The Views of Corporate Managers on the Current State of, and Future Prospects for, Social Reporting in Bangladesh: An Engagement Based study

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Acknowledgements

The authors would like to thank Carol Adams and Carlos Larrinaga-González for their editorial guidance and the two anonymous reviewers for their constructive comments. The funding provided by Sheffield University Management School to the first author is also duly acknowledged. An earlier version of the paper was presented at the 4\textsuperscript{th} APIRA Conference, 2004, Singapore.
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Abstract

Purpose – This paper seeks to respond to recent calls for more engagement based studies (Gray, 2002; Parker, 2005) of corporate social reporting (CSR) practice by examining the views of corporate managers on the current state of, and future prospects for, social reporting in Bangladesh.

Design/methodology/approach – The paper uses a series of interviews with senior managers from 23 Bangladeshi companies representing the multinational, domestic private and public sectors.

Findings – Key findings are that the main motivation behind current reporting practice lies in a desire on the part of corporate management to manage powerful stakeholder groups, whilst perceived pressure from external forces, notably parent companies’ instructions and demands from international buyers, is driving the process forward. In the latter context it appears that adoption of international social accounting standards and codes is likely to become more prevalent in the future. Reservations are expressed as to whether such a passive compliance strategy is likely to achieve much in the way of real changes in corporate behaviour, particularly when Western developed standards and codes are imposed without consideration of local cultural, economic and social factors. Indeed, such imposition could be regarded as little more than an example of the erection of non-tariff trade barriers rather than representing any meaningful move towards empowering indigenous stakeholder groups.

Originality/value – The paper contributes to the literature on CSR in developing countries where there is a distinct lack of engagement based published studies.

Keyword(s): Corporate Social Reporting (CSR); Social accounting standards/codes; Developing countries; Bangladesh

Paper Type: Empirical research paper
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Introduction

As Owen (2004) notes, exploration of managerial motivations for making social and environmental disclosures has long held a prominent position within the corporate social reporting (CSR) research agenda. Initially, increasingly rigorous content analyses of published corporate reports were employed, with perspectives from legitimacy, stakeholder and political economy theories utilised, in attempts to explain, rather than simply describe practice. In more recent years, at least as far as reporting practices in developed economies are concerned, managerial motivations have been probed more directly via utilising interview methods (see, for example, Adams, 2002; Buhr, 1998, 2002; Larrinaga-González & Bebbington, 2001; Larrinaga-González, Carrasco-Fenech, Caro-González, Correa-Ruiz, & Páez-Sandubete, 2001; O'Dwyer, 2002, 2003). Research of reporting practices in developing economies, including Bangladesh (see, for example, Belal, 2000, 2001; Imam, 1999, 2000), has been generally of a far more recent vintage and predominantly descriptive in nature. With the notable exceptions of Rahaman, Lawrence & Roper’s (2004) study of social and environmental reporting practices undertaken by the Volta River Authority in Ghana, together with Lodhia’s (2003) and Kuasirikun’s (2005) studies of accountants’ perceptions of environmental and social accounting issues in Fiji and Thailand respectively, there have been a distinct lack of published studies based within developing countries which employ interview methodologies.

The current study begins to address the above gap in the literature via undertaking a series of in-depth interviews with local senior managers drawn from 23 Bangladeshi
companies. The main research objective is to critically examine the views held by these managers towards the emerging phenomenon of CSR in Bangladesh and thus to illuminate some of the driving forces behind the current state of, and future prospects for, CSR in the Bangladeshi context.

A primary motivating factor underpinning this study lies in a desire to engage with practice in order to highlight current weaknesses and thereby begin to provide a platform by which such practice may be improved (Bebbington, 1997). It responds to the calls for engagement based studies in the literature by Gray (2002) and Parker (2005). Our study contributes to the CSR literature in the following ways:

- It adds to the relatively small body of CSR literature that adopts a developing country perspective.
- As opposed to the previous predominant emphasis on descriptive content analysis in studying CSR issues within developing countries in general, and Bangladesh in particular, we employ an interview based approach in order to gain a deeper understanding of the various factors driving the CSR process.

The paper proceeds as follows. Following a brief review of prior engagement based studies probing managerial motivations for CSR, a detailed outline of the socio-economic context of Bangladesh is provided which, in particular, highlights a number of major social and environmental issues that have come to the fore as the country’s economy has been transformed in recent times. There follows a description of the research method employed in the study. The interview findings are then presented. The final section of the paper offers some analytical comments on the interview findings together with some reflections on their implications for future practice.
Prior Literature

As noted above, a steady, albeit relatively small, stream of ‘engagement based’ research studies have appeared in recent years which employ interview based methods in order to address the managerial motivations behind, and processes involved in, producing corporate social and environmental reports. Overwhelmingly, it is suggested that a concern over threats to organisational legitimacy, and hence a perceived need to improve corporate image, is largely driving the reporting process, rather than any desire on the part of corporate management to be transparent or socially accountable per se. In particular, an emphasis is placed on managing the expectations of powerful stakeholders, notably capital providers, and offering the appearance of being responsive to ‘public pressure’ (Adams, 2002) and the concerns of influential lobbying groups (Deegan & Blomquist, 2006). Furthermore, as studies by Larrinaga-González and Bebbington (2001) and Larrinaga-González et al (2001) indicate, there would appear to be severe doubts as to whether such reporting is having much influence at all on actual corporate priorities and associated behaviour. Rather, reporting seems to operate largely as an ‘agenda controlling’ device, thus ensuring that organisational activities can carry on much as before.

O’Dwyer (2003) further develops the latter point in drawing attention to a strong tendency for corporate managers to ‘capture’ the CSR agenda, via interpreting the concept in a constricted fashion consistent with the goal of shareholder wealth maximisation. Later case study work by O’Dwyer (2005) examining the development of a social accounting process in an Irish overseas aid agency, the Agency for Personal Services Overseas (APSO), further points to senior management, despite apparently
embarking on a wide-ranging consultation exercise, effectively operating a systematic strategy of denying a voice to key stakeholders, notably local communities in developing countries, within the reporting process itself. A further study by Owen, Swift and Hunt (2001) drawing upon a programme of semi-structured interviews held with corporate managers, CSR practitioners and representatives of NGOs, whilst also noting considerable support on the part of corporate respondents for employing stakeholder engagement processes, goes on to point out the complete absence of any mechanism by which stakeholder views can feed directly into the reporting process. They argue that for stakeholders to be truly empowered in terms of holding corporate management accountable administrative (reporting) reform must be accompanied by institutional reform offering more participatory forms of corporate governance.

Recent studies adopting a stakeholder, as opposed to managerial, perspective on current CSR practice point similarly to an overall lack of corporate responsiveness to stakeholder needs, particularly those of economically weak stakeholders (O’Dwyer, Unerman, & Bradley, 2005; O’Dwyer, Unerman, & Hession, 2005; Unerman & Bennett, 2004). A neat illustration of how this can give rise to a discernible lack of completeness in reporting itself is provided by Rahaman et al’s (2004) interview based study of the social and environmental reporting practices undertaken by the Volta River Authority in Ghana. Attention is drawn here to the overriding focus on physical environmental impacts in response to information demands emanating from the international investment agencies funding a large scale public sector electricity generation project being undertaken by the Authority. By contrast, the less visible social and environmental impacts on Ghanaian rural communities unable to afford the charges dictated by the required commercial return on the project are ignored.
The above, of necessity, brief review of engagement based research probing managerial motivations for engaging in CSR points to it being largely driven by ‘business case’ concerns with managing powerful stakeholder groups and enhancing corporate reputation rather than any real desire to promote ideals of transparency or, despite apparent growing support for employing stakeholder consultation exercises (Owen et al, 2001), to alter organisational priorities in order to respond to the needs of less economically powerful stakeholders. However, Rahaman et al’s (2004) case study suggests that drivers of the ‘business case’ may be somewhat different in developing, as opposed to developed, countries. Significantly here, external pressures for legitimisation, in the form of the demands of international capital, appear to be particularly influential. Further evidence that managerial motivations may be influenced by situationally specific factors is provided by O’Dwyer’s (2002) study of Irish managers perceptions of CSR. Interestingly here, whilst O’Dwyer cites a large body of literature supporting legitimacy based interpretations for the prevalence of CSR, he is unable to find much evidence to support such an explanation amongst the managers he interviewed and goes on to suggest that specific national economic and social factors may be driving his findings.

Turning to the Bangladeshi context, we are led to speculate that tensions between specific national, and indeed organisational, factors and international pressures facing any developing country may influence the motivations of individual managers. In the former context, whereas extant research on CSR in Bangladesh is descriptive in nature, Belal (2001) and Imam (2000), whilst noting that both quantity and quality of disclosure is generally poor, point to human resource issues dominating such reporting practice as there is. Belal goes on to suggest that this may well be due to factors such
as the presence of a unionised workforce in parts of the economy and an apparent emphasis on employee welfare in the public policy domain. Conversely, pressures to adopt Western codes and standards in order to attract foreign capital and secure access to international markets may offer different reporting incentives. Whilst such a process is well documented as far as financial reporting standards are concerned (see, for example, Hove 1986), a number of prominent social accounting standards, most notably the Global Reporting Initiative (GRI), AA1000 and SA8000 are being increasingly marketed in terms of their internationality of application and may, therefore, be particularly influential in driving future reporting practice. In the light of these observations the following section of the paper presents a detailed overview of the socio-economic context of Bangladesh within which the later empirical findings may, at least tentatively, be framed.

The Socio-Economic Context of Bangladesh

Bangladesh is a country located in South Asia with a per capita Gross National Income of only $440 per year (WorldBank, 2005). Since the emergence of the democratic era in the 1990s Bangladesh has been pursuing the principles of a market economy, leaving behind the socialistic economic pattern earlier followed. As is the case in many other developing countries, a key strategy for achieving faster economic development in Bangladesh is one of rapid industrialisation. With that objective in mind, a private sector led industrial development policy is being aggressively pursued with the aim of attracting as much foreign investment as possible. Various measures have been introduced, most notably fiscal incentives, establishment of Export Processing Zones (EPZ)\(^1\) and the provision of cheap labour, which have facilitated a growth of foreign
investments from a mere $5 million (annual average during 1985-95) to $460 million in 2004 (UNCTAD, 2005).

The current industrial policy’s overriding emphasis on private sector led export-oriented industrial development is reflected in the increase of export earnings from $1994 million in 1991/1992 to $8655 million in 2004/2005 (EPB, 2006). Key export ‘thrust’ sectors have been ready made garments, leather and leather goods, computer software and agro-processing products. The ready made garments sector alone has made an impressive contribution, amounting to 74.2% of total exports in 2004/2005 as compared to only 1.1% in 1982/1983 (EPB, 2006), and provides employment to about 2 million people, mostly rural migrant women (Frost, 2005).

By pursuing the above strategy of export led industrial development Bangladesh achieved a GDP growth rate of 6.3% in 2003/2004, as compared to a meagre figure of 1.7% during the 1980s (Ahmed, 2006). While such a strategy, therefore, clearly makes some economic sense, it has at the same time created many significant adverse social, ethical and environmental effects. This in turn has led to increasing demands for enhanced accountability and transparency in business practices (Byron, 2005; Rahman, 2003).

The key issues of concern in the garment and textile sector, and also in other export-oriented industries, are child labour, equal opportunity and workplace health and safety matters. Although in the face of pressure from Western consumers and international agencies, such as the ILO, the use of child labour is being steadily eliminated, it has been argued that their welfare and rehabilitation have been neglected (Hossain, 2001;
Murshed, 2005; TheDailyStar, 2004). The consequence here being that while factory owners are discontinuing the practice of employing child labour, those displaced are compelled to live on the streets and engage in various anti-social activities thereby creating other social problems. Additionally, women workers in the sector have to endure particularly harsh working conditions (Afrin, 2002). In many instances they can be required to work 12 hours a day, sometimes throughout the night, with one day’s holiday per month and compulsory overtime (Milne, 2001). A further problem lies in the issue of unpaid wages which often remain outstanding for months (Frost, 2005). Other gender issues include mandatory pregnancy tests for new employees, humiliating searches on the way in and out of the factories and managements’ preference for unmarried women as they have no family obligations (Rashid, 1998). The neglect of health and safety at workplace is starkly evident from the fact that hundreds of employees have been killed at work due to several fire incidents in recent times (Chepesiuk, 2004). Indeed, between 1990 and 2005 there were 115 reported factory fires resulting in 300 deaths and over 2500 injuries. In one particular fire incident in Dhaka on 11th April, 2005 73 people were killed and 100 workers were trapped in the debris (Frost, 2005). The main reason for the collapse of the nine-storey factory building, used to produce garment items for buyers in Western countries, was attributed to illegal construction. In another more recent incident in the KTS garments factory in Chittagong 56 people died and 100 were injured due to a fire caused by boiler explosion (Khan, 2006). Whilst these major incidents once again put factory working conditions in Bangladesh under a harsh spotlight it remains to be seen whether this will result in genuine steps being taken towards improvements being made.
Industrial pollution is considered one of the key environmental problems (Belal, Khan, & Alam, 1998), with concerns expressed that if nothing is done to check it Bangladesh runs the risk of facing an ‘ecological catastrophe’ (Inam, 1995). Whereas the Bangladeshi government has taken steps towards enhancing environmental protection, notably the promulgation of the Environment Conservation Act 1995, it appears that the spirit of the Act is yet to be actualised (Khan & Belal, 1999). For example, amongst other cases, the tannery companies in the Hazaribagh areas have been blamed in recent years for causing serious pollution in the nearby communities and rivers (Khan, 2001a, 2001b; Khan & Hasan, 2005). In addition, a large number of other industrial units located on the banks of the Buriganga, Karnaphulli and other rivers are accused of polluting the river bodies on a daily basis, thereby depriving the indigenous population of access to clean water and livelihoods based predominantly on fishing and boating activities (Nurunnabi, 2002).

In addition to the above labour and environmental problems, the issues of corruption and the violation of consumers’ rights are of particular concern in Bangladesh. Indeed, in the former context, according to Transparency International’s 2002 ranking (quoted in Mir and Rahaman, 2005), Bangladesh is considered to be the world’s most corrupt country, with the monetary value of corruption estimated at around Taka 700,000 million, as compared with Taka 231,980 million in 1991. This corruption is particularly evidenced within the business community in the widespread prevalence of activities such as bribery (Khaleque, 2005), tax evasion (Hasan, 2002), loan defaults (TheNewNation, 2001) and various share scandals (Rahman, 2002). Turning to the issue of consumer rights, in the absence of any substantial measure of consumer protection law, it is alleged that these are routinely ignored (Aziz, 2002; Roy, 2005).
This is evidenced in the widespread provision of sub-standard and poor quality goods (The Independent, 2001), with particularly serious allegations being made of companies marketing adulterated food products which are capable of causing serious public health hazards (Roy, 2005).

The prevalence of the problems outlined above is, at least on the surface, somewhat surprising in view of the existence of a long established regulatory and institutional framework, largely inherited from the British colonial period, which purports to govern key social and environmental aspects of organisational performance. Laws regulating the social welfare of employees include the Factories Act, 1965, Industrial Relations Ordinance, 1969, Employment of Labour (Standing Orders) Act, 1965, Payment of Wages Act, 1936 and Workmen Compensation Act, 1923, and cover issues such as minimum working hours, a safe and healthy working environment, the right to form trade unions and minimum working age. The Labour Inspectorate under the Ministry of Labour and Welfare undertakes prime responsibility for implementing these rules and regulations. The main laws relating to environmental matters include the Environmental Conservation Act, 1995 and Environmental Conservation Rules, 1997. Under these laws guidelines and standards are provided for the control and mitigation of environmental pollution. In addition, the Factories Act, 1965 includes various provisions relating to the discharge of wastes and effluents and emission of dust and fumes. The Department of Environment (DoE) under the Ministry of Environment and Forest is responsible for the implementation of the environmental laws in Bangladesh.

Whilst government continually exhorts companies to observe the spirit of the above legislation in delivering better labour conditions (The Daily Star, 2002a, 2002b) and
improved environmental performance (TheDailyStar, 2002c), Khan and Belal (1999) argue that such calls largely amount to mere rhetoric due to a failure to make any real change on the ground. State agencies seem to be escaping responsibility for taking action against the “corrupt network” because, it is alleged, they are often part of it. Moreover, these agencies lack the knowledge, funds and manpower to ensure proper implementation of relevant laws. This explains why more than 1000 industrial units, identified as polluters, have ignored repeated notices from DoE since 1986 calling for corrective measures to be taken (Belal et al., 1998; Khan & Belal, 1999). In addition, the increasing number of fire incidents points to the ineffectiveness of the Factory Inspection Directorate which has failed to ensure a safe working environment for employees (Khan, 2006). Recently this particular agency, with only 20 inspectors for 50,000 factories, has come under intense media scrutiny focusing on its ‘bureaucratic tangles and corruption’ resulting in an unabated spate of accidents (Roy, 2006).

It is perhaps encouraging to note that in the absence of an effective state mechanism a number of pressure groups have emerged recently that are seeking to promote accountability and transparency in all spheres of public life, including responsible business practices. However, given their relative infancy and generally restricted scope and scale (Islam, 2000), a major question mark hangs over their ability to make any significant impact. Arguably, of more immediate concern are the mounting external pressures on Bangladeshi companies to improve their social and environmental performance.

Internationally, pressure is growing on domestic export-oriented companies, operating as suppliers to large Western corporations, to adopt international labour standards and
carry out operations in a responsible manner. Moreover, operating subsidiaries of multinational companies are increasingly coming under the scrutiny of international lobby groups pushing them to enhance their social, ethical and environmental performance in developing countries (Newson & Deegan, 2002). Of particular interest here from a reporting perspective is the fact that one of the major multinational companies operating in Bangladesh published its first social report in accordance with AA 1000 and the GRI’s Sustainability Reporting Guidelines in 2003 and has since maintained a commitment to external social reporting.

Our concern in the above analysis has been to flesh out in some detail the tensions arising from competing national, organisational and international pressures, briefly referred to earlier, which one might expect to influence the attitudes of individual managers towards issues of corporate social responsibility and associated reporting initiatives, and hence provide some tentative theoretical framework for interpreting our subsequent interview data. We have clearly noted the presence of a number of adverse ethical, social and environmental consequences arising from the adoption of policies promoting rapid, export led, economic growth and designed to attract foreign investment, which has resulted in growing calls, including those from government sources, for companies to adopt more socially responsible attitudes. However, at the same time, government appears profoundly reluctant to effectively enforce existing social and environmental regulations, whilst also showing a willingness to considerably water them down in key export sectors of the economy. Additionally, whilst civil society organisations seeking to promote greater levels of social and environmental accountability are beginning to emerge, they are presently in very much a fledgling state. Whether apparently growing international pressures to adopt social
and environmental codes and standards, including in the reporting domain, are likely to prove effective in promoting anything more than merely cosmetic change is a moot point in view of questions arising over their ability to address the complex needs of the society in which they are introduced, as opposed to merely focussing at a superficial level on public relations concerns and being designed to appease Western interests (see, for example, Klein, 2001; Litvin, 2003).

Research Method

The main objective of this study is to examine the perceptions of a group of senior managers towards the emerging phenomenon of CSR in Bangladesh. In pursuit of this objective, evidence was collected via semi-structured interviews carried out with corporate managers from a range of industrial sectors. As noted earlier, a principal motivation here is to critically engage (Gray, 2002) in conversation with this group of managers via conducting a programme of interviews, and thereby identify the limitations of current CSR practice with a view to offering suggestions for the improvement of such practice.

Selection of Interviewees

The objective behind the selection of interviewees was to cover a wide range of industrial sectors representative of the Bangladesh economy. Initial contact with the top 100 companies on the Dhaka Stock Exchange was made through formal letters soliciting interviews. The letter was addressed to company secretaries and resulted in 21 favourable responses being received. In addition, in order to incorporate the views of managers working in state owned companies, two public enterprises in the chemical sector were selected via the means of personal contact.
By following the above procedures, 23 corporate managers, all Bangladeshi nationals, were interviewed during the period December 2001 to March 2002. Six interviewees were drawn from multi-national companies and seventeen from the domestic group, the latter both representing the private (15) and public (2) sectors. The interviewees represent a wide variety of industrial sectors; garments and textiles (3), pharmaceuticals and chemicals (6), jute (1), engineering (3), food (2), cement (2), leather (2), fuel and power (1), bank (2) and miscellaneous (1).

Company secretaries (who in many cases also held the post of Chief Accountant or Finance Director) formed the initial point of contact with the selected organisations. In all but two instances, where the matter was referred to other managers, the same individual nominated him/herself as the interviewee. In one case the researcher was referred to a manager within the respondent organisation’s Corporate and Regulatory Affairs department and in the other case he was referred to the general manager of the company. All interviewees held senior management posts and furthermore were closely involved in the compilation of annual reports within which any social disclosures are made. Moreover, as senior managers they possessed overall knowledge of the organisation including its strategic objectives which might have implications for CSR.

Whilst, from the nature of the selection process, we can make no claim that the organisations from which interviewees are drawn are, in a statistical sense, representative of the Bangladeshi economy as a whole, they do represent a wide range of companies drawn from the key industrial sectors in Bangladesh. Additionally, we accept that there might be some self selection bias, in that one might expect companies
already engaged in some form of CSR activity to react favourably to an interview request. Furthermore, interviewees themselves may well be less than candid in the opinions they express and attempt to convey views perceived as socially desirable and representative of what they believe the interviewer wishes to hear (Saunders, Lewis, & Thornhill, 2000). Attempts were made to minimise the effects of such possible biases by thorough preparation, careful design and conduct of the interviews. A further factor perhaps worthy of note is that open communication between interviewer and interviewees was arguably encouraged by a sharing of the same cultural background. Certainly, interviewees didn’t appear to be defensive, were prepared to debate at length issues that particularly concerned them and, as will be seen in the following section of the paper, expressed a wide range of views concerning the key topics addressed in this study.

Interview Procedures

Interviews were held at the respondent’s place of business and lasted between 30 minutes and two hours, depending on the degree of interest and detailed knowledge on the part of the interviewees. All interviews commenced with a brief introduction to the project, together with an outlining of the objectives of the interview. In all but one instance interviews were recorded for subsequent transcription. In the case of the interviewee who refused permission to record proceedings, an outline of the interview was written up immediately afterwards and sent to the interviewee for verification and further comment. A promise of anonymity was given in all cases, in that neither interviewees nor their respective organisations would be identified in subsequent writing up of the interview data.
Following general introductory questions relating to the organisation and the interviewee’s role within it, subsequent dialogue broadly focused on the following key issues identified from our review of the CSR literature and knowledge of the specific context of Bangladesh:

- Managerial perceptions as to the need for corporate social reporting (CSR)
- Views as to which constituencies comprise the organisation’s key stakeholders, and the role, if any, played by stakeholder consultation in the reporting process
- The perceived relevance of prominent social accounting standards (notably GRI, AA1000 and SA8000)
- Key factors driving current and possible future disclosure practice.

The interview protocol was followed as a rough guide to the discussion. In most cases the questions were asked in an open-ended fashion following a conversational style (Maykut & Morehouse, 1994). Transcripts of interviews, together with notes appertaining to the one non-transcribed interview, were subsequently summarised and analysed thematically (Miles & Huberman, 1994).

**Empirical Findings**

**Perceptions as to the Need for CSR**

With only four exceptions, interviewees were in general agreement on the need for some form of CSR. Fairly typical was the following comment:

*It is necessary, because in addition to the shareholders there are many other stakeholders such as employees, customers, suppliers and lenders. We feel that we have an obligation to keep them informed through social disclosures. It’s a sort of self-imposed accountability.* (General Manager, Domestic Company, Miscellaneous Sector, emphasis added)
For the public sector respondents in particular, CSR offers an opportunity to underline the welfare motives underpinning their activities that would otherwise go unnoticed:

*Our organisation, a state owned public sector organisation, has some social impact which may be reported through the CSR mechanism.* (Company Secretary, Domestic Company, Pharmaceutical and Chemical Sector)

Significantly, one interviewee from a UK multinational, whilst keen to highlight the leading role that multinationals may play in CSR initiatives, went on to note that;

*...obviously it can’t be the same for a developing country and a developed country. So we need adjustments and adaptations so that the social reporting process does address the reality of a country. Yes, I do think there is a need for social reporting but the definition needs to be worked out.* (Head, Corporate and Regulatory Affairs, UK Multinational, Food Sector)

Those who rejected the need for CSR at the present time also drew attention to the specific situation prevailing in Bangladesh, but here in terms of low levels of literacy and deficiencies in financial reporting making the whole concept somewhat superfluous. As one put it:

*Until awareness increases, literacy levels rise and the agenda is thrust from the government level, I don’t see any point in it. In Bangladesh, where companies do not disclose basic financial information properly and credibly, I’m not sure whether we can talk about things like social disclosures.* (Company Secretary and Chief Financial Officer, Canadian Multinational, Miscellaneous Sector)

For another, the ongoing struggle with basic priorities meant that very few people would be likely to be interested in CSR.

*CSR could be a nice idea, but very few companies make social and ethical disclosures in Bangladesh because shareholders and people in general are not interested…I’m not sure who is interested to know about the social and ethical activities of a company. Most of the shareholders are only interested in dividends and financial performance.* (Company Secretary, Domestic Company, Leather Sector)
Views Concerning the Organisation’s Key Stakeholders and the Role of Stakeholder Consultation

Despite the broadly supportive stance for CSR adopted by our interviewees, in keeping with the views of their Western counterparts portrayed in earlier literature, shareholders were nevertheless overwhelmingly considered to be the most important stakeholder group. Fairly typical was the following comment:

*We’re working in a commercial environment, so our first priority will be our shareholders because they’ve invested in this company for the desired return. They’ll lose confidence in the company if they fail to get the required return.* (Company Secretary, US Multinational, Engineering Sector)

A number of interviewees from domestic companies further drew attention to the fact that founding family members hold majority shareholdings and therefore their interests, together with particular institutional investors, such as banks and insurance companies, took precedence over those of minority shareholders.

To the extent that the interests of other stakeholder groups were taken into account, this depended upon specific organisational circumstances conferring economic power onto these groups. For consumer orientated companies, customers, and notably international buyers, not surprisingly appear to be a particularly powerful group:

*As a commercial concern in our opinion another very important stakeholder is our customer...So we’ll take on board, as much as we can, what our consumer wants and if we are lacking we need to raise our standard to reach that level. Customers are as important as the shareholders.* (Head, Corporate and Regulatory Affairs, UK Multinational, Food Sector)

The above interviewee also drew attention to the difficulty faced in recruiting skilled labour in Bangladesh and went on to note:

*I would put at a par with the consumers our own people. To meet the expectations of the consumer, which is the reason why we are here, we need our own people, our employees, to run the company effectively. So it’s all about creating that enabling environment, so that our people are able to meet the demands of the consumer.*
For the majority of domestic company interviewees, however, the workforce was predominantly largely unskilled, whilst being readily replaceable, and therefore not regarded as an influential stakeholder. By contrast, within public sector undertakings employees exert some degree of economic power due to the influence of their trade unions which enjoy a close liaison with mainstream political parties. As one interviewee noted:

*In the public sector trade unions are particularly powerful. They play an influential role in the decision making of the company, particularly in employee related matters such as pay and working conditions.* (Company Secretary, Domestic Public Sector Company, Pharmaceutical and Chemicals Sector)

Both public sector interviewees also highlighted the importance of government as a stakeholder, and the ultimate authority to whom they were accountable. Indeed, government was the only other key stakeholder mentioned by private sector respondents, particularly those based within multinational companies. As one put it:

*Government is another important stakeholder because they might suspect us if they fail to collect the required revenue in the form of various taxes. So we’re accountable to the government as well.* (Company Secretary, US Multinational, Engineering Sector)

Particularly noticeable from the above comments are the restricted number of stakeholder groups acknowledged as being influential. With the one exception of the media and influential lobby groups, mentioned by an interviewee from a company operating in a particularly sensitive industrial sector, social stakeholder groups such as the community, environment or wider society barely rated a mention in the course of the interviews. When the issue of dialogue, or consultation, with non-shareholder groups was raised an even more restrictive picture was painted. Fairly typical were the following comments:
I think only shareholders can have a say because it is ultimately their company. They've provided the finance. (Company Secretary, Domestic Company, Jute Sector)

There is no legal provision other than for shareholders in the annual general meeting. We don’t want to invite problems by making such provisions. There is a danger in it. (Company Secretary, Domestic Company, Engineering Sector)

Whereas a small minority of interviewees made vague reference to other groups such as customers, employees and government agencies ‘having a say’ it was clear that no formal mechanism existed for regular consultative exercises to be carried out. The only example of formal stakeholder surveys, utilising both questionnaire and interview methodologies, we came across was that of a UK multinational which, under Head Office auspices, had formally adopted AA1000 procedures and had also followed GRI Guidelines for the publication of its first social report in 2003. However, even in this case there seemed little in the way of intent to empower stakeholders. On raising the issue of possible board level representation, for example, the interviewee vehemently expressed the view that:

I don’t think that’s realistic……I think you then start diluting the focus of companies on their business…….They would come in with their agenda and the last thing you want is someone coming onto the board who has no clue about the business and will not discuss anything about the business, but would just talk about society and social things. In the first place, we are here to do business and any company here to do business has to earn profit but at the same time maintain a reasonable standard of social responsibilities.

**The Relevance of Social Accounting Standards**

Whilst, as the above example makes clear, strong doubts can be expressed as to the efficacy of social accounting standards and guidelines in terms of empowering stakeholders (see also Adams, 2004), their adoption could arguably offer a modest step forward, at least in terms of encouraging dialogue. It is, therefore, of some relevance to
note that a common feature of the most prominent social accounting standards, namely the GRI, AA1000 and SA8000, lies in their claims to internationality of application:

The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines (“Guidelines”). (GRI, 2002, p.1)

The development process has included extensive consultation with the Institute’s international membership including its Corporate Leadership Network, and through events held in association with collaborative institutions and networks in Australia, Continental Europe, India, Nordic countries, South Africa, the United Kingdom and the United States. (ISEA, 1999, p.4)

Social Accountability International (SAI) is a human rights organisation founded in 1996 that seeks to improve workplaces and communities around the world by developing and implementing socially responsible standards. (SAI, 2005, p.1)

Despite the standards promulgators claims as to their universal applicability, only one respondent organisation had adopted the AA1000 and GRI’s Guidelines in developing their own reporting practices, and no other interviewee expressed the view that their organisation was planning to adopt them in the immediate future. Indeed, five respondents, including two from multinational companies, were unaware of the existence of either the GRI or AA1000. More familiarity was expressed with the provisions of SA8000, largely due to their compatibility with local legal requirements:

You will be surprised to learn that many of the requirements now embodied in ILO conventions and SA8000 were made compulsory here through the Factories Act, 1965. (General Manager, Domestic Company, Miscellaneous Sector)

Some of the requirements of SA8000 could be relevant. We were already complying with some of them as per local laws without even realising that they are required by SA8000 as well. (Company Secretary, Domestic Company, Food Sector).

However, even more familiar were ISO standards, with nine interviewees noting that their organisation has already adopted, or is in the process of adopting, the ISO 9000
Quality Standard. Again here, the need to gain the confidence of international buyers appears to largely explain the relative popularity of the latter:

As an export orientated company we are committed to quality and we want to compete on the basis of quality. This [the adoption of ISO 9000] has given us a competitive edge over our competitors in neighbouring countries like Sri Lanka. (Company Secretary, Domestic Company, Engineering Sector).

For a significant majority of interviewees, the major problem in adopting the GRI Guidelines and AA1000 lay in their lack of applicability to the specific circumstances of Bangladesh. Fairly typical here was the following comment:

In order to be relevant, international social accounting standards need to be tuned to our local circumstances. Only then might they be useful. Remember, these standards were developed in the Western context. Before implementation it must be considered to what extent these standards can be applied to the socio-economic context of developing countries like Bangladesh. (Company Secretary and Finance Director, Domestic Company, Leather Sector)

Even the interviewee from the sole company which had endorsed wholeheartedly the GRI’s Guidelines and AA1000 reporting route expressed similar reservations as to the standards applicability in the domestic context:

I believe there is no such thing as one size fits all as soon as people realise that the world itself is lopsided in its ability to deliver. What would you say? These standards were developed from a…context which may not be similar to our social and economic conditions here. Therefore, imposing these standards on the developing world would be unfair, unrealistic and you can never hope to achieve what you want to achieve. (Head, Corporate and Regulatory Affairs, UK Multinational, Food Sector)

The perceived unfairness inherent in imposing Western standards of social behaviour (and associated reporting practices) was expressed in particularly vehement terms by another interviewee in referring to the sensitive issue of child labour:

If we do not give employment to these children they would have no earnings to feed themselves and their families. At least we are giving them work and minimum wages to live on. The Western buyers are forcing us not to employ child labour. If you eliminate the child labour then you have the moral responsibility to rehabilitate them and that involves costs. The buyers are asking for improved health and safety requirements and better working conditions for the employees, which often require additional costs, but they are reluctant to increase the price. They are facing pressure from Western
consumers to be socially and ethically responsible and then passing the burden on to us...We are already working on a very tight margin. Consequently it’s hurting us, not them. They are asking for disclosures to monitor us. They are not looking deeply at the root cause of the problem. It’s not fair. (Company Secretary, Domestic Company, Garments and Textile Sector, emphasis added)

It is of some significance to note in the light of the above comments that the driving force for implementing the GRI/AA1000 reporting approach adopted in the UK multinational referred to above came from the parent company, in its development of a group-wide policy, rather than deriving from a decision taken at the domestic level. To the extent that other Bangladeshi organisations may in future go down a similar route, it would also seem, at least as far as our interviewees are concerned, that external, rather than internal, imperatives are likely to provide the deciding factor. Indeed, there seemed to be a recognition that such a development was probably inevitable. As one simply put it:

It’s not a question of relevance. If we want to compete in the global market we have to adopt some of these standards sooner or later. If you want to get business you have to comply with these standards. You have very little choice. (General Manager, Domestic Company, Miscellaneous Sector).

**Key Factors Driving Current, and Possible Future, Disclosure Practice**

Whilst there seems to be a considerable level of doubt on the part of interviewees concerning the benefits of following a prescriptive standards based approach towards social reporting there was, as noted above, a general perception of the inevitability of social disclosure, largely designed to address the concerns of powerful external interests, becoming more prevalent in the future. In this regard, for the garments industry in particular, pressure from international buyers is an extremely potent factor influencing disclosure practice, which was particularly drawn attention to by two interviewees:
I am already under pressure from the buyers. They are raising the issues of child labour, health and safety and working environment. They are saying that if you want to get the order you have got to do it, so I had to implement these requirements to survive. I am thinking to include this in our future reports to let the buyers know about it. I will send it to different overseas exhibitions and embassies for the information of prospective buyers. (Company Secretary, Domestic Company, Garments and Textile Sector)

In the wake of pressures from the foreign buyers the Bangladeshi Garments Manufacturers and Employers Association has framed certain guidelines on child labour, health and safety and minimum wages...and has asked its member companies to follow these guidelines. (Company Secretary, Domestic Company, Garments and Textile Sector)

Another export oriented company operating in the Hazaribagh area of Dhaka, an area which attracted significant media comment for causing very high levels of industrial pollution, as noted in the Bangladesh context section of this paper, particularly cited strong pressure being exercised by international buyers for environmental compliance:

For environmental matters there are already pressures from international buyers. When they visit our factory for inspection they check our environmental compliance. (Company Secretary and Finance Director, Domestic Company, Leather Sector)

In addition to the demands of international buyers already referred to above, other external factors pointed to were the requirements of investors and international agencies such as the OECD, World Bank and IMF:

You see, Bangladesh is in need of foreign investment...Foreign investors would look into your social and environmental aspects before they invest. (General Manager, Domestic Company, Miscellaneous Sector)

It [CSR] will have to increase. Bangladeshi companies, particularly the multinational companies, will have to address the issue of CSR sooner or later, not for any other reason but because of the pressure of international agencies. (Company Secretary and Finance Director, UK Multinational, Pharmaceutical and Chemicals Sector)

Pressure will come from agencies like UNDP, World Bank etc. The circumstances will be like this: if someone wants to do business in Bangladesh they’ll have to address the social and environmental issues. (Company Secretary and Finance Director, UK Multinational, Engineering Sector)
External pressures were also felt more indirectly via the influence of key executives influenced by exposure to Western ideas and wanting to create a favourable corporate image in accordance with such ideas:

Our chairman is very keen on corporate social and environmental issues. He speaks on these issues at various forums and encourages us to take these issues into consideration. We have started to address these issues on a limited scale. It will increase in future. We think it will improve our corporate image. (Company Secretary and Finance Director, Domestic Company, Leather Sector)

Interestingly, whilst not generally seeing internal public pressure as an immediate driver for social disclosure practice, a number of interviewees expressed a view, albeit generally couched in rather vague terms, that it may represent a longer term influence. Fairly typical comments in this vein were:

Because people are becoming increasingly conscious of these issues, the corporate culture is also changing. You will find a lot of youngsters taking on the challenges of business...Definitely a change is about to come. Ours is a sort of confrontational society. It takes time to change the system, but it is bound to change. (Company Secretary and Finance Director, UK Multinational, Pharmaceutical and Chemicals Sector)

It is bound to increase in general and also in our company because people's awareness is increasing. Moreover, it is becoming a global issue crossing the boundary. So you will certainly see it in Bangladesh as well. (Company Secretary, Domestic Company, Engineering Sector).

A small minority of four respondents (perhaps significantly, all from multinational companies) were able to point to more specific sources of ‘internal’ public pressure, emanating largely from newly emerging domestic environmental NGOs and community pressure groups, influencing their actions and associated reporting initiatives. For example, one interviewee from a company operating in a particularly sensitive sector addressed this point at some length, noting that:

The only thing we foresee is that consumers and other stakeholders are becoming more invasive. Consumers are no longer satisfied with the product...The biggest threat comes from the anti-smoking lobby and that’s followed by general awareness amongst
the public as well...What we’re saying is hey, here is the product and you must know about it. There are real risks of disease associated with this product and we believe in making that information available to people...We now publish this in our annual report and we want to do more to show that this product carries significant risk with it. (Head, Corporate and Regulatory Affairs, UK Multinational, Food Sector)

Discussion and Conclusion

Overwhelmingly, the views expressed by our interviewees suggest, as was the case with Western based studies considered earlier, a CSR process in Bangladesh driven by a concern to improve corporate image and to manage the perceptions of economically powerful stakeholders. However, perceived individual sources of pressure for reporting change appear to be driven by specific organisational circumstances. Interviewees from multinational companies, for example, referred to the influence of parent companies, investors and the demands of international agencies such as the World Bank. By contrast, respondents from domestic companies, particularly those competing in export markets, drew particular attention to pressures emanating from international buyers. Additionally, multinational company interviewees seemed much more aware of internal influences, arising from a need to maintain good relations with government and to attract suitably skilled employees. Indeed, a small number went further in pointing to the growing power of domestic NGOs and community bodies. Significantly, however, in keeping with the stance adopted by their counterparts in developed countries, such awareness was not accompanied by any intention to empower internal stakeholders via instituting meaningful institutional reform. Only in the case of our public sector respondents were employees, through the influence of powerful trade unions allied with mainstream political parties, seen to play a direct role in corporate decision-making.
Due to the limited nature of our interviewee sample, a point acknowledged in the Research Method section of the paper, we would not wish to make any sweeping claims on the basis of the above tentative comparative analysis. Nevertheless, there are some grounds for expecting CSR in Bangladesh to be more readily embraced by multinationals and domestic export orientated companies (rather than their non-export orientated counterparts). Perhaps of some significance here is the fact that whereas the two multinational company respondents who professed ignorance of the existence of the GRI and AA1000 expressed interest in finding out about them, similar interest was not shown by their domestic company counterparts. In addition, whilst a future upsurge in domestic demand for improved disclosure practice cannot be wholly discounted, our empirical findings echo those of Rahaman et al’s (2004) study that short term pressure for change is much more likely to come from external sources. Furthermore, with the key motivating factor being one of organisational legitimisation, internationally accepted social reporting standards may well, at least in the longer term as a number of our interviewees indicated, prove particularly influential in driving reporting initiatives.

A major problem that arises from pursuing an agenda towards reporting in general, and standard setting in particular, driven by external forces is that it will inevitably focus, potentially in an over-simplistic fashion, on their interests and demands whilst not fully addressing the major specific environmental and social issues affecting Bangladesh itself, outlined earlier in the paper. Furthermore, in not directly addressing the accountability needs of economically less powerful domestic stakeholders, externally driven change is unlikely to be fully effective in terms of empowering the latter group. Thus, for example, whereas, on the surface, desirable outcomes such as the virtual
elimination of child labour in the Bangladeshi garments industry may well be achieved (www.bgmea.com/social, accessed 1st. August 2003), as one interviewee noted further problems are created if little focus is placed on the rehabilitation of children affected whilst the financial burden is borne by the domestic supplier, not the Western buyer.

Indeed, it is perhaps not simply the content of the reporting codes and standards that are the problem, rather it is the process by which they are established, a point which has been similarly noted in the context of financial accounting standardisation, both in developing countries in general (see, for example, Hove, 1986) and Bangladesh in particular (Mir & Rahaman, 2005). As a number of our interviewees stated, there is little attempt apparently being made at present to address the specific social and economic conditions within which the reporting initiatives are to be introduced. Certainly, the interviewees in this study, whilst generally supportive of the principle of social and environmental reporting appear to be largely passive participants in its operationalisation. As Kuasirikun (2005) notes in her study of the prospects for implementing social and environmental accounting in Thailand, domestic input into the process is essential. She further argues that in a developing country context the involvement of government regulatory agencies is called for. Indeed, on the surface, this latter argument would appear particularly apposite in the case of Bangladesh given the present relative underdevelopment of civil society organisations, and consequent limited potential for non-economic stakeholder engagement designed to secure completeness of reporting (Adams, 2004), together with the prominent role played by the government as a ‘stakeholder’, a point made by a number of our interviewees.
Notwithstanding the above remarks, serious questions arise as to whether pursuing a codes and standards based approach in Bangladesh is in fact premature at the present time. Indeed, two of our interviewees made specific mention of the need to meet basic social priorities, to which we would add the tackling of prevailing levels of corruption, before CSR, in the Western sense of the term, can be meaningfully put on the agenda. Placing a focus on standardisation issues in the social domain at this stage may merely serve to displace attention from fundamental macro problems centring on basic flaws in trade arrangements, perhaps most notably the purchasing policies of Western buyers (see UNRISD, 2000). Equally problematical, in the light of Kuasirikun’s call for the involvement of government regulatory agencies in the standardisation process, is the priority given by the Bangladeshi government itself to the implementation of policies designed to promote foreign direct investment, particularly the establishment of export processing zones whose essential attractiveness to foreign investors centres on ‘flexible’ employment conditions and the banning of trade unions, together with a seemingly profound reluctance to effectively enforce such social and environmental regulations that are already in place. Given such reluctance, it is difficult to see how the introduction of further reporting requirements, whose content is largely prescribed by the dominant preoccupations of Western investors and consumers, could lead to meaningful substantive change in organisational practice.

The fundamental point here is that more emphasis is needed on institutions and capacity building, such as establishing the rule of law, empowering civil society organisations and promoting free trade unions, in the relative absence of which standardisation initiatives are simply ‘tantamount to putting the cart before the horse’ (UNRISD, 2000, p.12). The above noted emasculation of trade unions in the export
processing zones we would argue is a particularly serious issue in the current Bangladeshi context in that at the present time, as may be inferred from the views expressed by our public sector interviewees, only they, in the face of government inaction, or indeed acquiescence to the demands of international capital, are capable of providing the necessary degree of countervailing power to that of prevailing economic interests (Frank, 2001). Without such countervailing power being exercised key issues faced in the major export producing industries in particular, such as the rights of female workers and work-place health and safety, are unlikely to be meaningfully addressed. Significantly, disempowerment of trade unions would appear to represent a major objective of multinationals setting up shop in developing countries in general (see, for example, Korten, 2001), a fact that calls into question any avowed commitment to social accountability, certainly any accountability that may be effectively enforced.

The overall impression gleaned from our programme of interviews is that the introduction of codes, standards and associated reporting initiatives by Bangladeshi companies is simply part of a process of organisational reputation management largely designed to appease Western economic interests. This is perhaps particularly noticeable in the relative popularity of the ISO 9000 Quality Standard amongst our interviewees, a standard which, significantly, carries no reporting obligations and therefore adds little to corporate transparency. Financial imperatives, themselves apparently central to government policy, appear to predominate over issues of social accountability to non-economic domestic stakeholders. In such a climate, externally imposed codes and standards arguably amount to little more than the erection of non-
tariff trade barriers, particularly where the associated costs, as is highly likely to be the case, are borne by domestic suppliers to Western markets.

It is further highly questionable whether non-export orientated companies will buy into social accounting standards, or that domestic stakeholders, notably employees and consumers, groups that appear to fare particularly badly under current circumstances, will gain any benefit. For there to be any progress towards empowering indigenous stakeholder groups there needs to be a substantial domestic input into the process. However, as noted earlier, civil society organisations in Bangladesh have not developed to the extent that they are able to contribute meaningfully at the present time, whilst domestic management appears largely passive. In these circumstances only the commitment of trade unions to the cause of social accountability offers much hope, small as that might be, for the immediate future. Most fundamentally, prior to introducing administrative (reporting) reform, we would suggest that, as of course is also the case in developed countries, there is a pressing need for institutional reform designed to bring about more democratic corporate decision making processes within which economically less powerful indigenous stakeholders may have a voice (see O'Dwyer, Unerman, & Bradley, 2005; O'Dwyer, Unerman, & Hession, 2005). Sadly, the evidence from this particular study provides little grounds for optimism that such reform is likely to be forthcoming in the near future.
Notes

1. These are special industrial zones established by the Government of Bangladesh for use by export-oriented industries mainly run by the foreign investors. The industrial units located in these zones enjoy special privileges which include access to better infrastructural facilities, fiscal incentives such as tax holidays and provision of a cheap labour force. Additionally, under current law, workers in these zones are not allowed to organise or bargain collectively (Frost, 2005).

2. Islam (2000) argues that pressure groups can play a very important role in the betterment of socio-economic life in Bangladesh. However, he observed that desirable change has not occurred with regard to social development in general and environmental protection in particular, mainly due to the absence of strong, broad-based pressure groups. This is evidenced by the fact that most of these groups, such as Bangladesh Environment Network (BEN), Bangladesh Environmental Lawyers Association (BELA), Bangladesh Poribesh Andolon (BAPA, Bangladesh Environment Movement), Coalition of Environmental NGOs and Forum of Environmental Journalists, Bangladesh (FEJB) are of recent origin and other groups, such as the Consumer Association of Bangladesh (CAB), Adhunic, an anti-smoking lobby, and Bangladesh Mohila Porishad, promoting the concept of women’s emancipation and empowerment, suffer from serious lack of resources.

3. We should stress here that we do not view the addressing of financial reporting deficiencies, as called for by one interviewee, as a necessary precondition for establishing effective CSR processes. The experience of developed countries where, despite the existence of sophisticated financial reporting regimes, CSR, as we noted earlier, stands in need of significant improvement to achieve the fundamental objectives of transparency and accountability, is of some relevance here. Indeed, such an initial emphasis on financial reporting can be considered as merely indicative of the overriding priority extended to the interests of economically powerful stakeholder groups, notably investors.

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