

# The Enhancement of Corporate Social Responsibilities in Pakistan

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## **Abstract**

Corporate social responsibility is an approach used in corporations and enterprises where the rights of stakeholders are addressed. The main focus of a business is to make a profit and a major duty of corporate governance is to maximise the profit. A problem arises when an organization makes a profit only for its shareholders and does not care about responsibilities to its other stakeholders. This is one reason why the concept of CSR originated, to encourage companies to incorporate social and environmental concerns within their business activities. This should be a voluntary act of the companies, but few studies show that organizations in developing countries are less concerned about their stakeholders than businesses in developed countries which practice CSR. This is because of some external factors such as public pressures, social background and the legal requirements of those countries. This study compared the CSR rules and regulations and practices between Pakistan and Australia. It aimed to draw some conclusions and offer some suggestions that could enhance CSR practices in Pakistan.

This research is the first study of CSR regulations and CSR practices in Pakistan. A comparative legal research approach has been used. This research adopted a qualitative methodology. Two consecutive years of annual reports of ten companies in Australia and Pakistan have been considered and analysed with NVivo 12; then case law related to CSR has been compared and discussed to find the differences in the practices of corporate responsibilities in real life between Australian and Pakistani organizations.

The findings of this research showed that there are some similarities and differences in CSR practices by organizations in Australia and Pakistan. A dearth of CSR rules and regulations and a poor law enforcement system in Pakistan is the main reason that companies in this country are not practicing CSR. This study recommends that the government of Pakistan should give more attention to the importance of CSR practices by businesses and update the CSR rules, regulations and guidelines. Attention to some specific laws in this country, and consideration of CSR Acts in Australia, could assist in developing and ensuring the adoption of CSR practices in Pakistan.

## Declaration

“I, Muhammad Usman Akbar, declare that the master thesis entitled “Enhancement of Social Responsibilities in Pakistan” is no more than 60,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references, and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work”.

Signature:



Date: 09/08/2019

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## **List of Abbreviation**

APRA – Australian Prudential Regulation Authority

ASX– Australian Securities Exchange

CEO – Chief Executive Officer.

CSR – Corporate Social Responsibility.

GDP – Gross Domestic Product

ICAP – Institute of Chartered Accountants of Pakistan

ILO – International Labour Organization.

MLM – Ministry of Labour and Manpower

NGO – Non-Government Organisation.

OHS – Occupational Health and Safety

SBP – Specialised Building Projects

SBSR – Small Business Social Responsibility

SECP – Securities and Exchange Commission of Pakistan

SMEDA – Small and Medium Enterprises Development Authority.

SMEs – Small and Medium-sized Enterprises.

WBCSD – World Business Council for Sustainable Development.

# Chapter 1: Introduction

After the expiry of the period of colonization of 'Asia, Africa, and Latin America', the concept of development evolved as a global 'concern'. It has been said that the history of corporate social responsibility dates back to the regime of 'President Truman' when he put forward the concept of a 'fair deal' in one of his world-famous 'speeches' in 1949<sup>1</sup>. That concept revolved around the idea, "their poverty is a handicap and threat both to them and to more prosperous areas"<sup>2</sup>. It means that the idea of global development was introduced in the era of American President Truman. It has further been stated in the history of corporate social responsibility that the idea of 'poverty as a global concern' emerged at the end of World War II<sup>3</sup>. So, when President Truman stated that the poverty in the developing and under-developed countries poses a serious threat to the people living in the developed states, he referred to a new view of development by shifting the attention of the developing states to the idea of 'global development'. Academics state that the roots of corporate social responsibility are deeply embedded in this idea of 'global development'<sup>4</sup>.

As far as the issue of a legal framework for CSR is concerned in Pakistan, there is no hard and fast binding legal framework applicable to the implementation of corporate social responsibility in Pakistan. The laws which touch the core of corporate social responsibility include the general labour laws, basic guidelines relating to corporate social responsibility, and the codes and regulations enabling the monitoring and working of a corporate social responsibility mechanism. The government does not enforce corporate social responsibility practices as it is more or less a voluntary practice that is adopted by the corporations to build up their goodwill and promote their brands in the market. A legal framework is required to provide a standard so that the companies can practice corporate social responsibility with more certainty and accuracy.

Pakistan is a developing country, crumbling under the ever-increasing weight of deteriorating socio-economic conditions<sup>5</sup>. "Corporate Social Responsibility" is comparatively a newly coined marketing term in Pakistan which focuses on attracting customers by winning their

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<sup>1</sup> Nadeem Malik, *Corporate Social Responsibility and Development in Pakistan* (1st edn, Routledge 2015) 1.

<sup>2</sup> *ibid.*

<sup>3</sup> *ibid.*

<sup>4</sup> *ibid.*

<sup>5</sup> David Held, *Democracy and the Public Order: From the Modern State to Cosmopolitan Governance* (Stanford University Press 1995) 17.

loyalty towards a corporation<sup>6</sup>. But most recent incidents such as fire in garment and shoe factory in Karachi and Lahore, two most well-known cities of Pakistan caused deaths of hundreds of workers show this country needs to think about corporate social responsibility seriously<sup>7</sup>.

### **1.1 CSR in Developed and Developing Countries**

In developed countries, CSR is progressively engaged with and woven into the strategies and business policies of companies and goes beyond donations, charity-related events, and any other activities to attract media. It reflects the organization's mission and message, where companies need to deal with the quality of products as well as the quality of public relations and media management. According to the EPG report, Fortune 500 companies spend \$15 billion (approximately) a year on CSR activities. The management and decrease in the world's environmental pollution is the most important issue for all developed countries. Therefore, businesses are focusing more on assessing and revealing their environmental footprint and trying their best to make their production greener and friendlier for this planet. For example, in Germany, the automobile industry was closely observed for carbon emissions caused by the motor vehicle. They also assessed vehicles' consumption of fossil fuels. Consequently, from 2018 automobile companies such as BMW started some CSR activities to stop the carbon emissions and save the world from severe pollution<sup>8</sup>. Scholars also stated that most of the people in developed countries are conscious of moral and ethical responsibilities<sup>9</sup>.

On the other hand, organizations in developing countries take aid from established international organizations to practice CSR activities and bring real change to their people. In developing countries, businesses perform CSR activities through the combination of their root traditions. For example, in Somalia, companies perform CSR activities because of their religious beliefs and commitment to cultural and personal values<sup>10</sup>.

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<sup>6</sup> Ikram Ullah Khokhar, 'Impact of Corporate Social Responsibility on Customer Loyalty and Purchase Intention' [2009] Social Sciences Research Network <[https://papers.ssrn.com/abstract\\_id=2164560](https://papers.ssrn.com/abstract_id=2164560)> accessed 20 January 2018.

<sup>7</sup> Majid Khan and others, 'Corporate social responsibility and corporate reputation: A case of cement industry in Pakistan' (2013) 5 *Interdisciplinary Journal of Contemporary Research in Business* 843-857.

<sup>8</sup> 'Sustainability at the BMW Group' (2018) <<https://www.bmwgroup.com/en/responsibility/sustainability-at-the-bmw-group.html>> accessed 20 January 2018.

<sup>9</sup> Dima Jamali and Ramez Mirshak, 'Corporate social responsibility (CSR): Theory and practice in a developing country context' (2007) 72 *Journal of business ethics* 243-262.

<sup>10</sup> Jen Banbury, 'Global Citizen From Gulmi: The Man Who Never Gave Up' (2018) UNICEF USA <<https://www.forbes.com/sites/unicefusa/2018/09/20/global-citizen-from-gulmi-the-man-who-never-gave-up/#108c60e36a8c>> accessed 10 August 2019.

Thus, the brief discussions and examples above give an overall perception of CSR activities in developed and developing countries. Chapter three will discuss more about the performances of CSR by the organizations in developed and developing countries by considering Australia and Pakistan's socio-economic background and their rules and regulations.

## **1.2 The Reason for Choosing Australia to Compare with Pakistan**

This study compared organizations' CSR activities and legal frameworks between Pakistan and Australia. The first reason is that law practice in both countries is based on English common law<sup>11</sup>. Usually, there are five legal systems which are: civil law, common law, customary law, religious law, and mixed legal systems. As both countries are following one common law, it will allow the researcher to compare the two countries and determine the most effective ways of practising CSR. The second reason is that Pakistan and Australia have a very good trade relationship. They trade a large amount of goods and services in every financial year<sup>12</sup>. The main Australia exports to Pakistan are scrap metals, pulses, fertilizer, and oilseed. A large number of students come to study in Australia to achieve a higher education. On the other hand, Australia imports textile products, petroleum, and rice from Pakistan. Compliance with similar Laws can facilitate trade.

The CSR activities and law and enforcement system in Australia is noticeably better than Pakistan. This indicates a visible difference between developed and developing countries<sup>13</sup>. Previous evidence shows that global trades and multinational companies have a significant impact on a country's (particularly developing country's) economic, environmental, and overall infrastructure developmental factors<sup>14 15</sup>. Therefore, it is plausible that by comparing Pakistan and Australia's CSR related law and orders, case laws and these countries' organization's differences in CSR practices, the most suitable legislation will develop their CSR practices.

The following part of this chapter will briefly explain the intentions and purposes of this study.

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<sup>11</sup> Ross D. Petty, 'The Law of misleading advertising: an examination of the difference between common and civil law countries' (1996) 15 *International Journal of Advertising* 33-47.

<sup>12</sup> DFAT (2019) <<https://dfat.gov.au/geo/pakistan/Pages/pakistan-country-brief.aspx>> accessed on 17 February 2020.

<sup>13</sup> *ibid*.

<sup>14</sup> Shameema Ferdausy and Md. Sahidur Rahman, 'Impact of multinational corporations on developing countries' (2009) 24 *The Chittagong University Journal of Business Administration* 111-137.

<sup>15</sup> Dirk Willem te Velde, 'Policies towards foreign direct investment in developing countries: emerging best-practices and outstanding issues' (London: Overseas Development Institute, 2001).

### **1.3 Aims and Objectives**

There is a lack of comparative study of CSR in Pakistan and Australia to enhance the corporate social responsibilities in Pakistan. Therefore, the researcher sets out the following aims, objectives, and questions in an attempt to address the identified gap in the literature as well as to contribute in practical life. The main aims of the study are;

- To determine the extent of corporate social responsibility legislation in Pakistan and Australia.
- To enhance the practices of corporate social responsibilities in Pakistan.

To meet the research aims, this research will analyse and compare:

- Socio-economic background of Pakistan and Australia.
- CSR regulations both in Australia and Pakistan.
- Theories on corporate social responsibilities.

### **1.4 Research Questions**

With reference to the aims and objectives above, the author identified three main areas to cover, they are; corporate social responsibility, socio-economic background of Pakistan and Australia, and CSR practices in Pakistan and Australia.

So, the research questions are:

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?
- What legal laws, regulation or guidelines for CSR operate in Pakistan and Australia?
- How companies practice CSR in Pakistan and Australia?
- What are the differences in the practice of CSR in Pakistan and Australia?
- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

Depending on the socio-economic background and culture of Pakistan and Australia, Pakistan is a developing country and on the other hand, Australia is a developed one. This implies that the quality of lifestyles and living standards are better in Australia than in Pakistan. Basic law and orders in both countries may be the same, but their implementation and practice may differ. Therefore, the research explored the following propositions:

P1: Legal laws, regulation or guidelines for CSR are similar in Pakistan and Australia.

P2: CSR practice in Australia is more frequent than in Pakistan.

P3: CSR practices in Pakistan needs to improve.

To answer these research questions and explore the propositions, corporate social responsibility related works of literature are intensely reviewed in chapter two. Then CSR regulations in Australia and Pakistan are well discussed considering their socio-economic background. After discussing their socio-economic background, CSR practices in these two countries are described and compared. To identify the differences between CSR practices in Pakistan and Australia, collected annual reports of selected business organizations and case laws are analysed.

## **1.5 Methodology**

Any research must need to follow some technique(s) to complete the investigation. Research methodology describes how the research has been conducted. It also identifies various research approaches. Research methodology helps to design the whole process of investigation and validate researchers' choices by evaluating the advantages and disadvantages of all the research techniques. An interpretivist philosophy is chosen as more appropriate for conducting this research. The study employs a case study strategy and is qualitative in nature. The study's sample frame consists of both large, small and medium enterprises in Pakistan and Australia and analyses only secondary data. Ten annual reports and case laws related to the CSR in Pakistan and Australia have been considered to compare and analyse the data by using the content analysis data analysing process. A comparative study is important as "comparison improves our awareness of other systems, cultures, and patterns of thinking and acting, thereby casting a fresh light on our own political communication arrangements and enabling us to contrast them critically with those prevalent in other countries (awareness)"<sup>16</sup>. Additionally,

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<sup>16</sup> Frank Esser and Rens Vliedhart 'Comparative research methods' (2017) The international encyclopaedia of communication research methods 1-22.

comparison allows a researcher to test the theories across diverse settings as well as to assess the opportunity and importance of specific acts.

## **1.6 Research Outline**

There are eight separate but interrelated chapters in this study which are outlined as follows;

Chapter 1 presents the introduction and depicts the research aims and objectives, and rationale of the study. It also briefly describes the research methodology and organization of the study.

From Chapter 2 the literature review starts where corporate social responsibility related works of literature are intensely reviewed.

Chapter 3 continues the literature review and explains the corporate social responsibility rules and regulations in Australia and Pakistan considering these two countries' socio-economic backgrounds.

In Chapter 4, CSR practices in Pakistan and Australia are described and compared. This chapter also explains the conceptual framework of this study and ends the literature review.

Chapter 5 contains two parts. The first part presents the methodological choices and their advantages and disadvantages. Then, the second part explains which strategy has been adopted and the justification of adopting the right strategy for this strategy.

Chapter 6 analyses the empirical evidence from Australia and Pakistan. After analysing the data, Chapter 7 discusses the findings of the data analysis.

Finally, Chapter 8 concludes the study. Some suggestions have been made to enhance the CSR practices in Pakistan. This chapter also contains the limitations of the study and recommendations for future investigations.

## **1.7 Summary**

This chapter explains the rationale, aims and objectives, and research questions of the study. To answer the research questions, the author explored the literature intensely. Next, three chapters describe the theoretical contexts of corporate social responsibilities in Pakistan and Australia.

# **Chapter 2: Literature Review: Theoretical Perspectives on CSR.**

## **2.1 Introduction**

The rationale of this section is to explore the theory of CSR. The main theoretical contributions related to CSR have been developed in Europe and the USA. This chapter will identify the various CSR examples by different scholars and their views, concepts, analyses, differences, criticisms, and suggestions. The main aim of the theory is to identify the CSR mechanism and how it is related to business organizations. The theoretical aspect of CSR advocates how the businesses should be and what will be the purpose of them<sup>17</sup>. One of the questions of this thesis is what CSR theories offer for the design and implementation of CSR laws and regulations in Pakistan. The main aim of the thesis is to assess selected theories on CSR regulation and assess their potentiality for improving CSR practices and laws in Pakistan.

The analysis of CSR theory in the context of Pakistan is necessary for assessing the effectiveness of corporate governance in the context of Pakistan.

In order to give an analytical report about the theory, this chapter is organised into the following sections. Section 2.2 represents the historical background and development of CSR, its definitions, the major theories, and their research. The theory relevant to this thesis is the stakeholder theory. Section 2.3 describes who are the stakeholders, sections 2.4 and 2.5 give the details of stakeholder theory including different approaches, importance, limitations, and applications of them. Section 2.6 also discusses the relevance of the main arguments by Freeman and Friedman for CSR. Carrol's hieratical domains of CSR are described in section 2.7. Then limitations of theories, importance, and implications of stakeholder theories are explained in the later sections.

## **2.2 CSR—Historical Background and Development:**

The concept of CSR started before the 1950s. During that time the theory, shape, research, and concept of this term developed. From the 1950s there have been lots of changes in CSR definitions and different scholars have put forward different opinions about CSR. However,

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<sup>17</sup> David Henderson, 'The Case Against 'Corporate Social Responsibility'' (2001) 17 Policy: A Journal of Public Policy and Ideas 28-32.

the concept of CSR really drew scholars' attention in the early 1960s and 1970s<sup>18</sup>. During this period of time, academic research on CSR along with corporate social responsiveness had a massive development<sup>19</sup>. In the 1980s there was a development of research on stakeholder theory and business ethics and in the 1990s corporate organizations started to practice CSR<sup>20</sup>. Since 2000 determinants of CSR were investigated by lots of empirical work. Currently, the embodiment of CSR in corporate strategy, its effective implementation and the consequences are explored by scholars, researchers, and business policymakers<sup>21</sup>. Thus, the CSR concept has been evaluated over the last seventy years. As the main focus of this research is to develop CSR in Pakistan, it is essential to explore the definitions of corporate social responsibilities. The next section will outline different definitions of CSR in light of several writers and scholars' assertions about this term.

### **2.3 Corporate Social Responsibility- Concept and Definition:**

In general, CSR is a voluntary practice of an organization. By practicing CSR, companies maximise their profit, achieve their goals and at the same time, they contribute to the welfare of the society and make sure the environment is safe<sup>22</sup>. There is a lack of consensus regarding the definition of CSR and different countries have different meanings and definitions of corporate social responsibility<sup>23</sup>. The idea of corporate social responsibility changes its meanings drastically when we move from developed areas to the developing countries<sup>24</sup>. In the first world countries, such as European countries and Australia, corporate social responsibility is a government's requirement which is mandatory for every single organization<sup>25</sup>. Moreover, the political systems of a particular country also influence the ways of implementing corporate social responsibility by imposing different types of corporate rules and regulations for the organizations which are operating within the country<sup>26</sup>.

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<sup>18</sup> Jamshed Raza and Abdul Majid, 'Perceptions and Practices of Corporate Social Responsibility Among SMEs in Pakistan' (2016) 50 *Quality & Quantity* 2625-2650.

<sup>19</sup> Najeb Masoud, 'How to Win the Battle of Ideas in Corporate Social Responsibility: The International Pyramid Model of CSR' (2017) 2 *International Journal of Corporate Social Responsibility* 1-22.

<sup>20</sup> Nada K. Kakabadse, Cécile Rozuel and Linda Lee-Davies, 'Corporate Social Responsibility and Stakeholder Approach: A Conceptual Review' (2005) 1 *International Journal of Business Governance and Ethics* 277-302.

<sup>21</sup> *ibid.*

<sup>22</sup> Aymen Sajjad and Gabriel Eweje, 'Corporate Social Responsibility in Pakistan: Current Trends and Future Directions' (2014) 8 *Emerald Group Publishing Limited* 163-187.

<sup>23</sup> Andrew Crane, Dirk Matten and Laura J. Spence (eds), *Corporate Social Responsibility: Readings and Cases in Global Context* (2nd edn, Routledge 2013) 50.

<sup>24</sup> Dirk Matten and Jeremy Moon, 'Corporate Social Responsibility Education in Europe' (2004) 54 *Journal of Business Ethics* 323-337.

<sup>25</sup> *ibid.*

<sup>26</sup> Jonathan P. Doh and Terrence Guay, 'Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective' (2006) 43 *Journal of Management Studies* 47-73.

Definitions of the purpose of a business fall into two general schools of thought<sup>27</sup>. The first group supports the contention that maximisation of profit is the sole purpose of a business rather than social obligations. Friedman supports this school of thought<sup>28</sup>. Another school believes that obligation is more important than the profit. Andrews, Carroll, and Davis are in support of this school of thought. Carroll (1979) tried to reduce the gaps between economics and other expectations and defined corporate social responsibility as follows<sup>29</sup>:

“The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”

Carroll later on incorporated his definition into a pyramid which is called Carroll’s Pyramid of social responsibilities which is discussed in the model of CSR<sup>30</sup>.

The concept of CSR has correlations with corporate social responsiveness, corporate governance, corporate performance or corporate performances by academics<sup>31</sup>. Consequently, definitions of CSR vary from highly conceptual to very practical or managerial statements. For example, “CSR refers to 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”<sup>32</sup>. An understanding coming from this definition is that during that time the businesses were powerful, and their actions had a great impact on society. So, a question may arise about what responsibilities businesses may have towards society<sup>33</sup>. This definition consists of a general view as it was based on the company’s actions.

Another definition of CSR is, “a person’s obligation to consider the effects of his decisions and actions on the whole social system”<sup>34</sup>. This explains the relationship between social responsibility and business power, which held that “social responsibilities of businessmen need to be commensurate with their social power”<sup>35</sup>. Again, this is a very general definition as it

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<sup>27</sup> Mark S. Schwartz and Archie B. Carroll, ‘Corporate Social Responsibility: A Three-Domain Approach’ (2003) 13*Business Ethics Quarterly* 503-530.

<sup>28</sup> Thomas Carson, ‘Friedman's Theory of Corporate Social Responsibility’ (1993) 12 *Business & Professional Ethics Journal* 3-32.

<sup>29</sup> Schwartz and Carroll (n 27).

<sup>30</sup> Archie B. Carroll, ‘Corporate Social Responsibility: Evolution of a Definitional Construct’ (1999) 38*Business & Society* 268-295.

<sup>31</sup> Kakabadse, Rozuel and Lee-Davies (n 20).

<sup>32</sup> *ibid.*

<sup>33</sup> Archie B. Carroll, ‘Carroll’s pyramid of CSR: Taking Another Level’ (2016) 1 *Carroll International Journal of Corporate Social Responsibility* 1-8.

<sup>34</sup> Kakabadse, Rozuel and Lee-Davies (n 20) 281, 282.

<sup>35</sup> Carroll (n 33).

discussed only the policies of the business to their employees and power. There is no specific obligation for the business.

Some definitions only discuss about the voluntary obligations, some others argued about legally binding obligations. According to Frederick (1960), “Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms”<sup>36</sup>. But, Garrga and Mele (2004) found that Frederick (1960) classified an evolutionary shift in CSR practice between 1987 and 1998. After Fredrick, it was common for almost everyone to describe CSR in different stages. He was aware that there was progress in CSR’s relationship between business and society which was based on ethics<sup>37</sup>. Frederick (1960) also introduced the charity principle as an obligation for the company to give to society. This principle is more linked to philanthropic activities but there is no necessary obligation for the businesses to direct activities towards society.

Clarence C. Walton (1967) defines<sup>38</sup>, “the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such a relationship must be kept in mind by top managers as a corporation and related groups pursue their respective goals”. He emphasised voluntarism rather than a binding legal regulation. World Business Council for Sustainable Development (WBCSD) defines CSR as, “business’ commitment to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life”<sup>39</sup>.

All these definitions above give an overall idea about corporate social responsibility which is mainly related to corporations and their stakeholders. But CSR is not only an important issue for organizations and their business stakeholders but also it is a significant government matter in welfare states and in developing states<sup>40</sup>. In a developed country context, most businesses practice CSR voluntarily and do not consider legal requirements because it is deemed to be in

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<sup>36</sup> Kakabadse, Rozuel and Lee-Davies (n 20).

<sup>37</sup> Suzanne Benn and Dianne Bolton, *Key Concepts in Corporate Social Responsibility* (SAGE 2011) 56.

<sup>38</sup> Carroll (n 33).

<sup>39</sup> World Business Council for Sustainable Development, ‘Meeting Changing Expectations - WBCSD’s First Report on Corporate Social Responsibility’

<<https://growthorientedsustainableentrepreneurship.files.wordpress.com/2016/07/csr-wbcd-csr-primer.pdf>> accessed 20 December 2018 cited from Elvira Catic-Kajtazovic, ‘Take the Opportunity to Earn Socially Responsible Profit’ (2014).

<sup>40</sup> Karin Buhmann, ‘Corporate Social Responsibility: What Role for Law? Some Aspects of Law and CSR’ (2006) 6 *Corporate Governance* 188-202.

the long-term interests and sustainable development of the company<sup>41</sup>. On the other hand, in developing and least-developed economies many provisions such as Companies Act deal with CSR matters and companies' directors are legally bound to comply with them. Therefore, CSR in many countries is now also dealt with by the company's legislation. Additionally, in developing countries, especially, minimum legislative intervention is often needed to encourage socially responsible conduct by companies<sup>42</sup>. So, from a legal point of view, corporate social responsibility is not only a voluntary concept but also it relates to the issue of enforcement i.e. directors will have to follow some rules and regulations of countries as well as company laws that describe what they are allowed and not allowed to do<sup>43</sup>.

## **2.4 Definition of Stakeholder**

As noted above, a second school of thought that seeks to explain the purpose of a business is stakeholder theory. It is mainly a combination of wide-ranging descriptions that have originated from, and are dependent on, numerous explanations and functions related to business ethics, CSR's role in strategic management, corporate governance and finance<sup>44</sup>.

In 1984, Freeman first coined the stakeholder theory. It shows the relationships between the corporations and their stakeholders<sup>45</sup>. Stakeholder theory is opposite to shareholder theory. The differences between stakeholder and shareholder is illustrated in Table 2-1. The impact of stakeholders should not be underestimated. From a long time, the stakeholder pressure group has developed. The stakeholder theory emphasizes unexpected societal rather than any other separate to the corporation. Thus, CSR is denoted as a business stakeholder liability.

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<sup>41</sup> Horrigan Bryan, *Corporate social responsibility in the 21st century: Debates, models and practices across government, law and business* (Edward Elgar Publishing 2010).

<sup>42</sup> Irene-Marie Esser, 'Corporate Social Responsibility: A company law perspective' (2011) 23 South African Mercantile Law Journal 317-335.

<sup>43</sup> Bryan (n 41).

<sup>44</sup> Dirk Ulrich Gilbert and Andreas Rasche, 'Opportunities and Problems of Standardised Ethics Initiatives: A Stakeholder Theory Perspective' (2008) 82 Journal of Business Ethics 755-773.

<sup>45</sup> R. Edward Freeman and Robert A. Phillips 'Stakeholder Theory: A Libertarian Defense' (2002) 12 Business Ethics Quarterly 331-349.

Table 2-1: Comparison between shareholder and stakeholder

	Shareholder	Stakeholder
Definition	The person who has a share in the ownership of the business.	The person who has an interest in the business. In or are impacted by the business.
The main focus of the business	To obtain profit from the business.	To achieve longer-term performance in the business
Relation to the business	Owner	Have an interest in the business: customers, employees, community in which the business operates

The idea of stakeholder has been there for a while. For example, in 1945, Frank Pierce argued that it is a business manager’s responsibility to balance interests among employees, the owner, and the public<sup>46</sup>. Similarly, Howard Bowen in 1953, explained about the stakeholders’ participation such as employees’, customers’ and any other parties’ associations with the companies<sup>47</sup>. In 1964 Eric Rhenman defined, “Stakeholders in an organization are individuals or groups who are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence”<sup>48</sup>.

The classic definition of a stakeholder by Freeman and Phillips “any group or individual who can affect or is affected by the achievement of the organization’s objectives”<sup>49</sup>. The stakeholder concept’s over-all idea is to redefine the organization. This gives the idea of organizational structure that “organization should think of grouping stakeholders”. According to this theory, “stakeholders are recognised as a group of people interested in the company’s activities”<sup>50</sup>. This raises the question of how the organizations will identify these groups and most importantly if there are many groups then which groups will be given priority. In the case of conflict of interest which groups will be prioritised?

According to Post et al., (2002), “the stakeholder in a firm are individuals and constituencies that contribute either voluntarily or involuntarily, to its wealth creating capacity, and who are therefore its potential beneficiaries or risk bearers”<sup>51</sup>. Greenwood (2007) extends this definition

<sup>46</sup> David Chandler, *Strategic Corporate Social Responsibility: Sustainable Value Creation* (4th edn, SAGE 2017) 72-86.

<sup>47</sup> *ibid.*

<sup>48</sup> *ibid.*

<sup>49</sup> Freeman and Phillips (n 45).

<sup>50</sup> Don Clifton and Azlan Amran, ‘The Stakeholder Approach: A Sustainability Perspective’ (2011) 98 *Journal of Business Ethics* 121–136.

<sup>51</sup> Chandler (n 46).

into two types; the narrow and the wider. The narrow definition included the groups that are vital to the survival and success of the organisation. The wider definition included any group or individual that could affect or is affected by the organization<sup>52</sup>. World Business Council for Sustainable Development (1999), also identifies “stakeholders as the representatives from labour organisations, academia, church, indigenous peoples, human rights groups, government and non-governmental organizations and shareholders, employees, customers/consumers, suppliers, communities, and legislators”<sup>53</sup>. Clarkson defines a primary stakeholder group as “one without whose continuing participation the corporation cannot survive as a going concern” – with the primary group including “shareholders and investors, employees, customers, and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due”<sup>54</sup>. According to McDonald, the secondary groups are “those who influence or affect or are influenced or affected by. A stakeholder can affect or be affected by the business. It could be internal or external. It includes people like employees, customers, community members, competitors, vendors, contractors, and shareholders. Stakeholders could also be institutions, like banks, governmental bodies, oversight organizations, and others”<sup>55</sup>.

Among all the definitions, the contemporary definition is given by Freeman. His contribution is very prominent due to the fact that he made a modern definition for the organization plus he made it easy for the organization to understand the meaning of stakeholder and to practice the concept<sup>56</sup>. Another vital contribution of Freeman is that he made a guideline for academicians.

## **2.5 Who are the Stakeholders?**

Kaler suggested two types of stakeholders, one is a claimant and the other one is an influencer. Claimants have some claim on the business, for example, financiers or employees<sup>57</sup>. On the other hand, influencers have a capacity to influence the activities of the business for example media, customers, special interest groups<sup>58</sup>.

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<sup>52</sup> Clifton and Amran (n 50).

<sup>53</sup> *ibid.*

<sup>54</sup> Max B.E. Clarkson (ed), *The Corporation and Its Stakeholders: Classic and Contemporary Readings* (University of Toronto Press 1998).

<sup>55</sup> Charles Fontaine, Antoine Haarman and Stefan M. Schmid, ‘The Stakeholder Theory’ [2006] 3-5 <<https://pdfs.semanticscholar.org/606a/828294dafd62aeda92a77bd7e5d0a39af56f.pdf>> accessed 1 November 2018.

<sup>56</sup> Chandler (n 46).

<sup>57</sup> Benn and Bolton (n 37) 200.

<sup>58</sup> *ibid.*

Clarkson divided the stakeholders into primary and secondary stakeholders. Primary stakeholders have an interdependent relationship with the business and their existence is inseparable for the business and the secondary stakeholders have influences or effects on the business<sup>59</sup>.

The common way of classifying stakeholders is how they are related to the company. According to Friedman, stakeholders' definitions and their identifications have a clear relationship<sup>60</sup>. Clarkson posits that "a Primary stakeholder group is one that the corporation is dependent on for its survival. Five groups of stakeholders fall into the primary stakeholder category: investors and shareholders, employees, customers, suppliers, and a public group of governments and communities who control infrastructure, markets and who require laws to be followed and taxes to be paid"<sup>61</sup>.

Thus, there are two types of stakeholders; primary stakeholders and secondary stakeholders. Primary stakeholders are directly involved with the organization and its performances. Secondary stakeholders are indirectly related to the companies and somehow, they have an impact on the businesses. The roles of stakeholders differ from business to business because of their different interests.

Carroll and Bucholtz identified primary stakeholders as; "employees, stockholders, vendors and partners of the organisations who play important roles for the organizations' success"<sup>62</sup>.

Table 2-2 below describes definitions of different types of stakeholders.

*Table 2-2: Definition of stakeholders (Adapted from Fontaine et al. 2006)<sup>63</sup>*

	Donaldson and Preston (1995)	Greenwood (2007)	Macdonald	World Business Council for Sustainable Development	Freeman (1999)
Definition	Employee who influence market performance	One group is vital for survival of the business and another could affect or is affected the business.	A stakeholder can affect or be affected from the business.	Stakeholders are representative.	Stakeholders can affect or are affected

<sup>59</sup> *ibid.*

<sup>60</sup> Fontaine, Haarman and Schmid (n 55).

<sup>61</sup> Clarkson quoted by Thomas Donaldson, 'The Stakeholder Revolution and The Clarkson Principles' (2002) 12 Business Ethics Quarterly 108-110.

<sup>62</sup> Carroll and Bucholtz quoted by Thomas Donaldson, 'The Stakeholder Revolution and The Clarkson Principles' (2002) 12 Business Ethics Quarterly 108-110.

<sup>63</sup> Fontaine, Haarman and Schmid (n 55) 1–33.

From the different definitions of stakeholders, it is clear that most scholars agree that stakeholders have an influence on the businesses, or they have been affected by the companies.

There are three major views of the primary purpose of firms which have historically influenced theories of corporate social responsibility:

- Making a profit for shareholders: Milton Friedman
- Building stakeholder relationships: Freeman
- Legitimacy theory: Suchman

These theories have driven debates on the relevance and legitimacy of CSR in society today. While there are various approaches to defining and measuring the regulation and implementation of CSR, Carroll's model has been widely adopted in developing countries.

This chapter describes the three major theories, their relationship to CSR and how Carroll's model of CSR is an appropriate model to guide this study.

## **2.6 Shareholder Theory, Stakeholder Theory, and Legitimacy Theory**

*Shareholder theory:* The shareholder theory of Milton Friedman and the stakeholder theory of Edward Freeman are totally opposite to each other. Friedman's theory is focussed on wealth creation or maximising shareholders' wealth through seeking competitive advantage.

According to some scholars such as Freeman, Wicks, and Parmar, shareholder theory "involves using the prima facie rights claims of one group— shareholders—to excuse violating the rights of others". Friedman argued that "neo-classical economic theory suggests that the purpose of the organizations is to make profits in their accountability to themselves and their shareholders and that only by doing so can business contribute to wealth for itself and society at large".

Critics of the shareholder model suggest that it is not fair when the administrations of organizations just think about the benefit of the achievement of near-future objectives and this drives shortcuts in many managerial processes. According to Smith, shareholder theory is "geared toward short-term profit maximization at the expense of the long run"<sup>64</sup>.

While the shareholder theory puts emphasis on companies' shareholders, the stakeholder theory gives advice to the organizations' managers to fulfil their duties not only towards the

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<sup>64</sup> Morris G. Danielson, Jean L. Heck and David R. Shaffer, 'Shareholder Theory – How Opponents and Proponents Both Get It Wrong' (2008) 18 Journal of Applied Finance 62-66.

shareholders but also towards the people and the groups who are directly or indirectly related to the companies.

*Freeman's Stakeholder theory:* Freeman's Stakeholder model provided a strong case for an approach that recognises the more realistic multilateral relationships with stakeholders<sup>65</sup>. He tried to make a dynamic society for social and economic growth by recognising government and civil society as stakeholders<sup>66</sup>.

According to Freeman, when an organization makes decisions then shareholder theory balances the interests between the shareholders and the workforces, clients and other stakeholders of the organization. Although there is a possibility that the stakeholder model can also let the managers of an organization to think about short-term benefits similar to the shareholder theory unless the organization considers the future stakeholders' interests. At the same time if companies focus long-term perceptions, then the stakeholder model can provide a better outline than the shareholder theory which protects both of the current and future stakeholders' interests. In that sense, from an ethical point of view, the stakeholder theory is not a better approach than the shareholder theory<sup>67</sup>.

Freeman has argued that the stakeholder theory addresses two main questions. First, the stakeholder theory asks what the purpose of the firm is. From this perspective, the managers consider how much they have generated in value and the way they have addressed all the stakeholders. This mechanism further illustrates and allows managers "to generate outstanding performance, determined both in terms of its purpose and marketplace financial metrics". The second question concerned about the responsibility of management towards stakeholders is: "what responsibility does management have to stakeholders? This pushes managers to articulate how they want to do business—specifically, what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose"<sup>68</sup>. In summary, this theory considers the importance of firm and its responsibilities to other stakeholders.

Stakeholder theory helps in CSR research to define the clear meanings and to develop accurate measurement methods and this theory helps to provide a theoretical foundation. The

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<sup>65</sup> Benn and Bolton (n 37) 198.

<sup>66</sup> *ibid.*

<sup>67</sup> Danielson, Heck, and Shaffer (n 64).

<sup>68</sup> R. Edward Freeman, Andrew C. Wicks and Bidhan Parmar, 'Stakeholder Theory and "The Corporate Objective Revisited"' (2004) 15 *Organization Science* 364-369.

stakeholder theory is called the most relevant theoretical framework within CSR<sup>69</sup>. Freeman et al. have discussed CSR in the context of company stakeholder responsibility, where the writers claimed that business and society should be viewed from a wider perspective where the primary task will be the success of all the stakeholders collectively but first of all the firms' responsibilities need to be identified<sup>70</sup>. Laan has explained, "The stakeholder theory offers an explanation of accountability to stakeholders"<sup>71</sup>.

The underlying issue of stakeholder theory is to recognise that a company is liable for its actions<sup>72</sup>. Stakeholder theory originates from organizational management and business ethics. Therefore, it manages principles, ideologies values, and ethics of the company<sup>73</sup>. A fundamental aspect of this theory is that a company will both make a profit as well as take responsibility for its stakeholders and tell us how a business relates to them. This theory advocates co-relationships between different groups which at the same time creates value for each other. Thus, they are interlinked. This theory does not mean that one group makes a profit and another group suffers. Making a profit is not always the only concern for the businesses and Friedman did not clarify this by answering a question for example, "For whose benefit and at whose expense should the firm be managed". A good example of this was shown in the Nike case<sup>74</sup>. When labour issues raised in some contractor factories of Nike that are situated abroad, then the owner Phil Knight tried to ignore it. But ultimately Nike's revenues dramatically fell down because of this image problem as media was continuously highlighting this. Nike was forced to change its mode of operation and its use of child labour. Similar consequences can happen if a Friedman's perspective is taken in which a company only concentrates on profit and does not care about its stakeholders<sup>75</sup>.

It is clear that the stakeholder approach is deeply concerned about active management of the business environment, relationships and the promotion of shared interests for developing business strategies. Freeman's work "Strategic Management: A stakeholder Approach" gives

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<sup>69</sup> Haifeng Huang and Zhenrui Zhao, 'The Influence of Political Connection on Corporate Social Responsibility-Evidence from Listed Private Companies in China' (2016) 1(1) International Journal of Corporate Social Responsibility 1-19.

<sup>70</sup> R. Edward Freeman and others, *Stakeholder Theory: The State of the Art* (Cambridge University Press 2010) 264.

<sup>71</sup> Sandra Lee Van der Laan, 'The Role of Theory in Explaining Motivation for Corporate Social Disclosures: Voluntary Disclosures vs 'Solicited' Disclosures' (2009) 2 Australasian Accounting Business & Finance Journal 15-29.

<sup>72</sup> Clifton and Amran (n 50).

<sup>73</sup> Freeman and Phillips (n 45).

<sup>74</sup> Richard Locke and others 'Beyond Corporate Codes of Conduct: Work Organization and Labour Standards at Nike's Suppliers' (2007) 146 International Labour Review 21-39.

<sup>75</sup> *ibid.*

the managerial and realistic view, not the whole theory itself. This theory got a developed shape from Donaldson and Preston's article "The stakeholder theory of the Corporation: Concepts, Evidence, and Implications".

Freeman in his article published in 1999 has discussed about two branches of "stakeholder theory" or "managing for stakeholders"<sup>76</sup>; where the first branch is based on "the Instrumental Thesis" which suggests maximizing shareholders' value all the time, and it is managers' duty to focus on the relationships with key stakeholders<sup>77</sup>. In this branch, we can see the libertarian argument that the manager hired by the shareholder should utilize their assets in a way that could be accruing maximum profit plus treating the entire stakeholder equally. The stakeholder theory's second branch is based on the "Normative Thesis" which indicates that managers should only focus on key stakeholder relationships<sup>78</sup>.

Evan and Freeman tried to build a normative theory based on this definition of stakeholders: "Those groups who are vital to the survival and success of the corporation" where they call for a redefinition and they also proposed two principles. First is the Principle of corporate legitimacy which prescribes that stakeholders' benefit must be taken into consideration and they must be part of the decision making. The second one is the stakeholder fiduciary principle which suggests that the manager should act as an agent and ensure the survival of the firm<sup>79</sup>.

*Legitimacy theory:* Suchman considers that "Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions"<sup>80</sup>. According to Gray et al., "legitimacy theory is a variant of stakeholder theory, which adds conflict and dissension to the picture and can be employed to explain more specific information about corporate social practices"<sup>81</sup>. This theory mainly coined from the organizational legitimacy which is derived from the social contract concept. It is hard to explain the term social contract because it includes clear and unclear features of the society such as codified and non-codified norms and values of the society<sup>82</sup>. Social contract theory is the relationship between society and the law<sup>83</sup>. Welbeck

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<sup>76</sup> R. Edward Freeman, 'Divergent Stakeholder Theory' (1999) 24 *Academy of Management Review* 233-236

<sup>77</sup> Freeman and Phillips (n 45).

<sup>78</sup> *ibid.*

<sup>79</sup> Fontaine, Haarman and Schmid (n 55) 11-14.

<sup>80</sup> Mark C. Suchman, 'Managing legitimacy: Strategic and Institutional Approaches' (1995) 20 *Academy of Management Review* 571-610.

<sup>81</sup> Gray O'Donovan, 'Environmental Disclosures in The Annual Report: Extending the Applicability and Predictive Power of Legitimacy Theory' (2002) 15 *Accounting, Auditing & Accountability Journal* 344-371.

<sup>82</sup> Kakabadse, Rozuel and Lee-Davies (n 20).

<sup>83</sup> *ibid.*

et al. found that the companies disclose information about their environmental activities just to maintain the social contracts and to avoid the legitimacy issues<sup>84</sup>. The study of Michaels and Grüning about corporate social responsibility and disclosure concluded that legitimacy theory is compulsory to explain the drivers and constraints of CSR disclosure<sup>85</sup>. Legitimacy theory supports a voluntary corporate disclosure because according to this theory voluntary disclosure is a process toward legitimation<sup>86</sup>. Further, if a company's value management system is based only on economic profit maximization, other social objectives that address issues such as trust, reputation or environmental concerns can only be reached if the stakeholder engagement process is implemented in the management system of the company<sup>87</sup>.

Legitimacy theory examines CSR practices as a part of the social accountability and deems that the corporations are accountable to the stakeholders for their activities<sup>88</sup>. Social accountability is non-financial accountability and it includes, "a combination of quantified non-financial information and descriptive, non-quantified information"<sup>89</sup>. Social accountability is defined as "the disclosure of information by an organization about product and consumer interests, employee interests, community activities and environmental impacts—this disclosure of the information is deemed to be a part of an organization's responsibility to its stakeholders"<sup>90</sup>. According to Gray, "legitimacy theory has an advantage over other theories in that it provides disclosing strategies that organisations may adopt to legitimate their existence that may be empirically tested". He also stated that "legitimacy theory explains the association of accountability with the society from an organisation's perspective. An organisation will voluntarily report on activities if management perceives that the particular information is demanded by the societies in which it operates."

Legitimacy concentrates on how coherent the value system of both the organizations and the society. It also emphasises on the organisations' objectives which fulfil the expectations of the

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<sup>84</sup> Emerald Edem Sabah Welbeck and others, 'Determinants of environmental disclosures of listed firms in Ghana' (2017) 2 *International Journal of Corporate Social Responsibility* 1-12.

<sup>85</sup> Anne Michaels and Michael Grüning, 'The impact of corporate identity on corporate social responsibility disclosure' (2018) 3 *International Journal of Corporate Social Responsibility* 1-13.

<sup>86</sup> Laan (n 71).

<sup>87</sup> Emil G. Martirosyan and Teimuraz T. Vashakmadze, 'Introducing Stakeholder-Based Frameworks for Post-merger Integration (PMI) Success' (2013) 9 *Journal of Modern Accounting and Auditing* 1376-1381.

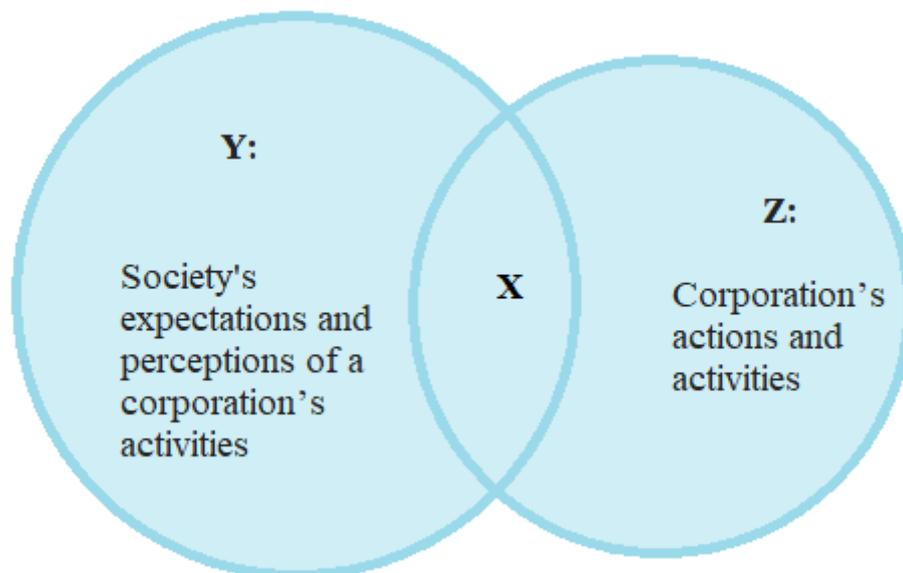
<sup>88</sup> M. A. Islam, 'CSR Reporting and Legitimacy Theory: Some Thoughts on Future Research Agenda' [2017] 323-339 <<https://papers.ssrn.com/abstract=2947527>> accessed 19 March 2018.

<sup>89</sup> *ibid.*

<sup>90</sup> *ibid.*

society<sup>91</sup> as the organization is a part of the society<sup>92</sup>. Suchman articulated three types of legitimacy, being pragmatic, moral and cognitive, which co-exist and strengthen one another<sup>93</sup>.

The legitimacy theory is important as the corporation must consider the value of the public, not the shareholder. They should not consider the profit of the shareholder. Therefore, strong compliance is necessary. Failure to comply with the guidance of the compliance may proceed with sanctions, fines or other penalties which is in the long run not beneficial for the company. The main reason for a company to seek legitimacy is to pursue continuity and pursue credibility. Legitimacy affects not only how the organization works but also how general people understand them<sup>94</sup>. O'Donovan explained the organizational legitimacy by a diagram which has been presented below<sup>95</sup>.



*Figure 2-1: Organizational Legitimacy, Source: O'Donovan 2002*

In this diagram, Z represents the corporation's actions and activities and Y represents the expectations and perceptions of the society. X represents the balance. The legitimacy gap arises when the expectations of the society is higher than the company's actions.

<sup>91</sup> David L Deephouse and Mark Suchman, 'Legitimacy in Organizational Institutionalism' in Royston Greenwood and others (eds), *The SAGE Handbook of Organizational Institutionalism* (SAGE 2008) 47-50.

<sup>92</sup> Asit Bhattacharyya, 'Corporate Social and Environmental Responsibility in an Emerging Economy: Through the Lens of Legitimacy Theory' (2015) 9 *Australasian Accounting, Business and Finance Journal* 79-92.

<sup>93</sup> Deephouse and Suchman (n 91).

<sup>94</sup> Suchman (n 80).

<sup>95</sup> Richard Collins, 'Corporate Legitimacy and Environmental Reporting – Deegan and Unerman's (2006) Contentions' (*Accounting Research Blog*, 28 April 2012).

Legitimacy based CSR studies will suit situations where firms have been previously accused of malpractices which have affected the society as a whole. Studies by Patten, Deegan, and Rankin, investigating firms that have successfully been prosecuted by environment protection authorities, are concrete examples<sup>96</sup>. Since the legitimacy theory is based on society's perception, management is forced to disclose information that would change the external users' opinion about their company<sup>97</sup>. According to Omran and El-Galfy, the legitimacy theory is mostly suitable for corporations working in developed countries<sup>98</sup>; where the annual report of a business is seen as the major way to communicate CSR information with the society as a whole<sup>99</sup>. On the other hand, the stakeholder theory seems to be most suitable for multinational corporations working in developing countries. The company can target its CSR disclosures towards those stakeholders it wants to manage to achieve the desired relationship with those stakeholders<sup>100</sup>.

## **2.7 Carroll's Hierarchical Domains of CSR**

From the different approaches described above, it can be said that there is no consensus among the definitions of CSR, but Carroll's definition is a more inclusive one. In 1979, Carroll defines CSR as a construct that "encompasses the economic, legal, ethical, and philanthropic expectations that society has of organizations at a given point in time"<sup>101</sup>. Carroll illustrates these four responsibilities in a Pyramid (Figure 2-2).

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<sup>96</sup> DM Patten, 'Intra-Industry Environmental Disclosures in Response to the Alaskan Oil Spill: A Note on Legitimacy Theory' (1992) 17 *Accounting, Organizations and Society* 471-475; C Deegan and M Rankin, 'Do Australian Companies Report Environmental News Objectively?' (1996) 9 *Accounting, Auditing & Accountability Journal* 52-69.

<sup>97</sup> Denis Cormier and Michel Magnan, 'Environmental reporting management: A continental European perspective' (2004) 22 *Journal of Accounting and Public Policy* 43-62; Cheryl L. Linthicum, Austin L. Reitenga and Juan Manuel Sánchez, 'Social Responsibility and Corporate Reputation: The Case of the Arthur Andersen Enron Audit Failure' (2010) 29 *Journal of Accounting and Public Policy* 160-176.

<sup>98</sup> Mohamed A. Omran and Ahmed M. El-Galfy, 'Theoretical Perspectives on Corporate Disclosure: a Critical Evaluation and Literature Survey' (2014) 22 *Asian Review of Accounting* 257-286.

<sup>99</sup> Richard M. Adams and others, 'Effects of global climate change on agriculture: an interpretative review' (1998) U.S. Environmental Protection Agency 19-30.

<sup>100</sup> Robert M. Bushman and Wayne R. Landsman, 'The Pros and Cons of Regulating Corporate Reporting: A Critical Review of the Arguments' (2010) 40 *Accounting and Business Research* 1-38 <<https://ssrn.com/abstract=1574282>> accessed 1 November 2018.

<sup>101</sup> Denise Baden, 'A reconstruction of Carroll's pyramid of corporate social responsibility for the 21st century' (2016) 1 *International Journal of Corporate Social Responsibility* 1-15.

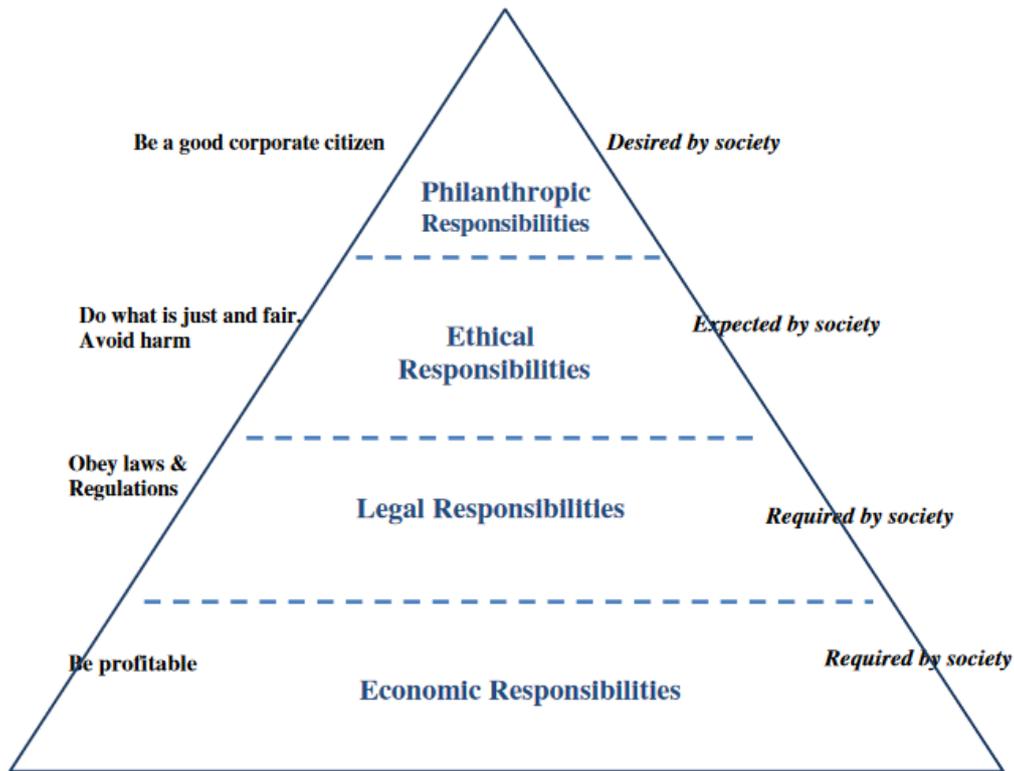


Figure 2-2: CSR Pyramid, Source: Carroll (1979) CSR domains. Adapted from Carroll, (2016).

**Economic domain:** This is the most important factor of CSR since most of the business organizations' main objective is to make a profit. According to Carroll, the economic domain of CSR can be defined as<sup>102</sup>;

"Perform in a manner consistent with maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency."

**Legal domain:** It is necessary for all organizations that they show respect to the laws and orders as well as they are following all the business rules, regulations and guidelines of their country. Carroll's category of legal responsibility is defined as "obeying or complying with the law"<sup>103</sup>.

**Ethical domain:** Ethical behaviour is one of the positive attributes of human beings. When the companies are trying to achieve their financial target, business practitioners should follow and include moral activities in their businesses. According to Carroll, the ethical domain refers to "those standards, norms or expectations that reflect a concern for what consumers, employees,

<sup>102</sup> Schwartz and Carroll (n 27).

<sup>103</sup> *ibid.*

shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights”<sup>104</sup>.

Among these factors, Carroll gives priority to economic responsibility<sup>105</sup>. These are the well-known categories of CSR which are utilized by numerous theorists quite often such as, Wartick and Cochran, Wood, Swanson and empirical researchers Aupperle, Aupperle, Carroll, and Hatfield, Burton and Hegarty, Clarkson, Ibrahim. Several businesses and society and business ethics texts also have discussed these domains of corporate social responsibility<sup>106</sup>. Some issues are identified with the Carroll’s model<sup>107</sup>, they are; first of all, Carroll has used a pyramid style to show the relationships within its components. Secondly, the philanthropy has been mentioned as a separate feature. And finally, according to some scholars, Carroll theoretically did not explain all the components of his model<sup>108</sup>.

From the pyramid, it is evident that the highest priority is given to philanthropic and less priority given to an economic one. But the actual intention of Carroll is different. He wanted to give priority to economic and legal domains. So obviously there will cause misunderstanding of priority in the structure of the pyramid<sup>109</sup>. Another disadvantage recognized by Carroll is that a pyramid structure cannot fully incarcerate the overlapping character of the CSR domains. With the second issue, Carroll acknowledges that in fact, it may be "inaccurate" or a "misnomer" to call such activities "responsibilities" due to their voluntary or discretionary nature<sup>110</sup>.

With the third issue, Carroll gave very little discussion that how a company may use multiple domains especially legal and ethical.

Wood criticised Carroll’s model as ‘isolated domains’<sup>111</sup>. She argued that businesses should have three principles. The first one is legitimacy which implies a business should exercise its power when it is required and there must have a sensible reason. The second one is public responsibility which means, companies are responsible for their activities which have effects on society. And the third one is morality which describes that managers need to be concerned

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<sup>104</sup> *ibid.*

<sup>105</sup> *ibid.*

<sup>106</sup> *ibid.*

<sup>107</sup> *ibid.*

<sup>108</sup> *ibid.*

<sup>109</sup> *ibid.*

<sup>110</sup> *ibid.*

<sup>111</sup> Suman Sen and James Cowley, ‘The Relevance of Stakeholder Theory and Social Capital Theory in the Context of CSR in SMEs: An Australian Perspective’ (2013) 118 *Journal of Business Ethics* 413-427.

about moral issues and behave ethically. Here, the first two principles are at the institutional level and the third one is at the individual level.

Again in 2003, Mark S. Schwartz and Archie B. Carroll composed a The Three-Domain Model of CSR where they delete the philanthropic one and explain the other three domains more elaborately.

Recently Carroll in his new article in 2016 explains the pyramid in a more detail way. According to him when he wrote the article, he did not explain the economic, legal and ethical responsibilities properly<sup>112</sup>. In this article, he elaborates on the four points.

## **2.8 Limitations of the Theories:**

There are significant debates related to the conflict between the corporate objective of profit-making and the social objectives of corporate social responsibility and how these differences can be accommodated. For example, according to Donaldson and Preston (1995), three major branches of stakeholder theory are: descriptive, instrumental and normative approaches<sup>113</sup>. Branco Rodridge argues that these branches are not co-related because a normative approach identifies moral or philosophical guidelines for managers' activities. On the other hand, the instrumental and descriptive theory approaches describe how managers should deal with stakeholders in terms of representing their interests and achieve various corporate governance goals<sup>114</sup>.

Stakeholder theory raises many questions about how actions based on it might be implemented. There is no clear definition of stakeholder. Even the father of stakeholder theory Freeman changed the definition over time. In one of his definitions, he said stakeholders are those who are necessary for the survival of the corporation and the company's success. On the other hand, he said success should not always be the main objective of the corporation. This theory talks about the equality of the stakeholders, but it is not possible for the management to please everyone in the company simultaneously<sup>115</sup>. Freeman states "The principle of stakeholder

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<sup>112</sup> Carroll (n 33).

<sup>113</sup> Charles Fontaine, Antoine Haarman and Stefan Schmid, 'The Stakeholder Theory' [2006] 3-5 <<https://pdfs.semanticscholar.org/606a/828294dafd62aeda92a77bd7e5d0a39af56f.pdf>> accessed 1 November 2018.

<sup>114</sup> Benn and Bolton (n 37) 202-203.

<sup>115</sup> Matt McGew, 'Limitation on Stakeholders' <<https://smallbusiness.chron.com/limitations-stakeholders-30965.html>> accessed 10 November 2018.

recourse that Stakeholders may bring an action against the directors for failure to perform the required duty of care”<sup>116</sup>.

A key debate is about which stakeholders’ interests have prominence or in the case of conflict in which Stakeholders have priority. The profit-making shareholder theory prescribes that priority will be given to the profit-making<sup>117</sup>. Supporters of this theory disagree with the use of the business’s equipment for social objectives. According to them, these are the duties of the government<sup>118</sup>.

An important limitation is the power discrepancies where some groups have very limited influence on overall decisions making while others have more influence. Another negative side of this theory is that individual stakeholders’ characteristics are changing all the time. For example, if a recent customer or a current employee leaves or stops showing interests, it does not mean that in future the same person will lose any benefits from the organization<sup>119</sup>.

According to Noland and Philips, this theory has not been adequately been focused on the stakeholders’ engagement<sup>120</sup>. A key critique of this theory is the confusion surrounding its nature and purpose. Donaldson and Preston’s normative, descriptive and instrumental categories of stakeholders create a significant debate. Branco and Rodrigues prescribed that there is no correlation between the approaches<sup>121</sup>.

An issue for management is when short term interests or long-term objectives should take priority. Jensen prescribes that the role of the business should be making value for the society and favours the long-run value instead of short-time value<sup>122</sup>.

A "stakeholder theory" provides tasks for corporate governance to manage the relationships with those stakeholders who have effects on the achievement of an organization's objectives. An analysis of stakeholder theories suggests that the stakeholder theory is based on libertarian arguments which are based on the principles of responsibilities where human beings are considered as liable for the consequences of their behaviours and acts on others<sup>123</sup>.

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<sup>116</sup> Freeman and Phillips (n 45).

<sup>117</sup> Benn and Bolton (n 37) 202-203.

<sup>118</sup> *ibid*.

<sup>119</sup> Danielson, Heck, and Shaffer (n 64).

<sup>120</sup> Benn and Bolton (n 37) 197.

<sup>121</sup> *ibid* 202.

<sup>122</sup> *ibid* 202-203.

<sup>123</sup> Freeman and Phillips (n 45).

While legitimacy theory looks at society as a whole, stakeholder theory recognizes some selective groups within the society to be more powerful than others. Especially fields like CSR, accounting, intellectual capital, and environmental disclosure studies fit well into the legitimacy theory and stakeholder's theory<sup>124</sup>. Although these two theories are considered complementary rather than competing theories, their use will depend on the identified user group for CSR disclosures. Legitimacy is obtained from society as a whole rather than specific groups such as investors or other shareholders<sup>125</sup>.

Freeman tries to integrate all the theories due to the fact that the integrated model can help the business in the long run and can bring business and ethics together. Noland and Phillips affirm Freeman's integrated approach by arguing a moral strategy for the business which will be honest, open and respectful<sup>126</sup>.

The literature reviews show that these theories are mainly for big organizations and there are two types of stakeholders: stakeholders who are within the organizations such as, stockholders, employees and other stakeholders who are outside of the organizations such as, government, environment, consumer and so on. But, the main focus of this study is on the development of CSR of both large and small and medium-sized enterprises in Pakistan. Therefore, the research applied these theories through different factors of corporate social responsibilities. An organization can make a profit for its shareholders and can claim that they are following CSR activities, as shareholders are also classified as stakeholders for any organization. Thus, it is necessary for organizations to apply CSR theories by considering different types of CSR factors.

## **2.9 Importance of Stakeholder Theory in CSR:**

A key feature of the CSR concept is to involve different groups like employees, government, shareholders in their organization which has greater potential for value creation and competitive advantage. Therefore, an important aspect of CSR is how enterprises interact with their internal and external stakeholders. This implies that how the corporations involve their workforces, stockholders, clients, consumers, NGOs, local and international organizations, goods providers, governments, and other stakeholders with them. Although CSR is a voluntary

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<sup>124</sup> Bindu Sharma, 'Contextualising CSR in Asia: Corporate Social Responsibility in Asian Economies and the Drivers That Influence Its Practice' (Lien Centre for Social Innovation, Singapore Management University 2013).

<sup>125</sup> Renzo Mori Junior, Peter J. Best and Julie Cotter, 'Sustainability reporting and assurance: A historical analysis on a world-wide phenomenon' (2014) 120 *Journal of Business Ethics* 1–11.

<sup>126</sup> Benn and Bolton (n 37) 202-203.

concept still it can change the organizational image by creating a good stakeholder relationship through value creation.

## **2.10 Application of stakeholder theory:**

One of the biggest questions in today's world is that how all the countries support CSR by their institutional and governing structures or even legally force the companies to follow or practice corporate social responsibilities focused on every type of stakeholder. This also raises questions regarding whether free markets and the firms that populate them will eventually find their way to a more balanced stakeholder approach, or the extent to which such behaviour should be compelled. The answer may be found from cross-country and cross-cultural studies<sup>127</sup>. Brazilian Cooperatives have applied the theory in a very interesting way. One of the best examples of using the stakeholder theory (value creation and managing) was found in a Brazilian Firm<sup>128</sup>. It shows that a good relationship between the stakeholders creates a better work environment, environmental preservation, local development, and improves the business reputation<sup>129</sup>.

This study examines the factors which support and inhibit the adoption of CSR in Pakistan and Australia. The context for this study is described in Chapter 3.

## **2.11 Summary**

This chapter discussed the theories which explained the adoption of CSR. To that end, the historical background of CSR and its definitions are reviewed in the beginning. Then, the most popular theories of CSR, legitimacy theory, shareholder theory, and stakeholder theory are discussed. Among them, stakeholder theory is well accepted as it shows companies are not only responsible for their shareholders' wellbeing but also for their stakeholders' welfare. But this theory does not define moral and environmental obligations or explain how companies should be responsible for all their stakeholders. This issue was explained by Carroll (2016) in his CSR model. This is why Carroll's CSR model is considered for this study and explained in this chapter. The questions raised after reviewing the theories are,

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?

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<sup>127</sup> Jeffrey S. Harrison, R. Edward Freeman and Mônica Cavalcanti Sá de Abreu, 'Stakeholder Theory as an Ethical Approach to Effective Management: applying the theory to multiple contexts' (2015) 17 *Review of Business Management* 858-869.

<sup>128</sup> *ibid.*

<sup>129</sup> *ibid.*

- What legal laws, regulation or guidelines for CSR operate in Pakistan and Australia?
- How do companies practice CSR in Pakistan and Australia?
- What are the differences in the practice of CSR in Pakistan and Australia?
- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

The next chapter tried to find the answers to these questions.

The results of the above review suggest that most of the studies use a particular theory to guide their research. But it is very important to combine all the theories due to the fact that if we use them separately, they can overlap each other<sup>130</sup>. The managerial perspective of stakeholder theory focuses on the expectations of powerful stakeholders. According to this perspective, CSR information should be identified by the company's management and disclose them to gain and maintain the support of powerful stakeholders to ensure its nonstop survival. Legitimacy theory focuses on society's expectation and according to this perspective, CSR information can be disclosed by the firm in an attempt to align its social performance with society's expectations in order to legitimize its continued existence<sup>131</sup>. Since Carroll's model addresses many of the issues raised in the individual theories and integrates them in the pyramid model, this model was selected as the basis for this study. The advantages of this model are, it creates a footing or infrastructure of organizations that help to outline in some detail and to frame or exemplify the type of businesses' responsibilities to the society of which it belongs to.

Before discussing the framework that was developed for this study, it is useful to describe the context for CSR in both Australia and Pakistan.

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<sup>130</sup> Muhammad Azizul Islam and Craig Deegan, 'Motivations for an Organisation within a Developing Country to Report Social Responsibility Information: Evidence from Bangladesh' (2008) 21 Accounting, Auditing & Accountability Journal 850-874.

<sup>131</sup> *ibid.*

# **Chapter 3: Regulation of Corporate Social Responsibility in Pakistan and Australia**

## **3.1 Introduction:**

With the increasing number of corporations, those who seek to govern them for the benefit of society are concerned to find some form of mechanism to control the potential abuse of this power. This is why the CSR concept evolved. With a lack of formal regulatory control, CSR has been seen as an alternative mechanism, filling the gaps in the legal order for the control of corporate behaviour<sup>132</sup>. It cannot be ignored that regulation is more effective with its accountability and enforcement. While many corporations include CSR in their corporate practices, encouraged by market and social forces, there is still no accountability for failing to do so. This could be considered as a limitation of voluntary self-regulation, leading to an argument for strengthening regulatory approaches and a desire for more regulation, as enforceable rules can ensure better corporate compliance with social responsibility. Pakistan does not have any specific regulations on CSR.

It is a matter of discussion that how in Pakistan CSR related issues are dealt with and could be addressed. In order to get a better view of this issue, this chapter is organised as follows: Section 3.2 discusses the social background of Pakistan which is very important to know as it will explain that what kind of society it is and for whom the regulation is needed. Section 3.3 discusses the present regulation in Pakistan. Again, it is very important to know the present law as it will suggest different avenues for future development as well as any gaps investigating recognitions. Subsections describe the law-making bodies and what laws are there. Section 3.4 discusses CSR in Australia and the comparison between regulation in Pakistan and Australia.

## **3.2 Socio-economic Background of Pakistan:**

It is very important to give an idea of Pakistan's socio-economic background as it will give an overall idea of CSR in Pakistan. Pakistan, a developing country, was previously a part of India ruled by the British for 90 years (1857-1947). In 1947 the region was divided into two states: Pakistan and India<sup>133</sup>. Pakistan has a total area of 796,095 square km. It has all kinds of weather.

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<sup>132</sup> Kunnawee Thirarungreang, 'Rethinking CSR in Australia: time for binding regulation' (2013) 55 International Journal of Law and Management 173-200.

<sup>133</sup> The world fact book (Central Intelligence Agency US) <<https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>> accessed 28 November 2018.

The four provinces of Pakistan are Punjab, Sindh, Baluchistan, and Khyber Pakhtunkhwa and two territories (Federally Administered Tribal Areas and Islamabad Capital territory) have six major ethnic groups: Punjabi 44.7%, Pashtun (Pathan) 15.4%, Sindhi 14.1%, Saraiki 8.4%, Muhajirs 7.6%, Balochi 3.6%, other 6.3%<sup>134</sup>.

GDP continued to grow above 5 percent in each of the last 2 years reaching 5.79 percent the highest in 13 years in the outgoing fiscal year FY2018 and 4 percent in each of the three preceding years<sup>135</sup>. This achievement is remarkable. The World Bank in its report has stated that Pakistan's economic growth increased from 5.4 percent in 2017 to 5.8 percent in 2018 was supported by major infrastructure projects and low-interest rates<sup>136</sup>. Pakistan spends 3 percent of GDP on health, nutrition, and education<sup>137</sup>. Still, Pakistan remains one of the lowest performers in the South Asia region on human development, especially in education and stunting<sup>138</sup>. Similar statistics can be found on infant and under-five mortality rates. There is a gender gap in education, health, and all economic sectors. Pakistan has one of the lowest female labour forces.

The corporate sector in Pakistan, contributes to the national economy and on the other hand, it creates a hostile environment for labour, and the environment. Adverse social, ethical, and environmental effects can be seen from all kinds of corporations<sup>139</sup>. The key issues caused by the companies especially in the manufacturing sectors are labour, health and safety incidents, and unpaid overtime and environment-related matters<sup>140</sup>. The negligence of health and safety at the workplace by the corporations can clearly be seen from the industrial accidents in the country<sup>141</sup>. Indeed, serious industrial accidents have increased from 354 to 419 in Pakistan during the time period 2000 to 2008<sup>142</sup>. Further, a number of recent industrial accidents, for example, the Baldia town garment factory accident in Karachi, shoe factory accident in Lahore

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<sup>134</sup> *ibid.*

<sup>135</sup> Economic Survey of Pakistan: Pakistan Economic Survey 2017–2018  
<<http://www.finance.gov.pk/survey.html>> accessed 29 November 2018.

<sup>136</sup> *ibid.*

<sup>137</sup> The world bank in Pakistan (5 October 2018) <<https://www.worldbank.org/en/country/pakistan/>> accessed 30 November 2018.

<sup>138</sup> *ibid.*

<sup>139</sup> Peter Lund-Thomsen, 'Towards a Critical Framework on Corporate Social and Environmental Responsibility in the South: The case of Pakistan' (2004) 47 *Development* 106–113.

<sup>140</sup> Pakistan Country Report, 'Clean Cloth Campaign' (2015)  
<<https://cleanclothes.org/resources/publications/factsheets/pakistan-country-report-2-2015.pdf/view>>  
accessed 27 November 2018.

<sup>141</sup> Lund-Thomsen (n 139).

<sup>142</sup> Faraz Khan and Saad Hasan, '258 dead in Karachi garment factory fire' *The Express Tribune* (Pakistan, 12 September 2012) <<https://tribune.com.pk/story/435258/karachi-garment-factory-fire-kills-20/>> accessed 8 November 2018

and pharmaceutical factory accident in Lahore, that occurred due to fire eruption, electric short circuit, and boiler explosion in the factories resulted in the deaths of more than 275 people and exemplify the current health and safety challenges in Pakistani companies<sup>143</sup>. These sorts of incidences represent a very poor and unhealthy environment for labour and also indicate that corporations do not accept any social responsibilities. From a CSR perspective, they do not follow stakeholder theory, but rather believe in the profit-making theory.

### 3.3 Regulation in Pakistan

Howard R. Bowen sets out that there are “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”<sup>144</sup>.

Although a law has been introduced by the Security and Exchange Commission of Pakistan (SECP) named CSR order 2009 about the CSR practices of the organizations, in Pakistan a Company only discloses their financial performances, not the social and other environmental performances. This law requires corporations to reveal all the information about their activities related to the CSR<sup>145</sup> however, this law only draws attention to the general events which may be reported by the corporations. There is no strict legal compliance required in Pakistan. There are only CSR guidelines given by SECP. So, some CSR related issues are dealt with by SECP, some with Small and Medium Enterprises Development Authority (SEMDA) and few matters are directly protected by the constitution of Pakistan. Only some issues related to the social and environment are regulated directly by law. For example, social issues like prevention of slavery, forced child labour, Bonded Labour, protection of consumers, etc. are regulated by laws. Even the constitution of Pakistan plays a vital role in making these laws and there are some direct provisions in the constitution through its articles<sup>146</sup>.

The law-making bodies of Pakistan are:

- The Constitution of Pakistan
- The Securities and Exchange Commission of Pakistan
- The State Bank of Pakistan
- Small and Medium Enterprises Development Authority – SMEDA

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<sup>143</sup> *ibid*

<sup>144</sup> Howard Rothmann Bowen, *Social Responsibilities of the Businessman* (1st edn, Harper & Row 1953).

<sup>145</sup> Companies Corporate Social Responsibility General Order 2009.

<sup>146</sup> The Constitution of the Islamic Republic of Pakistan 1973.

### 3.3.1 Constitution of Pakistan:

There are some fundamental rights which are conferred to citizens through the constitutions. These rights are guaranteed through the constitution and any law inconsistencies with these fundamental laws are void. These fundamental rights are discussed below<sup>147</sup>:

Article 3 discusses the elimination of exploitation. This includes that it is the state's responsibility to ensure all forms of exploitation are eliminated. The state will gradually fulfil the basic principle according to individual's ability and work<sup>148</sup>.

Article 9a discusses the provision of social security, welfare, and old-age benefits and the protection of environmental and consumer rights<sup>149</sup>.

Article 11 discusses the prevention of slavery, forced, and child labour<sup>150</sup>.

Article 17 discusses the freedom to form unions and associations Article.

Article 25 (2)) discusses the prevention of sexual discrimination

Article 37(e) discusses the provision for safe working conditions

Article 38(a) discusses mainly about the people's welfare, security, and discrimination. It includes, "secure the well-being of the people, irrespective of sex, caste, creed or race, by raising their standard of living, by preventing the concentration of wealth and means of production and distribution in the hands of a few to the detriment of general interest and by ensuring equitable adjustment of rights between employers and employees, and landlords and tenants"<sup>151</sup>.

To protect the above rights there are some laws. The Ministry of Labour and Manpower of Pakistan (MLM) is responsible for implementing these laws. Instead of having a general set of laws, to protect the workers in different industries there are different types of laws. For example, the Factories Act 1934 covers for the factory workers. Workers who work in the mines industry, Mines Act 1923 is for them. Only the Workmen Compensation Act 1923 includes the workers' compensation which they will get if they die or get injured for any

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<sup>147</sup> *ibid.*

<sup>148</sup> *ibid.*

<sup>149</sup> *ibid.*

<sup>150</sup> *ibid.*

<sup>151</sup> *ibid.*

industrial accidents. Laws are also slightly different in different provinces of this country which is included in the Provincial Employees Social Security Ordinance 1965. The West Pakistan Shops and Establishment Ordinance 1969 includes the laws about shops and similar types of organizations. Child labour is included in the Employment of Children Act 1991. Similarly, the Bonded Labour System Abolition Act 1992, and the Punjab Industrial Relations Ordinance 2010 include labour system and industrial relations in Punjab respectively. It demands sustainable development meaning that on one side they will establish an industry and at the same time there should not be any harmful activities by that industry. Their objectives need to be balanced.

In Pakistan, there is an official financial regulatory authority which is called the Securities and Exchange Commission of Pakistan (SECP). The objective of this organization is to establish an updated and efficient business sector<sup>152</sup>.

If an organization does not practice CSR, then it looks awkward that the organization is forced by any government's laws to practice CSR, as this is the organization's legal responsibility to respect the laws and orders and to act in a certain way<sup>153</sup>. A judicial outline forces corporations to exercise CSR activities is similar to making strict the employment laws or announcing tariffs for the development of infrastructure<sup>154</sup>. This would be an alternative way to enforce organizations to practice CSR activities instead of forcing them legally and relate to the country's mainstream of politics. Thus, CSR activities of organizations can stay beyond the strong judicial framework. Moreover, encouraging ethical practices by the companies is better than forcefully engaging them in CSR activities and this actually compels them to function in a decent way which may not be possible by applying the laws.

There is no codified CSR law in Pakistan. CSR is a voluntary concept in Pakistan. So, corporate social responsibilities here are either:

- (a) Basic employment laws which are related to the employees' welfare, or
- (b) Governmental recommendations or standards which encourages organizations to include CSR in their business policy, or

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<sup>152</sup> Afshan Ahmed and Iftikhar Ahmed, *Corporate Conscience CSR in Pakistan - A Study* (Prakruthi 2011) 28-38.

<sup>153</sup> *ibid.*

<sup>154</sup> *ibid.*

(c) Some codes of conduct, rules and regulations for CSR to practice by the corporations and government will monitor mainly the issues which are related to CSR and manage with other laws.

Pakistani labour laws and the country's constitutional requirements also can be taken as legal bases of the companies' corporate social responsibility in the country. However, there is a dearth of precise governmental CSR laws in Pakistan, there are different types of laws which are indirectly guiding to the CSR practices by the companies. They include;

- Labour Laws
- The Company Act 2017
- Corporate governance code
- Employment of Children Rules, 1995
- The Mines Act

### **3.3.2 Labour Laws:**

Most of the areas are covered by the Factories Act 1934, for example, the rights of the workers, working hours, holiday payment, workplace safety, etc. Although there are specific laws regarding all these issues, but implementation is not enough. Dr. Hafiz Pasha, ex-finance minister of Pakistan stated that 60 percent of the total workforce in this country don't get even minimum wages. Additionally, gender discrimination at the workplace is one of the biggest issues in the country and there is no law against this problem<sup>155</sup>.

Some important provisions of this Act are:

Chapter III (section 13 to 33Q) Factories Act 1934 as an amendment in 1997 which discusses health and safety issues.

Chapter IV (34-49) which discusses about the restriction on works on adult.

Chapter V discusses the employment of adolescents and children.

Contravention of this law is punishable under section 60 which said, "the manager and occupier of the factory shall each be punishable with fine which may extend to five hundred rupees".

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<sup>155</sup> Editorial, '60% of labour force does not even receive a minimum wage' *Daily Times* (Pakistan, 7 December 2018) <<https://dailytimes.com.pk/330789/>>accessed 7 December 2018.

Provided that, the total amount of fine won't go above 500 RS if the manager and the occupier both are found guilty for the same offence.

One of the biggest limitations of this Act is that it only applies to factory workers and their working hours. Again, this law does not cover the CSR, it covers only the welfare of the workers.

### **3.3.3 The Companies Act 2017:**

The legal framework in the corporate section was historically provided by the repealed Companies Ordinance 1984. The SECP is not usually the lawmakers but led the efforts to make changes in company laws and instead of revising Companies Ordinance 1984 they propose the proper company law. So finally, the company Act 2017 enacted.

The Company Act 2017 required improving corporate governance. It imposed additional duties and obligations on boards and senior members which did not exist in the previous ordinance. In the Companies Act, only listed companies were bound to follow the above rules, not the non-listed companies. Now, the new Act makes it compulsory for all companies listed and non-listed<sup>156</sup>.

At its centre the recent company law offers facilitation to the corporate segment and other stakeholders to support the regulatory framework, abolishes unnecessary requirements, protects the interest of shareholders, and offers a softer regime for companies without public stakes<sup>157</sup>. Now, only the High Court will have jurisdiction to entertain claims and proceedings in relation to/under this Act.

Some important sections of this Act are:

In the present act, a director has more duties of care and needs to work with due diligence. Even the independent and non-executive directors will be liable in case of failure to act diligently<sup>158</sup>.

Another important point of this Act is that it prevents the officers of companies to allow any scam or money laundering activities by the company. They need to take adequate measures to achieve this. This act introduces a very big penalty for the failure to take adequate measures

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<sup>156</sup> Haroon Baryalay, 'Pakistan's New Companies Act, 2017' [2017] Axis Law Chambers 1 <<http://axislaw.pk/wp-content/uploads/2017/11/Pakistans-New-Companies-Act-2017-Issue-1-6-November-2017.pdf>> accessed 8 December 2018.

<sup>157</sup> A Ahmed and I Ahmed (n 152).

<sup>158</sup> Baryalay (n 156).

which is up to Rs. 100 million fine and up to three years' jail. The liability can be avoided by the officers only if they have considered "reasonable measures" for preventing the charge of the offense<sup>159</sup>. A person cannot be a director for more than seven companies which is very good steps in the new Act.

Now the amalgamation and reconstruction power of companies are given to the SECP from the court due to the delays by the court.

The new Companies Act has introduced a number of minority shareholder protections.

The Parliament of the country has included a new act about female participation which is for the first time in the last 72 years. Now, as a social obligation, every large company must incorporate at least one female director on their board of directors and a 2% quota for those people who have disabilities.

Three new slabs introduced in the new Act will award a penalty to law violators.

The Companies Act 2017 reduces the discretionary powers of the Security Exchange Commission of Pakistan (SECP) to a large extent. The SECP is the authorised body who is also responsible for supervising, investigating and reporting. This will help to improve the quality of businesses and prevent them from doing something wrong.

### **3.3.4 The Corporate Governance Codes**

SECP developed The Corporate Governance Codes to look after the interests of shareholders who are smaller in number. These codes are mainly applicable to the listed companies in Pakistan. SECP is an important authorised body because it invested more than Rs.7.5 million and makes sure that all the listed, non-listed public and private companies reveal all the information required by the government<sup>160</sup>. These codes pursue all the board of directors of listed companies to follow a procedure officially whereby they consider all the stakeholders' wellbeing as well as different types of social factors in their business policy<sup>161</sup>, for example, coincidences and hazardous incidents at work, and any kinds of environmental problems<sup>162</sup>.

In one sense, SECP acts like the Compliance regulating body. It evaluates whether a company is submitting reports and maintaining its standards on a regular basis or not. Therefore, SECP collects reports from the Institute of Chartered Accountants of Pakistan (ICAP) which is a

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<sup>159</sup> *ibid.*

<sup>160</sup> Securities and Exchange Commission of Pakistan 2014.

<sup>161</sup> A Ahmed and I Ahmed (n 152) 24-28.

<sup>162</sup> *ibid.*

professional accountancy body in Pakistan which examines the accounts of all companies and then sends their report to the SECP. The SECP takes necessary legal actions based on these reports which are acceptable in the law against those companies which are not fulfilling the government's requirements.

### **3.3.5 Employment of Children Rules, 1995**

Despite having rules on child labour in 2016 Pakistan had 12.5 million children involved in labour<sup>163</sup>. This number was gone down to 3.8 million in 2018 but still, it is against the law<sup>164</sup>. These children are not only engaged in childhood labour but also exposed to various hazardous sectors, for example, agriculture, brick kiln, mining, auto-workshops, and leather industries, etc. This is injurious to both physical and mental mutilation. It is the violation of their fundamental rights that they are away from their basic right to education. That means the right conferred by the constitution still not enough; still, there is a need for some strict regulations. Under Article 16 the constitution of Pakistan conferred rights and also provide another provision for free and compulsory education to all children of the age between 5 to 16 years under article 25 (A) of Constitution 1973<sup>165</sup>.

But the actual scenario is different. Especially in small and medium enterprises there are lots of violations of these laws.

### **3.3.6 The Mines Act 1923**

This Act is especially for people who work in the Mines industries. Few important provisions of this Act are<sup>166</sup>:

2. 22 B- Hours of work above ground. —
  1. “A person employed above ground in a time shall not be allowed to work for more than forty-eight hours in any week or for more than eight hours in any day.”
  2. “The periods of work of any such person shall be so arranged that, along with his intervals for rest, they shall not in any day spread over more than ten and a half hours, and that he shall not work for more than five hours before he has had an interval for rest of at least half an hour.”

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<sup>163</sup> Editorial, ‘12.5 million children in Pakistan are involved in labour’ *Dawn* (Pakistan, 13 June 2016) <<https://www.dawn.com/news/1264451>> accessed 7 December 2018.

<sup>164</sup> Imran Haider Tipu, ‘Legislative apparatus to avert child labour in Pakistan’ *Daily Times* (Pakistan, 3 August 2018) <<https://dailytimes.com.pk/277233/legislative-apparatus-to-avert-child-labour-in-pakistan/>> accessed 7 December 2018.

<sup>165</sup> *ibid.*

<sup>166</sup> The Mines Act 1923.

3. “Persons belonging to two or more relays shall not be allowed to do work of the same kind above ground at the same moment”;  
“Provided that for the purposes of this sub-section persons shall not be deemed to belong to separate relays by reason only of the fact that they receive their intervals for rest at different times.”

#### 2.22 C- Hours of work below ground. —

1. “A person employed below ground in a mine shall not be allowed to work for more than eight hours in any day.”
2. “Work of the same kind shall not be carried on below ground in any mine for a period spreading over more than eight hours in any day except by a system of relays so arranged that the periods of work for each relay are not spread over more than eight hours.”
3. “No person employed in a mine shall be allowed to be in any part of the mine below ground except during the periods of work shown in respect of him in the register kept under sub-section (1) of section 28.”  
“Provided that for the purposes of this sub-section persons shall not be deemed to belong to separate relays by reason only of the fact that they receive their intervals for rest at different times.”

Section 39 discusses the disobedience of order which is punishable with a fine and this may increase to two hundred rupees for every day after the date of the first guilty verdict on which the offence is demonstrated that the employees or the company have breached the law and kept continue. Section 40 discusses the Contravention of law with dangerous results which is double punishable.

### **3.3.7 Voluntary Regulation**

NGO plays a vital role in Pakistan to shield the government’s works<sup>167</sup>. Now society needs more responsible work than philanthropic work. Society is now more conscious about their rights and they held companies accountable for their work. Corporate volunteering has been explored as both an aspect of CSR and employee development<sup>168</sup>. Some of the main objectives of volunteer activities are: The CSR investment strategy of a company and the concept of corporate volunteering as a company’s present or future policy.

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<sup>167</sup> Nazish Shekha and Shahzad Hooda, ‘Corporate Volunteerism in Pakistan - A Research Report’ (2016) Triple Bottom-Line (TBL), Pakistan 1 <<http://www.tbl.com.pk/wp-content/uploads/2016/07/Corporate-volunteerism-in-Pakistan-A-Research-Report.pdf>> accessed 28 November 2018.

<sup>168</sup> *ibid.*

### **3.4 Corporate Social Responsibility Regulation in Australia**

The self-regulation of CSR has been alleged as being unsuccessful. A famous example of corporate malpractice by Australian companies, such as James Hardie and the Australian Wheat Board have increased public interest in addressing regulatory revision in Australia<sup>169</sup>.

Governance in the corporate sector is applied through various corporate governance guidelines issued by regulators such as the Australian Securities and Investment Commission (ASIC) which regulates companies under the Corporation Act 200, and the Australian Prudential Regulation Authority (APRA) which regulates the financial sector. The most important Principles and Guidelines have been issued by the Australian Securities Exchange (ASX) and its Corporate Governance Council which refers to listed companies. Other Acts such as the new modern slavery act of the Fair Work Commission can make a great impact on the corporate sector in Australia.

#### **3.4.1 ASX Corporate Governance Council:**

The ASX Corporate Governance Council was convened in August 2002 which coordinated various businesses, shareholders and industry groups so that they can offer their valuable insights and expertise on governance issues from the perspective of their particular stakeholders<sup>170</sup>. The Council developed the Principles and made Recommendations. The Recommendations are not prescriptions, they are guidelines. Companies are not bound to follow the exact recommendations. The use of meta-regulation is evident in the “if not, why not” practice. If not possible to comply companies need to give an explanation of why it was not possible to follow and what has been followed in its place. Annual reporting does not diminish the company’s obligation to provide disclosure under ASX Listing Rule 3.1. Here a company means listed entities.

The Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition February 2019):

“Principle 1 – Lay solid foundations for management and oversight”

“Principle 2 - Structure the board to be effective and add value:”

“Principle 3 - Instil a culture of acting lawfully, ethically and responsibly”

“Principle 4 - Safeguard the integrity of corporate reports”

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<sup>169</sup> Thirarungrueang (n 132).

<sup>170</sup> ASX Corporate Governance Council, ‘Corporate Governance principles and Recommendations’ (3rd edn, 2014) 1-44.

“Principle 5 - Make timely and balanced disclosure:”

“Principle 6 - Respect the rights of security holders”

“Principle 7 - Recognise and manage risk”

“Principle 8 - Remunerate fairly and responsibly”

Among all the principles, principle 3 is relevant to CSR. In order to meet the ethical and responsible obligation, they need to comply with legal obligations to shareholders, employees, customers, suppliers, creditors, consumers, and the broader community’s reasonable expectation. The liabilities lie on the board to consider and assess the company’s circumstances<sup>171</sup>.

Companies should follow the following principles made by ASX<sup>172</sup>:

- “clarify the standards of ethical behaviour required of the board, senior executives and all employees and encourage the observance of those standards”
- “comply with their legal obligations and have regard to the reasonable expectations of their stakeholders”
- “publish their policy concerning diversity, or a summary of that policy, and disclose annually their measurable objectives for achieving gender diversity, their progress toward achieving those objectives and the proportion of women in the whole organisation, in senior management positions and on the board.”

There is a little recommendation for the companies to comply with principle 3.

**Recommendation 3.1:**

“Companies should establish a code of conduct and disclose the code or a summary of the code as to”<sup>173</sup>:

**Recommendation 3.2<sup>174</sup>:**

“Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish

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<sup>171</sup> *ibid.*

<sup>172</sup> *ibid* 19.

<sup>173</sup> ASX Corporate Governance Council, ‘Corporate Governance principles and Recommendations’ (2nd edn, 2010) 10.

<sup>174</sup> *ibid* 11.

measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.”

**Recommendation 3.3<sup>175</sup>:**

“Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.”

**Recommendation 3.4<sup>176</sup>:**

“Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.”

**Recommendation 3.5<sup>177</sup>:**

“Companies should provide the information indicated in the Guide to reporting on Principle 3.”

If a company is not able to follow one of the above recommendations, then the company must provide an appropriate explanation in its annual report. The code of conduct and diversity policy should make available for the public through the company’s website.

There has been some debate about Principle 3. The ASX Corporate Governance Council (the “Council”) intends to bring the proposals up to date and hand out the final version of the 4<sup>th</sup> edition of its Corporate Governance Principles and Recommendations that were released in early 2019. According to “the Council” the corporate governance recommendation should be parallel to the first world and they thought that it is essential to upgrade some recommendation by including the following matters<sup>178</sup>:

1. Social licence to operate;
2. Corporate values and culture;
3. Whistle-blower policies;
4. Anti-bribery and corruption policies;

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<sup>175</sup> *ibid.*

<sup>176</sup> *ibid.*

<sup>177</sup> *ibid.*

<sup>178</sup> ASX Corporate Governance Council, ‘Review of the ASX Corporate Governance Council’s Principles & Recommendations’ (2018) 1 <<https://www.asx.com.au/documents/asx-compliance/consultation-paper-cgc-4th-edition.pdf>> accessed 22 December 2018.

5. A clear slowing rate of progression in overcoming the issues related to gender diversity at board level;

6. Senate Economics References Committee<sup>4</sup> recommended for increased guidance about the carbon risk;

7. Cyber-risks; and

Some other areas have been identified by KPMG which aimed to improve the principles that appeared in a review authorised by the ASX Education and Research Program on the adoption of the recommendations in the previous edition of the Principles and Recommendation. The Council is trying to redraft the principle 3. They recommend changing the word “act ethically and responsibly” to “should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner respectively”. It has been identified as a very important thing by the Council to deal with these issues throughout corporate values and culture in the Principles and Recommendations to stop the loss of trust in businesses<sup>179</sup>. The Council proposed in future versions of principle 3 that all listed organizations must have a social licence to operate. Additionally, these organizations will lose their licence if they do not perform legally, ethically and in a socially responsible manner<sup>180</sup>.

Further, the revised principle 3 is proposed to be supported by three new recommendations<sup>181</sup>:

“Recommendation 3.1 (core values): A listed entity should articulate and disclose its core values.”

“Recommendation 3.3 (whistleblowing policies): A listed entity should :- have and disclose a whistle-blower policy that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and – ensure that the board is informed of any material concerns raised under that policy that call into question the culture of the organisation.”

“Recommendation 3.4 (anti-bribery and corruption policies): A listed entity should: – have and disclose an anti-bribery and corruption policy; and – ensure that the board is informed of any material breaches of that policy.”

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<sup>179</sup> *ibid.*

<sup>180</sup> *ibid.*

<sup>181</sup> *ibid.*

“The existing recommendation 3.1 (codes of conduct) will become recommendation 3.2 in the fourth edition in order to require the board to be informed of any material breaches of a listed entity’s code of conduct by a director or senior manager and of any other material breaches of the code that call into question the culture of the organisation.”

### 3.4.2 The Corporation Act 2001

This act regulates the operation and formation of the companies and relationships with shareholders and managers. The act also regulates all actions performed by the company, including any attempts at fundraising or mergers and acquisitions. A most important section related to CSR issues is section 181(1) (a) of the Corporations Act, 2001. This section entails directors of companies “to exercise their powers and discharge their duties in good faith in the best interests of the corporation”<sup>182</sup>. The Corporations Act 2001 is related to the corporate social responsibilities as this Act establishes the governance framework for the organizations by making the companies’ directors directly responsible for the decisions of their companies and, indirectly, to the companies’ shareholders.

Difficulty arises under the Corporations Act 2001 where directors contemplate voluntary conduct that has been formulated for the community interests. The issue of to whom corporate managers owe their fiduciary responsibilities to shareholders only or other stakeholders, is, as noted in chapter two, an ongoing debate<sup>183</sup>. Whether directors value making a profit or supporting social objectives or both, CSR is being imposed by requirements such as the listing rules. On the one hand, according to Lovett, “corporate governance rules should not make directors accountable for the impact of a company's activities on a broader set of interests”<sup>184</sup>. Alternatively, new laws such as the Modern Slavery Act and the Corporations Law address social issues. Section 181 of the Corporations Act 2001 provides that “directors and officers of a corporation must exercise their powers and discharge their duties”<sup>185</sup>:

- “In good faith in the best interests of the corporation; and”
- “For a proper purpose.”

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<sup>182</sup> Corporation Act 2001(cth) s181(1)(a).

<sup>183</sup> Renginee Pillay, *The Changing Nature of Corporate Social Responsibility: CSR and Development – The Case of Mauritius* (1st edn, Routledge 2016).

<sup>184</sup> Sam Ure and Tabitha Lovett, ‘Corporate Social Responsibility and the Corporations Act 2001 - A submission to the Parliamentary Joint Committee on Corporations and Financial Services (‘Committee’)’ (2005) 1 <file:///C:/Users/Front%20Office/Downloads/sub66\_pdf.pdf> accessed 21 December 2018.

<sup>185</sup> SWAAB, ‘A Practical Guide to Directors’ Duties’ (2018) <https://www.swaab.com.au/assets/download/Directors-Duties-guide-\_2018.pdf>.

### 3.4.3 Modern Slavery Act 2018

The term ‘modern slavery’ is used to cover a range of exploitative practices including human trafficking, slavery, forced labour, child labour, removal of organs and slavery-like practices. The Act creates a reporting requirement for large businesses and other entities carrying on business in Australia to report publicly on the actions they have taken to address modern slavery risks in their operations and supply chains<sup>186</sup>. According to the act the company, within six months of the end of their financial year must submit a ‘modern slavery statement’ to the Minister for Home Affairs which details the following<sup>187</sup>:

- “the identity of the reporting entity”;
- “the structure, operations and supply chains of the reporting entity”;
- “the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls”;
- “the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks”;
- “how the reporting entity assesses the effectiveness of such actions”;
- “The process of consultation with any entities the reporting entity owns or controls or is issuing a joint modern slavery statement with; and any other information that the reporting entity, or the entity giving the statement, considers relevant.”

The Act marks a significant step towards ensuring transparency in supply chains, improving identification of modern slavery risks and protecting and supporting victims. There are no penalties in the Australian law for non-compliance.

### 3.5 Summary

This chapter addressed the context in which CSR operates in Pakistan and Australia. Pakistan Laws that address CSR, The Company Act 2017, appears inadequate to meet the challenge of the social needs of Pakistan.

Australia has adopted a regulatory and meta-regulatory approach reflected in the corporations’ law and the Governance Guidelines of the ASX

Pakistan is an economically weak country, following the principles of a market economy and focused on industrial growth. Although corporations make a huge contribution to the national economy of the country, they cause various issues for the country’s society and the

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<sup>186</sup> Modern Slavery Act 2018 (UK).

<sup>187</sup> *ibid.*

environment. Therefore, different groups such as the government, the NGOs, media, and employees in Pakistan are raising their demands to the companies to operate responsibly for their society and the environment. In Pakistan, there is a variety of laws to govern the businesses' main social and environmental aspects, but still, the country needs specific codified laws to regulate business activities.

The issues raised for the introduction of laws to guide CSR in Pakistan are stakeholder's wellbeing such as profit for the organization, minimum wages, workplace safety, environmental safety, legal bindings, and social wellbeing.

The research questions identified in Chapter two were how are companies practicing CSR and what legal laws, regulation or guidelines for CSR are operating in Pakistan and Australia? This chapter explained the socio-economic background of Pakistan and Australia and how companies are performing CSR activities. This chapter also explained different laws and guidelines related to corporate social responsibilities that all types of businesses in Australia and Pakistan need to follow.

The next chapter presents the theoretical framework that underpins the study of these issues.

## Chapter 4: Conceptual Framework

### 4.1 Introduction:

The previous chapter shows the enhancement of CSR in Pakistan is very small and it is not growing the way that it should be. Although various studies have been done on previous occasions regarding this matter, but they are not enough. Still, there is a gap with respect to its development both in industries and in academia. This thesis will assess the factors that will enhance CSR development in Pakistan. In this chapter, the conceptual framework of this study compares and explains the CSR rules and regulations in Australia and Pakistan. The following sections explain the theoretical perspectives which have been drawn from theories and the CSR model underpinning the development of the conceptual framework.

### 4.2 Theoretical Perspective on Theories and CSR Model

In chapter two, the major theories supporting CSR research are shareholder theory, stakeholder theory, and legitimacy theory were discussed. Among them, stakeholder and legitimacy theories are commonly used. Carroll developed a model of CSR that has a strong relationship with these theories.

Stakeholder theory: Stakeholder theory helps in CSR research to define clear meanings and to develop accurate measurement methods. This theory also helps to provide a theoretical foundation. Stakeholder theory is called the most relevant theoretical framework within CSR<sup>188</sup>. Freeman et al. discussed CSR in the context of company stakeholder responsibility, where writers claimed that relationships with business and society should be considered from a wider perspective. The primary task of business will be the success of all the stakeholders collectively. Therefore, it is essential for the firm to identify its responsibility<sup>189</sup> as Laan has explained: “The stakeholder theory offers an explanation of accountability to stakeholders”<sup>190</sup>.

The fundamental aspect of this theory is that a company will make a profit as well as take responsibility and tell how a business relates to those individuals and communities on whom it impacts. This theory advocates co-relationship between different groups because it creates value for them. Thus, their interests are interlinked. This theory does not mean that one group makes a profit and another group suffers.

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<sup>188</sup> Huang and Zhao (n 69).

<sup>189</sup> Freeman and others (n 70).

<sup>190</sup> Laan (n 71).

Legitimacy theory: Suchman considers that “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”<sup>191</sup>. According to Gray et al., “legitimacy theory is a variant of stakeholder theory, which adds conflict and dissension to the picture and can be employed to explain more specific information about corporate social practices”<sup>192</sup>. This theory mainly coined from the organizational legitimacy which is derived from the social contract concept. It is hard to explain the term social contract because it includes clear and unclear features of the society such as codified and non-codified norms and values of the society<sup>193</sup>. Social contract theory is the relationship between society and the law<sup>194</sup>. Welbeck et al. found that the companies disclose information about their environmental activities just to maintain the social contracts and to avoid the legitimacy issues<sup>195</sup>. The study of Michaels and Grüning about corporate social responsibility and disclosure concluded that legitimacy theory is compulsory to explain the drivers and constraints of CSR disclosure<sup>196</sup>. Legitimacy theory supports a voluntary corporate disclosure because according to this theory voluntary disclosure is a process toward legitimation<sup>197</sup>.

While legitimacy theory applies to society as a whole, stakeholder theory recognizes some selective groups within the society to be more powerful than others. Especially fields like CSR accounting, intellectual capital, and environmental disclosure studies fit well into the legitimacy theory and stakeholder theory<sup>198</sup>. Although these two theories are considered complementary rather than competing theories, their use will depend on the identified user group for CSR disclosures. Legitimacy is obtained from the society as a whole rather than investors<sup>199</sup>. Legitimacy based CSR studies will suit situations where firms have been previously accused of malpractices which have affected the society as a whole. Studies by Patten, Deegan, and Rankin, investigating firms that have successfully been prosecuted by environment protection authorities, are concrete examples<sup>200</sup>. Since the legitimacy theory is based on society’s perception, management is forced to disclose information that would change

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<sup>191</sup> Suchman (n 80).

<sup>192</sup> O’Donovan (n 81).

<sup>193</sup> Kakabadse, Rozuel and Lee-Davies (n 20).

<sup>194</sup> *ibid.*

<sup>195</sup> Welbeck and others (n 84).

<sup>196</sup> Michaels and Grüning (n 85).

<sup>197</sup> Laan (n 71).

<sup>198</sup> Sharma (n 124).

<sup>199</sup> Junior, Best and Cotter (n 125).

<sup>200</sup> DM Patten, ‘Intra-Industry Environmental Disclosures in Response to the Alaskan Oil Spill: A Note on Legitimacy Theory’ (1992) 17 *Accounting, Organizations and Society* 471-475; C Deegan and M Rankin, ‘Do Australian Companies Report Environmental News Objectively?’ (1996) 9 *Accounting, Auditing & Accountability Journal* 52-69.

the external users' opinion about their company<sup>201</sup>. According to Omran and El-Galfy, the legitimacy theory is mostly suitable for corporations working in developed countries<sup>202</sup>; where the annual report of a business is seen as the major way to communicate CSR information with the society as a whole<sup>203</sup>. On the other hand, the stakeholder theory seems to be most suitable for multinational corporations working in developing countries. The company can target its CSR disclosures towards those stakeholders it wants to manage to achieve the desired relationship with those stakeholders<sup>204</sup>.

Literature shows that these theories are mainly for big organizations and there are two types of stakeholders: stakeholders who are within the organizations such as, stockholders, employees and other stakeholders who are outside of the organizations such as, government, environment, consumer, etc. But, the main focus of this study is on the development of CSR for both large and small and medium-sized enterprises in Pakistan. Therefore, the research applied these theories through different factors of corporate social responsibilities. Because an organization can only make a profit for its shareholders and can claim that they are following CSR activities as shareholders are also classified as stakeholders for any organization. Thus, it is necessary for organizations to apply CSR theories by considering different types of CSR factors.

Carroll (2016) identified four factors of corporate social responsibilities, they are economic factors, legal factors, ethical factors, and philanthropic factors.

**Economic factors:** According to Carroll, the economic domain of CSR can be defined as, "Perform in a manner consistent with maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency"<sup>205</sup>.

**Legal factors:** It is necessary for all organizations that they show respect to the laws and orders as well as they are following all the business rules, regulations and guidelines of their country. Carroll's category of legal responsibility is defined as "obeying or complying with the law"<sup>206</sup>.

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<sup>201</sup> Denis Cormier and Michel Magnan, 'Environmental reporting management: A continental European perspective' (2004) 22 *Journal of Accounting and Public Policy* 43-62; Cheryl L. Linthicum, Austin L. Reitenga and Juan Manuel Sánchez, 'Social Responsibility and Corporate Reputation: The Case of the Arthur Andersen Enron Audit Failure' (2010) 29 *Journal of Accounting and Public Policy* 160-176.

<sup>202</sup> Omran and El-Galfy (n 98).

<sup>203</sup> Adams and others (n 99).

<sup>204</sup> Bushman and Landsman (n 100).

<sup>205</sup> Schwartz and Carroll (n 27).

<sup>206</sup> *ibid.*

Ethical factors: According to Carroll, the ethical domain refers to “those standards, norms or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights”<sup>207</sup>.

Philanthropic factors: Philanthropic responsibilities represent the smallest layer of the pyramid, involve the corporation’s willingness to enhance the quality of living of their stakeholders through charitable donations and organizational support that are entirely voluntary and seen as desirable by the society. The philanthropic responsibilities are sometimes on the same level as ethical. However, the difference is that it is not seen as unethical behaviour if a business does not contribute their money to humanitarian programs<sup>208</sup>.

The following section of this study has developed the theoretical framework considering the theories and Carroll’s CSR model above.

### **4.3 Theoretical Framework**

Figure 4-1 shows the theoretical framework of this study which shows the two major theories that underpin the CSR model and suggests that the implementation of Carroll’s four factors leads to the adoption of CSR practices.

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<sup>207</sup> *ibid.*

<sup>208</sup> Archie B. Carroll, ‘The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders’ (1991) 34 *Business Horizons* 39-48.

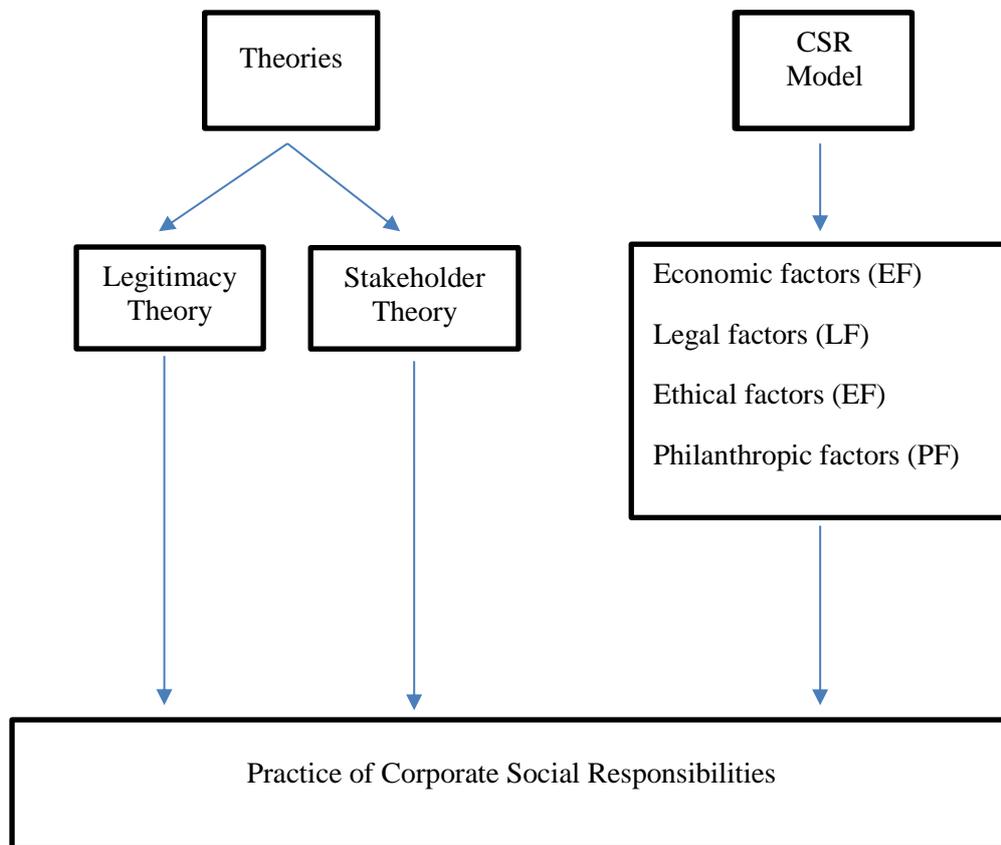


Figure 4-1: Theoretical Framework: CSR Model and Theories

From the literature review, stakeholder theory and legitimacy theory are considered as complementary theories. At the same time, these theories and corporate social responsibilities are also considered as distinct concepts with some overlapping. In legitimacy theory, society is considered as a whole without considering individuals separately like stakeholder theory<sup>209</sup>. Both stakeholder theory and CSR stress the importance of incorporating societal interests into business operations. Carroll’s CSR model shows organizations give priorities while they are practicing corporate social responsibilities and they mostly disclose all the positive things rather than any negative impact on the societies. Outcomes from many investigations show that solely any theory or model of corporate social responsibilities is not enough for proper CSR practices by any organization. Therefore, this study combines stakeholder theory, legitimacy theory, and Carroll’s CSR model to develop CSR practices in Pakistan.

#### 4.4 Development of Conceptual Framework

The main intention of this study is to enhance CSR in Pakistan. Pakistan is a developing country. On the other hand, Australia is a developed country. Moreover, the socio-economic

<sup>209</sup> C Deegan, ‘Introduction’ (2002) 15 Accounting, Auditing & Accountability Journal 282-311; AR Belal ‘Corporate social responsibility reporting in developing countries: the case of Bangladesh’ (Ashgate 2008).

background of these two countries are not the same. For that reason, it can be assumed that practices and rules and regulations for CSR in Australia are better than practices and rules and regulations for CSR in Pakistan. To justify this, CSR theories, both countries' CSR laws and orders, and socio-economic backgrounds were explored. Because the economic entities in Pakistan are mostly small entities, it is also essential to consider how all the organizations are carrying out CSR in real life. Therefore, the study compares CSR laws and their relevance for its practice in Pakistan and Australia.

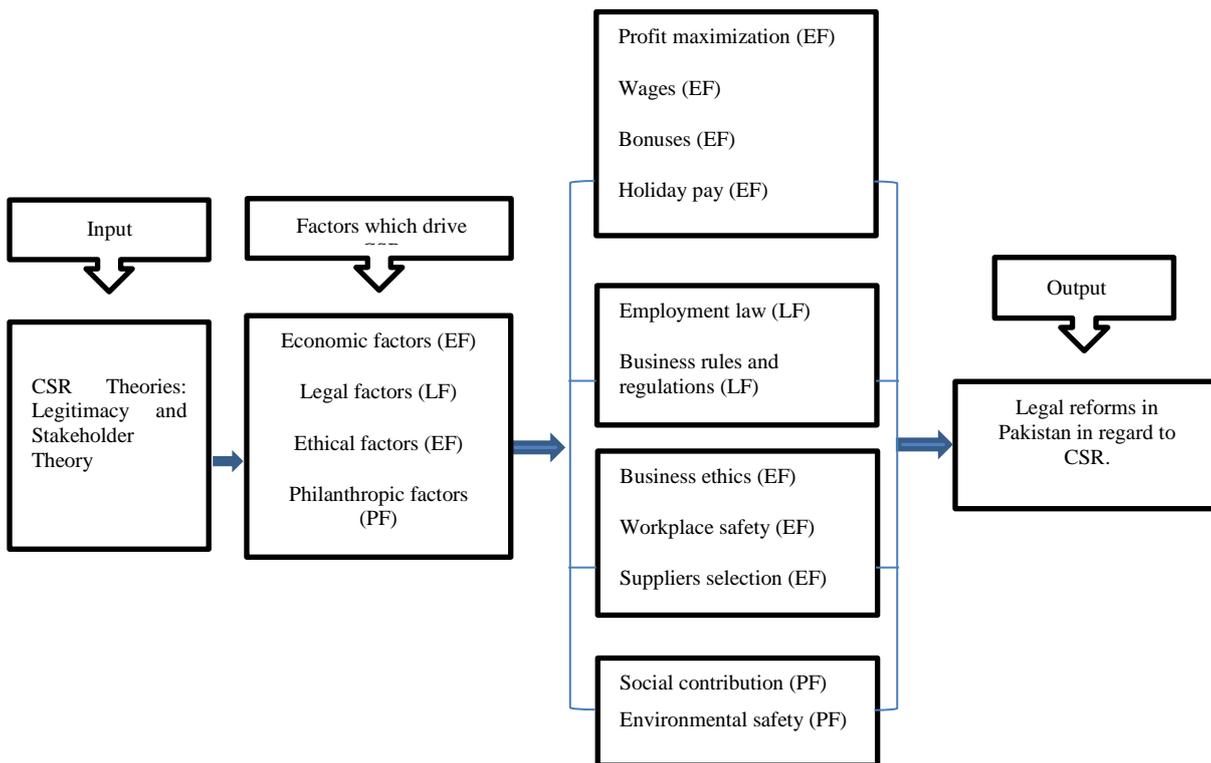


Figure 4-2: Conceptual Framework

Figure 4-2 shows the conceptual framework of this study which mainly relates the theoretical framework with the practices of CSR in Pakistan and Australia to develop the CSR activities in Pakistan. This study combined CSR theories specifically stakeholder and legitimacy theory and factors which drive CSR from Carroll's CSR model. Both stakeholder and legitimacy theories were taken into account as input because, the literature review suggests that depending on the economic level of developing and developed countries, these theories work in different

ways<sup>210</sup>. Factors that drive corporate social responsibilities of organizations are also the factors that organizations consider when they practice CSR. Carroll's model shows that enterprises should prioritise among these factors. But other theories neither explain that nor suggest how organizations should focus on all stakeholders and the society.

After reviewing the literature in Chapter 2 first three research questions emerged as follows:

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?
- What legal laws, regulation or guidelines for CSR operate in Pakistan and Australia?
- How do companies practice CSR in Pakistan and Australia?

To find the answers to these questions, Chapter 3 explained the socio-economic background of Pakistan and Australia and how companies are performing CSR activities in both of these countries. This chapter also clarified different laws and guidelines related to corporate social responsibilities that all types of businesses in Australia and Pakistan need to follow. Depending on the socio-economic background and culture of Pakistan and Australia, Pakistan is a developing country and on the other hand, Australia is a developed one. This implies the quality of lifestyles and living standards are better in Australia than Pakistan. Basic law and orders are in both countries may be the same, but their implementation and practice may differ. Therefore, the research explored the following propositions:

P1: Legal laws, regulation or guidelines for CSR are similar for all companies in Pakistan and Australia.

After having the discussion in Chapter 3, in a very natural way, the following questions appeared.

- What are the differences in the practice of CSR by the companies in Pakistan and Australia?
- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

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<sup>210</sup> Archie B. Carroll 'Carroll's Pyramid of CSR: Taking Another Look' (2016) 1 International Journal of Corporate Social Responsibility.

To answer these questions, Chapter 5 describes how empirical data were collected from Australia and Pakistan and Carroll's CSR model was considered to see what the differences in the practice of CSR by the companies in these countries are. Comparisons of empirical evidences showed that organizations in Australia are more frequently practicing CSR activities than Pakistani organizations which led to the following propositions.

P2: CSR practice in Australia is more frequent than Pakistan.

P3: CSR practices in Pakistan needs to improve.

#### **4.5 Summary**

The literature review identified the relevant theories and their research. This led to identifying the gap in the research which shows that both in Australia and Pakistan basic CSR rules and regulations are similar, but organizations in Pakistan are not applying those CSR rules and regulations properly as lots of CSR related issues are coming out in a regular basis. To find the reasons behind this situation, empirical data were collected and analysed in Chapter 6. Chapter three expanded on how CSR is regulated in Australia and Pakistan. This Chapter explains the conceptual framework of the study. It initially explained the theoretical perspective of the theories and the CSR model, and then developed the theoretical framework for the study. The next chapter will describe the methodological interpretation of the whole research process and which approach has been adopted for this study.

# Chapter 5: Research methodology

## 5.1 Introduction

Research methodology is an important part of research as it explains how the whole study has been conducted. The methodology can be defined as the overall approach to the research process<sup>211</sup>. Later the definition of methodology is elaborated as the procedural framework within which the research is conducted<sup>212</sup>. Brown defined methodology as the philosophical framework which organizes the whole researcher the base upon which the research is established<sup>213</sup>. So, this chapter describes the methodology which has been followed to develop corporate social responsibility in Pakistan.

The Council of Australian Law Deans Statement on the Nature of Legal Research states that<sup>214</sup>:

It is not at all obvious what “legal research” comprehends, as it straddles the humanities and social sciences; it has some elements in common with both and some elements that are unique; has, over time, undergone, and continues to undergo, a certain amount of development, underlining and enhancing its diversity; and, especially for those who think of law as predominantly about rules and their enforcement, is vulnerable to stereotyping. (p.1)

The Council goes on to say that legal research can be categorised in three ways:

- doctrinal- the systematic exposition, analysis and critical evaluation of legal rules and their interrelationships;
- theoretical- the conceptual bases of legal rules and principles;
- reform-oriented- recommendations for change, based on critical examination.

The present study fits within the category which is directed towards making recommendations for the reformation of existing laws.

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<sup>211</sup> Jill Collis, Roger Hussey and Jill Hussey, *Business Research: A Practical Guide for Undergraduate and Postgraduate Students* (Macmillan 1997).

<sup>212</sup> Dan Remenyi and others, *Doing Research in Business Management: An Introduction to Process and Method* (SAGE 1998).

<sup>213</sup> Michael E. Brown and Linda K. Treviño, ‘Ethical leadership: A review and future directions’ (2006) 17 *The Leadership Quarterly* 595-616.

<sup>214</sup> Council of Australian Law Deans, ‘Statement on the Nature of Legal Research’ (2005).

This chapter is mainly divided into two parts where the first part defines the research process and illustrates its steps using an onion<sup>215</sup>. The second part describes the philosophical position and which approach is suitable for this research. Next, the time horizon and methodologies for this research have been carried out and were based on the research philosophy. Then the instruments are represented that meet the aims and objectives of the research and find the answers to the research questions. This justifies the selection of the appropriate research strategy for this study.

## **5.2 Research Process**

The research process mainly explains the development of actions, then organises them in the correct order<sup>216</sup>. The research process can be illustrated with an 'onion' which has multilayers. Each layer states a sequence in the research process<sup>217</sup>. The outermost ring is the research philosophy and the next one is the research approach. The third layer of the onion is research methods and fourth is research strategy. Figure 5-1 shows that, after selecting the research strategy, the next step is to collect data by arranging 'time horizons' for the study<sup>218</sup>.

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<sup>215</sup> Mark Saunders, Philip Lewis and Adrian Thornhill, *Research Methods for Business Students* (4th edn, Pearson Education 2007).

<sup>216</sup> C.R. Kothari, *Research Methodology: Methods and Technique* (New Age International 2006)

<sup>217</sup> Saunders, Lewis and Thornhill (n 215).

<sup>218</sup> Mark Saunders, Philip Lewis and Adrian Thornhill, *Research Methods for Business Students* (7th edn, Pearson 2015).

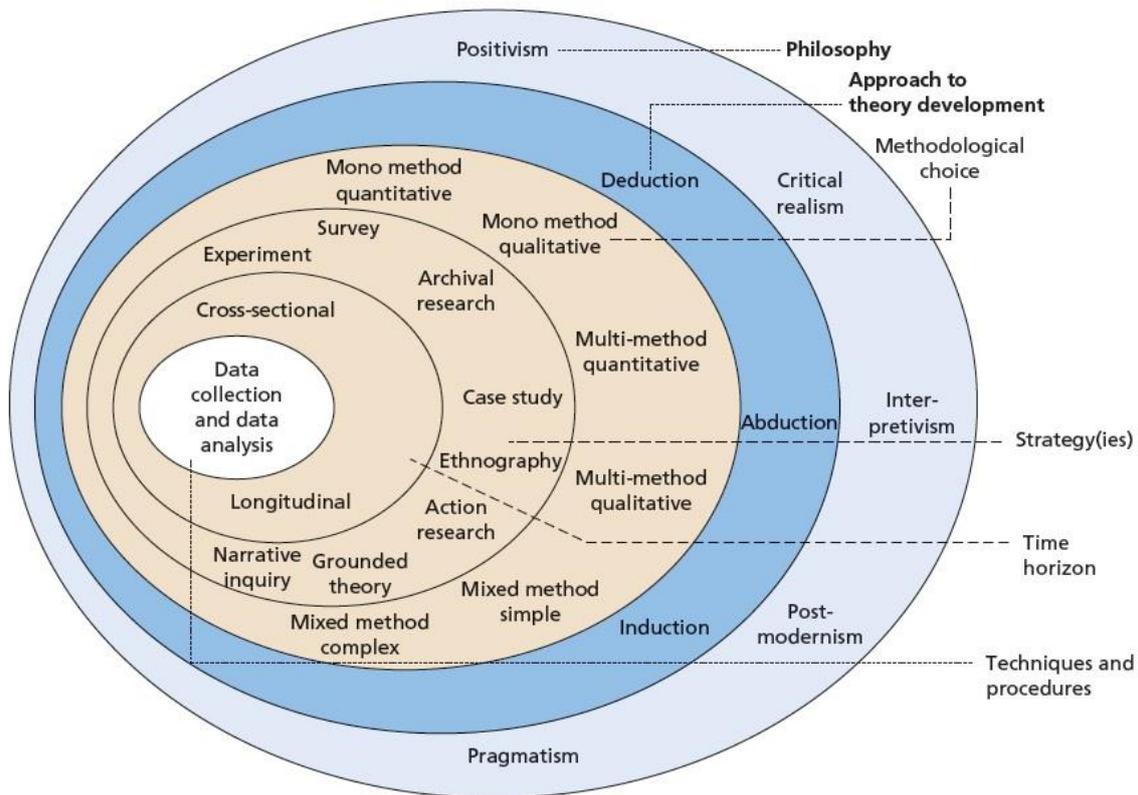


Figure 5-1: The Research 'Onion'<sup>219</sup>

In the next part of the study, the layers of the research onion are explained step by step first, then the research design of this study is explained in the light of the research onion.

### 5.2.1 Research Philosophies

Research philosophies which occur in the first layer of the research onion are the primary elements of a research process. The research philosophy helps to recognise the underlying assumptions that guide the research i.e., how to gather, analyse and use the data for the study. Different scholars have shown their views regarding the importance of having a certain idea of research philosophies for conducting research. According to some scholars, the findings of a research project can be affected by the research philosophy. Additionally, research findings may come out completely wrong if the research philosophy is not correctly selected by the researcher<sup>220</sup>. The research philosophy helps to identify what type of evidence is required, how to gather and interpret them to answer the research questions. Positivism and interpretivism are

<sup>219</sup> *ibid.*

<sup>220</sup> Mark Easterby-Smith, Richard Thorpe and Andy Lowe, *Management Research: An introduction* (2nd edn, SAGE 2002).

two different extremes of research philosophies<sup>221</sup>. However, other scholars added realism as another type of philosophy<sup>222</sup>.

It can be argued that research philosophies should be characterised by assumptions. They are ontological, epistemological and axiological assumptions<sup>223</sup>. Following is a short description of three assumptions about philosophical principles and the philosophies are based on them.

**Ontological assumptions:** These assumptions relate to the type of the world and individuals in social frameworks. There are two choices to see the world. Firstly, for an individual, reality has no other perceptions, it is external and forceful. This is known as ‘realism ontology’. Secondly, reality is expressed in the internal thought processes of individuals. They are known as normalism or idealism<sup>224</sup>.

**Epistemological assumption:** This assumption is about understanding the world<sup>225</sup> by using positivist and antipositivists or interpretivist approaches<sup>226</sup>.

**Axiological assumption:** This assumption describes the nature and the basis of value judgments<sup>227</sup> which helps to cover the range from ‘value-free’ to ‘value-laden’ depending on including or excluding value judgments by the researcher about the study.

Now, five research philosophies are briefly discussed below.

*Positivism:* This philosophy implies the researchers’ view about the existence of reality. Positivist ontology researchers believe reality exists and it is constant<sup>228</sup>, then from an objective perspective, they describe it in a realistic way<sup>229</sup>. According to Saunders et. al. positivism philosophy illustrates, “the researcher is independent of and neither affects nor is affected by the subject of research”<sup>230</sup>.

*Interpretivism:* The position of interpretivism regarding ontology and epistemology is that an interpretivist researcher considers reality as multiple and constructed by human beings

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<sup>221</sup> Michael J. Baker, ‘Selecting a Research Methodology The Marketing Review’ (2001) 1 Westburn Publishers 373-393.

<sup>222</sup> Saunders, Lewis and Thornhill (n 215).

<sup>223</sup> M. Sexton, A supple approach to exposing and challenging assumptions and PhD path dependencies in research, Keynote speech of the 3rd International Postgraduate Research Conference 2003.

<sup>224</sup> Gibson Burrell and Gareth Morgan, *Sociological Paradigms and Organizational Analysis: Elements of the Sociology of Corporate Life* (Heinemann 1979).

<sup>225</sup> Saunders, Lewis and Thornhill (n 218).

<sup>226</sup> Burrell and Morgan (n 224).

<sup>227</sup> Sexton (n 223).

<sup>228</sup> David Michael Levin, *The Opening of Vision: Nihilism and the Postmodern Situation* (Routledge 1988).

<sup>229</sup> Easterby-Smith, Thorpe and Lowe (n 220).

<sup>230</sup> Saunders, Lewis and Thornhill (n 215) 84.

and this is why it is also called social constructivism<sup>231</sup>. The interpretive epistemology is one of subjectivism and some scholars defined this philosophy as reality “is determined by people rather than by objective and external factors”<sup>232</sup>. Interpretivism indicates that people place their different understandings and observations based on different circumstances depending on their experience as they are interconnected with the environment and try to give an explanation of those situations and ultimately, they affect these people’s activities<sup>233</sup>.

*Critical Realism:* Critical realists also consider that reality is not straightforwardly understandable by the way we think and the knowledge we have of it however reality is external and independent. The ontological position of this philosophy is historical realism and epistemological position is under subjectivism, therefore, this type of research most of the time studies deep historical investigation of social and organisational structures and their changes as it tries to find the original causes and process of any incidents and explain the cases<sup>234</sup>.

*Post-modernism:* Ontologically, post-modernism is a participative reality philosophy which draws attention to the function of language and power relations. According to postmodernists, our languages are the only way to express the sense of order<sup>235</sup>, however, at the same time, they believe that language is neither complete nor suitable all the time because it might change or ignore important things while it tries to explain any incidents since the epistemology post-modernism is one of subjectivism. Postmodernists also seek to reveal and examine the power relations that endure main realities.

*Pragmatism:* Pragmatism philosophy “attempts to merge both objectivism and subjectivism, facts and values, accurate and rigorous knowledge and different contextualised experiences. It does this by considering theories, concepts, ideas, hypotheses and research findings not in an abstract form, but in terms of the roles they play as instruments of thought and action, and in terms of their practical consequences in specific contexts”<sup>236</sup>. Thus, pragmatist researchers, ontologically and epistemologically believe that depending on situations and circumstances, reality can be varied and there may be more than one reality to explain any incident. Axiologically pragmatist researchers are reflexive. Although, it is not

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<sup>231</sup> *ibid.*

<sup>232</sup> Easterby-Smith, Thorpe and Lowe (n 220) 30.

<sup>233</sup> *ibid.*

<sup>234</sup> Michael Reed, ‘Reflections on the ‘Realist Turn’ in organization and management studies’ (2005) 42 *Journal of Management Studies* 1621-44.

<sup>235</sup> Robert Chia, ‘Organization Theory as a Postmodern Science’ in H. Tsoukas and C. Knudsen (eds) *The Oxford Handbook of Organization Theory* (Oxford University Press 2003).

<sup>236</sup> Saunders, Lewis and Thornhill, (n 215) 143.

necessary to think that considering this philosophy in an investigation means the research has been conducted by multiple methods<sup>237</sup>. Eventually, pragmatist researchers use the most appropriate method/s to get the best results of their research.

Table 5-1 compares the five research philosophies with the research assumptions<sup>238</sup>.

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<sup>237</sup> Mihaela L. Kelemen and Nick Rumens, *An Introduction to Critical Management Research* (SAGE 2008).

<sup>238</sup> Saunders, Lewis and Thornhill (n 215).

Table 5-1: Comparison of five research philosophies.

Ontology (nature of reality or being)	Epistemology (what constitutes acceptable knowledge)	Axiology (role of values)	Typical methods
<b>Positivism</b>			
Real, external, independent  One true reality (universalism)  Granular (things) Ordered	Scientific method  Observable and measurable facts  Law-like generalisations Numbers  Causal explanation and prediction as contribution	value-free research  Researcher is detached, neutral and independent of what is researched Researcher maintains objective stance	Typically, deductive, highly structured, large samples, measurement, typically quantitative methods of analysis, but a range of data can be analysed
<b>Critical realism</b>			
Stratified/layered (the empirical, the actual and the real)  External, independent Intransient Objective structures Causal mechanisms	Epistemological relativism  Knowledge historically situated and transient  Facts are social constructions  Historical causal explanation as contribution	Value-laden research  Researcher acknowledges bias by world views, cultural experience and upbringing  Researcher tries to minimise bias and errors Researcher is as objective as possible	Retroductive, in-depth historically situated analysis of pre-existing structures and emerging agency. Range of methods and data types to fit subject matter
<b>Interpretivism</b>			
Complex, rich  Socially constructed through culture and language  Multiple meanings, interpretations, realities  Flux of processes, experiences, practices	Theories and concepts too simplistic  Focus on narratives, stories, perceptions and interpretations  New understandings and worldviews as contribution	Value-bound research  Researchers are part of what is researched, subjective  Researcher interpretations key to contribution  Researcher reflexive	Typically, inductive. Small samples, indepth investigations, qualitative methods of analysis, but a range of data can be interpreted
<b>Postmodernism</b>			
Nominal  Complex, rich  Socially constructed through power relations  Some meanings, interpretations, realities are dominated and silenced by others  Flux of processes, experiences, practices	What counts as 'truth' and 'knowledge' is decided by dominant ideologies  Focus on absences, silences and oppressed/repressed meanings, interpretations and voices  Exposure of power relations and challenge of dominant views as contribution	Value-constituted research  Researcher and research embedded in power relations  Some research narratives are repressed and silenced at the expense of others  Researcher radically reflexive	Typically, deconstructive-reading texts and realities against themselves In-depth investigations of anomalies, silences and absences Range of data types, typically qualitative methods of analysis
<b>Pragmatism</b>			
Complex, rich, external  'Reality' is the practical consequences of ideas  Flux of processes, experiences and practices	Practical meaning of knowledge in specific contexts  'True' theories and knowledge are those that enable successful action  Focus on problems, practices and relevance  Problem solving and informed future practice as contribution	Value-driven research  Research initiated and sustained by researcher's doubts and beliefs  Researcher reflexive	Following research problem and research question  Range of methods: mixed, multiple, qualitative, quantitative, action research  Emphasis on practical solutions and outcomes

Source: Adopted from Saunders et al.<sup>239</sup>

<sup>239</sup> *ibid.*

From the table above, it is easy to understand and see the differences among all five research philosophies which have been discussed above. Additionally, the author now can consider the most suitable philosophy for this study.

### **5.2.2 Research Approach**

The research approach is the second layer of the research onion which has mainly two broad groups, deductive and inductive approaches. Research with a deductive research approach uses theories and forms hypotheses and the researcher will either accept or reject the hypothesis by analysing the data then testing the probability of the result of the investigation. On the other hand, inductive analysis allows the researcher to develop a theory by observing the situation, outlining the research and initial assumptions<sup>240</sup>.

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<sup>240</sup> John Gill and Phil Johnson, *Research Methods for Managers* (3rd edn, SAGE 2002).

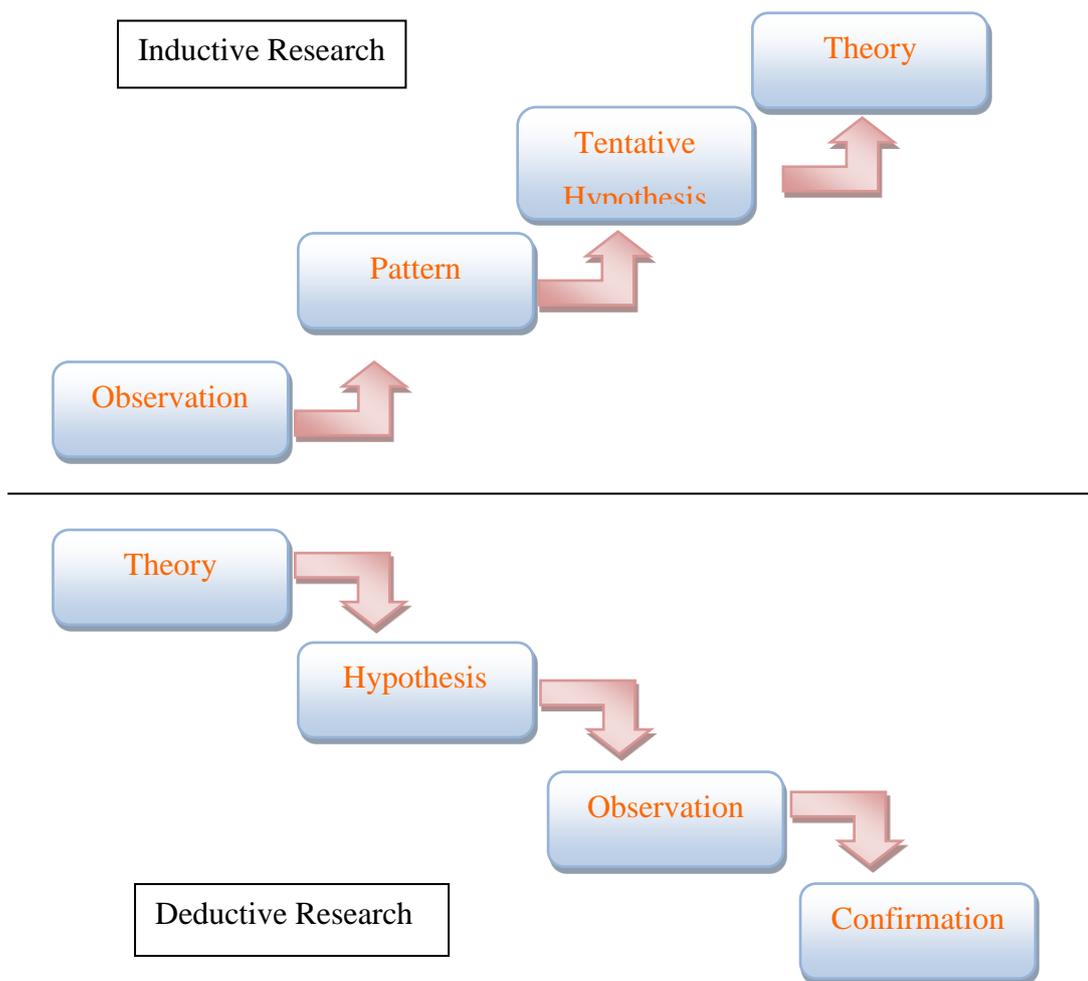


Figure 5-2: Deductive and Inductive Research Approach<sup>241</sup>

Further, Table 5-2 summarises these two approaches and shows the basic differences between them at a glance.

Table 5-2: Deductive versus Inductive Approach

Deductive	Inductive
1. Truth- preserving	1. Truth-revealing.
2. All or nothing affair, it is either valid or it is not.	2. More or less affair; it is a matter of degree.
3. No judgment is necessary; even a computer can determine validity.	3. Good judgment is necessary to determine their strength.
4. Logicians have much to say.	4. Logicians have little to say.
5. Their evaluation is a purely formal affair, independent of content	5. Their evaluation is ultimately an informal affair, dependent.

<sup>241</sup> Kenneth F. Hyde, 'Recognising deductive processes in qualitative research' (2000) 3 Qualitative Market Research: An International Journal 82-90.

This is really important to mention that, scholars have identified these two approaches, but it is not necessary that every researcher has to take them into account as the main two groups for their research<sup>242</sup>. Also, depending on the requirements and characteristics of any research both approaches can be combined to get the most benefits from them<sup>243</sup>.

### 5.2.3 Methodological Choices

There are two types of methodological choices, they are; mono method and multiple methods<sup>244</sup>. When a research project uses a single data collection and analysis techniques called mono method. Alternatively, multiple methods allow a researcher to use more than one data collection and analysis technique.

There are four several options of multi-methods are shown in figure 5-3.

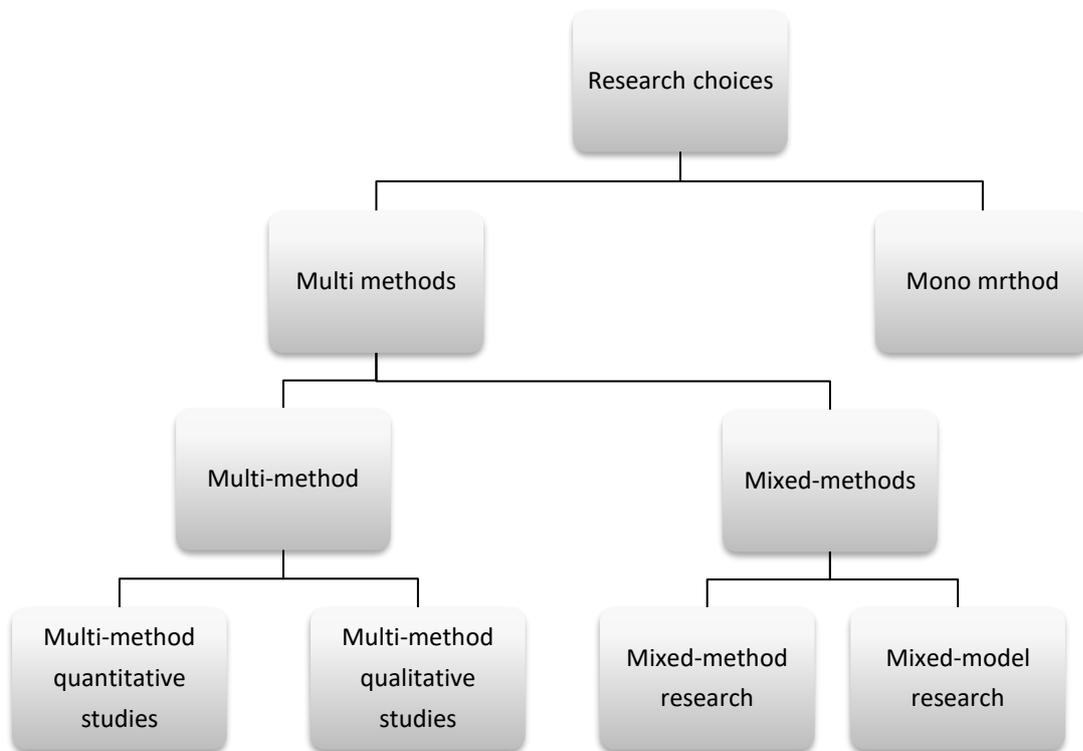


Figure 5-3: Research Choices<sup>245</sup>

<sup>242</sup> Saunders, Lewis and Thornhill (n 215).

<sup>243</sup> Saunders, Lewis and Thornhill (n 215); Robert K. Yin, *Case Study Research: Design and Methods* (Sage 2009); Gill and Johnson (n 240).

<sup>244</sup> Saunders, Lewis and Thornhill (n 215).

<sup>245</sup> Saunders, Lewis and Thornhill (n 218).

Mono method is a popular technique however number of scholars sometimes recommend multiple methods that are convenient to answer the research questions and interpret the research outcomes well<sup>246</sup>.

#### 5.2.4 Research Strategy

After peeling the first three layers of the research onion, in the fourth layer the research strategy<sup>247</sup> stands which has seven well-known alternatives as follows<sup>248</sup>:

- Experiment
- Survey
- Case study
- Action research
- Grounded theory
- Ethnography; and,
- Archival research

Brief descriptions of these research strategies are given below;

*Experiment:* This is a scientific research design where researchers use deductive approaches and try to find and explain the effect of particular (independent) variables on other (dependent) variables<sup>249</sup>.

*Survey:* This strategy allows researchers to conduct their research by using mostly quantitative method and it is related to the deductive research approach. Researchers in social sciences widely use survey strategy to show the relationships between variables with the help of different types of statistical tools<sup>250</sup>. However, survey strategy is very straightforward, answers research questions concerning who, what, where, how much and how many and easy to understand, it is a time-consuming strategy as it collects data from a huge population<sup>251</sup>.

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<sup>246</sup> Abbas Tashakkori and Charles Teddlie, *SAGE Handbook of Mixed Methods in Social & Behavioral Research* (SAGE 2003).

<sup>247</sup> Saunders Lewis and Thornhill (n 215).

<sup>248</sup> *ibid.*

<sup>249</sup> Herman W. Smith, *Strategies of Social Research: The Methodological Imagination* (2nd edn, Prentice-Hall 1981).

<sup>250</sup> Saunders, Lewis and Thornhill (n 215).

<sup>251</sup> Saunders, Lewis and Thornhill (n 218).

*Case Study:* Case study research strategy investigates any incidents from real-life experiences by using different sources of evidence<sup>252</sup>. Researchers use this strategy to study one or more organizations related to a set of issues that they have identified<sup>253</sup>. According to some scholars, “case study is an extensive examination of a single instance of a phenomenon of interest and is an example of a phenomenological methodology”. ‘What’, ‘why’ and ‘how’ types of research questions can be answered by case study research strategy.

*Action Research:* This type of research strategy means learning something from activities or actions. Action research can be defined as, "Action research...aims to contribute both to the practical concerns of people in an immediate problematic situation and to further the goals of social science simultaneously. Thus, there is a dual commitment to action research to study a system and concurrently to collaborate with members of the system in changing it in what is together regarded as a desirable direction. Accomplishing this twin goal requires the active collaboration of researcher and client, and thus it stresses the importance of co-learning as a primary aspect of the research process"<sup>254</sup>.

The action research spiral (Figure 5-4) shows how action research works. This strategy starts with some research objectives, then the researcher diagnoses the issues to solve for the investigations, then plan the whole process and implement them. Finally, by assessing them cycle 1 completes. This repeats again and again until the ultimate results differ from the initial outcomes. Thus, action research obtains the research findings.

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<sup>252</sup> A.L.M. Cavaye, ‘Case study research: a multi-faceted research approach for IS’ (1996) 6 *Information Systems Journal* 227; Peta Darke, Graeme Shanks and Marianne Broadbent, ‘Successfully completing case study research: combining rigor, relevance and pragmatism’ (1998) 8 *Information Systems Journal* 273; Bill Gillham, *Case Study Research Methods* (1st edn, Continuum 2000); Jason L. Jensen and Robert Rodgers, ‘Cumulating the Intellectual Gold of Case Study Research’ (2001) 61 *Public Administration Review* 235; Chad Perry, ‘Processes of a case study methodology for postgraduate research in marketing’ (2001) 32 *European Journal of Marketing* 785; Robert E. Stake, *The Art of case study research* (SAGE 1995); Winston M. Tellis, ‘Application of a case study methodology’ (1997) 3 *The Qualitative Report* 1 <<http://www.nova.edu/ssss/QR/QR3-3/tellis2.html>> accessed 1 October 2018; Chris Welman, S. J. Kruger and Fanie Kruger, *Research methodology for the business and administrative sciences* (Oxford University Press 1999); Robert K. Yin, *Case Study Research: Design and Methods* (SAGE 2003).

<sup>253</sup> Pervez Ghauri and Kjell Gronhaug, *Research Methods in Business Studies: A Practical Guide* (4th edn, Education Limited 2010).

<sup>254</sup> Thomas Gilmore, Jim Krantz and Rafael Ramirez, ‘Action Based Modes of Inquiry and the Host-Researcher Relationship’ (1986) 5 *Consultation: An International Journal* 161.

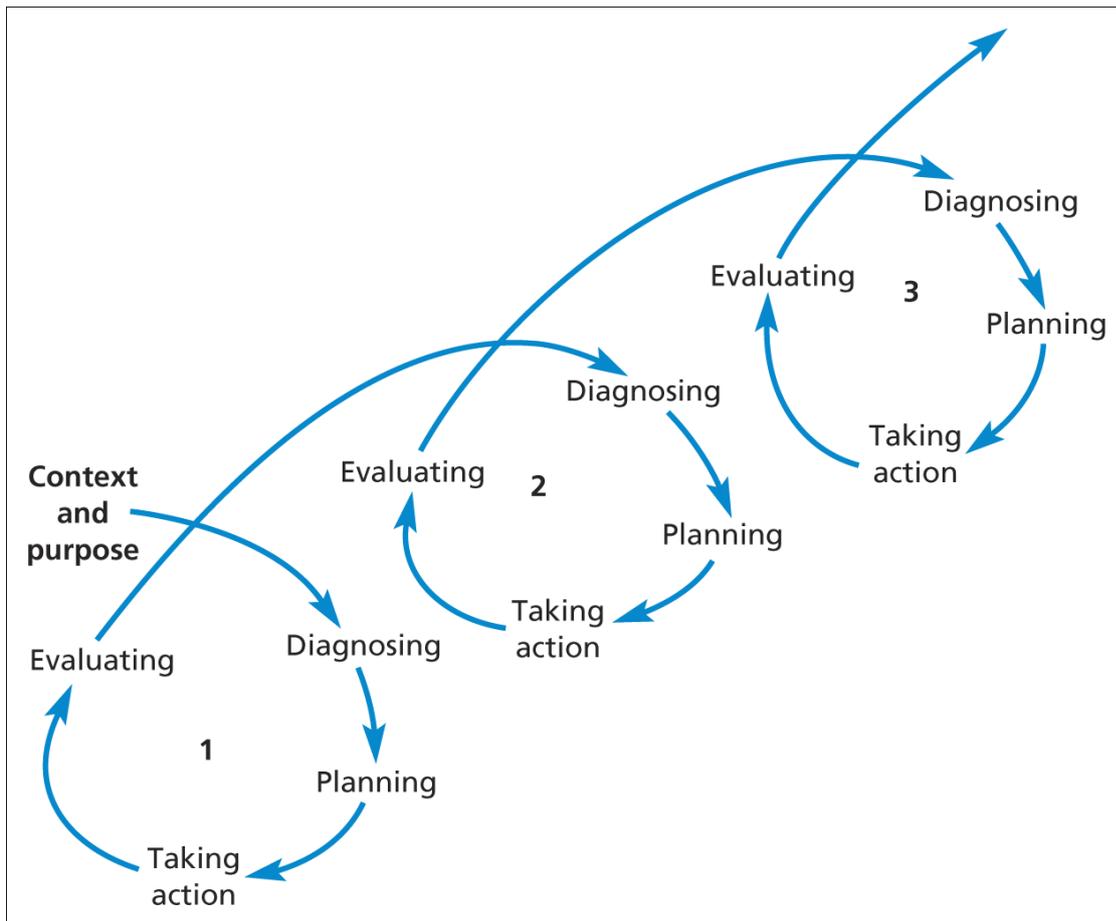


Figure 5-4: The action research spiral<sup>255</sup>

This is mainly a theory development strategy. It is different from other strategies as it focuses on actions and achieves results from change processes<sup>256</sup>. Therefore, action research answers ‘how’ types of research questions.

*Grounded Theory:* This is a theory development strategy and it allows to develop theories from the collected data. Usually, researchers draw ideas from previous theories then form some hypotheses and then collect data and analyse them to test those hypotheses. But in grounded theory researchers collect data without any theories. Mainly by adopting an inductive approach this research strategy develops a theory based on the collected data<sup>257</sup>.

<sup>255</sup> Saunders, Lewis and Thornhill (n 215).

<sup>256</sup> Colin Eden and Chris Huxham, ‘Action research for management research’ (1996) 7 *British Journal of Management* 75.

<sup>257</sup> Barney G. Glaser and Anselm L. Strauss, *The Discovery of Grounded Theory: Strategies for Qualitative Research* (Aldine 1967).

*Ethnography*: The main focus of ethnography research strategy is on describing the social world by engaging the researcher in the ground of investigation. For that reason, this is a time-consuming strategy. Ethnography is a realistic strategy and does not require collection of quantitative data. As it requires the researcher's involvement, it helps the researcher to observe within the incident and interpret the meaning of the proper situation<sup>258</sup>.

*Archival research*: The word archive gives an idea of archival research strategy which means documentation, file, record, etc. Therefore, the main data sources of this strategy are any types of historical or current administrative evidence such as agreements, deeds, reports, etc<sup>259</sup>. Limitation of this strategy is the probability of missing, editing or availability of data. Hence, the researcher has to make sure of the availability of data before designing the research.

After a brief discussion of the different types of research strategies above, this is clear that particular strategies are closely related to specific research approaches and methods. For example, three strategies (experiment, survey and archival) have a strong relation to the quantitative method, on the other hand, ethnography, action research, case study, and grounded theory are closely linked to the qualitative method<sup>260</sup>. To adopt a research strategy for a particular research it is important to select the right strategy which will mostly allow one to answer the specific research question(s) of the study and meet the research aims and objectives.

### **5.2.5 Time Horizon, Data Collection Methods and Samples Selection**

The next two steps of the research process are the time horizon and the data collection process. Time horizon refers to the period of time for the whole study which can be classified into two categories, they are; cross-sectional and longitudinal<sup>261</sup>. Cross-sectional investigations occur at a specific time which is also known as snapshot research. On the other hand, longitudinal research is usually ongoing research which allows investigating an incident for a long time even for many years<sup>262</sup>.

After identifying the time horizon of the study, the researcher needs to recognize the process of data collection. There are two types of data; Secondary and Primary data. According to some scholars, "secondary data are data that were collected by persons or agencies for purposes other than solving the problem"<sup>263</sup>. This implies that these types of data are already collected by

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<sup>258</sup> Saunders, Lewis and Thornhill (n 215).

<sup>259</sup> Emma Bell, Alan Bryman and Bill Harley, *Business Research Methods* (Oxford University Press 2013).

<sup>260</sup> Saunders, Lewis and Thornhill (n 218).

<sup>261</sup> Saunders, Lewis and Thornhill (n 215).

<sup>262</sup> Gerald R. Adams and Jay D. Schvaneveldt, *Understanding Research Methods* (Longman 1985).

<sup>263</sup> David A. Aaker, V. Kumar and George S. Day, *Marketing Research* (6th edn, Wiley 1997) 102.

other groups, researchers, organizations, practitioners, societies or agencies for their own reason such as government reports, news, theories, etc. Later, a different group of people re-examine or use that data for different reasons. Figure 5-5 shows the different types of secondary data below. On the other hand, when secondary data cannot answer any specific research questions, then researchers need to collect some relevant information and process them to solve the research problems, these are called primary data.

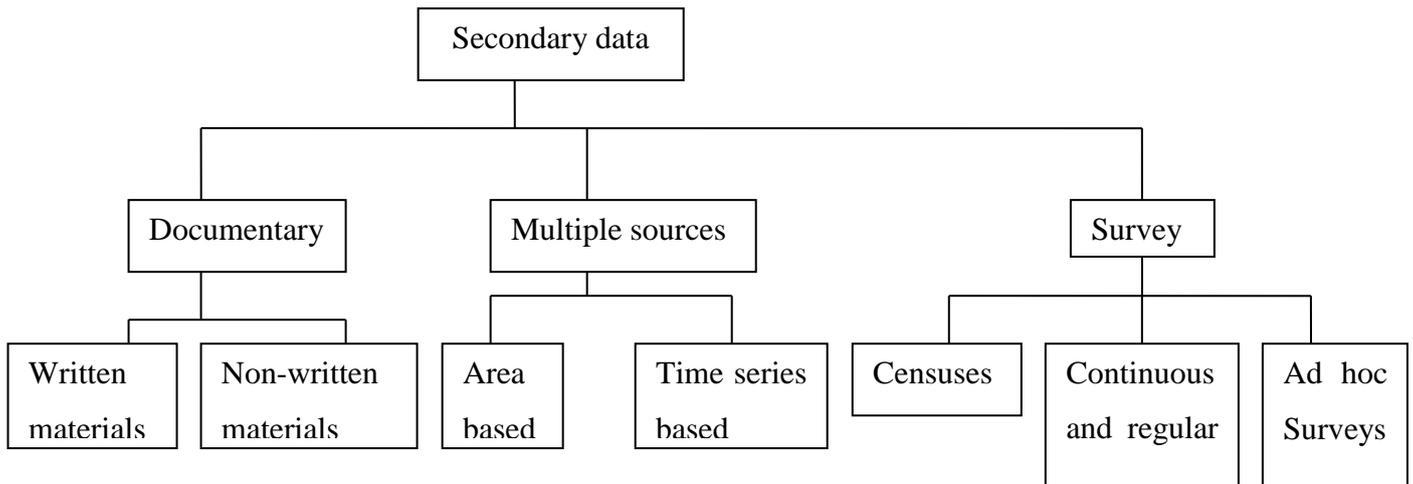


Figure 5-5: Types of Secondary Data, (Saunders et al., 2003)

Primary data can be collected in various ways such as, “observations, experiments, surveys (questionnaires) and interviews”<sup>264</sup>. According to some other scholars, methods of primary data collection process include, “observation method, interview method, through questionnaires, through schedules, and other methods which include; warranty cards, distributor audits, pantry audits, consumer panels, using mechanical devices, through projective techniques, depth interviews, and content analysis”<sup>265</sup> and first three are the most important among them<sup>266</sup> which are briefly discussed below.

<sup>264</sup> Saunders, Lewis and Thornhill (n 215) 289.

<sup>265</sup> Kothari (n 216).

<sup>266</sup> Ranjit Kumar, *Research Methodology: A Step-By-Step Guide for Beginners* (3<sup>rd</sup>edn, Sage Publications Limited 2011); Saunders, Lewis and Thornhill (n 215); Donald Currie, *Developing and applying study skills: writing assignments, dissertations and management reports* (London: CIPD 2005).

*Observation:* This type of data is the researcher's own direct observation without any consent from participating persons, objects or organizations. For example, if someone is investigating the consumer behaviour of using different brands of cars, then he does not need to ask the participant which car s/he drives while s/he can observe the respondent's car<sup>267</sup>.

After selecting the data collection process, the researcher needs to make sure, from where the data will be collected. In some cases, it is hard or impossible to collect data from a large population as it is time-consuming and financially not worthwhile<sup>268</sup>. For that reason, a group or part of the groups is identified which will represent the whole population and provide the required data. The process of identifying this group is called sampling or sample selection method and preferred representatives are known as sample<sup>269</sup> which can be defined as "a smaller (but hopefully representative) collection of units from a population used to determine truths about that population"<sup>270</sup>. There are two types of sampling techniques, probability, and non-probability sampling. Probability sampling allows the researcher to select samples without any bias, randomly and independently while in non-probability sampling samples are selected in a non-randomised form and researchers can apply their logic and thinking to choose the sample<sup>271</sup>. Both probability and non-probability samplings have five main techniques which are briefly discussed below<sup>272</sup>;

#### Probability Sampling:

- *Simple random sampling:* This kind of probability sampling allows researchers to select samples randomly so there is an equal chance for every single unit of the population to be chosen as a sample. This is an easy and simple way to select samples however, sometimes it is hard to recognise and deal with the whole population<sup>273</sup>.
- *Systematic Sampling:* In this method, samples are selected in a systematic way by giving a regular interval among the total sampling frame. For example, there are N numbers of samples in a sample frame. The researcher now first select a starting point from 1 to N then choose every k units after the starting point from

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<sup>267</sup> Kothari (n 216).

<sup>268</sup> Saunders, Lewis and Thornhill (n 218).

<sup>269</sup> Nayeem Showkat and Parveen, Huma, *Non-Probability and Probability Sampling* (e-PG Pathshala 2017).

<sup>270</sup> Shashikant Nishant Sharma, *New Perspectives in Sociology and Allied Fields* (EduPedia Publications (P) Ltd 2016).

<sup>271</sup> Saunders, Lewis and Thornhill (n 218).

<sup>272</sup> *ibid.*

<sup>273</sup> Sharma (n 270).

the samples<sup>274</sup>. This is also a very easy way of sampling but, each unit of the population has not equal chance to be selected as a sample<sup>275</sup>.

- *Stratified random sampling*: This method allows us to select samples randomly from the sub-groups of the population which are formed based on their different features, physical appearances or descriptions, for example, gender, age, height, religion, salary, and so on<sup>276</sup>. This process is more precise than other sampling methods because it corresponds to the subcategories<sup>277</sup>.
- *Cluster sampling*: This method also allows us to split the population into different groups known as *clusters*. Then, these clusters are used as the units of sampling method and samples are selected randomly from these clusters<sup>278</sup>. This is a cost-effective sampling technique, especially when the population is scattered in a large geographical area<sup>279</sup>.
- *Multi-stage sampling*: This is a further stage of cluster sampling where after following the steps of the cluster sampling method, every unit of selected clusters are sampled randomly again. Thus, this method is also known as multi-stage cluster sampling. The main intention of this technique is to overcome the errors which occur in cluster sampling and get more accurate samples<sup>280</sup>.

Non-probability sampling:

- *Quota sampling*: In this method of sampling, the population is divided into subgroups as stratified sampling then samples are selected from the sub-groups based on a specific proportion<sup>281</sup>.

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<sup>274</sup> *ibid.*

<sup>275</sup> Hafizah Hajimia, 'Sampling Techniques and Sample Types' *Slideshare* (2014) <<https://www.slideshare.net/hafizahhajimia/research-method-sampling>> accessed 18 September 2018; Arijit Chaudhuri and Horst Stenger, *Survey Sampling: Theory and Methods* (2nd edn, CRC Press 2005).

<sup>276</sup> Sharma (n 270).

<sup>277</sup> Michael Quinn Patton, *Qualitative Research & Evaluation Methods* (3rd edn, SAGE 2002).

<sup>278</sup> Gary T Henry, *Practical Sampling* (SAGE 1990) vol 21.

<sup>279</sup> Saunders, Lewis and Thornhill (n 218).

<sup>280</sup> Saunders, Lewis and Thornhill (n 218); Chaudhuri and Horst Stenger, *Survey Sampling: Theory and Methods* (2nd edn, CRC Press 2005).

<sup>281</sup> Vic Barnett, *Sample Survey Principles and Methods* (Edward Arnold 1991); Sharma (n 270).

- *Purposive sampling*: This method allows researchers to select samples which they think most appropriate, informative and relevant for their research<sup>282</sup>. In this technique, researchers have easy access to the samples, but they are biased<sup>283</sup>.
- *Snowball sampling*: In this method samples are collected in quite a few steps as researchers ask their initial participants for more respondents. Then those respondents give details of more groups of people. Thus, number of respondents increases and the sampling process continues until referrals are stopped, or the size of samples becomes too big to be able to handle<sup>284</sup>.
- *Self-selection sampling*: In this process researchers spread or circulate their topic of investigation and ask whoever wants to participate and provide the required information<sup>285</sup>. Therefore, preferred samples have the interest to be a part of the data collection process which is very effective for the investigation however size of sample may not be enough as sometimes people do not want to involve themselves in particular investigation or maybe they think that they have no connection with the announced topic.
- *Convenience (or haphazard) sampling*: In this sampling method researchers select samples from their nearest available population. They simply collect data haphazardly from the participants who are nearby and happy to provide information. The process continues until the researchers have enough samples for their investigation<sup>286</sup>.

A number of scholars advocate that there are certain sampling methods to practice for specific research strategies<sup>287</sup>. But, based on the researchers' ability and opportunity to obtain access to the organizations and contact with the population, they can combine the sampling techniques to achieve the research aims and objectives.

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<sup>282</sup> William Lawrence Neuman, *Social Research Methods: Qualitative and Quantitative Approaches* (6th edn, Pearson 2006).

<sup>283</sup> Showkat and Parveen (n 269); Saunders, Lewis and Thornhill (n 218).

<sup>284</sup> Showkat and Parveen (n 269); Saunders, Lewis and Thornhill (n 218); RM Lee, *Doing Research on Sensitive Topics* (Sage 1995).

<sup>285</sup> Saunders, Lewis and Thornhill (n 218).

<sup>286</sup> *ibid.*

<sup>287</sup> *ibid.*

The field of this research is very specific as it is enhancing the corporate social responsibilities in Pakistan by comparing CSR practices in Australia. The first part of this chapter identified criteria for choosing the research strategy for a study lead by the research questions and objectives. Time limit, other resources, for instance, primary and secondary data, research philosophy and research approach have vital roles in selecting the right research strategy. The literature review chapters before gave a deep knowledge about the existing theories which are also significant for selecting the research strategy for this study. The following part of this chapter describes the research strategy selected for this study together with the assessment of their advantages, disadvantages with respect to the philosophical position of this study.

### **5.3 Approach Adopted in This Research**

In chapter two the author identified the research questions, which are:

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?
- What legal laws, regulation or guidelines for CSR operate in Pakistan and Australia?
- How companies practice CSR in Pakistan and Australia?
- What are the differences in the practice of CSR in Pakistan and Australia?
- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

And the research explored the following propositions:

P1: Legal laws, regulation or guidelines for CSR are similar in Pakistan and Australia.

P2: CSR practice in Australia is more frequent than in Pakistan.

P3: CSR practices in Pakistan need to improve.

To answer these key research questions, the study will compare the overall CSR rules and regulations between Australia and Pakistan.

Based on the previous discussion this research is based on the criterion as the table below:

Table 5-3: Methodological choice of this study.

Assumption and Philosophy	Interpretivism assumption as reality is multiple and relative. Research focuses on and investigating the specific context which is CSR practices in Pakistan and Australia.
Method	Qualitative analysis considering only secondary data.
Time Horizon	This a longitudinal investigation as this study is not for a certain period of time.
Data Collection	Research is based on secondary data.

The methodological design of this study is described in the following sections.

### 5.3.1 Assumption and Philosophy

From the philosophical point of view and considering the research assumptions interpretivism research philosophy has been adopted. Interpretivism recognises the impact of the context and environment on individual behaviour and actions. The research questions focus on corporate social responsibility, legal laws and regulations and the socio-economic background of Pakistan and Australia. All of these are heavily influenced by the government, people and organizations of a country. Therefore, CSR activities in Pakistan and Australia are influenced by those different circumstances. Consequently, people from the two sample countries may have different perspectives, and different experiences of CSR because of the different contexts in which they live. Therefore, this investigation may reveal multiple realities in this investigation. Moreover, Interpretivism is also related to specific relationships among things and phenomena<sup>288</sup> and is therefore a suitable basis for this study because it includes the analysis of researchers' beliefs and suspicions<sup>289</sup>.

### 5.3.2 Approach

Based on the fact that the main aims and objectives of this study were to develop the rules and regulations and practices of CSR in Pakistan by comparing the law and orders and practices of CSR in Australia, an inductive approach was used as in this approach researcher can present subjective reasoning with the help of a range of real-life examples. Empirical pieces of evidence were obtained from ten textile companies' annual reports, case laws from both Pakistan and Australia. Another reason for adopting the inductive approach is, in this research

<sup>288</sup> Charles H. Busha and Stephen P. Harter, *Research methods in Librarianship: Techniques and Interpretation* (1st edn, Academic Press 1980).

<sup>289</sup> Saunders, Lewis and Thornhill (n 218).

qualitative data has been collected and the theory development process carried on by analysing those data and provided the recommendations.

### **5.3.3 Method**

Selecting an inductive research approach led to the adoption of a qualitative research process for this study. To describe and compare the CSR rules and regulations of Australia and Pakistan, the researcher collected case laws and annual reports related to the CSR practices from these countries and analysed them non-statistically to see from where the problems are actually arising. This means the researcher applied a single data collection and analysis technique.

### **5.3.4 Time Horizon**

This research is a longitudinal investigation. The intention of this study is to develop the CSR in Pakistan by comparing the CSR activities in Australia which investigates the improvements and changes of organizations' behaviour and characteristics, and this can be considered as a benefit of a longitudinal study. Another reason is cross-sectional study illustrates the incidence of a phenomenon in a given period of time, but this study investigated an ongoing process of development of corporate social responsibilities in Pakistan.

### **5.3.5 Research Strategy:**

For this study, the author has collected and evaluated only secondary data such as existing literature, annual reports of textile companies, case laws of Pakistan and Australia. Previously discussed in this chapter that ethnography, action research, case study, and grounded theory are categorised as qualitative research. On the other hand, surveys, experiment, and archival research are classed as quantitative research. As this research is a qualitative research and takes into account the way of addressing the research questions, the case study research method has been adopted for this research. The main reason to select this strategy is that it is a valid method for assessing theoretical propositions on their merits<sup>290</sup>. The case study methodology also possesses richness in capturing the required data in the case's natural settings<sup>291</sup> and has a holistic focus, aiming to preserve and understand the wholeness and unity of the case<sup>292</sup>. In this strategy, there is an opportunity to collect data from more than one source which helped the author to recognise the research objectives straightforwardly and meet the research questions

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<sup>290</sup> Wouter Vandenaabeele and Sylvia Horton, 'The Evolution of the British Public Service Ethos: A Historical Institutional Approach in Explaining Change' (Joint EGPA-ASPA Conference: Ethics and Integrity of Governance - The First Transatlantic Dialogue: Leuven (Belgium), 2-5 June 2005).

<sup>291</sup> Robert E. Stake, *The Art of case study research* (Sage Publications 1995).

<sup>292</sup> Keith F Punch, *Introduction to Social Research: Quantitative and Qualitative Approaches* (2<sup>nd</sup> edn, Sage Publications 2005).

effectively. In addition, case study strategy answers the question ‘why?’, ‘what?’ and ‘how?’ types of questions<sup>293</sup> and this research also entails ‘what’ and ‘how’ based questions. In this study, by investigating CSR rules, regulations, guidelines, cases in Pakistan and Australia ‘what’ questions, and by comparing them between these two countries ‘how’ question has been answered. A case study is an excellent opportunity to gain tremendous insight into a case<sup>294</sup>, which was operationalised in this research through the Pakistani and Australian case study of the CSR practices in both of these countries. This study enabled the researcher to gather data from a variety of sources and converged the data to illuminate the case.

### **5.3.6 Data Collection**

This study is based on only secondary data as they are appropriate to answer the research questions. Secondary data can be divided into two types. They are literature review and empirical data. The literature review covered the theoretical knowledge and empirical data were collected to cover the practical instances related to CSR in Pakistan and Australia. The literature review includes up to date laws, books, journal articles, newspaper articles, and various online resources which were collected from the Australian Security Exchange, Victoria University library, and by using online sources such as, Google Scholar and Victoria University online databases. Empirical data includes case laws and annual reports of businesses in Pakistan and Australia. There are several reasons for using secondary data to collect empirical data. Firstly, this study needs evidence that specifies how organizations of Pakistan and Australia practice CSR activities this can only be found from official records of selected companies. Secondly, Existing CSR laws and Acts of these two countries are already established and formed by their governments. Thirdly, this research compares CSR related case laws which are also filed in the courts of Australia and Pakistan. Therefore, the author had no other options but to choose to use secondary data for this study. To collect the empirical data author went through the sample selection process which is described below.

*Selection of sample:* Samples were collected by using a non-random sampling method. As the investigation includes both large and small and medium enterprises, the researcher selected ten different sized textile organizations from two main big cities of Pakistan and Australia, they are; Punjab and Melbourne. The city of Punjab from Pakistan was selected because the number of textile organizations in this city is noticeably more than in other cities in Pakistan. Moreover, Punjab has a better infrastructure and implementation of law and orders

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<sup>293</sup>Ghauri and Gronhaug (n 253).

<sup>294</sup> Pamela Baxter and Susan Jack, ‘Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers’ (2008) 13 The Qualitative Report 544.

in Punjab is stricter than in some other States. The researcher used a purposive non-random sampling technique to collect annual reports and case laws which are related to corporate social responsibility in Pakistan and Australia. It was very difficult to collect empirical data as lots of organizations particularly in Pakistan who publish their annual reports do not practice any CSR. Therefore, ten companies were also selected purposely who at least some corporate social responsibility activities have mentioned them in their annual reports. Two case laws are also selected, one from each country which are related to the CSR in Pakistan and Australia by using a purposive non-random sampling technique. It was more difficult for the researcher to find reviewed case laws in Pakistan than in Australia which can be directly identified as CSR related issues. Both selected cases collected show directors' negligence about their employees who are one of the most important stakeholders of an organization. The main reason for selecting the case from Pakistan is to show how a business owner in this country does not care about his/her employees' death and denies giving any compensation. Additionally, the case involved both Employment Acts, Compensation Acts, and their Sections. The James Hardie case from Australia has been reviewed from Anil Hargovan (2009) where the Australian Securities and Investments Commission was directly involved as a Claimant. Judges' decisions were also considered all the corporate governance Laws, Acts, and their Sections, but implementation of the law in these two countries differs significantly.

### **5.3.7 Analysis of The Data**

To analyse qualitative data, this research adopted content analysis data analysis technique, which is an organized, replicable method for packing together a lot of words of text into fewer content categories based on explicit rules of coding. This method interprets data accurately and methodically by identifying detailed characteristics of messages. Another reason for choosing this technique is, it allows researchers to determine and define the focus on individual, group, official, or societal considerations<sup>295</sup>. To analyse the data, the researcher used the latest software NVivo 12. The reason is, this is the most recent version of this software and in this software, it is easy to import documents directly from a word processing package and code these documents on screen. Parent nodes and child nodes are identified from the literature review. Then the main data obtained from the companies' annual reports against those child nodes.

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<sup>295</sup> Robert Philip Weber, *Basic Content Analysis* (2nd edn, Sage Publications 1990).

## 5.4 Reliability and Validity of The Research Method

Research designs should comprise approaches for certifying validity and reliability which implies, the trustworthiness of the research, results, and explanations<sup>296</sup>. Validity stands for upgraded perception, instead of enhanced exactness<sup>297</sup>. It can be argued that validity is the degree to which the findings of the research signify what is actually happening in any circumstances<sup>298</sup>. Reliability is the steadiness or endurance consistency of an instrument of evaluating which calculates the quality it is originated to measure<sup>299</sup>.

In this study, research validity and reliability were achieved through the application of several data approaches. Validity was achieved using two methods of data collection, data from case studies of annual reports, and legal cases. Reliability and credibility were achieved by conducting a number of discussions with supervisors and academic members of staff of Victoria University, Melbourne in the researched context. The discussions provided useful guidance in addressing key research themes. The credibility of the research findings was enhanced through peer debriefing and constant engagement of various important source of information during the period of conducting research. The researcher developed a CSR framework for organizations to guide other research attempts in achieving the results on different occasions which strongly explains that if a further researcher can conduct again research and attain the same results implies the investigation is reliable<sup>300</sup>. However, the results of this research must be interpreted with caution as the sample was small and purposive, with all the difficulties discussed above. Although, while the results cannot be generalised, they can usefully inform policies and legislation on CSR practices in Australia and Pakistan.

## 5.5 Research Ethics

When researchers conduct their investigations, it is very important to consider ethical issues related to their research<sup>301</sup>. Ethics in research refers, “norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others”<sup>302</sup>. From this definition, it is clear that research ethics confirms how ethically we complete our whole investigation process. Thus, research ethics allows researchers to initiate and give a clear idea

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<sup>296</sup> Corrine Glesne, *Becoming Qualitative Researchers: An Introduction* (4th edn, Longman 2010).

<sup>297</sup> *ibid.*

<sup>298</sup> J Hussey and R Hussey (n 211).

<sup>299</sup> T. Long and M. Johnson, ‘Rigour, Reliability and Validity in Qualitative Research. Clinical Effectiveness in Nursing’ (2000) 4 Churchill Livingstone 30.

<sup>300</sup> J Hussey and R Hussey (n 211).

<sup>301</sup> Alan Bryman, *Social Research Methods* (2nd edn, Oxford University Press 2004); J Hussey and R Hussey (n 211).

<sup>302</sup> Donald R.Cooper and Pamela S. Schindler, *Business research methods* (10th edn, McGraw-Hill 2008) 34.

of the research topic; to design the research framework; to get the access of research field data; to have a collection of data, then manage and save them, and finally evaluate these collected data; to find the research findings ethically and responsibly. Consequently, it is every researcher's responsibility to make sure that they conduct their research in a proper methodological and ethical way, so they can defend any challenges of any parties who are directly or indirectly related to the investigation<sup>303</sup>. Any investigation might experience key ethical issues as follows:

- Privacy of participants. This includes both potential and or original contributors;
- Volunteer contributors and their right to leave the project completely or partially;
- Contributors' consent and the possibility of getting the wrong information;
- Confidentiality of collected data and their sources;
- The behaviour of participants such as their embarrassment, stress, awkwardness, injury, etc;
- Ethical behaviour of researchers.

These issues are also relevant to this study as it worked with existing literature, CSR codes of organizations and CSR rules and regulations of Pakistan and Australia. Stake identified researchers, particularly qualitative researchers differ from others in the research world because mostly they work with social phenomena, human beings, and their behaviours. Therefore, they are more responsible for their ethical behaviour while they are conducting an investigation<sup>304</sup>. So, the author followed the following ethical procedures for this study:

- The subject of the study and its link with the organizations have been protected securely.
- The author has approached organisations by following all the right procedures.
- Public data has been collected.
- Data will be kept safe and secure after completing the investigation.

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<sup>303</sup> William G. Zikmund and others, *Business Research Methods* (Cengage 1997).

<sup>304</sup> Stake (n 291).

For the purpose of this research annual reports of different enterprises were collected. Case laws were collected directly from the courts. For the sake of data protection, information of the organizations are not mentioned in the study. The author has followed appropriate referencing process for the kinds of literature which have been used in this study.

## **5.6 Scope of The Study**

The scope of a research project indicates the limitations and restrictions that a researcher experiences while he conducts the investigation. Scopes of this study are:

*Geographically:* Geographically, Pakistan and Australia are the countries, from where case studies have been collected.

*Secondary references and their time period:* To review the existing literature author looked at a number of books (including eBooks), academic journal papers (including online journals), other articles and so on. Several internet sources, annual reports of different organizations and case laws from Australia and Pakistan also included as secondary references material. 1800 to 2019 is the time period of these sources which shows issues of corporate social responsibility for many years.

The research was confined to examining CSR as reported in annual reports and the impact of case studies. Further research is needed into such issues as the participation of the staff in CSR activities, the impact on the culture and performance of organisations and the economic and social impacts of potential changes in legislation.

## **5.7 Summary**

This chapter described the methodology of the study. It has discussed the research philosophy and design of the study. An interpretivist philosophy was chosen as more appropriate for conducting this research. The study employs a case study strategy and is qualitative in nature.

The study's sample frame consists of large, small and medium enterprises in Pakistan and Australia. The chapter has discussed data collection methods for which this study has been designed. The chapter has also recognized content analysis that has been used for the data analysing process for this study. Lastly, the chapter has also discussed ethical considerations. Three main issues have been considered namely approval, informed consent, maintaining participants' privacy and confidentiality.

# Chapter 6: Results

## 6.1 Introduction

The researcher reviewed relevant literature in chapters two, three and four. The last chapter evaluated the adopted research methodology for this study. Now it is time to present and analyse the data which have been collected by the researcher from Pakistan and Australia. This chapter will explain the data analysis process, analysis of the data considering four factors (economic factors, legal factors, ethical factors, and philanthropic) of corporate social responsibilities in Pakistan and Australia.

## 6.2 Data Analysis

The main focus of this research is on the CSR practices in Pakistan and Australia. Ten organizations from apparel industries were selected. Four important factors related to CSR were analysed with the help of N-Vivo 12 software. These factors are; economic factors, legal factors, ethical factors, and philanthropic factors which are identified as parent nodes. Under these parent nodes, there are some child nodes that are shown in the following table.

*Table 6-1: Parent nodes and Child nodes of Data Analysis*

<b>Parent nodes</b>	<b>Child nodes</b>
Economic factors	<ul style="list-style-type: none"><li>• Profit maximization</li><li>• Wages</li><li>• Bonuses</li><li>• Holiday pays</li></ul>
Legal factors	<ul style="list-style-type: none"><li>• Employment law</li><li>• Business rules and regulations</li></ul>
Ethical factors	<ul style="list-style-type: none"><li>• Business ethics</li><li>• Workplace safety</li><li>• Suppliers selection</li></ul>
Philanthropic factors	<ul style="list-style-type: none"><li>• Social contribution</li><li>• Environmental Safety</li></ul>

Economic Factors:

From the literature review chapters, it is clear that the most important parts of economic factors are, profit maximization, wages, bonuses, and holiday pays. Thus, they are considered as the four child nodes under the parent nodes of economic factors. The tables of all child nodes are presented in appendices. The reports of Australian and Pakistani organizations are explored below.

## Report of Australian Companies

Data from Appendix 1 shows that ten out of ten organizations try to maximise their profit as much as possible for their shareholders and stakeholders. While they are maximising their profit, they make sure not to do anything wrong, illegal and unethical. This implies corporate responsibilities of the organizations in Australia are to make a profit for their stakeholders as they recognise as their moral responsibility. According to the second organization, this will make a good reputation to its customers.

Appendix 2 shows that sample organizations in Australia pay at least the minimum wages which is fixed by the Australian government, although some companies among them pay more than the national minimum wages as they can afford to pay more. They also believe that it is not fair to pay their employees less while companies are making a profit for these individuals' hard work. This implies that the government's law and organizations' good act make sure the wellbeing of the organizations' stakeholders.

From Appendix 3, employees in sample organizations of Australia get a minimum of one bonus and commissions in a year. Organizations in Australia try to look after their employees. They believe that employees of the organizations deserve this. Additionally, bonuses and remuneration schemes encourage individuals to perform better.

Appendix 4 shows that, by law, all permanent employees in Australia are entitled to a certain period of annual leave every year. Participant organizations in this study provide their permanent employees four to five weeks paid holiday in a year. Thus, the Australian government's laws make sure the welfare of employees in this country.

Legal factors:

Under the parent nodes of legal factors, employment law and business rules and regulations are considered as two child nodes which are analysed in Appendix 5.

In Australia, government rules and regulations are so strict that every company must follow them. Companies also respect their country's law and order. Appendix 5 shows that selected companies in Australia follow the employment law, have the minimum standards of employment, and many of them provide written employment contracts to all permanent employees as a part of their responsibilities.

Empirical pieces of evidence from Australia show again companies are bound to follow all the government's rules and regulations as the laws are very strict and companies also comply with them. Business policies of sample companies in Australia include information protection and welfare of stakeholders, environment protection, fair-trade policy, clear financial report, import-export regulations and so on (Appendix6).

Ethical factors: Business ethics, workplace safety, and supplier selection are considered as the three child nodes under the parent nodes of ethical factors which are analysed in Appendix 7.

Appendix 7 shows, selected organizations in Australia try their best to act as an ethical organization. Therefore, they prefer ethical suppliers, follow ILO's labour codes, recognise trade unions, charge reasonable prices, practice ethical management and do not allow any unethical activities such as child labour, discrimination, etc.

Workplace safety is a very important issue in the world. Lots of business owners do not concern about this. They do not realize it is the place where they and their employees work. Also, customers visit these places. But to make a little extra profit they ignore workplace safety. Empirical data shows (Appendix 8) that, rules and regulations regarding workplace safety in Australia are very strict. Most of the participating organizations agree that from their ethical point of view they have to make sure that their workplace is safe for their stakeholders, additionally, it is required by the government's law and government inspectors regularly visit and check businesses that how properly they are maintaining workplace health and safety regulations.

In the open market economy, retailers of first world countries outsource their products mostly from third world countries as it is cost-effective. For that reason, currently, supplier selection is another important issue. Australian companies are very concerned about supplier selection. However, it is not required by law that they will have to oversee their suppliers, but all the participated organizations encourage their suppliers to be fair and ethical by making sure that they are operating legally and ethically (Appendix 9).

Philanthropic factors: Under this parent node social contribution and environmental safety are considered as the child nodes and they are described below.

From the ethical point of view, Australian organizations contribute to society in different ways such as, donate money, products, gift vouchers, etc., organize fund-raising events, keep

collection box in the workplace, and donate from extra profit to the local and international charity organizations. The companies view is that only making a profit is a kind of self-interested behaviour. Companies have responsibilities to contribute to the society too. Society also deserves something from the business organizations. Thus, organizations in Australia show their corporate responsibilities for their stakeholders (Appendix 10).

Nowadays industrialists, environmentalists, customers, and consumers are conscious about the environmental pollutions causing by the different industries in the world. Therefore, most organizations and governments of all countries in the world try to make less pollution while they are producing goods and services. Appendix 11 shows that Australian organizations are creating less pollution by using and producing environmentally friendly products, recycling rather than dumping surplus and rejected products and wastes and using less energy.

Below the empirical evidence from Pakistan is analysed which is presented in Appendix 12.

#### Report of Pakistani companies

Collected data from Pakistani enterprises show that all of them are profitable organizations and they maximise profits considering their stakeholders. This means that Pakistani organizations give priority to their stakeholders before the profit (Appendix 12).

In Pakistan, the national minimum wage is 15,000 PKR per month. International wage indicators revealed that this amount is not enough to survive for an individual. Appendix 13 shows that all the participated Pakistani organizations in this study, pay minimum wages to their general employees.

The majority of the people in Pakistan are Muslim, and Eid-Ul-Fitr and Eid-Ul-Adha are the two main religious festivals for Muslim followers. Therefore, all employees get two bonuses during these festivals in a year. From Appendix 14, organizations give two bonuses to their employees every year. It seems this bonus system is from religious emotions and voluntary contributions rather than any government's laws or requirements.

Empirical evidence from Pakistan which has been pointed out in Appendix 15 shows that all employees of selected organizations in this country are entitled to get annual leaves apart from the public holidays. This is the government's law that every permanent employee will definitely get an annual leave. If it does not happen then employees can complain to the unions

or report it as a crime and employers will be prosecuted. So, employers are kind of bound to provide annual leave to their permanent employees. But sadly, other employees don't get the annual leave.

Appendix 16 shows ILO has an important effect on employment laws in Pakistan. Almost all participated organizations in this study confirm that they follow the ILO's labour conducts. This shows that the ILO plays a more significant role than the government's law. This is because buyers rely more on ILO than the local government's law and orders. Additionally, employers seem less concerned about the employment law. Thus, buyers' pressure has a big effect on the employment law of Pakistani companies.

Appendix 17 shows that businesses in Pakistan have not their own business rules and regulations and they mentioned that their business policy is based on the government's trading policy. But unfortunately, the researcher could not find the implementation of these rules and regulations by companies in Pakistan which have been explained more in analysis of the case laws section.

Again, ILO and buyers' pressure play a very important role in business ethics in Pakistan. On ethical practices there is no government's law so, they are following the minimum standard of ethical behaviour as long as these meet the buyers' requirement and ILO's ethical labour codes (Appendix 18).

Workplace safety is one of the burning issues in the current business world. After a few incidents in different industries, foreign buyers do not rely on third world countries' law and enforcement system. Therefore, they engage their representatives, provide their workplace safety requirements, and get reports from some reliable third parties such as ILO. This shows that employers, as well as the government in Pakistan, are less concerned about workplace safety (Appendix 19).

Empirical evidence from Pakistan shows that organizations have less focus on supplier selection (Appendix 20). Some organizations among the participated organizations in this study have no specific policy for selecting suppliers. It is also hard to find original suppliers as most of the organizations get their products from wholesale markets. Thus, it is very difficult that how ethical marginal suppliers are, and it is almost impossible for organizations to encourage their suppliers to trade ethically.

Responses to the social contribution of the companies in Pakistan are very good (Appendix 21). Pakistan is an Islamic country and the majority of its population is Muslim. Additionally, most of them are strictly religious. This has a big impact on donating and helping each other especially helping poor people. Religious places such as mosque, orphanages are the main target to donate money. So richer people and business organizations give a good amount of money to these places as well as help the poor people from their religious faith. Additionally, businesses contribute to any kind of social needs and help their communities.

In Pakistan, there is no proper industrial waste collection system yet. Some waste collection organizations buy industrial wastes from companies and either reuse them or use them to produce different products. Most organizations are operating as intermediary organizations such as stockers, buying and selling readymade products or surplus stocks. And the government has no strict policy about this issue. For that reason, they are less concerned about environmental safety. However, some participated organizations from Pakistan in this study mentioned tree plantations to stop and balance the air and noise pollution (Appendix 22).

After analysing the data from ten sample organizations in Australia and Pakistan, now the study will describe a case related to the CSR of these two countries in the following section.

### **6.3 Analysis of Case-law**

The two following cases were selected, one each from Australia and Pakistan to describe how law and order in these two countries are applied to organizations. Previously, some theories show that organizations mainly practice CSR activities voluntarily. But Carroll's CSR model describes that corporate social responsibilities are linked with countries' rules, regulations and law enforcement systems. Economic and legal factors which are the first two levels of Carroll's CSR pyramid. Economic factor suggests that firms need to be profitable and successful for their shareholders and other stakeholders. And legal factor describes that companies need to follow the laws, rules and regulations of their countries. For example, a profitable organization might not pay the right wages to its employees or they may not want to compensate properly if anything happens to their staff. But in these situations, if countries have proper rules and regulations and strong law enforcement systems then companies are bound to follow the countries' laws and look after their stakeholders. Selected both cases below show directors' negligence about their employees who are one of the most important stakeholders of an organization but the implementation of law in these two countries differs a lot as described below.

The case from Australia:

“AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION v MACDONALD (NO 11), Supreme Court of New South Wales, 23 April 2009”.

**PARTIES to the case:** Australian Securities and Investments Commission (Plaintiff)

Peter Donald Macdonald (First Defendant)

Peter James Shafron (Second Defendant)

Phillip Graham Morley (Third Defendant)

Michael Robert Brown (Fourth Defendant)

Michael John Gillfillan (Fifth Defendant)

Meredith Hellicar (Sixth Defendant)

Martin Koffel (Seventh Defendant)

Geoffrey Frederick O'Brien (Eighth Defendant)

Gregory James Terry (Ninth Defendant)

Peter John Willcox (Tenth Defendant)

ABN 60 Pty Ltd (Eleventh Defendant)

James Hardie Industries NV (Twelfth Defendant)

**The fact of the case:**

James Hardie Industries Ltd manufactured building materials; particularly fibre-cement sheeting by using asbestos. Asbestos causes significant health problems like lung cancer and mesothelioma, a type of cancer. Asbestos is a crystalline substance that produces invisible fibre. James Hardie became aware of asbestos-related health problems among its employees as early as the 1960s. In 2001 two subsidiaries of the James Hardie Group were exposed to major liabilities associated with asbestos. Many workers suffer asbestos-related diseases. Employees sued the company. The company start giving compensation after that. A foundation was established by the Group to compensate the victims of asbestos-related diseases who had claims against the company. James Hardie Industries announces that it had enough funds to meet asbestos-related claims to the Australian Securities Exchange. The directors of the company agreed to transfer the fund to the foundation for the present and future claims. By the time the

company made some structural change of the company and it was apparent that the company was not giving money to the foundation which became a national outcry. A commission had been formed. In 2007, ASIC brought proceedings against the company's directors Macdonald, Mr. Shafron and Mr. Morley, its company secretary and general counsel for civil penalties for failing to exercise due care and diligence in approving and releasing the ASX announcement. In the meantime, several claims were made on an individual basis against the company for compensation. ASIC alleges that those statements were false or misleading and in breach of provisions of the *Corporations Law*. ASIC alleges that they approved the Draft ASX Announcement at the 15 February 2001 Meeting and in doing so they contravened s 180(1) of the *Corporations Law* as carried over into the *Corporations Act 2001* (**Section 180(1)**) in that, on the material provided to them, they could not have been satisfied that JHIL had a proper basis for making the assertions of sufficient funding. ASIC alleges that Mr. Macdonald approved for release to the ASX an announcement of 23 February 2001 that it conveyed, or was capable of conveying, that it was certain the funding would be sufficient to meet all legitimate present and future Asbestos Claims, Mr. Macdonald believed this and that the material available to JHIL provided a reasonable basis for that assertion. It is alleged that those representations were false or misleading and in breach of Section 180 (1).

**Legal issues of this case:** ASIC alleged that the company, its directors and non-executive directors were engaged in multiple breaches of the Corporation law and The Corporation act which attracted the civil penalties. In this case, the legal issues are:

1. The board meeting held on 15<sup>th</sup> February 2001 was false and misleading and hence breach of the duty of care under Article 181(1) of Corporation Act.
2. JHIL'S failure to disclose the information of AXS.
3. Failure by the chief executive officers, the secretary, and the general counsel to advise the board that DOCI information should be disclosed to the ASX was beach of article 180 (1) of Corporation Act.
4. Conference that sufficient funds were available to the company for the victims was false and misleading and hence, breach of article 180 (1) of Corporation Act.
5. A release on AXS on 23 February 2001 by the company, the chief executive officer was false and misleading hence a breach of Article 180 (1) of Corporation Act.

6. The approval of the same officer of an announcement on AXS on 23 March 2001 was false and misleading and hence, breach of article 180 (1) of Corporation Act and good faith provision hence a breach of Article 181(1) of Corporation Act.
7. The final announcement of AXS released, the press conference and further AXS announcement by the officer breach were a breach of ss 995 (2) and 999 of corporation law.
8. The representation made by the chief executive officer on roadshow on Edinburg was false and misleading and breach of article 181 and article 180 and on the same fact in contravention of s 104 IE AND S 104 IH.
9. JHINV failed to notify the AXS of JHIL information according to listing rules r 3.1 and thereby are in contravening of listing obligation in s 674 (2).

**Application of law to the fact and finding of the judgement:**

“The trial judge held that in making the ASX representations, JHINV had contravened both ss 1041E and 1041H. However, his Honour rejected ASIC’s case that there had been a contravention of s 1041E in respect of the London and Edinburgh representations because there had been no relevant inducing effect.”

In this case, few issues were accepted by the court and few issues were rejected by the court.

JHINV contended that his Honour erred in finding that the ASX representations were materially misleading or misleading in a material particular: s 1041E, or misleading or deceptive or likely to mislead or deceive: s 1041H. It is convenient to approach this question first by reference to the relevant legal principles as to what when a statement is misleading or deceptive or likely to mislead or deceive and how the Court is to determine whether the pleaded representation was likely to mislead.

Principles applicable to determining whether the ASX representations were likely to mislead:

In Domain Names Australia, the Court dealt with the principles that govern the likelihood of recipients of a representation being misled. The Court stated, at [17]:

“It has long been established that:

When the question is whether conduct has been likely to mislead or deceive it is unnecessary to prove anyone was actually misled or deceived: *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 198.

Evidence of actual misleading or deception is admissible, and may be persuasive, but is not essential: *Global Sportsman Pty Ltd v Mirror Newspapers Pty Ltd* (1984) 2 FCR 82 at 87.

The test is objective and the Court must determine the question for itself: *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177 at 202.

Conduct is likely to mislead or deceive if that is a real or not remote possibility, regardless of whether it is less or more than 50%: *Global Sportsman* .”

The Court further noted, at [18], that the likelihood of persons being deceived or misled was not a matter to be proved by evidence, or judicial notice or its statutory equivalent. Rather:

“The existence or otherwise of such likelihood is a jury question for the trier of fact: *Australian Competition and Consumer v Telstra Corp Ltd* (2004) 208 ALR 459 per Gyles J.”

In this case, few issues were accepted by the court and few issues were rejected by the court.

Appealed was lodged against the decision. In Supreme Court, most of the issues which were identified above were upheld.

#### **Penalties awarded by the honourable court:**

From the above findings the honourable judge made the disqualification under section 206 and made following pecuniary penalties:

1. Mr. Macdonald was banned for a period of 15 years from management and liable to pay a pecuniary penalty of \$350000;
2. Mr. Shafron was banned for a period of 7 years from management and liable to pay penalty pecuniary of \$75000;
3. Mr. Morley was banned for a period of 5 years from management and liable to pay penalty pecuniary of \$35000;
4. All of the seven non-executive directors were banned for a period of 5 years from management and liable to pay penalty pecuniary of \$75000 each and
5. JHIV liable to pay penalty pecuniary of \$80000.

The above three executive directors sought the stay of disqualification which was rejected on the basis that there needed the deterrence for the public protection and only pecuniary penalties do not make sufficient penalty for them and it will set an example for the future case.

This Macdonald case is the latest case where the duties of the directors were taken in a serious way and breach of the duty caused the penalties.

**The approach of the court:** The approach of the court was very positive. The application of the Corporation Act 2001 was very strict. This is a precedent for other corporate personalities. The result of the case gave the notion that there must be due care and diligence from the side of the directors before making any decision where Stakeholders are affected.

Although ss 180 and 181 talk about the civil obligation, in this case, the defendants were liable criminally as well. In this way, this is a very landmark decision

From the Corporate Governance point of view, his honour satisfied that there was misleading information from the side of JHIL's. They were in breach of statutory duty and due diligence under section 181(1) of the Corporation Act. His honour gave emphasis on the legal representation by the company about the announcements of the separation of the subsidiary company and also held that in no way the non-executive director and chief executive officers can avoid their liability to the public. Judicial spotlight was on the standard of the performance by the executive directors and others from the company. The approach of the court built confidence among the public who lost their faith in the multinational companies and at a point public started to think that whatever these companies do; they always go unpunished. The first time they had seen that the director and other important people of the James Hardie Company got pecuniary punishment.

**Source of the case law:** *AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION v MACDONALD (NO 11)*, Supreme Court of New South Wales, 23 April 2009 (**Gzell J**); **256 ALR 199; 71 ACSR 368; 230 FLR 1**

**Judgement is binding or persuasive:** This judgement was binding on all the parties.

**Court passes the judgement:** Supreme Court of New South Wales, 23 April 2009.

The case from Pakistan:

Basharat Ali(claimant)

Versus

The Employer, Waves cool industries, Multan Road, Lahore (Respondents)

**The fact of this case:**

In this case, Sajjid Ali who was working in this company dies during the course of employment. His father Basharat Ali sued the factory owner for the compensation as he died during the course of employment under section 22 of the workmen's compensation Act 1923. The respondent denies the claim and argued that at the time of his death he was not the employee of the industries and hence barred to get compensation under the said Act.

**Legal issues of this case:**

1. Whether he was an employee during the time of his death or not?
2. Whether he was a permanent employee or not?
3. Whether the petitioner is entitled to get the compensation or not?

In this case, with the first issue, the claimant has proved with documentary as well as orally that during the time of his death he was the employee of the industries on 07/03/2007. The respondent's point was that they did not know about the accident and was not informed about his death. From the claimant's part, it was argued that the deceased was registered for social security and admission of the hospital was the prove of his accident. So, it went in favour of the claimant.

With the second issue as well, it was proved that he was working last 5 years before his death and hence permanent employee. So, it went in favour of the claimant.

With the third issue, the respondent did not deny and as the first and second issues went in favour of the claimant.

**Findings of the court and application of the law to the fact:**

In this case, the court held that the claimant was entitled to get the compensation of Rs3000000 under section 22 of the Employment Act 1923 and the respondent was ordered to deposit the money to the claimant's account within 60 days of the decision.

**Date of the submission of the claim:** 07/09/2015

**Date of the final order:** 26/03/2018

**Source of the case:** Original case law from the court of Lahore, Pakistan.

From the data analysing above it is clear that CSR practices in Pakistan and Australia have some differences which are based on the differences between law enforcement systems of these two countries. The next part will discuss profoundly the findings of the data analysis and recommendations are made in the next chapter.

## **6.4 Results**

This study mainly considered the stakeholder theory and based on this theory, four main factors that influence CSR have been analysed, they are: economic factors, legal factors, ethical factors, and philanthropic factors. These factors are compared between Australian and Pakistani organizations below.

**Economic factors:** Empirical data show that both Australian and Pakistani organizations are maximising their profits for stakeholders. Salary of employees is not less than the minimum wages and all employees get yearly bonuses and annual leaves. Among these factors, the government can interfere with minimum wages and annual leaves. In Pakistan, the minimum wage is too low to survive for many employees. Additionally, unofficially workers get less than the minimum wages. On the other hand, in Australia, the minimum wage is fixed by the government to make sure that an individual can survive with this wage range. In the case of annual leaves or paid holidays, in Pakistan, only permanent employees get paid holidays, where in Australia almost all employees are entitled to get the paid holiday. Therefore, the Pakistani government should increase the minimum wages and ensure not any employees are getting less wages than the minimum wages. Also, the government of Pakistan ought to entitle paid holidays for all kinds of employees.

**Legal factors:** The data analysis shows that buyers from developed countries do not rely on Pakistani law and enforcement systems. For that reason, organizations in Pakistan mostly follow the ILO's code of conduct. On the other hand, Australian law and enforcements are very strict. Consequently, organizations are bound to maintain the minimum standards of employment which is required by the law. Australian organizations also have to meet the government's requirements regarding the business rules and regulations which include information protections of stakeholders, environmental rules and regulations, export-import

regulations, clear financial reports, etc. at the same time, Pakistani organizations are also incorporating government's trading policy as their business rules and regulations but their annual reports do not explain clearly. It looks like officially and on the documents, they have business rules and regulations but in actual life, they do not implement them appropriately. So, again the Pakistani government should focus on employment laws and update the business rules and regulations for the trading organizations in Pakistan which will enhance the CSR practices by them.

**Ethical factors:** Companies in Australia try their best to perform as ethical organizations. Consequently, these organizations prefer and select ethical suppliers, recognise trade unions, follow ILO ethical labour codes, encourage their suppliers to operate ethically and so on. They are responsible for keeping the workplace safe and government inspectors also visit and check regularly. But, organizations in Pakistan have to follow ILO's ethical codes and buyers' workplace guidance to trade with them. Many companies have no policy of supplier selection. The government is less concerned about workplace safety as inspectors do not regularly check the workplaces. This proves that if the law and enforcement system is strict then organizations are bound to care for their stakeholders.

**Philanthropic factors:** Companies in both countries contribute their societies as much they can. In Australia, organizations contribute the society from their human point of view while in Pakistan organizations do it for religious faith and humankind's perspective. Both countries' organizations try their best to keep their environment clean. But in Pakistan, there should be a proper waste collection system and the government can play a vital role to improve this system which will help the organizations to develop their corporate social responsibilities.

From the case law analysis, the case from Australia was about the compensation that a company was paying to a foundation and had been stopped because of some structural change of that company. Within a short period of time, after judging all the facts, Honourable Court in Australia considered section 181(1) (a) of the Corporations Act, 2001 and sentenced all the executive and non-executive directors by banning them five to fifteen years along with charging them 35,000.00 to 350,000.00 AUD.

On the other hand, a case from Pakistan shows, a worker died, and his father had to sue the factory for the compensation. After around three years, under Section 22 of the Employment Act 1923, Honourable Court in Pakistan made the decision that the claimant is entitled to get the compensation and the owner has to deposit 30,00,000.00Rs to the claimant's account within

sixty days of the decision. It is very hard to find CSR related cases in Australia under the Corporations Act, 2001, Section 181(1) (a), but in Pakistan, CSR related incidents are happening all the time. Still, now employees are striking for their minimum wage increase, to confirm employment facilities, environment pollution by industries and so on. From the case analysis, it is clear that employers in Pakistan are less concerned about CSR issues and the law and enforcement system of the country is far behind that of the developed world. The Pakistan government should develop the CSR rules and regulations and include the CSR acts by taking into account the developed countries' laws that have an impact on CSR. Such as the Australian Corporations Act, 2001, Section 181(1) (a).

Now by combining the empirical pieces of evidence and reviewed works of literature, it can be concluded that there are lots of differences between the laws and guidelines for CSR in the two countries. Both countries have Corporation Laws, but their application reflects differences in the context of each country. Further, being a developed country Australia has guidelines for CSR whereas in Pakistan there are no such specific guidelines in one book. A table will help to understand the regulations between these two countries.

*Table 6-2: Comparison between Pakistani and Australian CSR regulations*

Regulation	Australia	Pakistan
Guidelines	ASX Corporate Governance Council.	SECP, State bank of Pakistan, domestic laws
Codification	Guidelines are codified	Not codified
Binding nature	Voluntary	According to domestic law.
Penalty	In case of not following the procedure need to give an explanation	SECP is voluntary, domestic laws have some penalties.
specification	Guidelines are very specific and not confusing	Still, there are lots of ambiguity.

From Table 6-2, it is evident that the laws of both countries are different. In Australia, it is easy for businesses to follow the guidelines as it is in one book. That means the CSR in Australia is governed by ASX Corporate Council whereas in Pakistan there are no specific guidelines and hence it is very difficult for the business communities to follow a specific guideline. That is one of the reasons, they mostly avoid CSR issues.

The comparison identified lots more gaps due to the reason that one country is a developed country, and another is a developing country. Pakistan does not have any uniform definition of CSR whereas Australia has a uniform definition.

One cannot deny that there is corruption in all sectors in Pakistan and that has an adverse effect on businesses<sup>305</sup>. At least at this point, Australia does not have any question and hence very less adverse effect on the society.

Businesses in Pakistan do believe in charity work. They contribute to society from a religious point, not as a duty. That is where a problem would arise because when they do charity work, they do not feel any obligations towards the Stakeholders<sup>306</sup>. But in Australia, the organizations are motivated to take part in charitable activities from ethical and social obligations.

There is a lack of government supports in Pakistan to enhance the small and medium-sized organizations whereas in Australia there is full support from the government for all types of organizations.

## **6.5 Summary**

This chapter compared and analysed the collected empirical data from Pakistan and Australia and discussed the findings of these data. From the annual report analysis, the study found that the law and enforcement system in Pakistan is less strict than Australia. As a result, organizations in Pakistan show less concentration on their corporate social responsibilities. In the same way, contrasts between Australian and Pakistani case laws show that the laws of the Pakistani government are not enough to support the development of the CSR in this country. The next chapter will answer the research questions of the study.

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<sup>305</sup> Sajjad and Eweje (n 22).

<sup>306</sup> *ibid.*

# Chapter 7: Discussions

## 7.1 Introduction:

Chapter 1 described the rationale of the study and the aims and objectives of this research. Five research questions were stated. After reviewing all the works of literature, analysing empirical data, and based on the findings in the previous chapters, this chapter answers the research questions in the following sections.

## 7.2 Research Question – Answered

With reference to the aims and objectives of the study, the author identified the following research questions:

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?
- What legal laws, regulation or guidelines for CSR operate in Pakistan and Australia?
- How companies practice CSR in Pakistan and Australia?
- What are the differences in the practice of CSR in Pakistan and Australia?
- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

Following the investigation of the study, the answers to these research questions are discussed below.

- What are the values driving the purpose of companies? Does Carroll's model describe CSR activities?

From Chapter 2, literature shows that there are two types of stakeholders: stakeholders who are within the organizations such as stockholders, employees, and other stakeholders are outside of the organizations such as government, environment, consumers, customers, etc. Stakeholder theory and legitimacy theory identifies that organizations should not only focus on their shareholders but also, they should think about their stakeholders' wellbeing. But the problem is, shareholders are also stakeholders of an organization and these theories do not prioritise the CSR activities through all their stakeholders. Thus, it is necessary for organizations to apply

CSR theories by considering different types of CSR factors. Carroll (2016) identified four factors of corporate social responsibilities; they are, economic factors, legal factors, ethical factors, and philanthropic factors. Every company's CSR activities can be driven by considering these factors. For example, companies should maximise the profit for their shareholders as well as their stakeholders. More profit should provide more benefits for a company's employees such as good wages, bonuses, and other facilities. Organizations easily can escape from this responsibility. Therefore, local authorities have to have some laws and strong law enforcement systems so businesses will not be able to pay low wages or treat their employees unfairly. Thus, companies also need to be law-abiding entities which is the second level of Carroll's CSR model. The last two factors of this model are not linked with the law but if firms claim that they are practising CSR activities then they should perform ethically and take part in different types of social activities. So, Carroll's ethical factor and philanthropic factor suggest organizations should keep away from any kind of actions which are illegal, unethical and harmful for the companies as well as for the society and the environment and participate and/or arrange social programs to contribute to the society as much as possible.

- What legal laws, regulation or guidelines for CSR operating in Pakistan and Australia:

From the literature review in chapter 2, the definition of corporate social responsibilities indicates that some of these are voluntary activities and some are obligatory. For example, companies are bound to follow the law and orders of the countries where they are operating. On the other hand, there is no binding obligation for the businesses towards society and it depends on their policies that how they should contribute to society.

CSR theories such as stakeholder and legitimacy theory suggest enterprises should give priorities to their stakeholders. This implies that very often businesses can easily disregard their responsibilities. This can be resisted if countries provide some CSR laws for the companies to follow. Therefore, this study tried to find out what legal laws, regulation or guidelines for CSR operated in Pakistan and Australia. The data shows that there is no specific law regarding the CSR operating in Pakistan. A law has been introduced by SECP named as CSR order 2009 about the CSR practices of the organizations. This law requires corporations to reveal all the information about their activities related to CSR. However, this law only draws attention to the general events which may be reported by the corporations. Only issues related to social issues and the environment are regulated directly by law. For example, social issues like prevention of slavery, forced child labour, bonded labour, protection of consumers, etc. are regulated by laws.

There is no strict compliance in Pakistan. There are only CSR guidelines given by SECP, NGOs, foreign buyers, and ILO in Pakistan. So, mainly overall CSR related issues are dealt with SECP.

CSR compliance in Australia is governed by the ASX Corporate Governance Council. The council develop the Principles and makes Recommendations. The Recommendations are the guidelines for the companies. Under ASX Listing Rule 4.10.3, companies can make their own policy but need to comply with the recommendation.

The Corporations Act 2001 is relevant to CSR. The Corporation Act 2001 regulates the operation and formation of the companies and their managers. The act also regulates all actions performed by the company, including any attempts at fundraising or mergers and acquisitions. The section which is most related to CSR issues is section 181(1) (a) of the Corporations Act, 2001 which requires directors to exercise their powers and discharge their duties in good faith in the best interests of the corporation.

The literature review of this study shows that CSR activities of SMEs are different from big companies particularly in Pakistan. SMEs are less aware of CSR compared with big organizations that need to maintain their international trade relationships with foreign buyers. The government also focuses more on larger companies. Therefore, the main aim of this study was to improve the CSR activities in Pakistan by comparing current regulation with Australia. For that reason, this study tried to find out what legal laws, regulation or guidelines for CSR operate in Pakistan and Australia. In Pakistan, there is no particular laws for CSR. General laws are applicable to all types of organizations in Pakistan. A special body in the country is established under the 'Ministry of Industry and Production' for regulating Small Business enterprises. The body is known as 'Small and Medium Enterprises Development Authority – SMEDA'. This body along with NGOs provides some CSR guidelines for SMEs in Pakistan.

In Australia, also there is no specific law regarding CSR practices by the SMEs. The countries' general corporate laws, regulations, and guidelines are equal for all types of organizations.

- How do organizations practice CSR in Pakistan and Australia?

From the literature review of this study, it is clear that the socio-economic background of Pakistan and Australia are completely different. Pakistan is a developing country and Australia is a developed one. In Pakistan, organizational behaviour regarding their corporate social responsibilities is far behind those in Australia. The literature also shows that differences of

socio-economic backgrounds between these two countries affect these countries' organizations' CSR activities. Therefore, this study tried to find out how they practice CSR in Pakistan and Australia. Data shows that, at present, the government of Pakistan has no proper CSR framework that would guide how CSR activities could contribute to effective development. Pakistani companies are not practicing corporate social responsibilities properly. Only a few organizations are practicing it voluntarily from their religious faiths. SMEs are at an emerging state in Pakistan. However, there are some laws, but businesses quite often violate them as the law enforcement systems of the country are very weak. Thus, companies in Pakistan have been criticized for child workers, low wages, and workplace safety. This creates an adverse effect on international buyers. Therefore, some companies are practicing the mandatory CSR activities which are required by the local and international buyer companies. Foreign buyers are also encouraging Pakistani organizations to maintain international standards of fair labour practices and environmental stewardship.

Companies in Australia practice CSR voluntarily. The countries' law enforcement systems are very strict. Companies are respectful of the laws and orders. If any organizations are found to be breaching the law, they will be prosecuted. Companies are also concerned about their reputation. If they will do something wrong, most likely they will lose customers. All these factors encourage all types of organizations to look after their stakeholders and to practice CSR.

- What are the differences in the practice of CSR in Pakistan and Australia?

The literature review of this study shows that both stakeholder and legitimacy theories of CSR are mainly based on the premise that companies' stakeholders and companies should look after their stakeholders first, then their shareholders. These theories are not for any particular types of organizations but apply to all small, medium and large companies. Previous studies show that Pakistan is a developing country and companies specifically SMEs do not practice CSR activities properly. Thus, the study tried to find out what are the differences in the practice of CSR in Pakistan and Australia. Data shows that in Pakistan, there is no uniform definition of CSR but in Australia there is. In Australia it is easy for the businesses to follow the guidelines as the CSR in Australia is governed by ASX corporate council whereas in Pakistan there are no specific guidelines and hence it is very tough for the business communities to follow a specific one. There is corruption in all sectors in Pakistan and that has an adverse effect on businesses, but Australia does not have any question about corruption and hence very less adverse effects on the organizations. In Pakistan, companies believe in charity work. Mostly they contribute to society from their religious point of view. This implies that, when they do

charity work, they do not feel any obligations towards their stakeholders. But in Australia, organizations take part in charitable activities to meet ethical and social obligations. The Government of Pakistan is less focused than the Australian government on SMEs and their activities.

- What changes in guidelines or legislation are recommended as appropriate in Pakistan?

The main context of this study is about the development of CSR activities in Pakistan. The literature review of this study clearly shows that CSR rules, regulations and law enforcement systems of a country have positive effects on its organizations' CSR activities. Businesses in Pakistan are less focused on their stakeholders while Australian entities are quite conscious regarding these issues. CSR awareness, guidelines, and law enforcement systems of Pakistan are the main reasons for these differences. The government of Pakistan should pay more attention to CSR rules and regulations and increase CSR awareness in the country. Law and enforcement systems of the country need to be more accurate and stricter. Pakistan should update the existing judicial laws related to CSR in SMEs in this country. They should include some Acts similar to the Corporate Act 2001, Section 180 (1) (a) in Australia.

These are the answers to the research questions which were identified by the author. In the following section, these answers will be discussed in the light of the reviewed literature and the practical instances.

### **7.3 Discussion**

From the answers to the research questions, it is clear that there are three main reasons that organizations in Pakistan are not exercising CSR properly. Firstly, the vagueness of the definition of corporate social responsibilities. In general, the definition of corporate social responsibilities encompasses a company's various social responsibilities. Then different theories of corporate social responsibility describe what are these social responsibilities and their elements and factors. Among those theories, a couple of most popular theories are stakeholder theory and legitimacy theory. Both theories do not contradict each other, instead, they are quite similar and put focus on stakeholders. But the problem is about stakeholders. Stakeholders include everyone who has an effect or is affected or has an interest in the business or by the business. Unfortunately, these theories do not give a clear priority among stakeholders. These theories explain how stakeholders are important for the businesses and it is necessary to focus on stakeholders first then to shareholders. However, shareholders are also

stakeholders of any company. Therefore, businesses can take advantage of this explanation. So, the overall situation is that corporate social responsibility is a voluntary activity of an organization. Companies practice CSR from their ethical point of view and/or for their own interest. Therefore, enterprises in Pakistan are less aware of the CSR concept. For example, some organizations think only maximising the profit for their owners is a kind of their CSR activity while they are employing child labours or polluting the environment badly. Secondly, the role of law and order in Pakistan. While some activities of corporate social responsibilities are voluntary, there are some activities which are mandatory for our society to protect us and our environment. But again, unfortunately, these are not compulsory for the organizations.

In this situation, there should be some strict rules and regulations with which businesses must comply otherwise they will be penalised. For example, most of the organizations in Pakistan pay very low wages to their employees. In this case, to protect the labour market of the country, there should be a general minimum wage system that every employee in the country will not get less than a certain amount of minimum wages. Thirdly, there is a weak and corrupt law enforcement system in Pakistan. Most of the time incidents get ignored by the local government. If any organization is found guilty under the act, most of the time they do not get the right punishment. Moreover, enterprises who breach any law can get escape easily by bribing or showing their power. Therefore, it is very essential to introduce some new laws regarding corporate social responsibilities in Pakistan. The next step is to make strict law enforcement systems and support all the organizations to improve their CSR activities.

All the discussions above and the analysis of data will contribute to the theoretical and practical knowledge and certainly will help to develop the CSR in Pakistan.

#### **7.4 Summary**

This chapter answered the research questions in the light of the literature review, collected and analysed empirical data and the findings of the study. The next chapter will propose some recommendations and conclude the study with some future research suggestions.

## Chapter 8: Conclusion and Recommendations

### 8.1 Introduction

This is the final part of this study. This chapter interprets the finishing notes on this research. Theoretical and practical contributions of this research have been described first, then some recommendations are suggested for Pakistan to enhance the corporate social responsibilities in this country. Finally, the limitations of this study, future research recommendations and conclusions are depicted to end this study.

### 8.2 Contribution to Knowledge

The significance of this project is to study CSR practices and laws in Pakistan and Australia. This research will serve as the first study and will add theoretical and practical contributions to existing knowledge.

From a theoretical perspective, this research will develop better understandings of CSR practices in Pakistan. Also, this project will identify that to what extent CSR concept and CSR practices are supported by existing laws in Pakistan. This project will identify whether any changes in existing laws are required or not and if required which perspective of the existing laws need to be amended.

The practical significance of this study is to provide awareness about the importance of CSR in Pakistan. Moreover, this project will suggest recommendations for the enhancement of CSR practices and recommendations for the improvement of existing laws and CSR codes in Pakistan.

### 8.3 Recommendations

The research shows that corporate social responsibility practices are not at a satisfactory level as this is a new emerging trend in Pakistan. Consequently, local companies are following this trend at a slow pace<sup>307</sup>. Pakistan is a developing country. Therefore, this study focused on the detailed analysis of the CSR legislation and compared it with Australia which is a developed country. The summary of the findings of this study are;

- There are specific legal laws, regulations, and guidelines for CSR in Australia which is directed by a particular governing body of this country. Moreover, in Australia, there

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<sup>307</sup>Ashfaq Ahmad and Iftikhar Ahmad, *Corporate Conscience: CSR in Pakistan- a Study* (Lahore: Prakruthi, 2011).

are precise CSR legal laws. Regulations and guidelines known as Corporate Act 2001, Section 180 (1) (a) describes how organizations have to perform their corporate social responsibilities and what are the consequences if they violate the law. On the other hand, in Pakistan, CSR rules, regulations and guidelines are covered by under the country's general domestic laws. Recently the government of this country is focusing on this but still far behind.

- Both countries' enterprises are practising CSR, more or less in similar ways. But organizations in Australia practice CSR willingly. This willingness comes from their socio-economic background, culture and ethical point of view. They think it is their duty to look after their stakeholders and in particular to show respect to law and order. At the same time, in Pakistan organizations are exercising CSR activities because sometimes they cannot escape from the existing laws, sometimes they have to follow buyers' requirements, sometimes from their religious faith.

After considering all the previous researches and comparing the CSR activities between Australia and Pakistan, this study suggests the following recommendations to develop the corporate social responsibilities in Pakistan.

- The government of Pakistan should pay more attention to CSR rules and regulations and increase CSR awareness in the country.
- Law and enforcement systems need to be stricter.
- Pakistan should update the existing judicial laws related to CSR in SMEs in this country. They should include some Acts similar to the Corporate Act 2001, Section 180 (1) (a) in Australia.

#### **8.4 Limitations and Recommendations for Future Research**

Researchers experience some limitations while they conduct their investigations. These limitations give ideas to current and new researchers and guide them for new investigations. For this study, the author mainly experienced some difficulties with data collections. This research has collected only secondary data. Initially, the author planned to collect the secondary data in two stages. Firstly, existing literature related to CSR practices in Australian and Pakistan, secondly annual reports and case laws associated with corporate social responsibility in these two countries. There are a lot of articles, research papers and so many books and other resources are available about the concept of corporate social responsibilities but only a few

about CSR practices by both large and small and medium enterprises in the entire business world. Additionally, there are no comparative studies regarding CSR practices in Australia and Pakistan. However, this made the study unique, but the author initially struggled to collect existing literature. He then combined general CSR concepts and applications of these theories in Pakistan and Australia. Getting access to enterprises was another issue. Few companies publish their CSR activities in their annual reports. Therefore, the study sample was restricted to the selection of those organizations that had annual reports and mentioned CSR in them.

Finally, case laws from these two countries related to CSR were really hard to be found. In Australia, the level of CSR practices is very high, so case laws regarding this issue are very rare. At the same time in Pakistan, there are lots of incidents happening which can be found on the different types of media but the number of cases that are registered is very low. Additionally, when cases are registered the process means that they are waiting for hearings for years and years. Therefore, the author used one case law example from each country to illustrate how the legal laws and regulations and their implementation compared in Australia and Pakistan.

Further research is needed to carry on or expand this investigation by considering a larger sample of listed companies and including a larger geographical area in Pakistan. In-depth interviews with those who are responsible for CSR will give more precise knowledge of CSR activities of listed and non-listed organizations in Pakistan.

## **8.5 Summary**

Organizations in developing countries are really in need of proper guidelines and direction to practice CSR appropriately. This research will make theoretical and practical contributions to the improvement of existing CSR practices and regulations in Pakistan. CSR regulations and implementation of these regulations is a fundamental concern of business operating in developed countries. But this phenomenon is not the same in developing countries such as in Pakistan. Better regulations and awareness about CSR are required for regulators, business owners and for stakeholders in Pakistan and most likely in all other developing countries.

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## Appendices

### Appendix1: Analysis of profit maximization (Economic factors)

<b>Analysis of profit maximization (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“... the company maximises the profit as much as possible for our employees to cover their wages, bonuses, and other benefits. ...” “... more profit allows us to contribute more for our society”.	<ul style="list-style-type: none"> <li>• More profit is beneficial for stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Making more profit for stakeholders.</li> </ul>
Second company	“The company tries to maximise its profit by ethical business trading, so it has a good reputation to our society, customers and its employees.”	<ul style="list-style-type: none"> <li>• Profit maximization in ethical way for good reputation.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit ethically for good reputation.</li> </ul>
Third company	“Our one of the main corporate responsibilities is to make profit considering not only our shareholders but also our all stakeholders.”	<ul style="list-style-type: none"> <li>• Profit maximizations for all stakeholders of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Fourth company	“Company’s profit is for shareholders as well as other members who are related to the organization.”	<ul style="list-style-type: none"> <li>• Profit maximizations for all stakeholders of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Fifth company	“... our profit maximization policy gives priority to our stakeholders.”	<ul style="list-style-type: none"> <li>• Profit maximizations for all stakeholders of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Sixth company	“.... We maximise our profit to satisfy our shareholders and other	<ul style="list-style-type: none"> <li>• Profit maximizations to satisfy all stakeholders help</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit to satisfy all stakeholders for the positive</li> </ul>

	stakeholders for continuing positive growth...”	the positive growth of the company.	growth of the company.
Seventh company	“... responsibility of manager is to profit maximise for the company’s stakeholders.”	<ul style="list-style-type: none"> <li>• Corporate governance’s responsibility is profit maximization for all stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Eighth company	“... we first think about our employees and others who are related to our business then about company’s profit. Because they are the main key players of the company who actually bring success for an organization.”	<ul style="list-style-type: none"> <li>• Stakeholders are more important than the company’s profit maximization.</li> </ul>	<ul style="list-style-type: none"> <li>• To maximize profit stakeholders can play a vital role.</li> </ul>
Ninth company	“... the company makes profit for the benefit of its stakeholders.” “... our investment management arm, .... is committed to improving the corporate responsibility of the businesses it invests in.”	<ul style="list-style-type: none"> <li>• Profit maximizations for all stakeholders of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Tenth company	“The company’s main intention is to make more profit to survive. We pay commissions and extra bonuses to our employees and do social works from the extra profit”	<ul style="list-style-type: none"> <li>• Profit maximizations for all employees of the company and some social works.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for the employees and the society.</li> </ul>

**Appendix 2: Analysis of wages (Economic factors)**

<b>Analysis of wages (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“... Minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Second company	“We do not pay less than national minimum wages to our employees.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Third company	“Our employees are well paid which is more than the minimum wages.”	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>
Fourth company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Fifth company	“... Wages of our general employees are higher than the minimum wages.”	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>
Sixth company	“We pay competitive wages and not less than minimum wages.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Seventh company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Eighth company	“We pay higher than the national minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>Wages are higher than the national minimum wages.</li> </ul>
Ninth company	“... Wages of our general employees are equivalent to the national minimum wages.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>
Tenth company	“... Our general employees get the national minimum wages.”	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>	<ul style="list-style-type: none"> <li>Hourly minimum wages are paid.</li> </ul>

### Appendix 3: Analysis of bonuses (Economic factors)

Analysis of bonuses (Economic factors)			
Serial of the companies	Data	Key words	Comments
First company	“We pay yearly two bonuses.”	<ul style="list-style-type: none"> <li>Employees get two bonuses in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Second company	“We pay yearly one bonus.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Third company	“We pay yearly two bonuses.”	<ul style="list-style-type: none"> <li>Employees get two bonuses in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Fourth company	“We pay yearly one bonus.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Fifth company	“We pay at least one bonus every year.”	<ul style="list-style-type: none"> <li>Employees get one or more bonuses in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Sixth company	“We pay one bonus in a year.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Seventh company	“Our employees get one bonus every year.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Eighth company	“We pay yearly one bonus.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Ninth company	“The company pays one bonus in a year.”	<ul style="list-style-type: none"> <li>Employees get one bonus in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus.</li> </ul>
Tenth company	“We pay yearly two bonuses and sales commissions.”	<ul style="list-style-type: none"> <li>Employees get two bonuses and commissions in a year.</li> </ul>	<ul style="list-style-type: none"> <li>Employees get yearly bonus and commissions.</li> </ul>

#### **Appendix 4: Analysis of holiday pay (Economic factors)**

<b>Analysis of holiday pays (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	Four weeks paid holiday in a year for Our fulltime employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Second company	All permanent employees are entitled for four weeks annual leave every year.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Third company	The company provides four weeks paid holiday for our employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Fourth company	The company has four weeks annual leave schemes for all employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Fifth company	Four weeks paid holiday for all employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Sixth company	All employees get 4 weeks annual leave in a year.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Seventh company	4 weeks paid annual leave for all employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Eighth company	Employees get 4 weeks paid annual leave in a year.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Ninth company	The company pays four weeks annual leave for all employees.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>
Tenth company	Paid annual leaves or yearly paid holiday depending on employees' hours and terms which is between four-five weeks.	<ul style="list-style-type: none"> <li>• Employees get four weeks paid annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get paid holiday.</li> </ul>

### Appendix 5: Analysis of employment law (Legal factors)

Analysis of employment law (Legal factors)			
Serial of the companies	Data	Key words	Comments
First company	"... We have formal written employment contract for all permanent employees which meet the minimum standard of employment as it is required by law."	<ul style="list-style-type: none"> <li>• Employment contract.</li> <li>• Government legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• Employment contract and government legislation.</li> </ul>
Second company	"... We cover all the government laws and orders for our employees to run the business."	<ul style="list-style-type: none"> <li>• Businesses cannot continue without following governments' rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Law and orders of the country are very strict.</li> </ul>
Third company	"The company follows all the employment laws required by the government such as, wages, annual leave, working hours, termination notice and pay etc."	<ul style="list-style-type: none"> <li>• Employment laws are government's requirement to set up a business.</li> </ul>	<ul style="list-style-type: none"> <li>• Employment laws are government's requirement.</li> </ul>
Fourth company	"... we provide the job contract covering the standards of employment as this is a mandatory government's rule."	<ul style="list-style-type: none"> <li>• Minimum standards of employment.</li> <li>• Providing job contract is a mandatory rule.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining minimum standards of employment and job contract is mandatory.</li> </ul>
Fifth company	"... by law we are bound to follow the employment laws and based on these laws we provide job contract to all our permanent employees."	<ul style="list-style-type: none"> <li>• Job contract is based on mandatory employment laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following employment laws is compulsory.</li> </ul>
Sixth company	"... the company follows the employment laws and make sure all	<ul style="list-style-type: none"> <li>• Employment laws confirm employee welfare.</li> </ul>	<ul style="list-style-type: none"> <li>• Following employment laws.</li> <li>• Employee welfare.</li> </ul>

	our employees' welfare."		
Seventh company	"the company meets the minimum standards of employment which are determined by the government."	<ul style="list-style-type: none"> <li>• Minimum standards of employment are government's requirement for any business.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum standards of employment are government's requirement.</li> </ul>
Eighth company	"... we have to follow the government's rules and regulations because without ensuing them we won't be able to run the business."	<ul style="list-style-type: none"> <li>• Employment laws are government's requirement to set up and continue a business.</li> </ul>	<ul style="list-style-type: none"> <li>• Employment laws are government's requirement.</li> </ul>
Ninth company	"This is our duty to abide the government laws and it is our responsibility to look after our every single employee."	<ul style="list-style-type: none"> <li>• Employers obey the law and look after their employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Employers' duty is to obey the law and look after their employees.</li> </ul>
Tenth company	"... the company follows the employment laws because it is not only required by law but also, we are concerned about our employees."	<ul style="list-style-type: none"> <li>• Employers obey the law and they are concerned about their employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Employers' duty is to obey the law and look after their employees.</li> </ul>

### Appendix 6: Analysis of business rules and regulations (Legal factors)

Analysis of business rules and regulations (Legal factors)			
Serial of the companies	Data	Key words	Comments
First company	“... our business policy includes information protection of our stakeholders which is an act of Australian intellectual property laws....”	<ul style="list-style-type: none"> <li>• Government legislation.</li> <li>• Information protection of stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Information protection of stakeholders is a government’s requirement.</li> </ul>
Second company	“The company is trading internationally and locally by following government’s fair-trade policy”	<ul style="list-style-type: none"> <li>• Government legislation.</li> <li>• Fair-trade policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Fair-trade policy is a government’s requirement.</li> </ul>
Third company	“Other internal regulations are, ... Corporate Social Responsibility Policy” “... our focus is on the welfare of our shareholders, employees, customers and whoever is directly or indirectly related to our business.”	<ul style="list-style-type: none"> <li>• Stakeholders’ welfare.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders’ welfare.</li> </ul>
Fourth company	“... we meet all the requirements of financial reporting and standards of accounting in Australia.”	<ul style="list-style-type: none"> <li>• Requirements of financial report.</li> <li>• Standards of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>• Government’s requirements for financial report and accounting standards.</li> </ul>
Fifth company	“... by law the company has to follow all the rules and regulations about import tariffs and duties”	<ul style="list-style-type: none"> <li>• Import-export regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Import-export regulations.</li> </ul>
Sixth company	“This is government’s law that the company is liable for the environment.”	<ul style="list-style-type: none"> <li>• Environment rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Government’s environment laws.</li> </ul>

Seventh company	“It is government’s requirement and our responsibility, not to sell any product which is harmful for our employees, customers and not environment friendly.”	<ul style="list-style-type: none"> <li>• Product liability.</li> <li>• Government’s requirements.</li> <li>• Company’s responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Government’s requirement and companies are cautious about the stakeholders.</li> </ul>
Eighth company	“The company does not involve in unhealthy competitions with its competitors as this is not good for the economy, consumers, government and suppliers.”	<ul style="list-style-type: none"> <li>• Business competition responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies’ duty is to do fair competition among them.</li> </ul>
Ninth company	“We have to follow all the business law and orders which is required by the government. At the same time our duty is to perform fairly to protect our stakeholders.”	<ul style="list-style-type: none"> <li>• Government’s requirements about business laws.</li> <li>• Company’s responsibilities about stakeholders’ protection.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies duty to follow the business laws and protect stakeholders.</li> </ul>
Tenth company	“The company’s rules and regulations are based the business laws which have been provided by the government. Additionally, we also consider our supplier countries’ rules and regulations to confirm our stakeholders’ wellbeing.”	<ul style="list-style-type: none"> <li>• Local government’s legislation.</li> <li>• Supplier countries’ legislation.</li> <li>• Stakeholders’ wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders’ wellbeing can be confirmed by considering the business rules and regulations of both local government and supplier countries.</li> </ul>

**Appendix 7: Analysis of business ethics (Ethical factors)**

<b>Analysis of business ethics (Ethical factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“We do not select cheap suppliers who are trading unethically”	<ul style="list-style-type: none"> <li>• Cheap suppliers</li> <li>• Unethical suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses are responsible to get products from ethical supplier.</li> </ul>
Second company	“We follow the ILO labour codes.”	<ul style="list-style-type: none"> <li>• ILO labour codes</li> </ul>	<ul style="list-style-type: none"> <li>• Companies follow at least ILO ethical labour codes.</li> </ul>
Third company	“The company uses information from third parties to get neutral information regarding the legal issues of suppliers.”	<ul style="list-style-type: none"> <li>• Third party’s involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Companies involve third parties.</li> </ul>
Fourth company	“The company policy is to be know as an ethical organization. Therefore, we recognise trading unions and our employees are free to take apart of any trade union.”	<ul style="list-style-type: none"> <li>• Ethical organization</li> <li>• Trade union</li> </ul>	<ul style="list-style-type: none"> <li>• Be ethical organization.</li> <li>• Recognise trade union.</li> </ul>
Fifth company	“The company always charges its customers fair pieces.”	<ul style="list-style-type: none"> <li>• Fair price of product</li> </ul>	<ul style="list-style-type: none"> <li>• Reasonable price.</li> </ul>
Sixth company	“Our suppliers’ code of conducts is based on the ILO ethical labour codes.”	<ul style="list-style-type: none"> <li>• Ethical suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• ILO labour codes for ethical suppliers.</li> </ul>
Seventh company	“... to make profit we do not exploit our employees and suppliers and try not to make any harm to the society and the environment.”	<ul style="list-style-type: none"> <li>• No labour exploitation.</li> <li>• No Supplier exploitation</li> </ul>	<ul style="list-style-type: none"> <li>• No labour and supplier exploitation.</li> </ul>
Eighth company	“We practice ethical leadership within the organizations	<ul style="list-style-type: none"> <li>• Ethical leadership.</li> <li>• Teamwork</li> </ul>	<ul style="list-style-type: none"> <li>• Ethical leaders and work as a team.</li> </ul>

	which refers managers are not bossy and work as a team.”		
Ninth company	“Our business policy includes .... Diversity and Inclusion Policy”. “... the company doesn’t discriminate its any stakeholders by age, gender, religion, ethnicity and geographical background.”	<ul style="list-style-type: none"> <li>• No discrimination.</li> </ul>	<ul style="list-style-type: none"> <li>• No discrimination of stakeholders.</li> </ul>
Tenth company	“... we do not either practice or let our suppliers allow any child labour, excessive hours and gender discrimination as these are against the law and our business ethics.”	<ul style="list-style-type: none"> <li>• No child labour.</li> <li>• No excessive hours</li> <li>• No gender discrimination.</li> </ul>	<ul style="list-style-type: none"> <li>• No child labour.</li> <li>• No excessive hours and Gender discrimination</li> </ul>

### Appendix 8: Analysis of workplace safety (Ethical factors)

Analysis of workplace safety (Ethical factors)			
Serial of the companies	Data	Key words	Comments
First company	“Workplace safety is a government law but, in the end, it is our workplace and our safety.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Second company	<p>“... it is not only government’s law but also the company makes sure the workplace is safe for our employees and customers.”</p> <p>“Corporate Social Responsibility Department, the Group sets the procedures and protocols required to minimize this risk.”</p>	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Third company	“We follow all the workplace safety rules and regulations.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> </ul>
Fourth company	“... the company maintains all the workplace safety and government inspectors regularly visit, check and make sure everything is fine.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> </ul>
Fifth company	“Our workplace safety is maintained by the company regularly as it is government’s requirement that to open and run a business every	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> </ul>

	organization must go through the workplace safety assessment.”		
Sixth company	“The company follows the government’s requirements for workplace safety and we train and monitor our employees regularly.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Seventh company	“We have to make sure that our workplace is safe and sound as it is government’s law.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Eighth company	“... our workplace safety is assessed by the recognised and authorised organizations and government inspectors on a regular basis”.	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Ninth company	“... it is required by law and our responsibility that the workplace and the store is safe and comfortable for our employees and customers.”	<ul style="list-style-type: none"> <li>• Government requirements about workplace safety.</li> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Government requires workplace safety.</li> <li>• Organizations are also responsible for workplace safety.</li> </ul>
Tenth company	“The company provides healthy workplace for its employees and customers.”	<ul style="list-style-type: none"> <li>• Organizations’ responsibilities about workplace safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizations can make sure workplace safety.</li> </ul>

**Appendix 9: Analysis of suppliers' selection (Ethical factors)**

<b>Analysis of suppliers' selection (Ethical factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“Although it is not required by law, we prefer those suppliers who are trading ethically.”	<ul style="list-style-type: none"> <li>Organizations' responsibilities about selecting ethical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Second company	“... doesn't matter who they are or where they are from, but we make sure they are performing legally.”	<ul style="list-style-type: none"> <li>Organizations are responsible to select ethical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Third company	“... may be our suppliers not from Australia, but they are supplying our products, so it is our moral duty to confirm that how legally and ethically they operate.”	<ul style="list-style-type: none"> <li>Organizations' responsibilities about selecting ethical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Fourth company	“The company has same code of conducts for its suppliers and if any supplier doesn't meet these codes we don't get product from them.”	<ul style="list-style-type: none"> <li>Organizations' responsibilities to let their suppliers operate ethically.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Fifth company	“Our suppliers' employees are not directly our employees but this our moral duty to recognise them as our employee.”	<ul style="list-style-type: none"> <li>Treat suppliers' employees as own employees.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Sixth company	“The company doesn't exploit its suppliers because exploited suppliers will also not treat their employees well.”	<ul style="list-style-type: none"> <li>No supplier exploitation will cause no labour exploitation.</li> </ul>	<ul style="list-style-type: none"> <li>Buyer companies make sure their suppliers not to exploit their employees.</li> </ul>

Seventh company	“... we do not get any products from those suppliers who do not look after their employees, customers and environments.”	<ul style="list-style-type: none"> <li>• Organizations’ responsibilities about selecting ethical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Eighth company	“... our suppliers agree with all the ethical terms and conditions. Additionally, we collect reports from third parties about their performances.”	<ul style="list-style-type: none"> <li>• Organizations’ responsibilities about selecting ethical suppliers.</li> <li>• Collecting reports from third parties.</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer companies encourage their suppliers to be ethical organizations.</li> <li>• Companies collect report from third parties about their suppliers.</li> </ul>
Ninth company	“... if our suppliers make any harm to the environment that will directly affect to the world environment, therefore indirectly we are also responsible for that. So, from ethical point of view, we try our best to make sure that our suppliers are ethically operating.”	<ul style="list-style-type: none"> <li>• Organizations’ responsibilities about selecting ethical suppliers.</li> <li>• Resisting suppliers from doing harm to the environment indirectly protect the environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>
Tenth company	“The company has set of codes for its suppliers and they must agree to these for getting any contract from us. For example, they won’t allow child labour, excessive hours, any kind of discrimination, less pay etc.”	<ul style="list-style-type: none"> <li>• Organizations’ responsibilities about selecting ethical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer companies encourage their suppliers to be ethical organizations.</li> </ul>

### Appendix 10: Analysis of social contribution (Philanthropic factors)

Analysis of social contribution (Philanthropic factors)			
Serial of the companies	Data	Key words	Comments
First company	“We contribute to local charities.”	<ul style="list-style-type: none"> <li>Charity contribution</li> </ul>	<ul style="list-style-type: none"> <li>Organizations contribute to local charities.</li> </ul>
Second company	“The company participates to some social activities.”	<ul style="list-style-type: none"> <li>Participating social activities.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations participate to social activities.</li> </ul>
Third company	“... we allow our employees to organize any fund-raising events for local charity organizations”	<ul style="list-style-type: none"> <li>Allow to organize fund-raising events.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations organize fund-raising events.</li> </ul>
Fourth company	“... we have fund to help any kind of social appeal.”	<ul style="list-style-type: none"> <li>Helping social appeal.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations help to social appeal.</li> </ul>
Fifth company	“The company identifies social activities such as funding for learning disable children, homeless people as its moral responsibility.”	<ul style="list-style-type: none"> <li>Helping social activities.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations help to social activities.</li> </ul>
Sixth company	“We try our best to help local charity organizations by donating money and products.”	<ul style="list-style-type: none"> <li>Donate money and products to local charity organizations.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations donate money and products to local charities.</li> </ul>
Seventh company	<p>“As we are part of this society and there are always some sorts of needs, we response and provide our best support to the society.”</p> <p>“... Capital’s decision-making process is assessing the environmental, social and governance (ESG) performance of its investments ...”</p>	<ul style="list-style-type: none"> <li>Response in social needs.</li> </ul>	<ul style="list-style-type: none"> <li>Organizations response in social needs.</li> </ul>

Eighth company	“We allow collection boxes of local charity organizations. We also provide gift vouchers as a prize of raffle draws.”	<ul style="list-style-type: none"> <li>• Keep a collection box of local charity.</li> <li>• Giving gift vouchers to raffle draws.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizations keep collection box of local charity.</li> <li>• They give gift vouchers to raffle draws.</li> </ul>
Ninth company	“The company donates to any charity organizations based in locally or internationally.”	<ul style="list-style-type: none"> <li>• Donate money to local and international organizations.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies donate money to local and international charity organizations.</li> </ul>
Tenth company	“We voluntarily take part to some local charity events. We also contribute a good amount from any extra profit.”	<ul style="list-style-type: none"> <li>• Participating local charity events.</li> <li>• Donating from extra profit.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizations donate from extra profit.</li> </ul>

### Appendix 11: Analysis of environmental safety (Philanthropic factors)

Analysis of environmental safety (Philanthropic factors)			
Serial of the companies	Data	Key words	Comments
First company	“The company tries not to make any harm to the environment.”	<ul style="list-style-type: none"> <li>• No harm to the environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep environment safe.</li> </ul>
Second company	“... We send all the waste products to recycle them which is good for the environment.”	<ul style="list-style-type: none"> <li>• Recycling waste product.</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle any surplus products.</li> </ul>
Third company	“... we use less energy by using energy savers lighting systems in our workplace.”	<ul style="list-style-type: none"> <li>• Using less energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Using less energy.</li> </ul>
Fourth company	“We prefer and select those suppliers whose carbon footprint is less.”	<ul style="list-style-type: none"> <li>• Selecting less footprint suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Select less footprint suppliers.</li> </ul>
Fifth company	“... from product import to delivery to the customers in every level we try our best to ignore all kind of environment pollution.”	<ul style="list-style-type: none"> <li>• Less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Creating less pollution.</li> </ul>
Sixth company	“... packaging materials, product waste, plastics etc we do not dump as a general waste. They go to separate bins and collected by authorised	<ul style="list-style-type: none"> <li>• Recycling waste product.</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle any surplus products.</li> </ul>

	organization and recycle them as much as possible.”		
Seventh company	“... our machineries and appliances are A rated and they are serviced regularly so they create less pollution.”	<ul style="list-style-type: none"> <li>• Less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Creating less pollution.</li> </ul>
Eighth company	“... we use environment friendly products and make sure they are safe for our customers and the environment.”	<ul style="list-style-type: none"> <li>• Using environment friendly products.</li> </ul>	<ul style="list-style-type: none"> <li>• Use environment friendly products.</li> </ul>
Ninth company	“As our consumers are from all age category and include children also, our plastic products are BPA free. We also use paper shopping bag which is recyclable.”	<ul style="list-style-type: none"> <li>• Using environment friendly and recyclable products.</li> </ul>	<ul style="list-style-type: none"> <li>• Use environment friendly and recyclable products.</li> </ul>
Tenth company	“We do not allow dumping of our rejected products and product wastes, rather we recycle them.”	<ul style="list-style-type: none"> <li>• Recycling waste and rejected products.</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle waste and rejected products.</li> </ul>

**Appendix 12: Analysis of profit maximization (Economic factors), Pakistan.**

<b>Analysis of profit maximization (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“... we maximise profits considering our stakeholders.”	<ul style="list-style-type: none"> <li>• Profit maximisation.</li> <li>• Considering stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Second company	“... this is a profitable organization and our main corporate responsibility is to maximise the profit as much as possible.”	<ul style="list-style-type: none"> <li>• Profitable organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Profit making organization.</li> </ul>
Third company	“The company’s aim is to be a profitable organization for our stakeholders.”	<ul style="list-style-type: none"> <li>• Profitable organization for the stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Fourth company	“Profit maximization considers the stakeholders of the company”.	<ul style="list-style-type: none"> <li>• Profit maximisation.</li> <li>• Considering stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Making profit for all stakeholders.</li> </ul>
Fifth company	“... the company is a profitable organization .... In last two years the profit was 90% more than the last year.”	<ul style="list-style-type: none"> <li>• Profitable organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Profit making organization.</li> </ul>
Sixth company	“The company takes into account its stakeholders first as they make the profit for the organization.”	<ul style="list-style-type: none"> <li>• Stakeholders first.</li> <li>• Profit maximisation.</li> </ul>	<ul style="list-style-type: none"> <li>• First priority is stakeholders of the company.</li> </ul>

		•	• Making profit for all stakeholders.
Seventh company	“We maximise profit for our stakeholders.”	• Profit maximisation for stakeholders.	• Making profit for all stakeholders.
Eighth company	“... the company makes profit for its stakeholders.”	• Profit maximisation for stakeholders.	• Making profit for all stakeholders.
Ninth company	“For our stakeholders we maximise profit.”	• Profit maximisation for stakeholders.	• Making profit for all stakeholders.
Tenth company	“the company is a profitable organization and it maximises profit as much as possible for its stakeholders.”	<ul style="list-style-type: none"> <li>• Profit maximisation as much as possible.</li> <li>• Considering stakeholders.</li> </ul>	• Making profit as much as possible for all stakeholders.

**Appendix 13: Analysis of wages (Economic factor), Pakistan.**

<b>Analysis of wages (Economic factor)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Second company	“our general employees get the minimum wages.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Third company	“... the company pays minimum wages to its general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Fourth company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Fifth company	“We pay 19-25k RS to our general employees depending on their skill level.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Sixth company	“our general employees get the minimum wages.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Seventh company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Eighth company	“The company pays minimum wages to its general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Ninth company	“... minimum wages are paid to our general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>
Tenth company	“We pay minimum wages to our general employees.”	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>	<ul style="list-style-type: none"> <li>• General employees get minimum wages.</li> </ul>

**Appendix 14: Analysis of bonuses (Economic factors), Pakistan**

<b>Analysis of bonuses (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“Employees get two Eid bonuses every year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Second company	“The company pays yearly two bonuses during the Eid festival”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Third company	“We pay two bonuses through the year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Fourth company	“Employees get two Eid bonuses every year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Fifth company	“Employees get two Eid bonuses every year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Sixth company	“The company pays yearly two Eid bonuses to all employees.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Seventh company	“We pay two Eid bonuses in a year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Eighth company	“... employees of our company get bonus twice in a year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Ninth company	“Employees get two Eid bonuses every year.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.
Tenth company	“The company pays yearly two Eid bonuses to all employees.”	• Employees get yearly two bonuses.	• Employees get yearly two bonuses.

**Appendix 15: Analysis of holiday pays (Economic factors), Pakistan.**

<b>Analysis of holiday pays (Economic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“... our employees are entitled to get 27 days annual leave every year.”	<ul style="list-style-type: none"> <li>• 27 days annual leave for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Second company	“Employees get 4 weeks annual leave.”	<ul style="list-style-type: none"> <li>• Four weeks annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Third company	“Four weeks annual leaves for all our employees.”	<ul style="list-style-type: none"> <li>• Four weeks annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Fourth company	“all employees get paid holidays every year.”	<ul style="list-style-type: none"> <li>• Paid holidays.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Fifth company	“the company provides annual leaves for permanent employees.”	<ul style="list-style-type: none"> <li>• Annual leaves for permanent employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Sixth company	“Four weeks annual leaves for all our employees.”	<ul style="list-style-type: none"> <li>• Four weeks annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Seventh company	“Employees get 4 weeks annual leave.”	<ul style="list-style-type: none"> <li>• Four weeks annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Eighth company	“Our employees get four weeks annual leave.”	<ul style="list-style-type: none"> <li>• Four weeks annual leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Ninth company	“all employees get paid holidays every year.”	<ul style="list-style-type: none"> <li>• Yearly paid holidays.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>
Tenth company	“the company provides annual leaves for permanent and fulltime employees.”	<ul style="list-style-type: none"> <li>• Annual leaves for permanent and fulltime employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees get annual leave.</li> </ul>

**Appendix 16: Analysis of employment law (Legal factors), Pakistan**

<b>Analysis of employment law (Legal factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“the company provide job agreement to its all employees.”	<ul style="list-style-type: none"> <li>• Job agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• The company provides job agreement.</li> </ul>
Second company	“We follow ILO labour laws.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Third company	“... company’s employment laws cover ILO labour laws.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Fourth company	“ .. we follow ILO labour codes.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Fifth company	“... the company follows buyers’ and ILO labour codes of conducts.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> <li>• Buyer’s labour codes.</li> </ul>	<ul style="list-style-type: none"> <li>• Following buyers’ and ILO labour code of conducts.</li> </ul>
Sixth company	“We follow ILO labour laws.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Seventh company	“Employment laws of the company cover ILO labour codes.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Eighth company	“We follow ILO labour codes.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Ninth company	“We follow ILO labour laws.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>
Tenth company	“We follow ILO labour laws.”	<ul style="list-style-type: none"> <li>• ILO labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Following ILO labour code of conducts.</li> </ul>

**Appendix 17: Analysis of business rules and regulations (Legal factors), Pakistan.**

<b>Analysis of business rules and regulations (Legal factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Second company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Third company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Fourth company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Fifth company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Sixth company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Seventh company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on government’s trade policy.</li> </ul>
Eighth company	“Following the business policy required by the local government.”	<ul style="list-style-type: none"> <li>• Government’s trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company’s business rules and regulations are based on</li> </ul>

			government's trade policy.
Ninth company	"Following the business policy required by the local government."	<ul style="list-style-type: none"> <li>• Government's trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company's business rules and regulations are based on government's trade policy.</li> </ul>
Tenth company	"Following the business policy required by the local government."	<ul style="list-style-type: none"> <li>• Government's trading policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Company's business rules and regulations are based on government's trade policy.</li> </ul>

**Appendix 18: Analysis of business ethics (Ethical factors), Pakistan.**

<b>Analysis of business ethics (Ethical factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“We are operating ethically.”	• Operating ethically.	• Ethically trading.
Second company	“The company is trading ethically and legally.”	• Trading ethically and legally.	• Ethically and legally trading.
Third company	“We practice ethical behaviour.”	• Practising ethical behaviour.	• Practising ethical behaviour.
Fourth company	“We are ethically trading.”	• Trading ethically.	• Trading ethically.
Fifth company	“... we follow ILO ethical labour codes.”	• ILO ethical labour code.	• Follow ILO ethical labour codes.
Sixth company	“Our buyers provide ethical guidance for us.”	• Buyers’ ethical guidance.	• Follow buyers’ ethical guidance.
Seventh company	“We follow buyers’ ethical code of conducts.”	• Buyers’ ethical code of conducts.	• Follow buyers’ ethical code of conducts.
Eighth company	“The company is trading ethically.”	• Trading ethically.	• Trading ethically.
Ninth company	“We are ethically performing.”	• Trading ethically.	• Trading ethically.
Tenth company	“... we do not allow any unethical business activities.”	• No unethical business activities.	• Not allowing any unethical business activities

**Appendix 19: Analysis of workplace safety (Ethical factors), Pakistan.**

<b>Analysis of workplace safety (Ethical factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“Our workplace is safe.”	<ul style="list-style-type: none"> <li>• Safe workplace.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety.</li> </ul>
Second company	“We provide safe and healthy workplace.”	<ul style="list-style-type: none"> <li>• Safe and healthy workplace.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety.</li> </ul>
Third company	“... our workplace safety is maintained and inspected by ILO.”	<ul style="list-style-type: none"> <li>• Workplace safety.</li> <li>• Inspected by ILO.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety with ILO.</li> </ul>
Fourth company	“The company makes sure that the workplace is safe for its employees.”	<ul style="list-style-type: none"> <li>• Safe workplace.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety.</li> </ul>
Fifth company	“We have safe workplace.”	<ul style="list-style-type: none"> <li>• Safe workplace.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety.</li> </ul>
Sixth company	“Our workplace is healthy and safe.”	<ul style="list-style-type: none"> <li>• Safe and healthy workplace.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety.</li> </ul>
Seventh company	“We work together with ILO to maintain the workplace safety.”	<ul style="list-style-type: none"> <li>• Workplace safety.</li> <li>• Assisted by ILO.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety with ILO.</li> </ul>
Eighth company	“ILO assist the company to keep our workplace safe.”	<ul style="list-style-type: none"> <li>• Workplace safety.</li> <li>• Assisted by ILO.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety with ILO.</li> </ul>
Ninth company	“We follow ILO’s workplace safety guidance.”	<ul style="list-style-type: none"> <li>• Workplace safety.</li> <li>• Guided by ILO.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety with ILO.</li> </ul>
Tenth company	“ILO inspects and helps the company for workplace safety.”	<ul style="list-style-type: none"> <li>• Workplace safety.</li> <li>• Inspected by ILO.</li> </ul>	<ul style="list-style-type: none"> <li>• The company maintains workplace safety with ILO.</li> </ul>

**Appendix 20: Analysis of suppliers' selection (Ethical factors), Pakistan.**

<b>Analysis of suppliers' selection (Ethical factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	None	None	The company has no policy for suppliers selection.
Second company	"We get products from those companies who are trading ethically."	Ethical suppliers.	Encouraging suppliers to trade ethically.
Third company	None	None	The company has no policy for suppliers selection.
Fourth company	None	None	The company has no policy for suppliers selection.
Fifth company	"We trade with ethical buyers and suppliers."	Ethical suppliers.	Encouraging suppliers to trade ethically.
Sixth company	"... we select ethical suppliers."	Ethical suppliers.	Encouraging suppliers to trade ethically.
Seventh company	"We prefer those suppliers who are also working with ILO."	Ethical suppliers.	Encouraging suppliers to trade ethically.
Eighth company	"We buy surplus stocks from big companies and they are trading ethically."	Surplus stock Ethical suppliers.	The company is responsible to get ethical suppliers.
Ninth company	"The company has different types of suppliers. Sometimes it is hard to find how ethical they are." "As we are a small business, we buy raw materials from wholesalers."	Small business Wholesalers. Original suppliers.	It is hard to find original suppliers in wholesale market.
Tenth company	"We get products from the ethical traders."	Ethical suppliers.	Encouraging suppliers to trade ethically.

**Appendix 21: Analysis of social contribution (Philanthropic factors), Pakistan.**

<b>Analysis of social contribution (Philanthropic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“The company helps to local charities.”	Helping local charities.	The company helps local charities.
Second company	“We help individuals and charity organizations by giving different amount of money.”	Helping individuals and charities.	The company helps individuals and charities.
Third company	“We help poor individuals who need money or any other help.”	Helping poor people	The company helps poor people.
Fourth company	“The company donates money to different types of fund-raising events through the year.”	Donating to fund-raising events.	The company donate to fund-raising events.
Fifth company	“We donate money to our local mosques and orphanages.”	Donate money to local mosques and orphanages	The company helps local mosques and orphanages.
Sixth company	“The company helps poor people and children by providing money and managing shelters sometimes.”	Helping poor people	The company helps poor people.
Seventh company	“We regularly donate money to our local mosques and help local communities several times by donating money as much as possible.”	Donate money to local mosques and communities.	The company helps local mosques and communities.
Eighth company	“The company donates money to local orphanages regularly.”	Donating to orphanages.	The company helps local orphanages.
Ninth company	“... the company contributes to the local charity and religious organizations.”	Contributing to local charity and religious organizations.	The company helps local charity and religious organizations.

Tenth company	“We help our society as much as possible because, our religion says, the return is seventy times than our donation.”	Religious donation. Religious faith.	The company donates from religious faith.
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**Appendix 22: Analysis of environmental safety (Philanthropic factors), Pakistan.**

<b>Analysis of environmental safety (Philanthropic factors)</b>			
<b>Serial of the companies</b>	<b>Data</b>	<b>Key words</b>	<b>Comments</b>
First company	“We try to keep our environment safe”.	<ul style="list-style-type: none"> <li>• Safe environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep the environment safe.</li> </ul>
Second company	“the company tries not to create any types of pollution for the environment.”	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>
Third company	“Our pollution level is very less as we get orders from our contractors, they provide raw materials and we produce the product and deliver to them.”	<ul style="list-style-type: none"> <li>• Selling readymade product.</li> <li>• Less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>
Fourth company	“We use warehouse to store the ready products. Any pollution by our company is very less.”	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>
Fifth company	“We do not dump any rejected and surplus products, and wastes. Some private organizations buy and use them for different purposes.”	<ul style="list-style-type: none"> <li>• No dumping.</li> <li>• Sell them to reuse.</li> </ul>	<ul style="list-style-type: none"> <li>• No dumping creates less pollution.</li> </ul>
Sixth company	“The company doesn’t dump its industrial wastes. We keep them separate and sell them to some other companies who use them as a raw material to produce something different things.”	<ul style="list-style-type: none"> <li>• No dumping.</li> <li>• Sell them to reuse and recycle.</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle and reuse wastes and surplus products.</li> </ul>
Seventh company	“... our venting system create carbons and pollute air. Therefore, we	<ul style="list-style-type: none"> <li>• Air pollution.</li> <li>• Tree plantation.</li> </ul>	<ul style="list-style-type: none"> <li>• Tree plantation stops air pollution.</li> </ul>

	plant more trees in our local areas to balance it.”		
Eighth company	“We buy surplus stocks. So, these products are not getting dumped. Thus, we are helping environment to keep less polluted.”	<ul style="list-style-type: none"> <li>• Buying surplus stock.</li> <li>• Create less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle and reuse wastes and surplus products.</li> </ul>
Ninth company	“We buy and sell ready products. Therefore, we cause very less pollution but still we help to keep the environment clean.”	<ul style="list-style-type: none"> <li>• Selling readymade product.</li> <li>• Less pollution.</li> </ul>	<ul style="list-style-type: none"> <li>• Create less pollution.</li> </ul>
Tenth company	“... we do ourselves and encourage for more and more tree plantation to save our environment from air and noise pollution.”	<ul style="list-style-type: none"> <li>• Air and noise pollution.</li> <li>• Tree plantation.</li> </ul>	<ul style="list-style-type: none"> <li>• Tree plantation stops pollution.</li> </ul>