host of complex, contradictory and competing needs from within and without the corporation, which influence its ability to respond to social needs" (Carroll 1999, Abreu &David 2004, Mintzberg 1983, Gu'ler Aras 2008).

Communities around the world are more conscious about environment, company's social behavior and how participating in solving issues like employee rights, product safety, poverty and many more. In 1997 CEO of Nike Phil Knight did terminate three Indonesian suppliers with the statement "Good shoes come from good factories and good factories have good labor relations." In the reaction Nike faced multi-country boycott over alleged sweatshop conditions at Asian suppliers. Afterward Nike faced a big drop in its sales to recreate positive impact on its sales Nike employed more than 90 employees for CSR development report. Today Nike's CEO intentions are clear from his message in

CSR report stated that "we willingly gave up old ideas to shift our thinking toward a better, smarter, faster and ultimately more sustainable future financially, environmentally and socially" this is one example how a big name companies sometimes response poorly and one of the worst case example of social responsibility (Nike CSR report).

#### 2.4. Approaches, Theories & Carroll's model

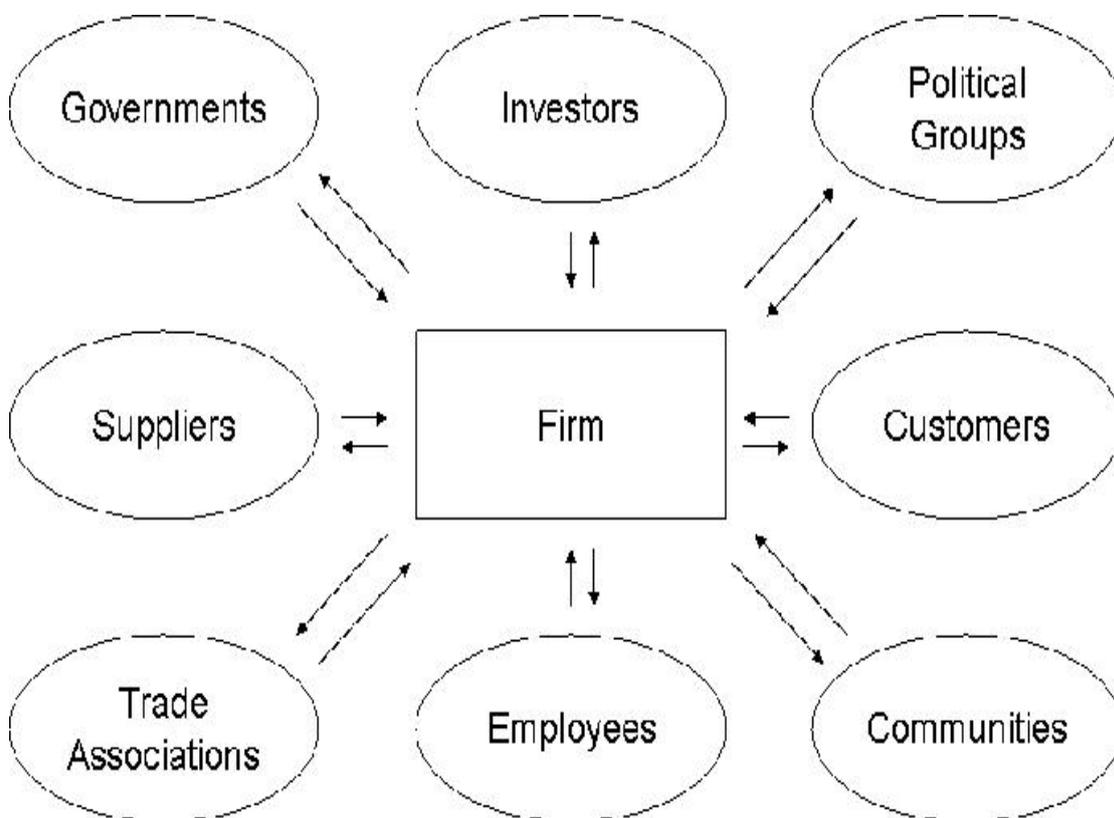
Corporate social responsibility is about the integration of social, environmental, and economic consideration into the decision-making structures and processes of business. It is about using innovation to find creative and value-added solutions to social and environmental challenges. Academic researchers have been taking different approaches for achievement in this field.

##### 2.4.1. Stakeholder theory

The ideology of corporate social responsibility is based on the expectations of the stakeholders and without close examination by different group demands and values, the whole process of corporate social responsibility might go to waste. Importance of Stakeholders in business is described by Freeman (1984) cited by Neville, Bell & Menguc (2005) "Any group or individual who can affect or is affected by the achievement of the organization's objectives". The main role and task of the stakeholder in corporation can be categories as to set expectation, experience in the field, act and evaluate the outcome.

If individual stakeholder or group of stakeholders feels the corporate or company's action is not according to need they might pull out of the network if they feel neglected or otherwise being treated unfair. According to Crane, Matten & Moon (2008: 90-91) stakeholders regarded as constituency some sort of relationship with organization that "confers it with a set of obligations and/ or claims or entitlements of one kind or another". For the sake of explanation the writers discuss five main stakeholder groups

shareholders, customers suppliers, civil society and employee these five categories of stakeholders can provide and captured broad range of constituency, with increase awareness of Corporate social responsibility there has been awareness in corporations that today socially neglecting the stakeholders it is considered as major mishap in business activities. Today Stakeholders having more expectations those companies contribute at least the minimal requirement towards the social behavior, legislative and ethical norms, (Podnar & Golob 2007: 330). Freeman (1984) has explained stakeholders and their link with firm in his article Strategic management a stakeholder approach



**Figure 3.** Strategic management a stakeholder approach Freeman (1984:25)

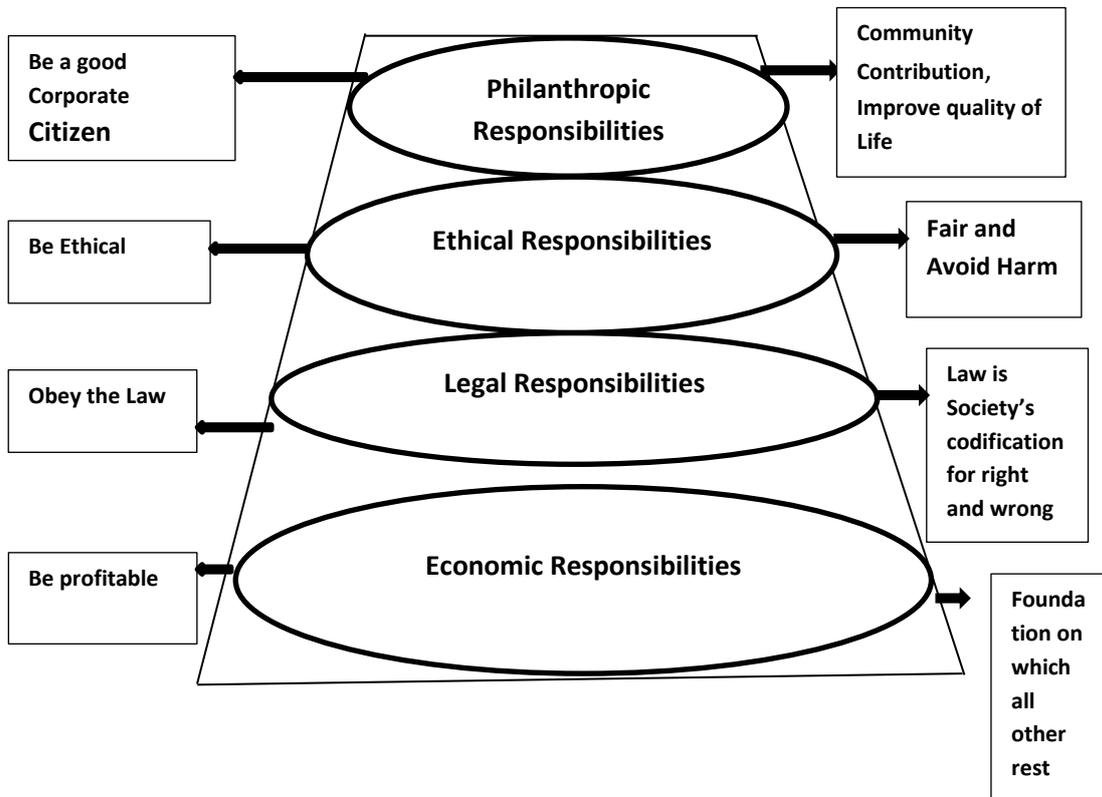
There are several conceptual models explaining the CSR field for example Sethi's (1975) three-tier CSP model, Wood's 1991 CSP revisited model, in this study Carroll's

pyramid will be discussed briefly to understand the concept of corporate social responsibility.

#### 2.4.2. Defining Carroll's Pyramid

According to Visser (2005: 33) "over the 25 years since Carroll first proposed the model, it has been frequently reproduced in top management and CSR journals, mostly by Carroll himself (Carroll, 1979, 1983, 1991, 1994, 1998, 2000, 2004)", Carroll (1983: 608) has explained "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be

socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent". In 1991 Carroll proposed a model that contains four categories of corporate social responsibility. In this new model pyramid model Carroll focused on components parts of CSR. Pyramid consist of four parts (1) Economic (2) Legal (3) Ethical and (4) Philanthropic responsibility. These business responsibilities have to be included in the CSR concept before it can be accepted by any business personality. The first part of the model is Economics which means this responsibility based on the existence of a corporation, and therefore all other responsibilities lean on it for example innovation in technology providing new resources to stakeholders, creating jobs, discovering new resources. Carroll (1991) also lists ethical responsibilities which refer to considerations of fair and just even when it is something that is not obliged by the law. In the pyramid also having weaknesses and it is not perfect like other different models. The main purpose of this pyramid is to find and illustrate that CSR consists of distinct components that together constitute the whole. Pyramid figure below explains that CSR consists of distinct components that together constitute the whole. Pyramid below shows how these are connected with each other.



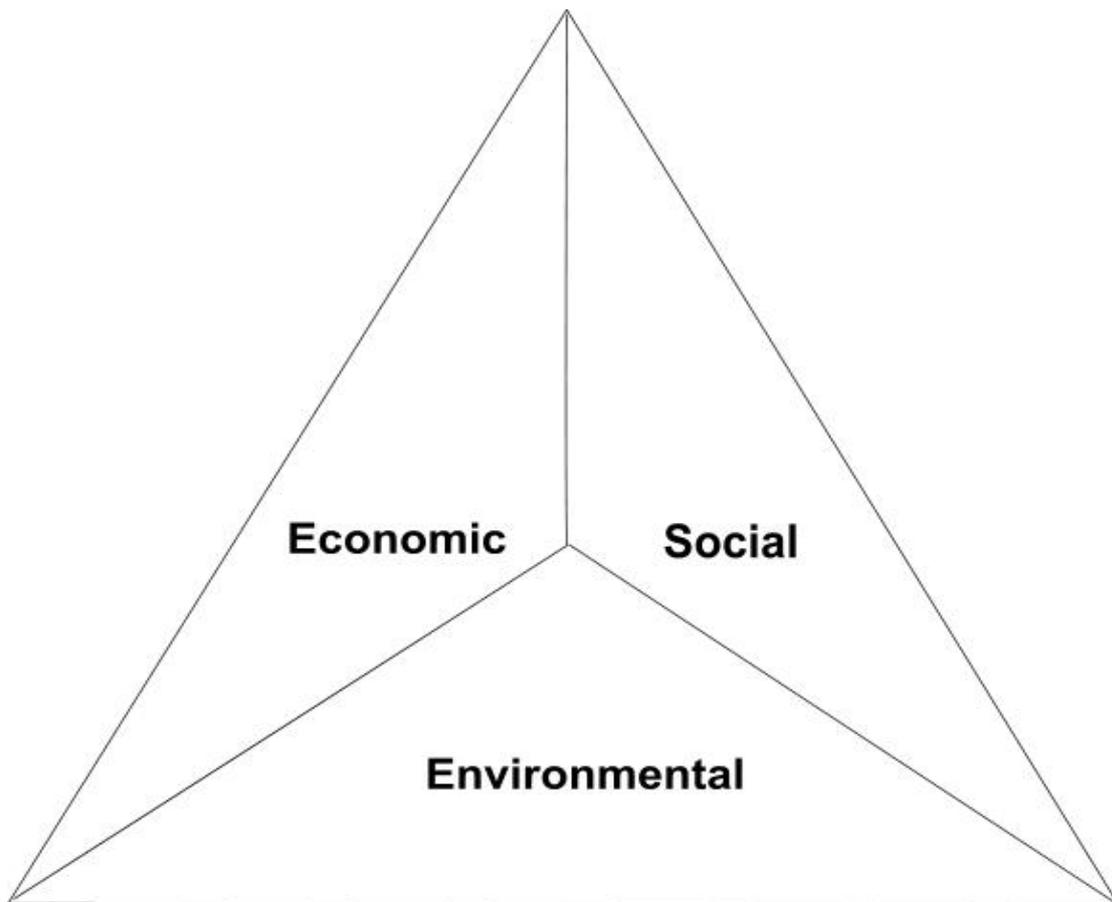
**Figure 4.** The Pyramid of Corporate Social Responsibility (Carroll 1991:228)

In recent development now companies are much more interested in three important factors of CSR economic, social and environmental performance. These three important factors have been explained briefly in John Elkington's "Triple Bottom Line" and this study require study of these lines to develop a methodology.

#### 2.4.3. Triple Bottom Line

The term "Triple Bottom Line" became popular among the researchers and management in mid of 90's. John Elkington gave the public representation the term in 1997 Cannibals with Forks The Triple Bottom Line of 21st Century Business, The ideas behind triple bottom line is that an organization to sustainable and secures itself economically and take initiative to minimize the negative environmental impact (Henriques & Richardson 2004). According to (Norman & MacDonald 2003) "In short, 3BL advocates believe

that social (and environmental) performance can be measured in fairly objective ways, and that firms should use these results in order to improve their social (and environmental) performance. Moreover, they should report these results as a matter of principle, and in using and reporting on these additional "bottom lines" firms can expect to do better by their financial bottom line in the long run". Economic perspective took as economic performance that is designed with a long-term plan. Corporate activity is to concentrate on activities and choices that ensure the long-term prosperity of the company. Social justice to society clears the concept of social dimension in the "Triple Bottom Line". It indicate the inequality and relation between rich consumer and poor worker difference between urban and rural area working and Environmental category therefore includes issues such as environmental protection and careful consumption of non-renewable natural resources (Crane et al. 2007: 23-28).



**Figure 5.** Three components of sustainability (Crane et al. 2007: 23)

## 2.5. Future of CSR

Recent economic crunch has affected almost all business sector and still researchers, business communities etc., are finding ways to come out from this economic crunch. It also has had a significant impact on CSR. According to (Devi 2009) "despite the crisis, stakeholders remain hugely concerned about the many challenges facing businesses, These include the impacts of climate change, other environmental risk such as water security, risks associated with outsourced supply chains, community impacts, human rights and product responsibility". It is clear indication that now companies are giving equal importance to corporate social responsibility and it is also a fact that more practice of CSR in companies will help the researchers to explore the CSR widely. The following chapter is about company's prospective of CSR There will be theoretical discussion on corporate culture and mission, Corporate governance, Ethics, Environment stewardships, Stakeholder trust, Sustainable development from company's point of view.

### 3. COMPANY'S PROSPECTIVE OF CSR

In this chapter focus will be on Company's potential of CSR and it is further divided into subsection for brief discussion and each subsection consists of corporate social responsibility potential in companies. These subsections will be corporate culture, corporate governance and Ethics, Environment stewardship and sustainable development.

Companies or organizations define the need of corporate social responsibility according to their financial stature and available resources. Internal and External factors influence the decisions on implementing the CSR in companies. According to Ketola (2008: 426) "An ideal company is the direct opposite of the suicidal company an ideal company maximizes its economic, social and ecological responsibilities". Corporate social responsibility includes the Company's research into new products, its ongoing success in ensuring the safety, quality, positive and healthy work environment for company's employees, it includes minimize the environmental impact and behaving responsibly in the global marketplace. A company also provides charitable support for communities in need around the world. The size of the company also has an influence on the matter in this prospective.

Larger organizations concentrate on CSR rather than smaller size companies. Corporate social responsibility is about the integration of social, environmental, and economic considerations into the decision-making structures and processes of business. It is about using innovation to find creative and value-added solutions to societal and environmental challenges. It is about how a company engaging shareholders and other stakeholders and collaborating with them to more effectively manage potential risks and build credibility and trust in society? What is the value of CSR from company's prospective and it ideology? These facts can are

- Stronger financial performance and profitability through operational efficiency

gains

- Improved relations with the investment community and better access to capital
- Enhanced employee relations that yield better results respecting recruitment, motivation, retention, learning and innovation, and productivity

Shareholder and debt holder value are providing enhanced goods and services for customers, building trust and credibility in the society in which the business operates. Krishnan & Balachandran studied the three important CSR elements from Warhust, (2001: 57-73) Corporate Citizenship and Corporate Social Investment these three elements are product use which focuses on contribution of industrial products which help in wellbeing and quality of life of the society, business practice which focuses on good corporate governance and gives high impetus for the environmental wellbeing and equity which tries for distribution of profits equitably across different societies especially the host community.

### 3.1. Company's Corporate Culture and Mission

#### 3.1.1. Corporate Culture

In a company to understand the actual organizational behavior it is important to know the theoretical understanding of corporate culture which plays an important role in an organization. Structure and system within Organization consist of morals of member values shred beliefs and norms, these tools helps to build an ethical organization for managers so they can develop socially responsible organization by using the means of organizational design, such as systems and structures. In an organization reshaping of norms, shred values and positive decision making can be consider as initial point to work as corporate responsible, (Desai, Rittenburg 1997 and Gandz, Bird 1989). Corporate mission states company's activity its business and about customers. It states not only the company's strategic planning but also reflect what will be the possible future developments within the company.

### 3.1.2. Mission

The corporate mission explains and sets the organization's direction now days most of the companies are publishing their mission statements in annual reports or World Wide Web Pages. Contents of the mission statements are more important rather than publishing it. Now there is increase in demand from different communities for transparency in business operations due to various economics, environmental and labor's scandals (Warhust 2005, Epstein 2003, Tsoutsoura 2004). The mission statement of the company reflects the core values and achievements of the company by doing particular business and it also shows the operational efficiency, spawn innovation, and satisfaction of the customers, employees and society.

### 3.2. Corporate governance and ethics

These two most important factors of corporate social responsibility are the key factor in any successful corporation. Most multinational companies are giving priorities of corporate governance and ethics even now small medium enterprises around the world are working hard to implement and maintain the corporate governance and ethics within and outside the companies.

#### 3.2.1. Corporate Governance

Corporate Governance refers to the principle of organizing the business in such way, that it takes into consideration every stakeholder group's interest. The concept covers all the processes by which companies are directed and controlled. Corporate Governance is always design for the best interest of the shareholders in corporate governance within the company works in a symmetrically in which shareholders appoint the directors and directors are responsible to appoint the best management for executive decisions. Corporate governance in a company assures the efficiency and to address the disputes which can interrupt the business activities. It ensures the improvement in the company's standard and public governance.

Corporate governance can be defined as "The ways in which suppliers of finance to corporations assure themselves of getting a return on their investments" Over the time now other stakeholder also included in the regulation framework initially it was only for the interest of the shareholders. In corporate Governance the most important factors are improvement in financial reporting, rules and regulations, trust of stakeholders, and take the correct decision for the benefit of the company. The framework insists upon corporate accountability from the executives. Company requires that executives should take responsibility of their decisions and actions and also about the fiscal situation, (Shelifer, Vishny 1997 & Tirole 2001: 1-35). It is true that ethics are easier in theory but hard to implement corporate governance leads to ethics in it several points are necessary to consider such as business ethics, cultural ethics, stakeholder ethics etc.

### 3.2.2. Ethics

A Company should have a strong culture of entrenched values, which forms the cornerstone of expected behavior of the company towards its stakeholders. These values are embodied in a written document widely known as the Standing Instructions. The Instructions contain continually evaluated and updated and commits Directors and employees to the highest standards of behavior when dealing with stakeholders, both internal and external. Joyner, BE & Payne, D (2002) states that in modern shape of business ethics, values, integrity and responsibility is required and it is well known phenomena now that good ethics impact positively on recent economy. The impact of culture and local context on business ethics and corporate social responsibility has been widely discussed in the literature. "In light of the change in the way values and ethics are viewed by organizational stakeholders, there has been growing recognition that profitability measures, in isolation, fail to capture the essence of an organization's overall performance, both as a profit-seeking entity and as a member of society". Garriga, Melé (2004) describe it as "Ethical focus argues that the relationship between business and society is embedded with ethical values. From an ethical perspective and as a consequence, companies should accept social responsibility as an ethical obligation more than any other consideration". For a company to be socially responsible means that profitability and obedience to the law are foremost conditions when

discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and work with all its stakeholders for the benefits of all. Taking care of environment issue around is one of the ethic and these days environment issues almost top of the list in big name companies and these companies not only promoting pure environment but as well as providing pollution free environment.

### 3.3. Environmental stewardship

In this factor from company's prospective company or organization always abide the local and international environmental management standards, investing in clean production processes, proper management of hazardous waste, reduction in the use of ozone depleting, chemicals, pollution control, support for conservation initiatives and many other environment related issues. The environmental stewardship factor is regarded as effective management of physical resources so as to conserve as much of them for the future. In it many environmental issues can be include such as environment protection, reduction in pollution, and most important is careful consumption of natural resources. Today companies are willingly giving importance on environmental issues and taking responsibility as well, these companies are starting to acknowledge, that being ethical may be good for business, too, (Crane and Matten 2007:9, Werther, Chandler 2006:19-20). Previously companies faced increased demand on behaving in a socially responsible way and to increase the quality of life in general by helping to solve issues like product safety, honesty in advertising, employee rights, and poverty. The environmental responsibility includes the environmental impacts, the negative effects occurring in the surrounding natural environment (Steurer et al 2005), the main aspects of environmental dimension can be

- Environmental damages in surrounding

- Resources

## - Emissions

Emission refers the issues for example air emission, water emission it is responsibility of a company that it should avoid any environmental damages and destruction and irreversible risks like the loss of biodiversity and climate change to a certain degree (Steurer et al 2005: 270).

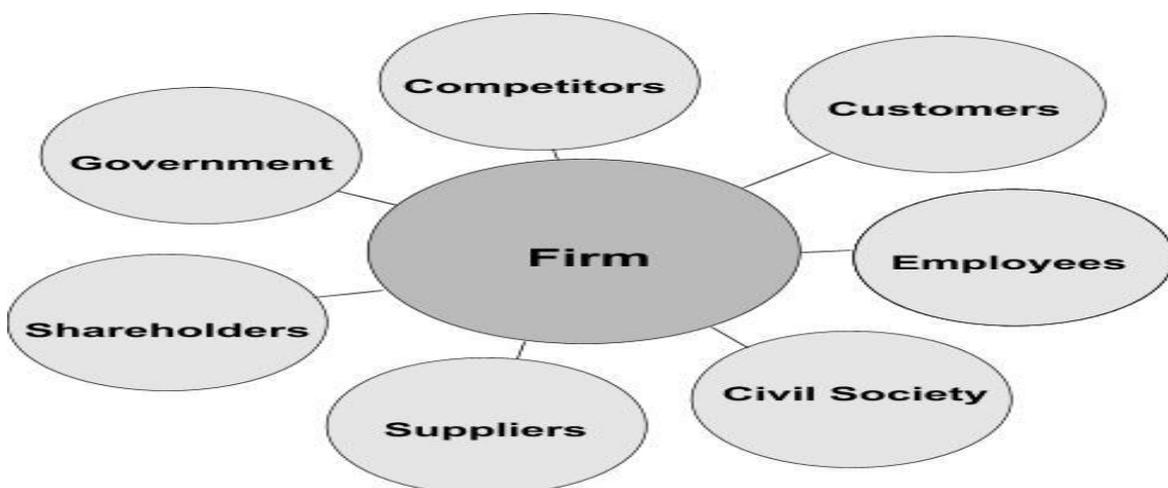
### 3.4. Sustainable development

A report was published in 1980 (UNEP) which was the first official report on sustainable development according to the report there were discussion on nature conservation groups, such as WWF and World Conservation Union, and in those discussions sustainability referred to the use of ecological systems in a way, which would enable their primary characteristics to remain intact. According to report published in (1987)"development which meets the needs of the present without compromising the ability of future generations to meet their own needs." In last 40 years there is huge increase in literature on Corporate Social Responsibility from fields such as Management, Economics, Finance, Marketing, and Sustainable Development mostly from western region outside this region the ratio is less comparatively to conceptualize and explore the CSR concept (Ketola 2008: 426) cited the several researchers in CR model there is division between divisions between technocentric and eco-centric sustainable development and between anthropocentric and eco-centric sustainable development "anthropocentrism is a rather inhuman, calculative technocentric approach for the rich to solve problems with technological innovations". In any region of the world for successful operation companies must require sustainable development at macro level. Each company has its own influence on economic development and their influence is not only quantitative but also qualitative. Sustainable development is lately defined as a balance of economic, social, and ecological aspects. Sustainability can be seen as "sustainability is a worldview". The foundation of sustainable development in business is a worldview that recognizes the interdependence of business and its stakeholders, and the dynamic nature of that interdependence.

### 3.5. Stakeholders Trust

It is obligate for any organization to work with its stakeholders on equity and promoting the culture direct communication with its each stakeholder to establish a respect and honesty among them. According to (Gillis, Spring 2001, BSR 2008) that good communication among all stakeholders is a key concept for the effective expounding of CSR either inside or outside the corporations, An organizational structure is must be appropriate within the organization for the information flow and to engage the company with corporate social responsibility.

According to Schanze (2009: 1) trust with stakeholders build on four major factors reputation, performance, accountability and appearance these factors indicates the quality of business and collective stakeholders perceptions. "Performance and communication can therefore be regarded as key ingredients of any systematic approach to building trust and reputation as well as to safeguard these assets in the time of crises". Relationship between company and stakeholder impact positive if the positioning of the company in proper line. There are minor chances of misunderstanding between stakeholder and company if company kept promises weak reputation can lead to a severe loss of capital and market share, despite the group being dissatisfied. (Croft 2003: 10-15). The diagram below by Crane and Matten (2007) explains the stakeholders' theory.



**Figure 6.** Stakeholder theory of the firm (Crane and Matten 2007: 59)

This figure shows the firm and connection of stakeholders each stakeholder has its own importance and these stakeholders with combine effort make the company successful.

### 3.6. Customer Trust

To facilitate the customer at its best companies providing all possible solution which customer can easily access. Opinion from all the stakeholder and customer satisfaction is the main key of any company's success. Companies measuring and should measure the performance throughout working experience by “Global Performance Monitoring” which measures the reaction of working experience. Different strategies help the company to build the strong relationship between company and its customers. How customers can trust the company can be identify by performing SWOT analysis which basically shows the external and internal factors of a company. SWOT analysis based on data collection mostly here are some important point for analysis.

**Table 1.** SWOT Analysis of customer trust

<b>Opportunity</b>	<b>Strength</b>	<b>Weakness</b>	<b>Threats</b>
Different Task handling	less consumption of time	Problem in Communication	Implementation problem
Customer demand	Focus on Customer needs	Miscommunication with customer	Lack of time
Development of new ideas	Team work/Planning	Front End Time	Changes Occurred
Market Analysis	Organizational work	Extra workload and miss organization	Misunderstanding

### Definition of CSR and Comments

The subject has been taken up by various types of persons with wider school of thoughts. Consolidating all the aspects, in my opinion it can be defined taking into consideration the various socio economic factors of the corporate sector in order to

- i) seek for the better environment of the workers
- ii) seek for the training of the workers in each field before assigning them their duties in their respective field
- iii) evaluate the persons responsibility and to pay the wages to cover at least this and to introduce minimum social responsibilities
- iv) to achieve the better results for human behavior towards machine product incentive should be introduced within the factory.
- v) A proper organizational setup be introduced within the organization who should be in a position to give proper guidelines for machines behavior towards the workers
- vi) All the national laws of the country should be followed, checked and reported to the management.

In the following chapter there will be discussion on CSR in Finland and in Pakistan and also will be statistical data will be gathered from recent literature and some authentic sources to find out actual CSR implementation in these countries. In the following chapter also the statistical data will be gathered from literature and some other authentic sources to understand the SMEs' and its concept in different countries including Finland and Pakistan.

#### 4. CSR AND SMES IN FINLAND AND PAKISTAN

This chapter contains CSR growth facts about existing companies in Pakistan and Finland. Most of the European countries are developed and these countries are well aware of corporate social responsibility. Researchers, companies, and many European profitable and non-profitable organizations are working hard to achieve the CSR. In Finland it observed that every sector is giving importance to corporate social responsibility and that the companies are not only implementing on it but also encouraging each other to work on it more professionally. On the other hand in Asia most of the countries are under developed and in recent years it is observed that many countries are trying to introduce CSR not only on government level but also to companies. Pakistan is one of the developing countries' of Asia facing serious social and economic problems and terrorist attacks and natural disasters beside this one thing is appreciated that now from government level to multinational organizations to small enterprises working on CSR issues. Below "The Responsible Competitiveness Index British non-profit, Accountability, and Brazilian business school, Fundação Dom Cabral, looks at how countries are performing in their efforts to promote responsible business practices" .

The report is about 108 countries those covering 97% of GDP. Three main drivers policy drivers, business action and social enablers has been adopted to generate this RCI 2007. In the report "The State of Responsible competitiveness 2007" few criteria has been adopted such as universally adopted definition of responsible business practice, theory or empirical evidence, Data gathering from credible sources (e.g. World Bank, Transparency International), Responsive to capture actual country performance. According to the list Finland ranked 3 and Pakistan ranked 103. Ranked Countries report by AccountAbility associated with , Fundação Dom Cabral (FDC).

**Table 2.** The State of Responsible Competitiveness making sustainable development count in global markets (Algore et al. 2007).

RCI Ranking 2007	Country	Country Abbreviations	Responsible Competitiveness Index 2007	Policy Drivers	Business Action	Social Enablers
1	Sweden	SWE	81.5	86.0	90.2	74.7
2	Denmark	DNK	81.0	89.9	86.9	76.6
3	Finland	FIN	78.8	83.9	84.1	76.7
102	Mauritania	MRT	41.6	65.1	49.3	37.1
103	Pakistan	PAK	41.4	68.5	48.4	35.8
104	Kyrgyz Republic	KGZ	41.1	66.7	45.5	41.6
105	Ethiopia	ETH	40.8	76.4	47.2	29.9

#### 4.1. CSR in Pakistan

As a developing country Pakistan shows a great improvement in its economy in last 2 decades being an agricultural country now there is change reported towards service base. There is a rapid growth in manufacturing and *financial service sectors*. The poverty level in Pakistan is around 30%. *Per capita income* is 3000 US dollars. Some main industries in Pakistan including Textile, engineering, ship, house building fertilizer and cement. Comparing with other developing countries, In recent years Pakistan facing socio-economical problem growth however this is in several sectors which has lead to the fact that companies and individuals understand sustainability not only the an economic issues but also environmental issue and other CSR related subjects. Waheed (2005) in her article "Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation" has explained briefly the current scenario of CSR in Pakistani companies according to her multinationals in Pakistan are having policies on environmental, social and ethical compliances and these multinationals investing heavily on community projects which includes welfare, primary education, adult literacy and health sector projects, media awareness and vaccination campaigns, establishment of hospitals and diagnostic centers.

On the other hand local industry or SMEs still unaware or does not feel the importance of implementing CSR in companies and growth is slow as compared to western local industry. On research level the CSR is almost untouched in Pakistan except Punjab University offering elective specialized in CSR no other institution having department or faculty of corporate social responsibility. Awareness of corporate social responsibility can be created in SMEs within the Pakistan by explaining the important factors such as

- Explaining these enterprises the value of responsibility for wealth creation but also for social and environmental goals.
- Creating awareness being more socially and environmentally responsible which is important for the strategic development of a company.
- With the help of pressure groups, consumers, media, the state and other public bodies should pressurize companies to become more socially responsible.

These are some factors may help the society to create awareness within the company to become more responsible towards society. Thus the interaction between CSR and SMEs in developing countries is an important issue, not only for the SMEs but also for those who are supporting their development. In Pakistan some organizations are working hard for the implementation of CSR table below showing the organizations and their initiative and focus area.

**Table 3.** Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation (Waheed 2005)

Organization	initiative	Focus
ACCA – Association of Chartered Certified Accountant	Reporting Award	Environmen
GTZ – German Technical Cooperation	Partnership for awareness	European social standard
ILO – International Labour Organization	Monitoring for child labour compliance	ILO code, child labour, labour rights, Decent Work condition

<b>LEAD-Pk – Leadership for Environment &amp; Development – Pakistan</b>	Component in overall training programme	Environment Corporate Philanthropy Corporate investmen
<b>NCP</b>	Cleaner Technologies	Environment
<b>NPO</b>	Productivity	Environment, Trad
<b>PCI – Pakistan Compliance Initiative</b>	Criteria development	Social Complianc
<b>Pakistan Centre for Philanthropy</b>	NGO Certification Community work	Philanthropy Corporate giving
<b>RBI – Responsible Business Initiative</b>	Research, awareness Capacity building, Standard/tools development, Strategy building Stakeholder Dialogue Training/Teaching International Linkages Impl. & Impact assessment Global CSR policy Tools development	CSR-10 pillars, T ripe Bottom Line, Global Responsible Leadership Initiative, Social auditing, GRI UN Global Compact, SA8000, UNCTAD/ISAR, AA1000, Accounting Standards Responsible Entrepreneurship Sustainable consumerism Responsible competitiveness
<b>SECP – Securities and Exchange Commission of Pakistan</b>	Codes development Research, Regulation	Corporate Governance CSR
<b>UNDP – United Nations Development Program</b>	Research projects	Corporate Governance Environment, Global Compact
<b>UNCTAD – United Nations Conference on Trade &amp; Development</b>	Reporting Standards	Corporate transparency
<b>UNIDO – United Nations Industrial Development Organization</b>	Triple Bottom Line project Cleaner production centres	Efficiency, sustainable business principles

In recent years CSR in Pakistan has been main issue of many conferences and research papers several companies. However, due to the economic situation, companies focusing on the national economy and small and medium-sized businesses generally avoid anything that could increase cost pressure. The majority of the population is lacking awareness of CSR.

In Pakistan National Capacity Building Project for Program Development (NATCAP) running a program under the supervision of Asif bhattee, in phase 1 of this program One-year technical and financial assistance have been provided to the Securities and Exchange Commission of Pakistan, to encourage good corporate governance practices and establish a sound regulatory framework for the corporate sector in Pakistan (UNDP).

In her report there are some important suggestions which are beneficial to create awareness about corporate social responsibility among the business communities existing in Pakistan to build strong conceptual relationship, "link CSR to Competitive advantage businesses in Pakistan, especially the small and medium enterprises that form supply chains of major businesses need to make the connection between CSR and profits so they can become more efficient and pass on savings and value all along to the customer", Enhance effective stakeholder involvement , Harmonize and standardize CSR performance and some other suggestions which are really can help for the development of CSR in Pakistan.

#### 4.2. CSR in Finland

Finland is among the most environmental friendly countries, at government level and in companies there is promising commitment to protect environment. "In the early days of Finnish industrial history, CSR was viewed narrowly as the relationship of the company with the community immediately surrounding it. Social responsibility was a corporate issue in Finland about 40-50 years ago, when industries were viewed as centers in the community support and building schools, churches and public infrastructures"

(Panapanaan 2006, Merita 2007: 05,). In Finland there is rapid increase on CSR in recent years both on academic level and within the companies as well and it is fact that majority of consumers have boycott the product or company act unethically. People are well aware now that the purpose of a company is not only to give profit but also show the seriousness in corporate social responsibility. Companies are protecting human rights, employee's rights, environment, ethical issues, Stakeholders issues etc." During the time of growth, regulating taxes and labour markets become an important role of the government: now the government plays a leading role in providing social services, education and welfare benefits"(Mattila 2007: 05 personal perception).

(Panapanaan, Linnanen, Karvonen & Phan 2003: 133-148) showed some Finnish concepts related to CSR in table. According to article Finnish companies are taking CSR as challenge to enhance companies' image and to spreads their roots in community by implementing on CSR. They interviewed several companies and 75% of these Finnish companies may be considered as proactive and opportunity driven in this sense. The following table is showing the relation of Finnish companies with CSR by Panapanaan et al. 2003 from Road mapping corporate social responsibility in Finnish Companies.

**Table 4.** Roadmapping corporate social responsibility in Finnish Companies (2003)

Concept	Frequency	Percent
1. CSR is in compliance with strict Finnish laws and regulations.	12	100
2. CSR is integral to all operations of the company and is integrated with environmental responsibility.	10	83
3. CSR is a global phenomenon	9	75
4. CSR is a way of Finnish thinking (to be responsible and behave ethically) based on northern Europeans high regard for morality.	7	58
5. CSR is a matter of common sense and of doing what is right and good for the people; hence, a social policy statement is unnecessary.	7	58
6. CSR exists somewhere in the values and principles of the company. Finns are not fond of writing and paper work when something is self-evident. CSR is rather a matter of values such as transparency, openness and trust.	6	50
7. CSR is a recurring concept thrown back by developing countries. It was an issue in Finland 40 or 50 years ago.	5	42
8. Pursuing CSR is not a problem in Finland, but it is a problem in the developing countries.	5	42
9. CSR relates to corporate citizenship wherein the company is legitimized by the community for its involvement and participation.	5	42
10. CSR is a matter of dialogue and communication, and also of doing what is right within the company's capabilities and means.	5	42
11. Stakeholders are concerned and asking companies to be socially responsible.	3	25
12. CSR is related to a company's risks.	3	25

*Notes:*

1. Total number of companies = 12.
2. These concepts are mostly derived from the statements (directly quoted or implied) by the interviewees. Some concepts were taken explicitly from the given documents such as annual reports, environmental reports, quality reports, health and safety reports.

It is clear indication from above figure that Finnish companies are taking social responsibility as main agenda and it is also a fact that companies used to sustain the surrounding such as town's development but in the future the CSR will be more oriented to the global and environmental tasks. After a theoretical study about these countries one factor can easily explain that Multinational companies in these countries are implementing CSR and there is ongoing research in several section of CSR. On the other hand small or small-medium size industries in these countries are still not fully prepared to implement on CSR related issues. Certain sectors of small-medium

enterprises are focusing on it in Finland specially but in case of Pakistan lot of research and awareness is required to tackle CSR related issues. Before analysis between Finland and Pakistan SME's it is necessary to understand what small-medium enterprises are?

#### 4.3. Small-Medium Enterprises (SME's)

In European Union small and medium enterprises categorizes by their size, if the company having more than 250 employees it is categorized as SME. Enterprise does not change in the case of reduction of 5 to 10 employees or by in case of increase 10-20 employees. It is a qualitative definition of SME's in European Union some other facts also included are such as

- Total turnover of the enterprise should be around 50 million Euro and balance sheet total of less than 43 million Euro
- If not more than 25% of the shares of such an enterprise are in the ownership of another enterprise.

The Quantitative features should also regard the particularities of the economic activities, which the enterprises carry out. E.g. a retail trader needs a bigger amount of pre-products than a service enterprise and thus has of course a much higher turnover" (Hauser 2005).

#### 4.4. SME definition and Statistics in Pakistan

According to South Asia also shows a wide variation in definitions of SMEs. In Pakistan there is no universally accepted definition of SMEs. In Pakistan SMEs contribute about 30

per cent of GDP, while 99 per cent of the 2.3 million enterprises that are very small absorb 60 to 70 per cent of labour in the manufacturing industry, service and trade sectors. Units employing between 10 and 99 workers absorb an additional 20 per cent of labour". Some statistical data gathered from the report of SME policy 2005 is below for the definition of SME in Pakistan.

**Table 5.** SME Led Economic Growth – Creating Jobs and Reducing Poverty: Ministry of Industries, Production & Special Initiatives, and Government of Pakistan SME Policy (2006).

<b>Size</b>	<b>Sector</b>	<b>Employment</b>	<b>Total Assets (Excluding Land &amp; Building) (Rs. Million) (b)</b>	<b>Annual Sales (Rs. Million) (c)</b>
<b>Small</b>	Manufacturing	< 50	Up to 30.0	<100.
	Service	< 50	Up to 20.0	<100.
	Trade	< 20	Up to 20.0	<100.
<b>Medium</b>	Manufacturing	51- 250	30.0 to 100.0	100.0 to 300.
	Service	51- 250	20.0 to 50.0	100.0 to 300.
	Trade	21-50	20.0 to 50.0	100.0 to 300.

In this policy the enterprises are categorized in Manufacturing, Services and Trading and the measurement criteria sectors are employment and productive assets. In small enterprises category for manufacturing and services is equal or below 50 employment and 30 to 20 millions rupee respectively and for medium enterprises the employment range is from 51-250 for manufacturing and in services area the productive assets should be from 30 to 100 million and 20 to 50 million respectively in trading enterprises the employment range is 21-50 and PA should be 20 to 50 million rupee for medium enterprises.

#### 4.5. SME Definition, Statistics and Development in Finland

In Finland no universal definition of small-medium enterprise more appropriate is the European Union definitions which is "European Union small and medium enterprises categorized by their size, if the company having more than 250 employees it is categorized as SME". In OECD report of small and medium enterprise outlook (2002) in Finland total 220,000 enterprises were operating in 1999 and according to definition less than 250 employees the ratio of SMEs was 98.5% of total firms. The enterprises having less than 10 were the 90% of total enterprises, while those with more than 500 employees represent approximately 0.1% of the total.

In manufacturing sector fewer than ten employees account for approximately 85% of the total, and those with fewer than 50 employees represent 97% of the manufacturing total. "Approximately 10% of manufacturing employees are in firms with fewer than ten employees, 24% are in firms with fewer than 50 employees, and 42% work in firms that employ more than 500. The share of manufacturing production by size class was roughly as follows in 1999: 5% of output was generated by firms with fewer than ten employees; 14% was generated by firms with fewer than 50 employees, and about 30% by SMEs; firms employing fewer than 500 generated approximately 45% of manufacturing output. Overall, SMEs are reported to account for 52% of private sector employment, 37% of turnover and 40% of GDP". According to the report manufacturing sector had the contribution of most employees following the wholesale and trade sectors where SMEs contribute the most (OECD 2002: 109).

#### 4.6. CSR development in Pakistan & comments

In the past decade, the country has entered into the western techniques and in the following sectors is among the developed nations computerized system introduction in the government sectors such like (i) National Identity cards (ii) Passports (iii) National Tax systems like, Income Tax, Sales Tax and Incorporation of Companies (iv) Paper recording converted into computerized system in various However, all the above noted steps taken by the government for creating corporate social responsibility one in their initial process due to

1. Government departments
2. Securities & Exchange Commission of Pakistan entrusted with the job to control the functions of the large and medium size companies
3. Introduction of single member companies to control even the small size businesses
4. Introduction of income tax relief for companies having paid up capital of Rs. 250 million with maximum of 250 employees by reducing tax rates from 35% to encourage the corporate social sector
5. Introduction of consumer courts for safety of the consumers' goods and to allow the damages for bad products

There are also the factor involves

- a. Lack of Awareness
- b. Lack of direction
- c. Living percentage below the poverty live is more than 50% in the prevailing socio-economic and socio-political circumstances.
- d. Minimum wages are such less as compared to the inflationary trends in Pakistan which may range between 25% to 50%.
- e. Most of the population i.e. about 60% is living in the villages who are most illiterate and their knowledge towards this and may be only 10% regarding the modern developments.

- f. It may take years together to bring the society at par with these developments.

However, the process of development in CSR has taken place in the country and the international companies as well as large industrial groups are taking care as per requirements of various laws such as social security and old age benefits schemes introduced by government of Pakistan.

## 5. THEORETICAL FRAMEWORKS

This chapter introduces the theoretical framework for this study the framework in this study is an academic literature gathering which guides the direction data collection. The main aim of this thesis is to gain a better understanding of how Corporate Social Responsibility is defined, implemented and monitored in the SME's of Finland and Pakistan.

### 5.1. Theoretical Framework

Literature study evident that corporate social responsibility (CSR) is very vast subject which covers all the important and practical areas of doing business and this fact has been developed in this study by discussing theories, approaches and models of respectable researchers including Carroll's pyramid, freeman's "stakeholder theory" and John Elkington "triple bottom line". Literature study is designed and organized according to questions and it helped me to design theoretical framework. Theoretical framework and frame of references will allow data gathering process within-case and cross-case analyses before developing conclusions. Theoretical framework is further divided into three main and important steps to answer the questions first defining corporate social responsibility and frame of references second practice of CSR factors within the companies and frame of references thirdly implementation of corporate social responsibility within companies.

#### 5.1.1. Defining CSR

To deal with the first question of the research I define the general definitions from respectable researchers and widely acceptable definition of the world business council according to it CSR dealt with economic development of countries, business behavior ethically, enhance the life style of communities, stakeholders, and society etc. To study deeply the important pillars and characteristics of corporate social responsibility are

briefly discussed which are including Carroll's pyramid which is defining Economic, Legal, Ethical and Philanthropic four important factor to do business in today's world. Chapter two of this research also discussing stakeholder theory and triple bottom line stakeholder theory explains the "Any group or individual who can affect or is affected by the achievement of the organization's objectives". Triple bottom line helped the research to add and discussed the three important lines of CSR Economic, Environmental and social activities to perform the business in any region of world. Below is the table answering the first question with definition reference and comments.

**Table 6.** Defining CSR

<b>Research Question &amp; Step</b>	<b>Definition, Variable and References</b>	<b>Comments</b>
<b>1. Defining CSR</b>		
<b>The way business entrepreneurs define the concept of CSR and its implementation</b>	<p>Corporate social responsibility is about the core behavior of companies and the responsibility, for their total impact on the societies in which they operate (Marsden:2001, Dahlsrud:2006)</p> <p><b>Variables</b></p> <p>Economic, Environmental and social activities, Legal, Ethical and Philanthropic.</p>	<p>Proper organizational setup should be introduced within the organization who should be in a position to give proper guidelines for machines behavior.</p>

### 5.1.2. CSR Practicing

After discussion and study various literature one factor can be established that any organization in Finland or Pakistan can implement CSR internally and externally in several ways for sustainable business growth and to grow as ethically well behave organization. To establish this fact research allow me to study some core factors of corporate social responsibility such as

- i. Company's Corporate Culture and Mission
- ii. Corporate governance and ethics
- iii. Environmental stewardship
- iv. Sustainable development
- v. Stakeholders Trust

and to answer the question two of this research statistical data have been collected from previous researches to develop a balance comparison between the Finland and Pakistan's small-medium enterprises. Available data on these respective countries' SME's although limited but comprehensive to establish my point to do this research. Pakistan is a growing country compared to well-developed Finland but with the growth of economy beside, all other facts organizations in Pakistan are aware of corporate social responsibility and enhancing their circle to work as socially responsible. In comparison Finland is one of the developed economies of world and European region because of this fact organizations in Finland are well aware of the CSR and multinational companies are expensing millions of euro for the research and development of it. To further study and build a comparison I prepare a questionnaire and held interviews with the executives of SME's companies one from each country.

Table 7. CSR Practice

Research Step	Question & Ranking, Variable and References	Comments
<b>2. CSR Practice</b> <b>Study of business entrepreneurs' main focusing areas of CSR in Finland versus Pakistan</b>	According to the State of Responsible competitiveness 2007 few criteria has been adopted such as universally adopted definition of responsible business practice, theory or empirical evidence, Data gathering from credible sources Finland Ranked 3 and Pakistan Ranked 103.	<u>Finland</u> Established economy and research <u>Pakistan</u> Growing economy and CSR awareness.
	<b>Variables</b> Company's Economics and Corporate Culture, Environmental stewardship, Corporate-governance & ethics, Sustainable development, Stakeholders Trust	

### 5.1.3. Implementation CSR

To understand the amount of involvement of these business entrepreneurs in CSR progress questionnaire was build and interviews were conducted to gather the data for analysis some information Mission statements, Codes of Conduct are some of the most common ways to provide information of company's CSR strategies which usually influence the communities, stakeholders etc. These information usually available on

company's world wide web pages or annual report but to know more in depth interviews from responsible persons of the entrepreneur was requirement of this thesis. Below table shows what answers are required for the third question.

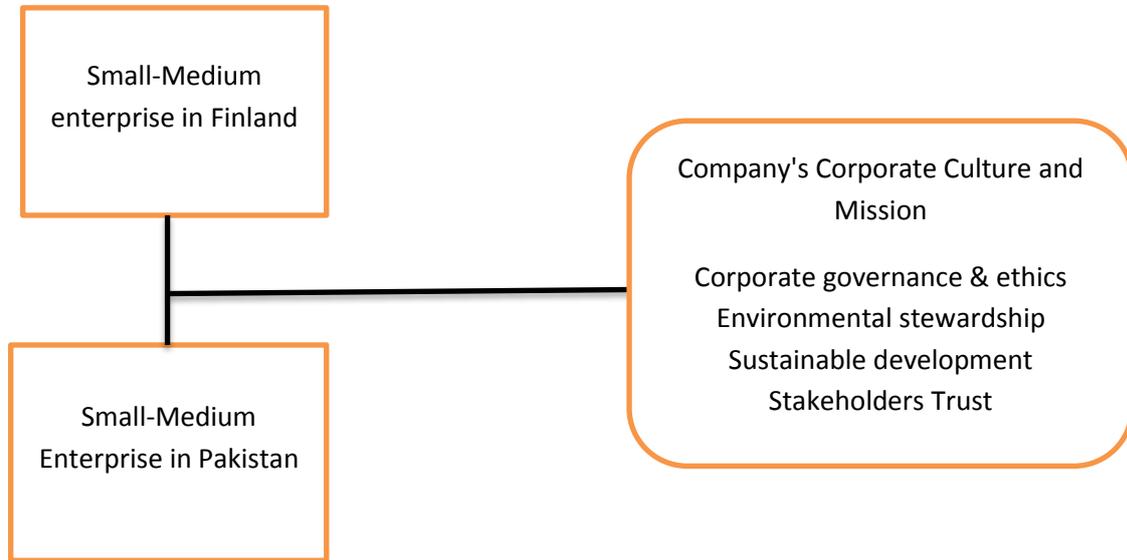
**Table 8.** Implementation CSR

<b>Research Question &amp; Step Implementation CSR</b>	<b>Variable/Tools</b>
<b>The amount of involvement of these business entrepreneurs in CSR progress and encouragement tools</b>	Company's Corporate Culture and Mission Corporate governance and ethics Environmental stewardship Sustainable development Stakeholders Trust

#### Comments

After reviewing several literatures a framework has developed in this chapter including the frame of references and this structure will guide the data structuring and gathering for analysis drawing the conclusion and scope of future study.

## Theoretical framework Diagram

**Figure 7 .** Theoretical framework

## 6. RESEARCH MEHTODOLOGIES

In broad way to answer the research questions there is two widely accepted methodology approaches Qualitative and Quantitative. Particularly for this study both qualitative and quantitative methods have been studied deeply to provide compact but comprehensive results. Including research method this chapter contains discussion on validity and reliability of the data gathered. Data collection, data analysis and case study process.

### 6.1. Qualitative Research (QR)

According to Yin (2003), quantitative and qualitative research methods are used for research and which methods are useful depend on the research. Qualitative method allows the several ways of data collection and provides the option higher flexibility and this flexibility stimulates the researcher new areas of interest. Qualitative research is concerned with interpreting and questioning “how, why, in what way” this phenomena helps to understand why the things they are and to obtain answers in words instead numerically (Hancock 2002: 1). Qualitative research (QR) focuses on some following characteristics.

1. The more focus on asking general research questions. It focuses on information and personal experiences of people in QR researcher focused on people’s perception and experiences.
2. In qualitative research researcher does not develop hypothesis data itself explains the research because in it there is no need to test hypotheses or theory.
3. In qualitative research the researcher developed the research questions to determine what type of evidence data needed.
4. There is several documentation evidences in QR such as audio or video taped, type of notes.

5. Qualitative methods built for large scale dataset and to test the relationship between dependent and independent variables.

Qualitative research is multi-method in this research method the researcher do their research according to natural settings and make sense and interpret phenomena in terms of the meanings people bring to them. While adopting qualitative research method which involves case studies, personal experience, introspective, life stories, and interviews, observational, historical, interactional and visual texts Creswell (1998). In this research the more focus is on how the SME's in Finland and Pakistan defining, practicing and implementing CSR qualitative research methodology is more appropriate for this study because it allows respondents to give much 'richer' answers to questions and literature suggests and there is less chances of errors. In addition, the lack of existing variables such as theories in the Pakistani perspective that can be identified to explain how corporations behave regarding their social and environmental responsibilities, and because the overall purpose of this thesis is to develop a better understanding of how the SME in Pakistan define, practice and implement the CSR concept, On the other hand to make comparison one SME of Finland is selected which is comparatively well aware of CSR concepts.

## 6.2. Data Collection Method

To present high quality and most authentic data it is essential to use most available sources that allow a researcher to analysis deeply and conclude the research in widely acceptable way. According to Yin (2009: 99) documentation, interviews, direct observation, physical artifacts, archival records and participant observation these are six most important factors for collecting data for any research. In this study most of the factors mention early has been practice direct observation documentation and interviews as well as the empirical evidence was collected from company's websites operating in Finland and Pakistan.

The case companies are new in business and not much information available on internet so telephonic interview was conducted with one of the executive of the company doing

business in Pakistan and data was gathered through electronic mails to an executive of a company doing business in Finland. These methods allow the strongest answers considering the study problem. The secondary data retrieved allows a background to build the framework on and interviews connect the reality to the theory. The interviews were based on semi structured question forms and the questions themes were same for all the interviewees. Semi structured interview themes provide the ground for deeper understanding on the questions and provided answers. In this study interviews and direct observation are used for data collection. The practical observation is presented in thesis to observe how the process works on a single unit. The three main themes have been used for data collection interviewing.

- 1- General questions about the executive and his/her designation
- 2- Theme 2 about company's CSR policies and criteria
- 3- Third theme how company handling the CSR issues and what are the future planning on CSR important factors

The purpose of data analysis in this way by using different themes is to clarify and collect the material in order to bring new ideas and the informative value as well as represent new information about the topic. This study is data oriented, meaning the data allows the pattern in which the results are represented. These themes also allow to interpreting the theoretical literature in actual running CSR policies of different companies and come out with logical analysis for this particular research. After that primary and secondary data has been compared for logical analysis, conclusion and future recommendations.

### 6.3. Reliability and Validity

Reliability and Validity are the most important factors of this research, in the research reliability and validity used to measure the research progress and success after answering the questions. To understand the importance of reliability and validity it is necessary to study the function of these terms.

### 6.3.1. Reliability

Reliability concept is used in all kind of researches but it is more important for quantitative research the quality of any research is the worthy test for any research “A good qualitative study can help us understand a situation that would otherwise be enigmatic or confusing” (Golafshani 2003, Eisner 1991: 58). In another definition according to Stenbacka (2001: 552) “the concept of reliability is even misleading in qualitative research. If a qualitative study is discussed with reliability as a criterion, the consequence is rather that the study is no good”. Some important points of reliability are

- i. It helps to minimize the error in the research
- ii. Probably other research can obtain same results in case of same data
- iii. Appropriate and detailed question answers are required to collect data
- iv. Use of proper methodology for gathering data

### 6.3.2. Validity

In this research validity means the whole study process in qualitative study there is no particular parameters to compare the data or authenticate the data. Validity concept is not based on single or universally neither assumptions nor it is fixed concept it is “rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (Golafshani 2003, Winter 2000: 1). Some basic point adopted in this study for the validity of the study

- i. Comparison companies should be same in size
- ii. Economical activities of comparison companies are almost same
- iii. There should be credibility of companies in its own region
- iv. Companies’ working life of almost same age

- v. Executives of comparison companies are comfortable to share the CSR policies

To enter into “the field of development of CSR” it can be introduced in developing country like Pakistan gradually such as

- Reasonable wages
- Insurance of labor
- Environmental additions
- Training within the organizations
- Better working conditions to minimize the business losses such as injuries of labor etc.
- Activate the labor to get willing workers so that enterprises may get such economic achievement which will of course help for entering into CSR prepositions

## History of the Company

### 6.4. Company Background

Orient Group of Companies was established in Lahore in 1957 with Photo Goods Business. In 1975, the company launched its Import Division. In 2004-05 Orient Electronics Private Limited established as manufacturing and assembling company. With hard work, excellent services, honesty and truthfulness this company is now become the second largest company of assembling and manufacturing electrical and electronics products by following the business ethics, the import business grew at a rapid pace and resulted in the formation of company.

#### 6.4.1. Company Operation and Objectives

- The business of the company is manufacturing and assembling of air-conditioners, deep freezers, indoor and outdoor split units, refrigerators and many other home appliances.
- Company is dealing with manufacturing assembling suppliers, stockiest and distributors of all kind of home appliances.
- Orient Electronics carrying business in all kind of electric and electronics equipment and all products of allied nature components of all kinds and description and to do all such acts require for effective discharge of these objects.
- Company also carrying business of show room and display center within Pakistan and in overseas.
- One of the company objectives is market research and market survey to provide services in relation thereto.
- Company's act is to representative for any person firm or company and to undertake and performs sub-contracts and also acting in the business of the company through or by means of agent, sub-contractors and to all and any things mentioned in any part of the World and even alone or in collaboration with others and by or through agent.
- Orient is aware of importance of CSR within company to “overcome the issues created by social and economical instabilities and the humanity in general, Orient Group of Companies has established Firdous Fazil Welfare Trust”.

#### Employees

The total number of permanent employees is 500 and company has 250 daily wages workers. The department of products development consists of 10 most highly educated persons. There is no separate department to tackle the CSR related issue but on executive level they are aware of CSR importance.

## 6.5. Company Profile and History

ASPOCOMP was established in early 90's when Aspocomp purchases Metalex Oy's business in Finland from the Finvest Group. Aspocomp Oulu Oy in which Aspocomp has a 90 percent holding manufactures and sells PCBs for telecom, industrial, and automotive electronics application. After that it started its own hybrid circuit operation and early 2000 Aspocomp purchased a 12.5% share in P.C.B. Center, the second biggest PCB company in Thailand in February. In 2001 the company started printed circuit board operation in china as the first European company of PCB in china. With hard work, excellent services, honesty and truthfulness this company strengthens its research and development by founding two joint ventures, Asperation Oy and Imbera Electronics Oy. In 2007 December, a business restructuring agreement between Aspocomp Group Oyj and Hong Kong based Meadville Holdings Limited is concluded. Aspocomp transfers its shareholdings in its subsidiaries in China and India as well as certain equipment from the Salo plant to its holding. In 2008 Aspocomp decreased its ownership in Thai subsidiary to approximately six percent and Bangkok Bank releases the corporate guarantee on October.

### 6.5.1. Company Operation and Objective

- Improved relations with the investment community.
- Better access to capital enhanced employee relations that yield better results respecting recruitment, motivation, retention, learning and innovation, and productivity.
- Aspocomp is one of the first European PCB design company an amazing magnitude of operations allows the company an advantage over its competitors by catering to a wider variety of customers.
- Hire the most skilled employee to provide the best in business.
- Aspocomp keen to improve its business strategies and participate in corporate social responsibility relates issues.

- Aspocomp is engaging shareholders and other stakeholders in collaboration with them to more effectively manage potential risks and build credibility and trust in society, build trust and credibility in the society in which the business operates, and become more sustainable over the longer term

## 7. CORPORATE SOCIAL RESPONSIBILITIES

Both case companies of two different countries having their own CSR strategies and these companies having regulatory stakeholders to work professionally and it is expected to act strictly. Aspocomp is a Finnish company and in European member state so it has to work on European Union guideline of CSR to do business. On the other hand Pakistan one of the Asian growing country there are some regulatory authorities to monitor the CSR policies within the country. In both case companies Aspocomp Finland and Orient Electronics Pakistan the shareholders also hold a key position in management, for they enable the strong growth and sustainability. Case companies are participating in corporate social responsibility programs. Both the organizations presented its principals on the world wide website and in the annual reports. Aspocomp is focusing on main areas such as.

- Customer Satisfaction
- Well-being of Personnel
- Care of Society and Environment
- Profitability
- ethics

The second case company Orient electronics did not mention much on world wide website about their CSR policy but they are focusing on such factors of CSR which will discuss briefly later.

- Economic
- Environmental and
- Social activities
- Legal
- Ethical

Above mention issues are most important pillars of CSR. The aim of this research is two compare the CSR strategies of companies from two different regions. In pervious

chapters there is discussion about the CSR policies in Finland and in Pakistan there is discussion about the SME's and brief introduction and history of case companies and their objectives now This chapter deals with the presentation of CSR conceptualization, implementation and monitoring processes at each of the case companies then CSR at each specific case company is presented. The data is presented in combination with a within case analysis which simultaneously compares findings of each research question. This is done to keep the consistency between literature and empirical results.

#### Case 1 Orient Group of Companies (Pakistan)

Data of Orient gathered based on personal working experience one video conference detailed interview conducted with the a Legal Adviser Mr. Ahmed Nawaz Khurram and second interview was conducted with the director Mr. Talat Both personalities are responsible to deal with CSR related issue.

#### 7.1. Defining CSR

Orient defining the CSR definition “Commitment to sustainable development in all locations of its operations”. According to CEO of the Orient group investments should not only be financially profitable and technically appropriate, but should be environmentally sound and socially responsible. However the company is more interested in CSR as the business contribution to sustainable economic development building on a base of compliance with legislation and regulations and corporate social responsibility can be linked together by theory and business prospective. According to both interviewees they may have different point of view on CSR theory and practical implementation they said CSR even though the company does not have a specific theoretical definition for CSR, social economic development for the community is at the core of orient electronics practices.

Orient believes share the benefit of the companies' activities with the communities because the community is a key stakeholder in the company's business operations these

communities are employee of the company their dependents and the most importantly the society within which it exists. Finally the company defining the CSR which is closely related to the definition of (Marsden:2001, Dahlsrud:2006) on Corporate social responsibility is about the core behavior of companies and the responsibility, for their total impact on the societies in which they operate. Orient's business activities are closer to the theory of triple bottom line.

## 7.2. Practicing CSR

Orient Electronics does not have any particular department to monitor CSR activities but the other departments such as Health and Safety department, Human Resource department are responsible for practicing CSR. These departments monitor and review all the progress and practice of CSR factors and they send recommendations to higher management. Orient's most of the CSR activities are community development based because most of these community-based projects have specific life spans for the company to remain involved. These projects include development of hospitals or running a trust Firdous Fazil Welfare Trust one of the fine example of company interest towards the community development building schools it has a deliberate policy, which ensures that the communities take ownership of those facilities so that the company can move on to identifying and working on other new projects. One important factor is that the company does not apply any standard monitoring tools however uses its own locally developed procedures that definitely effect practicing the CSR related issue within the company. No particular parameters to measure the actual practice rather it is on right path.

### 7.3. Orient Practicing Areas

#### 7.3.1. Company's Economics and Corporate Culture

Economic conditions of any country influenced the company's own economic in this manner Orient electronics belongs to a developing country Pakistan where economic conditions are unpredictable in last decade. Beside this Orient is one of fastest growing company of Pakistan and the growth is phenomenal as compare to overall country's own economic condition. This is because of orient's internal and external policies. According to Head of Company Legal Department **Mr.Ahmed Nawaz Khurram** company took some important internal steps to match the international standards as example introducing following laws of the land related to the welfare of employees almost contributing 12% of the wages of employees and Providing Provident Fund Schemes Contributing equal to the contribution to the employees as well as to analysis the company activities SAP is using within the company. While interview with the director of the company I discover he having depth knowledge on the economics related issue according to him the overall economic effects is the size of the economic impact and is the sum of the direct and indirect effect. Orient is regular tax Payer Company paying to the government. Some Tax Figures and growth of Pakistan and Orient are below.

**Table 9.** Pakistan Tax ratio

Pakistan
Total Tax collection Rs577.337 billion during July-Dec, 2009-10 increase 4.2 percent
The economic growth of 2.0 percent expected 4.2 percent

### 7.3.2. Environmental stewardship

In Orient there is no particular or specific department for CSR activities so it is organized in a cross functional way. The head of Legal department is in charge of all corporate Social Responsibility activities. The Environmental control related issue and consequences on the environment directly handled by this department as well but the director of the Orient electronic Mr.Talat always being in consultation for social responsibilities. According to the head of the legal department the orient had been practicing CSR even before a specific policy was established, and that was done in conjunction with the communities. The company's business is manufacturing and assembling of electronic products so it requires lots of important steps to maintain the healthy internal and external environment. The company is focusing specially on these issues.

- Implementation of all international environmental standards
- Fulfill the National Environment Quality Standards (NEQs) requirements
- Self-monitoring system and reporting to government's environment protection department
- Research and development on recycling the components
- In future introducing recycling management department

These are some important steps on which Orient is progressing beside this Orient is planning to start a green Pakistan campaign along with other companions. To create awareness in business community about the environmental protection the company relies on its healthy relationships with the local government and other communities who take ownership of all projects that the company supports.

### 7.3.3. Corporate Governance and Ethics

Orient electronics in terms of corporate governance working on some important factors

- The management of the company prepare the financial statement and believe on fairly present the results and changes in equity.
- In Pakistan international accounting standards and policies are applicable for the preparation of financial statements so the accounts department having highly qualified employee those are to maintain proper book keeping.
- Orient has introduced effective system to monitor and implement these standards within the company.
- Regarding decision making on company's business activities and its business operation meetings of the board of directors are held regularly. These meetings also took place to consider business trends and operational plans of the company.

#### 7.3.4. Stakeholders Trust

Today all the Key stakeholders are not only expect businesses to take account of their social and environmental impact, but as well they want to be informed on how they are performing. Orient understands that Stakeholders play the most important role in corporate social responsibility and the basic ideology of CSR is based on the expectations of the stakeholders and without the feedback from all of its stakeholders the whole process of corporate social responsibility might go to waste. According to Mr. Ahmed shareholders, employees, customers, suppliers and the public stakeholder are the main stakeholders of the orient group which are theoretically the primary stakeholder groups. The Orient in recent years more focus on values such Speed, Focus and Performance which established the company to be profitable, efficient and well managed corporation of Pakistan. According to Mr. Talat Orient believed in discovering new aspects of business as an example customer relationship with the company it is practically possible by developing the ideology more focus on well-being of the people which leads to development. Theoretically firstly it is internal stakeholders of the company should show responsibility which is the part of corporate social responsibility. The company is working hard to fulfill the stakeholder trust in all possible ways from

products to management to promises and as well as to meet the customer requirements. Orient mission is to become the leading organization of Pakistan in all aspects and the company is well aware this can happen only when its stakeholders have faith and trust in the company. The values of the shareholders and stakeholders are superior.

#### 7.3.5. Sustainable development

Orient technically taking sustainable development as sustainable development that shows the way along which the maximization of well human being it is also to balance the other aspects such as economic development, environmental efficiency and social care related issues. These all issues play the important role between countries relations and that directly influence the organizations operating in these countries Pakistan is the one example of growing countries where the policies of sustainable development changes with the time to explore the more areas. Orient is not lacking in it but not as much as following the theoretical definitions of sustainable development even though company had set its present and future plans for sustainability and show its responsibility towards the society. Presently Orient economically focusing to control the prices of its products because of instability in Pakistan in recent years the prices are raising each day passing so it is hard to sustain the product price but the Orient is positive to provide incentive to its stakeholders to consumers. While Orient is hoping to follow the following steps

- Focusing on energy saving in these days when country is facing biggest energy crises
- Encourage all the stakeholders and provide knowledge about energy saving and research and development to manufacture more energy saving product as which Orient introduced some.
- Measures the parameters to facilitate the structural adjustment of affected workers and communities.

### 7.3.6 Implementation of CSR

CSR implementation means is directly related to the operation of early discussed factors such as implementing corporate culture which reflects from mission statement corporate governance and ethics, Orient's economics which is also depend on country's economic conditions, Environmental stewardship, and last the sustainable development. Orient is not fully implementing on these factors but according to the interviewee the company is ambitious to perform 100% to implement on these factors. Orient does not have a specific or separate mission statement but generally the company and serves as a driving force towards achieving all objectives in all business units. The vision statement always says lot about the company for example some components in it that represents every aspect of the company's aspirations. According to head of legal department the codes of ethics provide a path and guided the company and its stakeholder to shareholders the norms, attitude and shared values engaged in business with the company. He also believed that the codes helped the company for organizational culture and what really company expecting from all those related to company in all aspect. The company also believes in welfare practicing and everyone attached with the company is responsible to encourage the welfare program which is a trust. By this internally employees of all level can understand the need of society and each one is showing interest to keep active and growing these welfare activities.

### 7.4. Defining CSR

Aspocomp defining the CSR definition "We aim at developing all our operations so that we create concrete and measurable economic, social and ecological value for our customers, shareholders, personnel and environment". The company is main focusing on the four areas of corporate social responsibility and working on other factors as well to introduce internally and externally. The company is working on factors are

- Customer Satisfaction

- Well-being of Personnel
- Care of Society and Environment
- Profitability

Theoretically according to the triple bottom line to reduce and minimize the risk of company after focusing on managing economic and environmental control performance a company gains short and long term value through managing these factors. Aspocomp believed on what they said they delivered according to company the customer's satisfaction can be studied through the satisfaction on efficiency and effectiveness of the corporation. However the company is more interested in CSR as the business contribution to sustainable economic development building on a base of compliance with legislation and regulations and corporate social responsibility can be linked together with theory and business prospective. in this manner company stated on its world wide website that "Happy customer and successful operation do not just come by, but they require determined, long-term and especially customer oriented work. We can improve our operations only by being open for continuous development". The second important factor is well-being of personal according to the company the well-being and community services is one of the healthy sign of company believe and Aspocomp strongly believes "actively promote physical, mental and social well-being of our employees to create a safe and healthy work environment with equal opportunities. We develop both personal professional skills and organizational knowledge".

Aspocomp believes share the benefit of the companies' activities with the communities because the community is a key stakeholder in the company's business operations these communities are employee of the company their dependents and the most importantly the society within which it exists. Care of society and Environment according to Aspocomp "Environmental responsibility is an integral part of Aspocomp operations, management and decision making each production plant, including minority holdings,

Aspocomp has an ISO 14001 certified environmental management system and an action plan related to it”.

Company is producing printed circuit board so while producing these boards company understand that Material declaration which means minimum material impact on environment throughout the whole life cycle, lead free soldering and halogen free base materials. The last and one of the important vision of the company is “Profitability” according to company it is “In order to secure jobs and continuity of our operations we need to nurture our ability to make profit. In addition, we need to create value for our shareholders and take care of our liabilities to lender” and Aspocomp is well aware that this is possible by increasing research and development introducing something new in market and by developing knowledge and skills.

#### 7.5. Practicing CSR

In defining CSR it is discussed what important factor of CSR Aspocomp defines and in practicing those factors will be discussed that what is practically from company point of view before that analysis on some factors to make comparison with the case company 1 Orient Electronics. In this section there will be finding how these factors are closely related to the company definitions of Customer Satisfaction, Well-being of Personnel, Care of Society and Environment, Profitability. According to Mr. Tore Wiberg Aspocomp does not have any particular department to monitor CSR activities but the other departments such as Health and Safety department, Human Resource department are responsible for practicing CSR. These departments monitor and review all the progress and practice of CSR factors and they send recommendations to higher management. In practicing CSR in Aspocomp this thesis will focus on how related the main focus area of Aspocomp is to the theoretical CSR discussed earlier in this thesis. Aspocomp not only focusing on development of communities but it is also focusing on the well-being of stakeholders there projects have specific life spans for the company to remain involved. Aspocomp does not apply any standard monitoring tools however uses its own locally developed procedures that definitely effect practicing the CSR related

issue within the company. No particular parameters to measure the actual practice rather it is on right path.

#### 7.5.1. Company's Economics and Corporate Culture

Finland is one of the strongest economies of Europe and it is well developed country practically and the economy growth always has positive impact on industry working in the country. Only in recent few years when a worst recession hit almost every industry Aspocomp also affect badly. But now company is recovering according to financial statement of the company year 2010 net sales improve over 40 percent. According to the financial report 2010 “After a minor dip, demand seems to be recovering again our short-term challenges include passing the increased raw material costs to the end product prices and the optimization of the production capacity for increasingly complicated products. We are going forward into 2011 with confidence”. Which mean in coming months the company graph will rise with the time. Aspocomp is well aware of corporate culture internally and specially among the employees it is focused on some points.

- To create work environment and how employee interact
- Providing the proper working space and freedom lesser communication gap
- Providing proper training and developing the skills of employee for the employees own future benefits

The economic factor of thesis much related to the company’s practicing area of profitability and closely related to corporate culture as well good as working atmosphere creates good team and good team leads the company to success and profitability and healthy economy.

#### 7.5.2. Environmental stewardship

Aspocomp does not compromise on environment and according to the company statement posted on World Wide Web the Environmental responsibility is an integral

part of Aspocomp operations. According to Sales & Marketing Director Mr. Tore Wiberg there is no compromise on the environment safety in this manner “each production plant, including minority holdings, has an ISO 14001 certified environmental management system and an action plan related to it”. Aspocomp is working hard and it is also working with the other related companies to work on environment and environment safety and it is also working on environment safety projects along with some other electronics producing companies to develop the and find “most suitable and environmentally friendly raw materials and the best practices for production processes”. The company’s business is manufacturing and designing the printed circuit boards so it requires lots of important steps to maintain the healthy internal and external environment. The company is focusing specially on these issues.

- Maintain the ISO 14001 standard
- Fulfill the National Environment Quality Standards (NEQs) requirements
- full fledged monitoring of environment control
- Research and development on recycling the components
- Keep focusing on Material Declaration, Lead free PCB and Halogen-free printed circuit boards

#### *Corporate Governance and ethics*

According to Aspocomp Issued in October 2008 “the Code aims at promoting an open and high standard of corporate governance amongst Finnish listed companies. The objective is to harmonize the practices of the listed companies and the information made available for the shareholders as well as other investors”. Along with these some important point of corporate governance on which company is adopting written in governance code of conduct 2010 are

- By observing the laws in force in Finland, the Company's Articles of Association, and these corporate governance rules, the Board of Directors believes it promotes the appreciation of the shareholders' holdings while protecting their interests and ensuring equal treatment of all shareholder
- All in all the parent company is responsible for the group's administration and investor relations
- A shareholder has the right to put on the agenda of the annual general meeting items that fall within the competence of the General Meeting by virtue of the limited liability company's act
- the board and management receive sufficient and reliable information about company's financial position, risks impacting on the future performance and the implementation of strategy
- The management of the company prepare the financial statement and believe on fairly present the results and changes in equity

These are the few important points took from the governance code of 2010 along with these some are risk management, Internal Control, Insider administration, Auditing, Compensation are few of these codes.

### 7.5.3. Stakeholders Trust

Aspocomp is operating in other countries and the company is well aware of the importance of stakeholder trust practically, it is not possible to fulfill all the requirements those are developed theoretically but the company still manage to sustain the trust of stakeholders internally and externally. In any company the employees of the company is one important pillar and stakeholders of the company which is primary stakeholder according to financial report Aspocomp has done work on "Employee benefits include benefits related to the salary like bonuses, years of service benefits and other rewards and benefit". Like other companies Aspocomp always welcome the feedback from its all stakeholders and shareholder for the benefit of the company one of the example is annual board of directors meeting in which the board closely study the fact and finding prior the meeting and take decisions on annual meetings. To maintain stakeholders and shareholders trust on company one important factor always consider

treat them equally as it mentioned in annual report 2002 “These principles also ensure that the strategic guidance of the company, effective supervision of the management by the Board of Directors and the accountability of the Board of Directors to the company and the shareholders are in control”. Today all the Key stakeholders are not only expect businesses to take account of their social and environmental impact, but as well they want to be informed on how they are performing. Earlier in this thesis there is discussion on who are the primary stakeholders like shareholders, employees, customers, suppliers and the public stakeholder are the main stakeholders Aspocomp in recent years more focusing on Speed, and efficiency in performance which helped the company to survive when big name in producing PCB falls badly in recent crises.

Aspocomp believed in discovering new aspects of business as an example customer relationship with the company it is practically possible by developing the ideology more focus on well-being of the people which leads to development. Theoretically firstly it is internal stakeholders of the company should show responsibility which is the part of corporate social responsibility. On World Wide Web of the company speaks that company is taking serious stakeholder trust factor of CSR which is “Social responsibility is part of Aspocomp operations and it mainly focuses on our personnel and sustainable production processes, but also external parties. We rigorously take care of all our liabilities to authorities and other stakeholders”. To maintain the balance between performance and communication management Aspocomp required and develop business operation standards and preserve customer trust.

#### 7.5.4. Sustainable development

According to Maija-Liisa Friman President and CEO in annual report 2006 “Aspocomp solid product development expertise, pioneering technology and in-depth cooperation with selected customers have been our strengths for decades”. Aspocomp technically taking sustainable that shows the way along which the maximization of well human being it is also to balance the other aspects such as economic development, environmental efficiency and social trust related issues. In comparison with the case company 1 which belongs to Pakistan a major difference can be notice that Finland

having strong economy and the concept of sustainable business and development commonly in practice in Finland as compare to Pakistan which is developing country and to sustain the development is comparatively difficult. Aspocomp is one of the finest examples of sustainable development in Finland with the economic growth this company as well give high performance Aspocomp is not lacking in it but not as much as following the theoretical definitions of sustainable development even though company had set its present and future plans for sustainability and show its responsibility towards the society. One important factor which helped the company to show sustainable development is strategy product development. In today's globally linked economy compatible product development is the base of successful competition, for a successful product development. There is required to approach the product with enhance and improved ideas such as improvement in whole development process, Reduce the waste, and better response to customer need to compete the world. There are some basic points in strategy product development on which Aspocomp worked and process is ongoing

- Introduction of product to market as early as it can be
- Product's design should be according to customer's requirement and competitive prices.
- Productivity should be high
- Product development and alignment with basis strategy
- Whole process should be well defined

Along with strategy product development of company it is also focusing on environment, well-being of communities direct and indirectly attached with the company, delivering what the company promise.

## 7.6. Implementation of CSR

The above discussed of CSR factors corporate governance and Ethics, Corporate culture and economics, Environmental stewardships, Sustainable development, Stakeholder trust are the few factors of CSR. It is theoretically proved that to implement on these factors a company can lead among all competitors but one fact is that each of these factors is as wide as one company explore. Aspocomp is one example that not only possibly implementing on these but exploring them as well. Here CSR implementation means is directly related to the operation of early discussed factors such as implementing corporate culture which reflects from mission statement corporate governance and ethics, economics of Aspocomp which is also depend on country's economic conditions, Environmental stewardship, and last the sustainable development. Orient is not fully implementing on these factors but according to the interviewee the company is ambitious to perform 100% to implement on these factors. The vision statement always says lot about the company for Aspocomp its "Time and support for printed Circuit Board needs" some components in it that represents every aspect of the company's aspirations. Aspocomp developed the codes of conduct for directors shareholders, employees and customers and strictly follows these codes and implement on it. Codes of ethics are also clear and all the stakeholders well aware of it these codes are developed and written according to company and county's laws where Aspocomp is operating. Company believed that the codes helped the company for organizational culture and what really company expecting from all those related to company in all aspect. The company also believes in welfare practicing and everyone attached with the company is responsible to encourage the welfare program

## 8. CONCLUSION DISCUSSION AND FUTURE RESEARCH

### Summary

It is very difficult to give Corporate Social Responsibility “**CSR**” a universal definition. Various business entrepreneurs and incorporations are implementing and practicing the parameters of CSR in accordance with their own understanding about the subject. This research is based on the case study and comparison of two business entities or Companies one is from Finland and the other one is from Pakistan. This is a well-known fact that Finland is a developed nation and Pakistan is an under developed nation.

The main theme of this research is the comparison of two companies one is based in Finland and the other one in Pakistan. In Finland the research is on-going about CSR and in Pakistan the research on the topic is very limited. Through this research I have tried to define and compare that how small and medium enterprises SME’s in both the countries define, practice and implement the following important factors of CSR:-

*Economic Responsibility*

*Environmental Stewardship*

*Sustainable Development*

*Stakeholder Trust*

**Theoretically speaking CSR has three dimensions and these dimensions are:-**

*Economical*

*Ecological and*

*Social*

In any corporation or business entity the ideology of CSR is based on activities in the society and the expectations of the stakeholders. Theoretically CSR provides these

business entities scope of improvement and enhancement and practically a corporation can explore the above –mentioned factors of CSR for the advancement introduced within the field. It is discussed in detail in the research that Economical Responsibility, Environmental Responsibility, Legal Responsibility, Corporate Governance can bring competitive advantages to a business.

CSR application is not restricted to few topics or factors it is within itself a broad topic, to conduct the detail study a framework and flowchart is developed and following are the other factors which can play an important role in development of CSR:-

*Customer Satisfaction*

*Well-being of Personnel*

*Care of Society and Environment*

*Profitability*

In this research the data have been collected by interviewing various personalities from various companies i.e. two companies selected for case studies. The available data and findings made it possible to develop a better understanding of the topic and its pros and cons.

According to the research both companies familiar with the concept of CSR and recognize the importance of important factors of CSR such as Economic Responsibility, Environmental Stewardship, Corporate Governance and Ethics and these companies are supporting CSR in their day to day business affairs. In general the CSR policies are their but their implementation is moderate and not good or at excellent levels. Both the Companies Orient Electronics and Aspocomp are implementing the CSR policies as per their own understandings of the topic. Both companies are determined to implement CSR however, they do not have any clear vision about issues related to CSR i.e. Orient Electronics understands its role in the stakeholders network and pay respect towards all of the group of companies through sufficient in both Economical responsibility and Environmental Stewardship.

Aspocomp is more focused on Care of Society and Environment and customer satisfaction from its own business point of view. All the factors of CSR discussed are vast in nature and after theoretical research and findings of case companies I have found some facts regarding each CSR factor and it also assisted me to find out answers of the research question, discussion on defining CSR, implementation and practice of CSR.

#### Definition of CSR

Both companies in this research are aware of the concept of CSR, findings shows that both the companies are spending some amount out of their profits to improve and shine the public image. Even though the concept of CSR is not restricted to community help, it should include helping the country's own economy , taking care of environment while production and after production sustainable development, taking care all of its stakeholders is the part of CSR as well.

All afore-mentioned factors are correlated or interrelated with each other and leads to sustainable economic development and sustainable development includes helping its stakeholders in any manner. Both the case companies are having all four major CSR factors in their agenda for strategic planning and development within and outside the company however, defining CSR properly is consuming more time of the companies.

*None of these companies have separate departments to handle the CSR relates issues*

Both the companies are treating each issue, which is related to environment or stakeholders independently for a limited span of time. They can focus on economic, environmental and social issues professionally by defining the CSR activities for their companies. So the CSR can be defined as Socio-Economic development, taking care of labour welfare and its wage, development of the product for the general public and to achieve the maximum results for the company's economy.

## Practicing CSR

The Comparison and critical evaluation make the topic more understandable both the case companies have more or less similar approach towards the topic and its related issues which are under the influence of executive decisions.

For a successful CSR policy and for successful approach in a company, it should have a Professional and visionary team and the management of the company should consist of members having clear vision about the stakeholders and triple bottom line. Practically an organization must have Professional management who understand the concept of CSR factors and its issues and can run it ideally. Below are the comparison, analysis and critical evaluation of both the case companies on CSR important factors and its implementation.

### *Economic*

Economy of any country does effect the organization or company even the multinational companies, although multinational companies or medium enterprises are always able to compete effectively in international markets and these companies help the country's economy in recession times.

If the company is financially stable it can spend money on community development projects and give relief to its employees both the case companies are well established in their field of business and well-known companies of Finland and Pakistan but comparatively Aspocomp economically and financially bigger than Orient and is spending more on community development based projects. The economic growth of any company is based on strong productivity and other the main factor in company's growth is competition. In this research Aspocomp is having strong competition of its products in Finland and as well as with the European neighboring countries which is indeed helping Aspocomp to improve its products and in case of Orient, it has local competition of its products but not as strong as it could be.

The Study of both the companies indicated that practically both are following the rules properly to a certain extent and taking part the development of the economy by helping their labour in solving their problems according to their economic conditions.

### *Environmental Stewardship*

In recent times well renowned companies from all over the world are protecting the environment by using different processes such as recycling, Conservation and restoring the products. These issues are related to environmental stewardship and now a day on top of their business agenda.

The case companies are focusing on recycling and restoring and also concern about their environmental protection policies. However, in any country the Government policy on environment protection does influence the company's own environment policy. Government of Finland taking some serious measures and actions to protect the environment and is very strict on its policies such as low emissions, recycling the products and less wastage which is on top of their agenda. As Aspocomp is a Finland based company therefore these issues are also in their main business agenda.

In comparison with the other case company Orient which is a Pakistani based company and in Pakistan the Parliament has enacted some laws related to environmental protection, however, they are not strictly implemented the policies as in Finland. Orient practicing environment protection policies but not as strictly as it could be like Aspocomp in Finland. Orient is working on recycling the products and the use of efficient machinery for production and reducing the wastage. Both companies can gain more economic and human health benefit by implementing environmental stewardship properly.

### *Sustainable development*

In the last few decades sustainable development is the most talked about topic academically and majority of the companies are trying to level the ethical values with

the economical values. Due to fast growth and rapid change in world's business corporate sector, corporate social responsibility taking place as an important role of any organization and business community. It has now become a major part of the business strategies.

Sustainable development enabled the eradication of poverty in third world countries as well as it creates the balance between material wealth in developed countries. Worldwide ecological system and sustainable development are based on their economies. Both researched companies are focusing on energy conservation which directly affects the environment. In the case of Orient they are focusing more on energy conservation because of a high level energy crisis in Pakistan.

Sustainable development also measures the parameters to facilitate the structural adjustment of affected workers and communities. Both the companies are required to build the understandability of sustainable development among the employees and workers along with the stakeholders and they need to encourage employees, workers and stakeholders that they are part of the system.

### *Stakeholders Trust*

Aspocomp and Orient do not have any clear strategy on CSR but these companies manage to sustain their public image with the influence or help of internal and external stakeholders.

According to the representative persons of both the companies their company understands the importance of its stakeholders and considered seriously. *Theoretically stakeholders are persons or groups those take interest in company's activities claim ownership and take interest in company's present and future.* Companies in this research understand their roles in the stakeholder network and provide full attention towards all of the groups through sufficient actions. These companies have intentions to

motivate the staff by appreciating, maximizing customer value or assuring financial performance growth.

I have discovered that these companies believe in long lasting relationships with their stakeholders internal and external. External stakeholders include the consumer and media and these companies are balancing it with feedback strategy via World Wide Web and 24 hours helpline services.

Only company's action and respond to the problem evident the division of internal and external shareholder. In some events it is impossible for the company to respond the stakeholders immediately, it also depends upon the company size but the unified marketing activities assure equal treatment for stakeholders.

#### Implementation of CSR

Mission statement of any company reflects its ideology, what is the CSR implementation strategy is the reflection of its mission statement. It is evident from Aspocomp web page i.e. *We aim at developing all our operations so that we create concrete and measureable economical, social and ecological value for our customers, shareholders, personnel and environment*"

Reasonable amount on CSR activities for setting up organizational structure for CSR activities which directly creates positive impact on socio economic and environment of company and in the society. Orient does not have any clear strategy about its social responsibility and is more focused on marketing strategy which can be seen in their advertisements the "first choice" which refer to the company and its products.

Case companies should have more business oriented approach towards their CSR policies and every stakeholder must understand that the company's most important responsibility is monetary returns to its shareholders and stakeholder. There must be fully active code of conduct that kept involves its stakeholders to be an active part of the

company and the participation should be on practice and implementation level. CSR means that companies practically interacting voluntarily with social and environmental issues and those they are much concerned about it. The subject studied above is very wide in the character and it includes company economy, Environmental Problem, sustainable development and labour welfare and other directly related subject to CSR.

In order to regulate CSR it would be fair if subject brought into under international laws so that, there must be harmony in the system of Corporate Social responsibility such as

- Training of the labour before they are practically work for the organization
- Reasonable wages for the labour and follow the labour laws to avoid any uncertainty
- Make sure the job security of the employee under normal circumstances
- Complete respect of international and regional laws of environmental protection
- Quality of products to secure the beneficiary
- In the case of emergency providing full health security
- Strong roots in local community by providing community services and organizing the medical facilities and building schools and play grounds
- Minimize the negative effect on any single group and contributing positively on each sector
- Increase the volume of CSR activities on regular basis except one time activity

The main strength of this study is about the various approaches towards the subject SCR and widely accepted approaches have been studied in this research such as Triple Bottom Line, Carroll Pyramid and Stakeholders Theory. These approaches and theories are authorities on the subject in the recent years and covering most of CSR aspects. Triple Bottom Line approach itself relatively well established in the CSR literature. CSR variable in this study includes Economic Responsibility, Environmental Stewardship and Corporate Governance and Ethics sustainable development.

This study itself has limitations because of limited availability of data about CSR of case companies. In this study I created the framework in a way so I could examine and compare the CSR theoretical study that how a small medium business enterprise from

Finland and Pakistan defining, implementing and practicing it. The main question of this research can be categorized in three division's i.e. defining, implementation and practicing. In this research and in future this study could be extended to the multinational companies and continent levels.

For the improvement of Corporate Social Responsibility in the case companies it requires effective actions and transparency in business activities. The stakeholders are required to give due attention to their way of work. In any society there must be defined role of incorporations.

This study could be enhanced / expanded by inducting multinational companies from both the countries in the research and by comparing systematically their way of working for example Nestle and best practicing small budget companies. This study explored only some of the factors of CSR. In future we could take more systematic view of CSR and cover most of the business viewpoints of it.

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### **Case Company Websites**

<<http://www.aspocomp.com>>

<http://www.ogc.com.pk>

## **Appendix 1**

### **Interview Guided**

#### **Theme 1**

Background Information:

1. What is your Nationality and Job title?
2. How long have you been working for the company?
3. For how long have you held this position?
4. When was the company founded (Initiated & registered)?

#### **Theme 1**

5. What is the vision/mission statement of your company?
6. How do you understand corporate social responsibility (CSR)?
7. How important is the implementation of CSR in this company?
8. Is CSR implemented as a separate project or is it treated as an ongoing part of the core business strategy?
9. How does it show in your actions and decisions?
10. Why are you participating in the CSR related issues? What do you gain from it?
11. What areas do your CSR commitments focus on? e.g. the environment, corporate governance, ethics etc.
12. Who are your stakeholder groups? How you building trust among them?
13. How do you acknowledge the needs of your stakeholders?

#### **Theme 3**

14. At what management level is CSR implemented? Are senior managers (CEO) involved? If yes, what roles do they play in the implementation process?
15. How are the CSR activities organized in the company? Do you have a formal department or committee that deals with CSR issues?

16. Do you as a company have any established codes of conduct? If yes: Could you share some main points of code of conduct?
17. What kind of goals do you have for CSR implementation in your company?

## **Appendix 2**

### **Respondents for Study:**

**Mr. Ahmed Nawaz Khurram (Senior Legal Advisor Orient Electronic)**

**Mr. Talat Mehmood (CEO Orient Electronics)**

**Mr. Tore Wiberg Senior (Manager, Sales & Marketing Aspocomp Oy)**