CSR Implementation and Concept at Unilever Pakistan:

“The Stakeholder Perspective”

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ABSTRACT

This thesis studies the stakeholder dialogue of a multinational company known as Unilever Pakistan working in a developing economy like Pakistan. The study required deep understanding of the area that dictated research methodology be qualitative and exploratory. Thus, case study approach was adopted that satisfied the factors of reliability and trustworthiness. The theoretical model is based on the development of literature on sustainability marked by stating CSR and stakeholder thinking.

The interview process included telephone as well as face to face interviews with the three groups namely managers, employees and customers. The research design included data collection, coding, categorizing, analysis and factors of reliability and trustworthiness.

The objective is to study the stakeholder thinking in multinational companies due to which most of the theoretical and empirical study revolves around it. The empirical study has detail about the company’s objectives, achievements, social programs along with philanthropic activities.

The analyses and discussion include matching of empirical, theoretical study and interviews of three groups. The assessment revealed that Unilever Pakistan has been facing challenges in having a continuous dialogue with stakeholders regardless of its profit in an economic crunch and other obstacles. The conclusion depicts the contribution of the research which reflects the findings of an exploratory study done on the multinational company that is one of the major multinational companies in Pakistan. Unilever Pakistan is facing problems in numerous dimensions while operating responsibly as customers perceive social responsiveness as an added factor with having an emphasis on price and product quality. The shareholders demand continuous profit irrespective of the industrial ecological complications.
Abbreviations

CSR corporate social responsibility
CO₂ carbon dioxide
NGO’s Nongovernmental Organizations
IUCN International Union for the Conversation of Nature
SD Sustainable Development
SB Sustainable Business
WCED World Commission on Environment and Development
TBL Triple Bottom Line
WBCSD World Business Council for Sustainable Development
USA United States of America
ISO International Organization for Standardization
EU European Union
UK United Kingdom
ILO International Labor Organization
RDT Resource Dependence Theory
JVs Joint ventures
TCF The Citizen Foundation
LRBT Layton Rehmatullah Benevolent Trust
GIK Ghulam Ishaq Khan Institute of Engineering and Technology
WWF World Wide Fund
SHE Safety Health and Environment
VPIS  Variable Pay in Shares
COBP  Code of Business Principle
ECE  Early Childhood Education
ITA  Idera-e-Taleem-o-Aagahi
DFC  Design for Change
PKR  Pakistani Rupees

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1. Chapter 1: Introduction

1.1. Background

The departure of the study took place from the inspiration that came from the originality and newness of the topic of responsible corporations for the collective good that was reflected in the reports of WBSD and WSSD.

This shift in thinking came from the understanding of corporations having power in societies through their products and use of resources of the community in which they operate. The effect of the corporations is also the part of their position in society. This raised the question of balance and sustainability as awareness among masses about promising similar level of life for the future generations was raised under the notion of Common future.

This promise can be met by the condition on companies that they have sustainable practices through CSR strategies and having a continuous dialogue with their stakeholders (Sebhatu 2010). I have taken this understanding in developing this paper through considering the stakeholders by making four groups namely customer, employees, shareholders and other stakeholders. Other stakeholders include environment and suppliers. The main study area of this paper is that how CSR is being implemented in a multinational company in developing economies like Pakistan to have outcomes in the form of stakeholder value. The study will also shed light on some stakeholder issues and how the company is handling them. This area is new with reference to the Pakistani market due to which I had to dig out and explore company documents, market survey results and had to frame the result according to the current scenario.

1.2. Company selection

The company is selected on the basis of their CSR operations in Pakistan and the reputation of being one of the biggest multinational companies in consumer goods having history of more than 60 years. They have detailed sustainability reports available online and have many successful brands that are accepted by a vast majority in the country. The business operations, data availability and observation of the activities of Unilever Pakistan were the basis for selecting this company.
1.3. Purpose and Scope

This paper is aimed at studying the CSR of the multinational corporation in Pakistan which is a developing country. So, the CSR will be in the context of a multinational company working in a developing economy. Moreover, the stakeholder actions and perception will be observed and documented against the policies and behaviour of the company. The belief about CSR among managers, employees and customers will be matched with the current theory to know about the maturity level of awareness, know-how and support of a social and responsible cause of the company. The results will be cross checked by comparing responses of the three core stakeholders (managers, employees and customers). The limitations of the study are that umbrella strategy is used in looking at the business by taking an overview of the business activities.

1.4 Problem statement:

The problem discussed in this study is to research the CSR implementation in a Multinational corporation named as Unilever Pakistan. The stakeholder perspective will be the focus of the study while looking at the CSR policy and practices of the company. The study will be further narrow down to two research dimensions on stakeholder perspective. First is how stakeholder perceives CSR at Unilever and second How Unilever Pakistan handles stakeholder perception and related issues. The core of the study will focus on these two dimensions of stakeholder perspective.

1.5 Research question:

To explore stakeholder’s consciousness and perceived value concerning the CSR implementation by Unilever Pakistan
2. Chapter 2: Research Methodology

Introduction

This chapter explains about the research method used and the logic behind it. The most part of the chapter is based on the reasoning about why the method was used as how it helps and supports the study process. The detailed definition and an unnecessary detail about different parts of research design are avoided because they main objective is to explain the course of action in study and not the research methods. The previous thesis done on CSR situation in Pakistan and other developing countries were also used as a paradigm setter for the adaption of research methodology that can produce fruitful outcome in the end. Moreover, personal understanding about the problem and having a fit with research method selected is the main idea kept in mind while developing this chapter.

2.1. Research Design

The research methodology of the paper is depicted by the two factors namely research question and purpose of the study. The research question provides the idea about the direction of the study and its target regarding exploration of a particular problem. The purpose instead defines the scope and area of study. It reflects the limitation as well. In combination, the research question and purpose give a clear idea about the methodology that will suit the study (Eskander & Abdul Aal, 2010).

The same design has been adapted by numerous business students according to the result provided by diva portal provided to us by the university. Kusi-Ampofo, O. (2010) used this technique on MNCs in the mining sector of a developing country namely Ghana.
This thesis along with the thesis written by Idrees, G.A. and Ullah, I. (2011) on
the topic CSR practices of a company toward stakeholders” The case of Pakistan Tobacco
Company, were the source of motivation for my thesis title. The work of Idrees,
G.A. and Ullah, I. (2011) directly addressed the situation of MNCs in Pakistan
with a deviation from FMCGs (fast moving consumer goods), as in the case of
Unilever, to smoking and stakeholder perspective.

Furthermore, the decision for selecting qualitative and qualitative study is
ddictated by the basic definition of the two as:

Qualitative study: it emphasises on better and deep understanding of the
problem through scanning and assessment company documents, having
detailed interviews based on open ended questions and observations. All these
data types are then analysed by digging the logical pattern between each piece
of information (Holme & Solvang 1997; Christensen et al., 2001 as coated by
Eskander & Abdul Aal, 2010; Bryman, A. & Bell, E.).

Quantitative study: This method is applied when the objective of the
researcher is to study an area by measuring and calculating different factors
that are involved to assess correlation between them. This is possible when the
area has been explored and is going towards maturity stage (ibid).

Qualitative research method was observed to be the preferred study technique
for investigating the CSR situation in MNCs in developing economies or
Kusi-Ampofo, O. (2010))
The qualitative method was selected for this research as the problem was
novel in Pakistan and the researcher’s intention was to explore whether the
concept is present in the multinational company named as Unilever Pakistan.

The reasoning and rationality for interviews and data collection was sourced
from Gummesson (2000) and as they depicted that the study procedure of
qualitative research involves detailed interviews that test the memory of the
interview. The results of the interview are then compared with the observation as both interviews and observation are suitable for qualitative exploratory study.

2.2. Case study method

The qualitative study required data sourced from various sources to assess multidimensional aspects of the problem to have know-how about the economical, social, environmental and ethical perspectives. The case study method allows this approach (Merriam, 1994).

Case study is appropriate for exploratory research (Yin, 1981). Case study can be defined as:

“An empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003)

The definition depicts suitability for the topic of the thesis. Interestingly, Blaze Corcoran et al., (2004) comprehensively stated in their work that case study is suitable and reliable for studies of the business area concerning the topic of corporate social responsibility.

Therefore, case study was selected for the observing the stakeholder thinking perspective related to CSR at MNCs in Pakistan. It allowed me as in the case of study done by Waqqas, O. and Bahadur, W. (2010); G.A. and Ullah, I. (2011) and Kusi-Ampofo, O. (2010) to analyse the problem from different angles. It enriched the learning process and gave more meaning to the activities done by previous studies.
2.3. Data collection

The basic and primary step in qualitative exploratory study is collection of data. The data collection process is made reliable by sourcing data from various sources to have better understanding of problem (Merriam, 1998). *Seven stores* in the busy shopping areas of Peshawar city were visited and observed. *Six sale managers* and *fourteen sale persons* were interviewed. *Two area managers* and the *regional manager* were also interviewed. Lastly, *Twenty three customers* were interviewed at the busy stores to know about their views. The higher management could not be interviewed and contacted due to power distance and security reasons.

2.3.1. Primary:

It is based on first hand data that is investigated, collected and documented by the interviewer. This includes interviews from the targeted respondents and observations of the business area of the company that is being studied (ibid.).

**Interviews:**

*Respondent selection benchmark:*

The criteria for choosing managers was (1) at least five years of experience in the field (2) having relevant education (3) knowledge about the relevant topic (4) interest in engaging in study process. The employees were selected on the basis of one to two experience and relevant field. The customers were randomly selected by considering the situation that included time and place (Christensen et al., 2001 as coated by Eskander & Abdul Aal, 2010).
**Interview process:**

The interviews were taken from the persons on the basis of their interest and experience. Open ended questions were asked from the interviewees to test their memory so that they can recall events and situations which can provide deep understanding of the problem area (Bryman, A. & Bell, E., 2007).

**Coding and Categorising:**

The responses were coded by matching them each other and based on the researchers own understating and then categorised by grouping them through considering the common patterns and content in the responses (bid.).

**Final result**

The interview data was finalised in a report form when after communicating it to the supervisor.

**2.3.2. Observations:**

They were made by going to the local stores and looking at consumer buying patterns. Questioning them that why they are buying the product and what is the driving force for their buying decision. The sale managers were also interviewed on business sites about the stakeholders and what they think about the current situation. This technique was sourced from the literature work of Bryman, A. & Bell, E., (2007).

**2.4. Analysis**

The analysis was done by comparing the data from interviews, observations, company documents and grinded in mind according to the researchers own understanding of the problem. The data was filtered after prioritising according to sources it to remove unnecessary information and details.
Following this, the codification was done to enrich the meaning of the available statements.

The coded data was grouped in categories through the process of categorisation to have similar responses at one place. This was done to see patterns in the available responses to extract knowledge about the problem and arrive at the result. The responses were than matched with the theoretical foundations and model of the study to assess its implications. The conclusion was obtained by convergence of discussion and assessment processes to common point that could be shaped in the form of contribution of the study (Strauss & Corbin, 1998; Miles & Huberman 1984, pp. 21-23; Trochim, 2006).

2.5. Limitation

The limitation of this study is that it only discusses the Unilever with geographical boundaries of Pakistan. The conceptual limitation revolves around the title and research question that define the problem area of the study. Moreover, the work of western scholars is mostly used as the problem area is novel with reference to the developing economy like Pakistan. The quality of data resources dictated the result as the time frame and resources forced the researcher to limit the number of interviews and observations. Moreover, the critical analysis was done at moderate level as the business community and stakeholders in Pakistan are not mature with regards to CSR awareness and understanding. CSR is presently in its realisation and visualisation stage. The limitations in this study are somewhat similar to those studies that are done in recent past by Waqqas, O. and Bahadur, W. (2010) and G.A. and Ullah, I. (2011).

2.6. Trustworthiness and reliability

The trustworthiness of the paper is achieved by using the method that has been used by numerous scholars of CTF for studying similar topics. Most of
the researchers namely Mikael (2002) and Sebhatu, S, P. (2010), and Enquist, B. et al., (2007) have worked on sustainability and stakeholder issues by using similar methodology. In fact, their work has been used a guideline for developing the study. The work of Enquist, B. et al., (2008) also proved to be valuable in the research methodology selection process.

The reliability was also sourced from these researchers as they used each other’s understanding and have obtained similar results. The theoretical proof about the reliability of the methodology is also provided in each section to depict that the selected method provides results on the same pattern. All the studies available on Diva portal

The multidimensional sense of the issue provided authenticity and reliability to the research as in the previous endeavours done by Waqqas, O. and Bahadur, W. (2010); G.A. and Ullah, I. (2011) and Kusi-Ampofo, O. (2010).
3. Chapter 3:

Frame of reference

Introduction

As the modern world is moving towards globalization due to which from the last few decades’ awareness about sustainable development was increased among the society. This is due to the increase in the understanding of Common Future. The society and nongovernmental organization starts demanding sustainable development from the organizations. This increased pressure on the organization forced the organization to change their mind from unethical business practices to sustainable development concept.

Due to technological advancement customer and stakeholder demands and economical pressure force the organizations to leave unethical business and make sustainability as the corporate strategy. In fact it will not be wrong by saying that in a very less time sustainable development became essential for the corporate survival and for future business. As Vogel (2005) describes in his book that “Doing Good to Do Good”. This developed a new understanding of corporate social responsibility. In doing business, the organization must have to take care of sustainable development issues. For example, in making products and innovation they will take care of all the aspects of a corporate social responsibility (Sebhatu 2010).

3.1. Literature Review

After the end of 2ND World war, the world economies give their full attention to develop their economies. For this purpose they increased their industries and also the production of goods was increased. So we can say that 1950 was the era of industrialization. Every country was trying to develop their economy. With the increase in industries give birth to too many problems like emission of CO₂ was increased and pollution was also increased.
With this increased in industrialization the world was becoming unsuitable for the healthy life of human beings. In this era pollution was not the only factor dangerous for the world but also the miss use of resources was a big problem. Increase in human population was also a big problem for the world. So these all factors had a lot of pressure on the environment. So the awareness about these problems was emerged in the minds of the society from that time. The society and the NGO’s have started their campaigns about these problems at that time but the name sustainability was not used properly at that time. And no such efforts were done at that time for the protection of the environment. But as the time passed in 1960 and 1970 the demands for safe environment was increased among the societies.

The name sustainability was first used by a British writer in his book “Blueprint for survival” in 1972. This was then followed by (IUCN) the international union for the conversation of nature in 1972 who for the first time use the world sustainable in the context of the environment. (IUCN) was an organization based in Switzerland working for the protection of the environment. The word sustainable was repeated by (IUCN) in 1973 after 1974 issues. And after then the word sustainability or sustainable development (SD) was continuously used. But the word sustainability gain popularity in 1978 when it was used in United Nations publications (Kidd 1998).

3.2. Sustainability

As the world sustainability was regularly used in the past but in 1987. The World Commission on Environment and Development (WECD) gave a brief definition of sustainability which is as follows:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WECD 1987)

While issuing this definition WECD was actually worried about the environment therefore they mainly focused on world resources. They want
to control the misuse of natural resources to use these resources in a way that the present generation not only fulfil their needs from these resources but also make it possible for the future generation that they will also be able to use these resources. WECD definition made sustainability very clear in the minds of people and plays a vital role in future activities.

WECD definition explains to use the resources in a way that the present generation not only fulfil their needs from these resources but also leave them useful for their coming generation. The definition helps in creating awareness in the society to stop unjustified use of resources.

This could be observed in the business world by the increase in emission of CO₂ because of mass production and industrialization and which has become a thread for these countries. The unjustified use of resources has created worries in the minds of the society that if the use of resources in mass amount continues without any check then there will be a big problem for the coming generation. So therefore there is a need to create awareness in the society and also there is of certain action on a governmental level to take certain steps for the betterment of the environment.

WECD definition not only helps in explaining the concept of sustainable development but also raise some question in the minds of analysts. And force them to think about sustainable development. Lele (1991) defines sustainable development in his own words and tries to explain further the concept of sustainable development.

“… If SD is to be really "sustained" as a development paradigm, two apparently divergent efforts are called for: making SD more precise in its conceptual underpinnings, while allowing more flexibility and diversity of approaches in developing strategies that might lead to a society living in harmony with the environment and itself” (Lele 1991).
WCED after issuing the report in 1987 recognized aboard stakeholder approach and also encourages and invites continues debates to bring change and to create awareness about sustainability. The main purpose of WESD was to create a consensus among the member countries about the sustainable development. And to make a framework according to which the awareness about sustainability was created. To work on sustainable development a kind of development in this there is progressive society as well as economy. The concept of sustainable development was further explained by Newton in 2003 as:

“When a social structure can be maintained profitably and indefinitely, without degrading the systems on which it depends” (Newton 2003).

After Newton Roome also explain sustainable development in his own words and help in making the concept of sustainable development more cleared and help in developing awareness about sustainability according to him:

“Sustainable development provides the framework to integrate the environmental, social and economic dimensions of human activity at every level from local to global” (Roome 1998).

These definitions mentioned above make it very easy for us to understand the concept of sustainability. The concept of sustainable development mainly focused on the protection of society and the environment. It mainly gives stress on such social activities which were economically profitable but have no bad effect on the society. (Johnson 2007)

Sustainable development SD means to do business which is socially acceptable, economically profitable and environmentally safe. As in the past the natural resources were used in a huge amount that there was a danger that they will be destroyed and after a few years the world will have less quantity of resources. However, there was a need of sustainable business in
which they take care of the resources and protect them from destruction. Another reason which makes sustainability very important was the emission of CO2 gas in a large amount. Which was becoming a big threat for the ozone layer and that's why there was a need of sustainability.

3.3. Sustainable business (SB):

From the last three decades, our way of business has damaged the natural environment up to large extent. Business is not involved indirectly but also directly affecting the natural environment. They are not only polluting the environment directly because of their production plants but also the products they are producing also effect the natural environment. Therefore to reduced pressure on the environment a change is needed in both technologies as well as in innovations. Bringing change in technology and innovation is not that much easy it requires a lot of competence and capabilities. So to protect the environment and to bring the business towards sustainability it requires a lot of efforts. To create this awareness in the business society the concept of sustainable business must be explained and make clear in the minds of business people. WCED in their conference explains sustainable business as: (Klee 2005)

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ is clear about the integration of the economic, ecological and social impacts of development” (WCED 1987)

Sustainable business is a challenge facing by the business world. The global leadership is also working on this issue and is trying to set a framework on which a sustainable business can proceed. World business council for sustainable development (WBCSD) is also working on the same issue and is trying to develop awareness about sustainable business all over the world. They also extend the definition of sustainable business according to them:
“Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform not against a single, financial bottom line but against the triple bottom line” (WBCS 2004)

At their meeting in Copenhagen on 27th May 2009 as mentioned in article “Journal of World Business” they declared that “there is a need of power full climate change treaty which will help us in putting the foundation of a sustainable economic future. This will help us in making a more predictable framework for those companies who plane and want to invest for renewed and more secure climate system” (Mort 2009).

In WCED first definition, they only concentrated on environment issues. But with the passage of time the society and NGO’s make their concentration towards sustainable business. Because they realize that the main reason behind the distraction of the environment is business community. In the past the main concentration of the organization was to earn money. And for this purpose they use every means to increase their profit. But now a day the situation was changed the organization that wants to survive in the market they have to take care of environment society as well as economy.

In the past, the corporations have only one responsibility to earn money for their shareholders but know that they have a lot of responsibilities. The awareness about sustainability was increased among the society and they demanded not only quality from the corporations but also want that the corporations also work on their social responsibilities.

3.4. Corporate Social Responsibility (CSR):

The concept of corporate social responsibility was defined and explains by different people in different ways. That’s why there is not a single formal and authoritative concept or definition of corporate social responsibility. Different countries or culture have a different concept of
corporate social responsibility and reflect different national, economic and social priorities and interests.

Strong welfare states like Germany and Finland had already take numbers of governmental measures for the purpose to protect their employee’s rights. Countries like Denmark and Sweden with strong green movement preferred environmental reporting. In Turkey there is philanthropic giving while on the other hand countries like USA, Indonesia, Canada and Australia follow environmental protection. Countries like Pakistan India Russia and China concentrate on product quality (wingsweb 2011).

The concept of corporate social responsibility was first introduced by a Scottish philosopher Adam Smith in his book “The Wealth of Nations” in the eighteen century. Provide a framework explaining a relationship between society and modern business. He preferred capitalism by encouraging works, gain and efficiency to create more wealth than other economic system. And allow freedom of choice in purchases, employment and investment to maximize liberty (Lantos 2001).

The modern era of corporate social responsibility starts from 1953 when Bowen published his book “social responsibility of the businessman” in which he write about the responsibilities of a businessman and maintained that there are large numbers of businesses and they have the power of decision making. These decisions have some impact on the lives or living of the society. Among many questions arise by Bowen one question was “What responsibilities to society May businessmen reasonably be expected to assume?” (Bowen 1953).

Bowen explain corporate social responsibility in his book and clear it in the minds of businessman as in 1953 Bowen introduced a new concept of corporate social responsibility and after him the discussion about corporate social responsibility begins between the business society there for Bowen was known as the father of modern corporate social responsibility.
After Bowen another famous writer Davis (1960) wrote extensively on the topic of business and society and further explains the definition of corporate social responsibility. And set his own definition of corporate social responsibility according to Davis businessmen actions and decisions can be taken beyond the interest of firm’s technical or economic interest (Davis 1960).

Davis further explains that Corporate Social Responsibility decisions should be justified by a long and complicated process of reasoning and there is a good chance of gaining long run economic benefits. Davis is famous for his book “Iron Law of Responsibility,” in which he tried to explain the relation between business power and social responsibility.

After Davis, William c. Frederick (1960) also contributed in explaining the concept of corporate social responsibility. He states that the businessman should do business according to the expectations of the society. To employed economy means of production in a way that distribution and production should enhance socioeconomic welfare (Frederick 1960).

In the Era of 1960 the third writer who contributes and influences the concept of corporate social responsibility was Joseph W. McGuire. In the book “Business and Society” Joseph W. McGuire explains the concept of corporate social responsibility. The definition he gives is more precise than the previous definitions as he defined it as extended beyond legal and economic obligations. He defines the concept of corporate social responsibility as:

“The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” (McGuire’s 1963)

In 1966 Davis and Blomstrom explain further the concept of corporate social responsibility. According to them social responsibility refers
to the obligations of a person who consider the effects of action and decisions on the social system. And social responsibility was applied by businessmen when they consider the interest and needs of others affected by their actions. Working on the structure of social responsibility they look beyond from their firm technical and economic interest (Davis & Blomstrom 1966).

“The substance of social responsibility arises from a concern for the ethical consequences of one’s acts as they might affect the interests of others” (Davis 1967)

In 1970 Morrell Heald in his book “The Social Responsibilities of Business: Company and Community, 1900-1960” he also writes about the concept of corporate social responsibility. As he did not provide the definition for the corporate social responsibility but his understandings were the same as was before him in the 1960s and earlier writers (Heald 1970). Harold Johnson in 1971 presented different concepts or views of corporate social responsibility in his book “Business in Contemporary Society: Framework and Issues”

“A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Heald 1970)

Friedman’s in 1970 gave his view in ‘Minimalist’ about corporate social responsibility that there is only one social responsibility of the business to increase its profit by using its resources within the rules of the game which mean to engage in a game without any fraud (Friedman 1970). This concept was further explained by the US committee for economic development (CED) in 1971 according to them CSR is related to economic growth job’s, products, societal expectation and activities that aimed to improve the social environment of the organization.
In 1979 Carroll defines four responsibilities of a corporation according to him for the corporation who wants to become a good corporate citizen has four responsibilities legal, economic, ethical and philanthropic or humanitarian. At the time of the industrial revolution we depend on business and they were our major economic institutions. They produced services and goods and providing jobs. They discovered new resources improved technology and good quality products. They pay taxes which fulfil the public needs and also improve the economy. And the firm with these activities and obeying the law was praised.

Carroll (1999) suggested that the concept of CSR will remain an essential part of business practice because the CSR concept was used as a based point of many other theories like stakeholder theory business ethics theory or corporate governance and also it is demanded by the society from the business community. (Carroll 1999)

3.5. Stakeholder Theory:

3.5.1. Introduction:

The stakeholder concept was explained by Rhenman (1967) as "the individuals or a group who depend on the company to realize their own personal goals and the company also is dependent” (Rhenman, 1967). There for management has to carry out a balancing situation between stakeholders which will allow the organizations to increase their resources and in this way they will be able to survive (ibid.).

The stakeholder model was also explained by Freeman in 1984 according to freeman stakeholder are “Any groups of individuals who can affect or are affected by, the achievement of an organization’s mission” (Freeman 1984). Primary stakeholders are the main body in decision making they decide the long and short term policies of the organization. Furthermore, according to freeman stakeholder are those individuals or groups affected by the decisions policies and action of the organization or the individuals or
groups who were important for the success or survival of the organization (Freeman 2001).

Stakeholder theory was actually the reaction of Friedman’s paradigm of shareholder in which shareholders are the only body to claim business. Stakeholders are also very important for the organization's survival (Friedman 2003).

“These duties exist because, like stockholders, these other stakeholders also make investments in enterprises: employees invest their time and intellectual capital, customers invest their trust and repeated business, communities provide infrastructure and education for future employees as well as tax support, and so on” (Graves et al. 2001).

In other words Goodpaster (1996) explained that there is a need of moving towards the trusteeship stakeholder concept and leave the only maximization of profit. It was the responsibility of the management to maintain balance between all stakeholder interests. The organization must have to take care of the all stakeholders and not to harm the interest of any stakeholder (Goodpaster 1996).

There are many more scholars who try to define and explain the concept of stakeholder involvement in CSR in their own words but as Margolis and Walsh in 2003 state that “but the conclusion so far paint an unclear picture” (Margolis & Walsh 2003). For the last few years as the theory of stakeholder was developed the main focus was put on the engagement of stakeholder on the basis of long term value creation. They focus on long term relationship and not go for simple immediate profit. It doesn’t mean that profit is not important for these companies survival. But as the economy is important for its survival the company also need a variety of stakeholders on whom the company is dependent and are very vital for the company survival (Andriof et al. 2002).
3.5.2 Stakeholder thinking:

According to Phillips et al. (2003), stakeholders are those who have the right in decision making and also with those decisions they have any positive or negative effect on them. Phillips et al. (2003) Is of the view that corporate’s socially responsible practices strengthens the corporate accountability and values the interests of stakeholders. Working socially responsible also helps in protecting the environment. Giving value to the stakeholder issues and improve the quality of life are included as well. They give employment to the people and also invest in local community activities (Business for Social Responsibility 2003).

Treating stakeholder ethically or responsibly in a true manner is concerned with CSR. Socially or ethically means treating the stakeholder in a way which is acceptable in a civilized society. Social responsibility includes the economic responsibility of the firm which also improved the living standards of the stakeholders. Hopkins (2003) said that, corporate social responsibility is actually the integration of values and business operations. In which the interest of all stakeholders including customer employee’s investors and the environment was reflected in the company’s actions and policies (CSRwire 2003).

Khoury et al. (1999), explained that corporate social responsibility CSR is actually a relationship of the corporation with its stakeholder. This relationship includes employees, customer, owners, communities, suppliers, investors, competitors and government. Social responsibility includes relations with employees, investment in the community, increasing financial performance, protection of the environment and maintain and creating further employment. (Khoury et al. 1999)

A working group of ISO 26000 adopted a working definition of social responsibility at their meeting in 2007 in Sydney. According to them:
“Social responsibility (is the) responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour and is integrated throughout the organization.” (Hohnen 2007)

This means that CSR is actually the controlling and minimization of the impacts that business operations have on the environment and society. It is obviously the responsibility of businesses as they are the sources of these impacts.

A commission of the European communities (2001) state that, a company is socially responsible if they are considering environmental and social issues in their business operations and they are interacting with their stakeholder on voluntary basis (Commission of the European Communities 2001). In 2003, they further explain their concept and stated that in CSR an enterprise or organization is answerable to their stakeholder. And they work fairly and responsibly. They strengthened the economic position of the enterprise which improved the quality of life of the employees as well as of their families. And also help in improving living standards of society to a large extent. (Commission of the European Communities 2003)

The soul of corporate social responsibility is to ethically or socially deal with the stakeholders. Dealing stakeholder socially is not only the concern of corporate social responsibility but rather working with the stakeholders that are inside the firm and outside the firm. Behaving socially with both inside or outside stakeholder will increase the human development (Hopkins 1998). Lea (2002) defines CSR roughly as corporate social responsibility is the integration of environmental and social concerns of the business operations which includes stakeholder as well (Lea 2002).
Numbers of organizations are now promoting corporate social responsibility as their strategy because of increasing pressure of the society in the shape of economic environmental and social prospective. Know the companies are trying to make their reputation in front of different stakeholders like customer’s employee’s shareholders investor’s public authorities consumers and different NGO’s with whom they interact and try to pass a signal that they are socially responsible company. By doing so they are investing in their future and they also expect that behaving socially with all stakeholders will increase their profit (EU 2001).

Corporate social responsibility in terms of obligation describes the company to be accountable to its stakeholders in its each and every operation and activity. Companies working with the model of corporate social responsibility give value to their stakeholder in their decisions and balance the needs of all stakeholders when they are making a profit. While taking any decision they first think about their impact on the community and environment (Ethics in Action Awards, 2003). According to Jackson and Hawker (2001) corporate social responsibility is the way how you treat your stakeholders’ employees and the environment (Jackson & Hawker 2001).

“Corporate social responsibility recognizes that the private sector’s wider commercial interests require it to manage its impact on society and the environment in the widest sense. This requires it to establish an appropriate dialogue or partnership with relevant stakeholders, be they employees, customers, investors, suppliers or communities. CSR goes beyond legal obligations, involving volunteers, private sector-led engagement, which reflects the priorities and characteristics of each business, as well as sectorial and local factors” (UK Government 2001).

Companies that follow corporate social responsibility strategies integrate environmental and social concern in their business activities and also in intersection with all of their stakeholders and openly demonstrate triple up
performance. Marrewijk (2003), further state that sustainability and corporate social responsibility depends on company activities demonstrating environmental and social concern in business activities as well as with stakeholders.

The companies are now focusing on interacting with their stakeholders based on process oriented and rational views. The managers are now trying to manage their relationship with their stakeholders. These increases in the interest of stakeholder relationship increase the scope of stakeholder from public relations. The manager’s communication skills and all other functional areas relate to multiple stakeholders. The companies with a strong relationship with other organizations partners and institutions were in a better position and they easily develop knowledge sharing routines and effective governance. (Dyer & Singh 1998)

The relationship with stakeholder helps in mutually engaged, interactive and responsive relationships which help in doing modern business and also help in creating a good groundwork for accountability and transparency. Bringing the nation to participation, involvement and dialogue is the centre of stakeholder theory with democratic and inspirational ideas. Where dialogue is the tool, consensus and agreement are the solution on which further decision and actions continue to collaborate (Andriof et al. 2002). According to Cramer et al. (2003) “The essence of stakeholder dialogue is the co-creation of shared understanding by company and stakeholder” (Cramer et al. 2003).

The previous century was the period of conceptual development and defining of the boundary of the actions that come under the heading of sustainable development. Later on sustainability in business gave rise to the phenomena of CSR that laid the foundations of business driven by values. Today, the modernization of the concept tells us that companies are competing on the basis of competitive advantage which is obviously based on
some core values that are tied to the company practices of interaction with the stakeholders in terms of profit, accountability and growth.

Eventually, management has to have balanced interaction with all the stakeholders as they have the tendency to create growth and profit opportunities for the company by providing investment, acceptability of company business and link with society. Thus the relationship between the company and the stakeholders (customer, employee, environmental and other stakeholders) is vital not only for survival but also to set an example for other companies in the industry. This paves the way for practices that reflect responsibility to the stakeholders at all levels in the business community.

**3.5.3. Customer value through CSR:**

The customer is actually a king who ultimately decides whether the corporation is good or bad or the corporation will live or die. So the corporate cannot operate without the desires of the customer who affect the corporation in some way or another. As Margolis & Walsh in 2003 argued that if the nature of the corporation is to serve the public the corporation becomes inherently socially responsible and accountable. Simply we can say that the companies supplied those products and services which were demanded by people. In 2000 Rubik et al., argued that:

“Company: Through CSR activities like reporting companies provide more (non-financial) information to customers who can then take better informed decisions on purchasing or rejecting the company’s products (‘exit’). At the same time, customers can be included in actor co-operations to improve the ecological qualities of a product along its life cycle” (Rubik et al 2000).

According to Levy (1997), the customers are actually the part of problem by themselves. This is true as the product they demand required resource depletion. So, as long as the customer will demand the industry will supply it to sustain market (Levy 1997). Hawken (1994) also argues on this
matter and according to him there are two reasons behind the company’s actions and why they do what they want. Firstly, they didn’t have a bigger picture of buyer/consumer and secondly business success ensures their success. This can be seen in other words like:

“A restorative economy comes down to this: we need to imagine a prosperous commercial culture that is so intelligently designed and constructed that it mimics nature at every step, a symbiosis of company and customer and ecology” (Hawken 1994).

The founders of the body shop, Roddick (2005) predicted that the rise in “vigilante consumers” will change the behaviour of the corporate forever. A different definition of profit will be imposed by them in which the calculation would be based on the part of social change. For earning money, the organization will take care of environmental issues. They will also show responsiveness in paying fair wages according to the standards defined in the code of conduct. They will also invest in education and health for the betterment of their community. For increasing the profit they will increase the social benefits as well.

This is obvious as products can only be sold where the consumers have handsome buying power and it can only be available if the society is on the way to develop and progress. It can be safely said that the companies:

“Are going to find it increasingly difficult to survive in a market where the customer base is extremely limited by a lack of resources and opportunity, where the population is being overwhelmed by disease, where opportunities for social uplift via education or economic opportunity are limited, and where access to beauty and the chance to dream are limited to the wealthy” (Spier 2005).
In 2004, Belgium had passed a national law to introduce voluntary social labels. This practice had been successfully developed and launched. The labels contain the logo along with website address which will help the customers in gaining the required information and details of the company’s social practices. These labels provided by the company will be verified by (ILO) International Labour Organizations, social auditors and by the economic affairs ministry. (Nathan E. Hurst 2004). This labelling technique opened a gateway to communicate customers about which companies were “doing good” and which were “doing well”.

The research on the impact of this method in the same year showed that ecological and social labels are based on market instruments which influence the purchasing decisions of consumers, traders and customers about the product which is environmentally or socially favourable. These labels include the demand of doing business to be more sustainable and at the same time serve as business instruments for marketing or making marketing opportunities (RARE 2004).

The call centre is also one of the way of providing information and services to the customers. In the few decades it becomes the most powerful means of service delivery or problem solving source. Before generating revenue through call centre there is a need of implanting superior customer service. So call centre is one of the ways from which the customers get information about different products and companies activities. This makes the company more available to the customers in terms of accountability and communication. This also helped in making decisions about certain actions (Evenson 1999).

“These analyses attempt to quantify the monetary benefits associated with improved service interactions. The benefits are typically a result of improved customer retention or increased repurchase intention” (Goodman et al. 1997).
Besides customers who are the source of profit and sustainability for the company due to their acceptability of the company in terms of products buying and corporate image, the employees are also customer as they support company profit. Employees are vital in stakeholder dialogue, business process execution and support, taking part in strategies and plans and are the reflection of corporations’ inside activities. (Lockett et al., 2006; World Business Council for Sustainable Development 1999; Aguilera et al. 2007)

3.5.4. Employee value through CSR:

Employee is a person hired by a company to provide services on a regular basis in exchange for compensation. Employees are the most important group of stakeholder through whom the organization exercises their social responsibility activities (Humière & Chauveau, 2001). They are also centrally important in organizing corporate social responsibility strategies because of their cross-disciplinary nature (Lockett et al., 2006).

“Corporate social responsibility is how you treat your employee and all your stakeholders and the environment.” (Jackson & Hawker 2001)

So from a theoretical point of view, employees as a group of stakeholder, are treated as independent variables clarifying the emergence of corporate social responsibility (Aguilera et al., 2007), or as a dependent variable which is influenced from corporate social responsibility (Maignan & Ferrell, 2001; Peterson, 2004), or it can behave as a mediating variable of corporate social responsibility influence from corporate performance (Barnett 2007).

Employees in terms of stakeholder group explain why they affect CSR policies. Firstly employee works as an agent for social change. As they push the organization to adopt CSR behaviour (Aguilera et al. 2007). Secondly policies related to environment explain that to secure effective CSR policies and programs it is very important to support employees (Ramus & Steger
Thirdly employees as a part of the stakeholder group’s judge, perceive, evaluate and react to action and programs (Rowley & Berman 2000)

In Social identity theory it was described that why the employee care about corporate social responsibility initiatives which were developed by an organization. Firstly activities related to CSR reveal the character of an organization which is not only distinctive or fundamental but also often more relatively enduring (Sen & Bhattacharya 2001). Secondly, socially responsible firms also gain positive reputation in the public (Fombrun & Shanley 1990). Image perceptions of an organization influence that an employee who wants to evaluate outsider perceptions of both the organization and themselves. Therefore a good corporate image perception conveyed by CSR contributes a lot in in the sense of self of the employee (Riordan et al. 1997).

“Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success” (IBLF 2003).

CSR activities are not only limited to philanthropic activities they cover many extra roles related to corporate behaviour while targeting various types of stakeholder groups (Barnett 2007). While targeting external stakeholders, CSR action also changes the dynamics of social responsibility within the organization. The sense of obligation assumes that the employees help those who helped them. In fact they give a positive response to the positive activity they receive from the organization (Moon 2010).

“CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment” (Lea 2002).
In fact the response of the employees depends on how they value corporate social responsibility motives resources and motives of the company. Employee work socially responsibly when the organization also provides justice perceptions among and to the employees, insures sense of obligation and within its activities make sure the benefits of social exchange relationship (Zellars & Tepper 2003).

“The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life” (World Business Council for Sustainable Development 1999)

From many studies it was proven that those employees who were paid less become involved in bad activities and try to steal the company property in order to respond to the company unfairness (Greenberg 2002).

3.5.5. Shareholder's value through CSR:

Shareholders are those who own shares in a particular company or corporations. Along with the ownership they also have the right to vote on certain issues including boards of directors and they also have the right to declare dividends of the company. Shareholders are also called stockholders. (Investor world 2011)

According to Professor John Barbour as coated by CIMA (2004), the companies start thinking about shareholder needs, they think beyond the financial measurement. He compared business with a horse where the board is like its head that decides which way to go and also sets the objective. Its four legs are strategy, organization, finance and its peoples. So that company will run as fast as its slowest legs will allow it. It’s, mean that if we concentrate on the financial metrics and ignore the people in that situation then it will lag behind in the shareholder stakes. So the shareholders’ value must be led from the top. If the top manager failed in doing so then they will lose the
shareholder value and it will be very difficult for them to run the company. (CIMA 2004)

To become a socially responsible organization it is not sufficient for the organization to look good to their potential investors, customer, business colleagues, and financial analyst or to look good in annual reports, news or in government and a courtroom. But it is also necessary for the organization to look good to their shareholders or stockholders and to board members (Kotler & Lee 2005).

Shareholders are like a wedge between those people who create the economic performance and among those who harvest its benefits. Those people who create benefits are disengaged from the ownership of their efforts. While the people who own the enterprise and treat the ownership as dispensable they also disengaged themselves from its activities (Mintzberg 2002).

Corporate social responsibility requires responsible management that is questionable on the bases of transparent activities. This has been recognized as a need by the stakeholders, particularly shareholders as recent decades have seen malpractices by the organizations in terms of showing faulty value of the assets to artificially increase the price of the shares (Stan Friedman 2003). According to a survey, ninety per cent of the top management representatives were of the view that they increase shareholder value. Speculations were based on dialogue with shareholders to communicate hypothetical business operations and accounting practices that were not backed by ethical and reliable economic activity. The result was a sudden disclosure of the real situation followed by a market crash (Wokutch 2001).

Transparency has been realized as a highlighted issue in today’s market and was started with age of multinational corporations back in the 1980s (Freeman 1984). Investors are only willing to finance the business
operations and activities of the companies that assure them about the reliability and trustworthiness of their financial position and market position.

Due to the need of the transparent and accountable situation of the companies by the investors, the governments across nations along with the international community have devised codes for the corporate transparency (Mamic 2004). The companies also crafted their own code of conduct to regulate activities at their business sites.

Bowen (1953) described CSR as: “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. This definition of CSR by Bowen reflects that the policies of the businesses are to be ethical and not based on fraud or illegal activity that is harmful for the society in economical or any other terms.

Corporate governance that was previously the part of CSR, has been separated and developed as a separate subject to have a focus on the crafting of standardized tools and techniques. These methods further are clearly communicated to the finances throughout the market regardless of the industry or business (Waddock et al. 2002). This is done to it sure that all the investors make decisions on similar grounds. Previously, the investors that had the knowledge about the internal real situation of the company had been in a better position of making any financial judgment about the company corporate (Wokutch 2001).

Corporate governance suggest setting of relationships between the company management its boards of directors, different kinds of stakeholders and shareholders to Improve the economic growth and efficiency of the company which will help in enhancing investor’s confidence (OECD, 2004). Arrangement of corporate structure also helps in minimizing the cost in shareholders and aligning manager’s incentives (Shleifer & Vishny 1997). And also help in insuring proper return to investors (ibid.).
3.5.6. Other Stakeholders:

Beside stockholder, employees and customers, there are other stakeholder groups or multiple groups that are categorized as stakeholders. In the past the organizations were only answerable to shareholders but in the recent few decades the situation was completely changed know the organizations are answerable to multiple groups of stakeholders. These groups include all those people who have some impact on the organization or were affected by the organization.

Corporate social responsibility is about those organizations or businesses that go beyond the legal obligations and to manage their impact on society and the environment. Actually in corporate social responsibility we see the interaction of the organization or business with their customers, employees, communities and suppliers with whom they work (Lea 2002). This is true for any business decisions which are linked to legal requirements, ethical values, environment, communities and the respect of the peoples (Business for Social Responsibility 2000).

Among these different groups of stakeholder’s, non-governmental organizations (NGO’s) were also included which is defined by Bandell and Murphy (1997) as “groups whose stated purpose is the promotion of environmental and/or social goals rather than the achievement of economic power in the marketplace or political power through the electoral process.” (ibid.) with the collaboration of NGO’s the organization can work on different projects related to society and the environment.

These NGO’s also protected the rights of different stakeholders and also identify different issues in the organization that are against the law or activities that are not socially responsible. The corporations accept that NGO’s helps them in providing complimentary skill sets they also help them in communication with different stakeholders. They provide expertise and also help them in strengthening their credibility process. (CMEF 2011)
Due to the external pressure created by these groups, multinational corporations have introduced codes of conduct which are in the shape of written principles, standards or guidelines. These codes help them in improving their social and environmental performance. Every corporation wants that their product was produced under CSR conditions and suppliers are among the most important stakeholders. CSR issues were continually arising throughout the supply chain process of different companies. These companies were continuously held responsible for their product was not produced according to CSR concept. And these issues go beyond the individual organization and include environmental and social requirements for suppliers (Roberts 2003).

So these companies must keep check on their suppliers that the raw material they are providing was not affecting the environment and society. So if the company wants to act socially responsible they must deal with the suppliers that are also acting social responsibly. The raw material they are providing should also be according to the CSR practices.

Like other stakeholders society and environment were also among the main stakeholders. While in their activities the companies must have to take care of the society and the environment. So according to business for social responsibility (2003) “Corporate social responsibility is achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment” (Business for Social Responsibility 2003).

CSR is about the behaviour and responsibility of the companies and its impact on the society with whom they work. Corporate social responsibility is not an optional add-on or not a philanthropic activity. A socially responsible corporation is he who runs a profitable business and takes care of all the positive and negative social environmental and economic activities that have some effect on the society (Marsden 2001). It is rather a
concept in which the companies decided voluntary that they will contribute to the betterment of the environment and society (COM 2011).

 Corporate social responsibility is to give value to the society in its core operations as well as to take care of their social and physical environment. The corporation is responsible for the profitability of the business and also responsible for their staffs health and safety. The corporation is also responsible for the betterment of their society in which they operate (Ethical Performance 2003).

3.5.7. Comparison with RDT for organizational external control:

The resources based theory advocates that the base of organizational architecture is the dependence of one resource factor to another. Organizations depend on other organizations for competence in the form of market share and getting a hold on the required resources for survival as well as growth. Example, suppliers and distributors are dependent on the organization for business and vice versa.

According to Pfeffer and Salancik (1978) “to understand the behaviour of an organization you must understand the context of that behaviour—that is, the ecology of the organization” The organizations by themselves do not control all the resources needed for their operations and use different strategies to collect those resources which are important for their operations. So for these resources they have to engage different stakeholders which help them to provide the resources which are important for their operations. As the organization is depending on the stakeholders for their operations, they become powerful members within the organization. (Pfeffer & Salancik 1978)

The organizations some time become more dependent on their stakeholders which make it very difficult for the organization to operate. This uncontrolled dependency creates difficulties for them in decision making and operating the organization. Hence organizations always attempt to manage or
reduce their dependency with regards to stakeholders and also try to increase their stakeholder's dependency on them. To minimize or to manage interdependence, the organizations take several steps but they were not able to completely control their interdependence. They produced patterns of dependence or new sources to minimize the inter-organizational power.

Pfeffer and Salancik (1978) put forward five options that can help in minimizing and controlling the environmental dependencies. These five options that help in minimizing dependencies are:

1) Mergers: According to Pfeffer (1976), organizations engage in mergers because of three reasons to minimize and reduced interdependence between buyers and sellers. To minimize and reduced competition in the market by absorbing a major competitor or market. The third reason is to reduce dependence on the parent organization with which they have economic connections.

2) Executive succession: Internal organizational dependency fabric is re-crafted by the external reservoirs of resources or dependency network. Companies select their executives on the basis of this ecological nature of the organization and they collect resources for the organization. Selecting powerful executives help the company in minimizing or reduced the power of the external stakeholders.

3) Boards of directors: boards of directors also play an important role in controlling the organizational external control. They make strategies for attracting resources for the organization and help in minimizing and reducing their interdependence on other resources.

4) Joint ventures (JVs): JVs also help the organization in minimizing and reducing uncertainty and interdependence. As according to Pfeffer & Nowak (1976) it is common among the interdependent firms to make JVs. The firms used JVs to local or international pressure and to gain resources.
5) Political actions: It is not possible for the firm to reduce and minimize uncertainty and interdependence of social system on large amount. They used political mechanism to minimize and reduced uncertainty and interdependence. Organizations through political mechanisms try to create an environment that is good for their interests. A good political condition helps the organization in controlling the external economic environment.

There are several similarities between resource deficiency theory and stakeholder theory, as both recognize the organization interdependence on external and internal stakeholders. In stakeholder theory, different stakeholders were given preference according to the situation, which work as a frame of reference for RDT scholars. In resource deficiency theory it is not specified which stakeholder has given preference at which situation. From the vision of stakeholder theory, the RDT theory will learn how to manage the multiplicity of dependencies and how to make specific strategies.

In relation to this, corporate social responsibility provides opportunity to its associated actors to increase their personal power. This is done by realizing corporate social responsibility benefits for the stakeholders and companies. Together they can attract the opportunistic actors with a little interest. Some individuals create interdependencies between external groups and organizations on the basis of CSR issues with the help of their networks and knowledge. Therefore, they have limited experience and expertise but also get support from different channels of communication or external authorities.

The changes at the organizational level provide a basis for an operational shift which is marked by socially responsible activities of the corporations. The present business situation pushes the organizations to do this as they are in the struggle to deal with the external as well as internal dependencies. These dependencies are created by the shift in environment that surrounds the business organizations in the form of different stakeholders. CSR is thus the form of mechanism that controls the resources and corresponding

4. Chapter 4: Unilever Empirical

4.1. Empirical Background:

In previous chapters I have used different theoretical approaches to explain corporate social responsibility and stakeholder theory. In this chapter, I have explored different stakeholder issues in the implementation of corporate social responsibility at Unilever Pakistan. Explanation about Unilever Pakistan concerning how different stakeholder perceives and value the CSR-oriented behaviour, additionally how they handle different stakeholder issues is also provided.

4.2. Introduction of Unilever Pakistan:

In 1885 William Hesketh Lever established a soap factory as a branch of the family business in Warrington. Within a short time his business expanded throughout the world. He soon started a tradition of producing the raw material by himself (CorporateWatch 2011). In 1914 the UK government asked William lever to produce margarine which was eagerly accepted by him as the margarine business was compatible with soap business as both products required fats and oil as a raw material. Know lever brothers successfully start production of margarine and come into competition with Jurgens and Bergh both leading Dutch margarine companies (Encyclopedia 2011).

Bergh and Jurgens both start their margarine productions on a commercial level in 1872. Because of a poor economic situation in 1908 both Jurgens and Bergh with another small firm formed margarine union limited a
group of Dutch firm with their interest in England and margarine Unie N.V located in Netherland. After two year discussion on September 1929 the two companies previously margarine union limited Unie N .V and lever brothers merged and from Unilever (Encyclopedia 2011).

Unilever actually has two parent companies one is based in the United Kingdom that is Unilever PLC while the other operates in Netherland that is Unilever N .V. Both the companies operate under a single group of directors and are bound to numbers of agreements. Unilever claims that they are the second largest consumer goods company in the world. Starting their business from soap and margarines know the company is producing numbers of brands related to food products , cleaning products and personal care items (ibid.).

They generate about 52 per cent of their revenue from food products which include numerous brands like promise and imperial margarines Ragu foods, Lawry seasonings, Gorton’s frozen and Bird Eye foods Breyers Ice creams and Lipton tea. They generate about one third of their revenue from the personal care products which include brands like Dove and Caress soaps, pounds and pear’s skin care products, Faberge Degree and Sure deodorants, salon and suave selective hair care items, Pepsodent , Close-up, Mentadent oral care products, Elizabeth Arden, Calvin Klein and Elizabeth Taylor prestige Fragrances and brands like Vaseline and Q-Tips. Unilever also operates in cleaning products and generates 22 present of its revenue from cleaning products which include brands like Wisk and laundry detergent sunlight dish detergents final touch fabric softener and snuggle (ibid.; Unilever 2011).

Unilever is now operating in 190 countries, having consumer bank of about 2 billion. Unilever has more than 171,000 employees working with Unilever all over the world. They are generating 47 per cent of their revenue from European countries 21 per cent of their revenue was collected from North America about 12 percent from Latin America more than six per
cent from Africa and about 14 per cent of the Unilever revenue was generated from Asia.

In Pakistan Unilever start working in 1958 when they established their vegetable and oil factory in Rahim Yar Khan. Unilever is now one of the largest consumer product companies in Pakistan and contributed a lot in its economy. Unilever has its production units in different part of the country where they are providing employment to the local community. They are also contributing to improving the countries environmental and social activities (Unilever 2011).

In 1996 the base of CSR policy was started when Unilever published its code of business principle and was published as a corporate purpose. This was a kind of mission statement and was addressed in abstract weddings and was related to employees, business partners, environment, consumers and communities. In 1999 its first edition of a code of business principle was issued which was an operational standard. In 2000 Unilever social review was released in which they give a description of their existing pattern as well and also give a description of their future policies. (Elshof 2005)

4.3. Stakeholder’s value at Unilever Pakistan:

Unilever Pakistan through their different social projects and brands are trying to create value of their business through the implementation of corporate social responsibility among their different stakeholders. They are developing their consumer concerns about different social and environmental issues which provide opportunity for their different brands to get connected with their different stakeholders at a deeper level. This allows Unilever Pakistan to gain sales and competitive advantage on their competitors and at the same time they tackle different social problems.

“We are committed to conducting our operations with integrity and with respect for the interests of our stakeholders….. We are also
committed to making continuous improvements in the management of our environmental impacts and to working towards our longer term goal of developing a sustainable business” (Unilever 2011).

The above statement depicts the notable aspect about the ecology of Unilever Pakistan depicted by the corporate report is to be kept in mind. The ecology reflects the level of maturity of the stakeholders as they are not completely able to distinguish between different responsible activities and their positive effects or returns for the society. So, Unilever is facing challenges in making right choices in public welfare and environmentally concerned projects so that they can be valued by the stakeholders.

Unilever Pakistan believed in the power of their brands to improve the quality of life of their consumers. They are producing quality of products which help the consumers in improving their living standards. Unilever products are used by more than 2 billion people every day and in this way they are facilitating their consumers. The concept of quality of product for Unilever is: that can come up to the customer’s expectation along with giving them a sense of responsible citizenship.

Unilever Pakistan is improving the quality of life of their people not only with the help of their different products but they are also involved in other social projects. With the help of different kind of products they are making the people feel great because they got shiny hair and a brilliant smile, fresh and clean homes and also enjoying good quality of tea and other food products.

Unilever believes that the highest standards of corporate behavior in the society are essential for their long term success. To create awareness about corporate social responsibility among the society they support different environmental economic and social agendas. They are working with their different local national and global partners on different social and
environmental issues. As corporate philanthropy, last year they have invested more than 21.0 million rupees on education, economic and health projects.

For the aim to provide education to less privileged community, they are working with the Citizen Foundation (TCF) in its school programs. This is supported governmental schools with the help of their public and private partnerships. They are also funding Beacon house National University and Ghulam Ishaq Khan Institute of Engineering and Technology (GIK). In health sector they are supporting the health care organizations like the Layton Rehmatullah Benevolent Trust (LRBT), The Aga Khan University and Hospital and The Kidney Centre Postgraduate Training Institute.

Unilever Pakistan is also involved in different community investments and welfare schemes and has invested more than 35.6 million rupees through their annual grant scheme. They provide basic health facilities and also working on setting hand pumps. As far as the brands are concerned: (Unilever annual report 2010, p. 18)

Lifebuoy in partnership with Idera-e-Taleem-o-Aagabi (organization for education and awareness) are promoting hand wash activities and also awareness about its benefits across the country. Lifebuoy also carried out a campaign about swine flu in print and electronic media at the start of the year. Their projects revolve around personal hygiene.

Surf through “Every Child Has the Right Campaign” extended its work in partnership with Idera-e-Taleem-o-Aagabi participating in experimental learning based on governmental curriculum and teacher training. Surf is also supported event “Designs for Change” all over the country.

Blue Band Margarine from the last four years is working with United Nation World Food Program contributed over 82,604 meals. The funds were raised through voluntary donations of their employees and through internal events.
*Fair & Lovely* are another brand of Unilever Pakistan works for women empowerment in Pakistan and sponsored 11 students at the Institute of Professional Learning and Beaconhouse National University.

*Lux* sponsored students from the different fashion institute in Pakistan.

*Wall’s Ice cream* in Lahore has set up a free dispensary near their factory for their members.

**Table 1: Responsible Brands**

<table>
<thead>
<tr>
<th>Brand</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifebuoy</td>
<td>Personal Hygiene</td>
</tr>
<tr>
<td>Surf</td>
<td>Children Education</td>
</tr>
<tr>
<td>Blue Band Margarine</td>
<td>Nutrition</td>
</tr>
<tr>
<td>Fair &amp; Lovely</td>
<td>Women Empowerment</td>
</tr>
<tr>
<td>Lux</td>
<td>Student Sponsorship</td>
</tr>
<tr>
<td>Wall’s Ice cream</td>
<td>Employee Dispensary</td>
</tr>
</tbody>
</table>

Source: Unilever annual report 2010, p. 18

Unilever Pakistan has started internal program for the reduction of energy consumption as there are energy crises in the country. They have encouraged their employees to avoid unnecessary use of electronic equipment’s number of initiatives were taken to reduce energy consumption in their factories transportation and depots. Some of these initiatives are their WWF Green Office program for their head office, engineering improvement in the manufacturing use of eco efficient lightening and balancing the load of air conditioning and *Lux process modification* by making the soap manufacturing process simplified. (Unilever annual report 2010, p. 19)

Unilever Pakistan is also committed to reducing their impact on the environment they have taken certain steps not only in their production
sector but they are also focusing on their supply chain. They are continually trying to improve their management system to deliver measurable and consistent progress. Some of the key initiatives taken by Unilever Pakistan for the protection of the environment are cross docking and distribution center rationalization in which they use the “Right Sized” vehicles for every single route and optimization of vehicle route on the bases of their load they contain. In the collaboration with their non-competitors they have utilized their vehicles on the return trip which help them to share carbon footprint of round trip. Unilever Pakistan has sustainable packaging through PVC removal in HPC packaging. For minimizing their effect on environment Unilever Pakistan has taken certain steps they are investing in recourse and capability building areas for eco efficient practices. They are conducting workshops and trainings to educate their young managers and their factories leaders about Environment Management Tools. (Unilever 2011, p. 18)

Unilever Pakistan is working on different social and environmental issues in different parts of the country. Through philanthropy and practically involved in some projects they are trying to resolve issues of their different stakeholders. Through their different brands they are continuously trying to improve the living standards of the society. Unilever Pakistan believes that the company long term success depends on corporate social responsibility. While working as a socially responsible company Unilever Pakistan is not only helping the society and their different stakeholders but they also gain sales and competitive advantage on their competitors. As they are working in a socially responsible manner, different stakeholders are being increasingly attracted towards them.

Their sales were increasing every year and the company was showing growth in different departments. According to their annual report 2010 they have shown growth in almost every brand. The following table shows the highlights of the areas of business where Unilever had proved to be prosperous. Table: Business area and respective growth
### Table 2: Business Growth

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home and personal care brands</td>
<td>15.6%</td>
</tr>
<tr>
<td>Ice cream products</td>
<td>33%</td>
</tr>
<tr>
<td>Food solutions</td>
<td>16%</td>
</tr>
<tr>
<td>Beverages</td>
<td>13.5%</td>
</tr>
<tr>
<td>Spreads</td>
<td>20%</td>
</tr>
<tr>
<td>Unilever Pakistan Foods Ltd Exclude, Food Solution</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Unilever Sustainable report 2010, p.8

The fact that has to be noted here is that all the Brands are having competition on the basis of price, availability and quality. Moreover, there are problems of duplication of products and other fraudulent practices like: selling expired products, increasing the prices at market peak periods and stocking the products to create intentional shortage in the market to boost demand to gain reason for unethical price hype. (Unilever Sustainable report 2010, p.8)

#### 4.3.1. Management Responses

Interviews were conducted by having the information about the corporate reports, personal experience about the products and know how Unilever business in Pakistan. The interview session was based on the need of required and practical information about the situation in the current market that was not available in the reports. So the gap was filled by having responses from Senior Sales managers and telephonic interviews from Management officers in the district office of the company.

The responses are shaped according to the research questions as much of the information was about stories regarding specific situations and events. The filtered responses of the senior sales managers and management officers were
matched with one another on the basis of issues and concepts to craft knowledge about the real situation in the market.

The summary of the opinions, views and experiences is that Unilever is facing problems not only based on competition from the rival companies but also on governmental and other issues like smuggling, frauds and product duplication. The main factors that are obstacles in the way of growth are the following:

1. Smuggling
2. Prices hype
3. Product duplication
4. Regulations
5. Raw material supply

Unilever, behaving as a responsible company, had dealt with the situation by its loyal employees, clear vision and motivational values. Unilever has initiated these measures:

1. Regular market checks to track the progress of their product sales.
2. Proposal to the government to cut taxes and import duties to control tea smuggling
3. Changed the packages of their products to ease in identification of duplicate products
4. Massive advertisement for customer awareness
5. Having own raw material stores and also growing in company owned fields

In addition to this, Unilever has taken steps to differentiate itself from others by having measures to decrease their carbon footprint and
reasonable revenue to shareholders. For customers, Unilever believes in providing healthy, reasonably priced and caring products. Unilever struggled to care for all stakeholders including environment, shareholders and customers. This is reflected in student scholarships, healthy society development, support in floods and better job opportunities.

Unilever believes that for having a smooth stream of revenue, employees are to be cared like customers. Unilever employee empowerment initiatives like education, skill development programs and supportive working environment has resulted in double digit growth around 17% in the present situation when the country is facing a flood, inflation and political instability. (Unilever annual report 2010, p. 14)

4.3.2. Employees value at Unilever Pakistan:

Unilever Pakistan is working on different social and environmental projects to improve the living standard not only of their external stakeholders of the organization but also working to improve the living standards of their employees in the organization. Unilever believes that improvement in living standards of employees will put a positive effect on their performance and they will contribute better to the success of the organization. (Hockerts. K and Morsing M 2011)

In their CSR report of 2010, they appreciated the performance of their employees as the organization showed 17% growth despite the fact that the country situation was not good because of floods and other country's internal problems. (Unilever annual report 2010, p. 14)

Unilever Pakistan is developing the concept of corporate social responsibility among the different groups of employees. They are working on different projects that are helping them to improve the employee living standards as well the internal environment of the organization. For Unilever Pakistan, Occupational health and safety is among the Unilever Pakistan top priorities. Company management is determined in achieving excellent safety,
health and environment (SHE). Unilever Pakistan top management was continually monitoring the SHE measurement in their manufacturing and non-manufacturing units. Internally they also organized the safety and wellness week to create awareness among the employees and business partners about different health and safety issues and also conduct learning programs for their employee’s families. (Unilever sustainable report 2010, p.21)

Unilever Pakistan operates different schemes for the benefit of their employee’s in which some of them are as follows:

**Pension scheme** for their permanent employees and management of the organization, the pension scheme is of two types one is for those permanent employees who joined Unilever Pakistan after January 1, 2009 and the other is for that permanent employee, who has joined Unilever Pakistan before December, 2008.

**Gratuity scheme** for employees and management of the organization and its contributions were made on the basis of actuarial valuation. The last actuarial valuation was done in December 1, 2010 by using “Projected Unit Credit Method”.

**Pensioner's medical plan** for employees and management which is book reserve plane, and returned actual medical expenses which are defined in the plane. Medical plane is also available for those employees who have joined Unilever Pakistan before December 31, 2008.

Unilever Pakistan is continually trying to improve the living standards of their employees for this purpose they have taken certain initiatives and which has a positive effect on the employee’s well-being. Unilever Pakistan provides “vitality menu” in their cafeteria, for their employee fitness they provide gym facilities for the employees which helps the company in improving the health of their employees. Furthermore they concentrate on work life balance. Their initiative for improving living
standards includes “Day Care Centre” which facilitates working mothers and mangers wives, in 2009 Flexi working hours were introduced. (Unilever annual report 2010, p. 47)

Agile working program which was introduced in 2010 to facilitate the managers to operate one day out of home in a week, to generate positive energy among the management they also facilitate sports activities. Unilever Pakistan gives highest priority to promote a diverse talent base and outline initiatives together with a policy designed targeting large number of females to enhance the ability of the company to respond and understand the consumer’s need. For home communication initiatives like you connect, Daily Digest, HR monthly functional updates and institutionalizing functional resource committee help in engaging the people.

In Unilever Pakistan groups operate and approved provident funds for their employees. Monthly contributions were made on an equal basis by both the employees and group as well at the rate of 6% of the gross salary per annum. Unilever Pakistan also provide interest free loans for their employees for their purchase of a car, computer and houses which are repaid by the employees in monthly instalments in a specific period of time. Unilever Pakistan under the plan of Variable Pay in Shares (VPIS) eligible employees according to the policy can chose between 10% and 25% of their gross variable can pay in shares of Unilever NV or Unilever PLC.

Unilever Pakistan believes in equal opportunities while hiring employees and provides all the facilities for the special persons. Unilever Pakistan organized different activities to make the employees to work under the company code of business principle (COBP). Employees are also required to sign the COBP each year. These activities are organized to ensure business ethics and Anti-corruptions measures. (Unilever annual report 2010, p. 28)

Unilever Pakistan is working hard to create a perception of corporate social responsibility among their employees they are involved in
different activities to improve the living standards of their employees. Unilever Pakistan gives value to their employees by giving different facilities inside and outside the organization. In response their employees also give value to their organization and are working hard for the success of the organization. They are also working side by side in the company social activities and helping the company to achieve company different social goals.

Unilever Pakistan employees work together with their company to help the people affected by the floods and gives donation which was then donated by the company to the citizens Foundation for their school rehabilitation program. Unilever Pakistan employees also provide their skills as well as monetary support to various organizations with whom Unilever Pakistan is working together on different social project like UN World Food Program, the citizen foundation, WWF Pakistan, Karachi Vocational Training and Layton Rehmatulla. Unilever Pakistan employees help the organization not only by giving donations to their different social project but they also actively participate by providing their skills and monetary supports.

**4.3.3. Employee's Response**

The employees interviewed were two senior managers at the regional office and five internees. The staffs of different departments were also questioned randomly to avoid any business. The responses were collected and codified. Unwanted data were filtered from the interview data to make it clear.

The senior managers were of the view that they were having a good time at Unilever Pakistan for some reasons of which most highlighted are:

1. Opportunity of growth
2. International and diverse working teams
3. Diversity in employees
4. Career growth

5. Benefits as an employee

The internees said that the environment at the company was challenging in terms of work and reflected a good opportunity of learning. The team leader appointed was empowering as he encouraged taking initiatives. They had to work just like employees but they are happy that they are on the road to learn skills that are valued. The internees awhile expressing their experiences said that there is less power distance and staffs works like a team. The monetary and non-monetary benefits make Unilever Pakistan a good place to start the career. It has to be noted that the company demands international standards of work and planning as it is in competition with other international Big names like Nestle.

The summary of the responses of the staff was that they were motivated to take initiatives and responsibility. The workplace environment was employee empowering. There was the factor of stress due to constant raise in work quality and the emergence of new dimensions of competition. This stress is managed by rewarding salary and perks, career development planning and team spirit.

The employees are encouraged to take initiative in executing any social or environmental activity that could be fruitful in having a positive impact on the local community. The employees had volunteered at events of flood, earthquake, children's education and promoting awareness of personal hygiene. These attempts of eradicating social problems create a sense of responsibility and corporate citizenship in employees.

4.3.4. Customer and society value at Unilever Pakistan

As a developing country, the concept of corporate social responsibility in Pakistan is not much developed among the society as
compared to developed nations. Unilever Pakistan is trying to create awareness of corporate social responsibility in the society and positive effects on the society. In this way, they are trying to gain competitive advantage on their competitors by saying publicly that we are better and doing well by filing their corporate website and documents with responsible actions.

This concept of corporate social responsibility among the community is being developed by working on social projects. Unilever Pakistan has been working on different social issues to solve different societal problems as well as to gain competitive advantage.

The philanthropic activities are being done by funding as well as working in partnership with different social organizations in different educational, health, environmental and other social areas. Unilever Pakistan and their brands believe that education is the first step to empower people. They are supporting a different educational institution by providing direct income support or by providing a scholarship program for the student and through teacher training they are trying to improve the educational level of the society (Unilever sustainable report 2010, p. 18). The details about these kinds of activities are shown in the table below:

Table 3: Unilever Pakistan Social Impact

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Unilever support in PKR</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Citizen Foundation</td>
<td>12900,000</td>
<td>9 schools approx 1,350 students</td>
</tr>
<tr>
<td>Rahim Yar Khan Govt. Elementary School</td>
<td>1400,000</td>
<td>Approx 1200 Students</td>
</tr>
<tr>
<td>Asian Institute of Fashion Designing (Lux)</td>
<td>200,000</td>
<td>2 Students</td>
</tr>
<tr>
<td>Pakistan Institute of Fashion</td>
<td>200,000</td>
<td>2 Students</td>
</tr>
</tbody>
</table>
Unilever Pakistan is working with their different brand to create a positive behavioural change among the society. Unilever Pakistan brand Surf is committed towards child development through exercising and playing activities of a child's curiosity. Through their “dirt is good” platform started from “Games Masti” in 2005 and in 2009 they build play areas for the children in public and school parks they support the healthy physical growth of children. Surf Excel under their “Dirt is Good” platform in partnership with Idera-e-Taleem-o-Aagahi (ITA) on “Early Childhood Education” (ECE) program aiming to develop an extensive curriculum which will provide guidelines for the small children’s and will define key learning areas required at the important stage of schooling. In conjunction with education ministry ECE curriculum was developed and was shared with both private and governmental institutions. The ECE curriculum was experimenting in four districts or small towns namely RahimYar Khan, Muzaffargarh, Rawalpindi and Lahore and their results were shown in the table below.

Table 4: Early Childhood Education result table:

<table>
<thead>
<tr>
<th>Districts</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools</td>
<td>650</td>
</tr>
<tr>
<td>Master Trainers</td>
<td>50</td>
</tr>
<tr>
<td>Teachers Trained</td>
<td>598</td>
</tr>
<tr>
<td>Children Benefit Through The Activity</td>
<td>500,000</td>
</tr>
</tbody>
</table>

Source: Unilever sustainable report 2010, p. 10
Surf Excel, one of the detergent brands of Unilever, was also the principle sponsor of the Design for Change school context in which Pakistan in 2010 was among one of the host countries. “Design for Change” (DFC) was the world largest school contest for change initiated for children’s. From 15 cities more than 1500 schools have participated in the activity and surf excel was proud to be a part of the DFC imitative to encourage children’s that they can be the agent of change. (Unilever sustainable report 2010, p. 10)

Unilever Pakistan from their activities is trying to create and developed the concept of corporate social responsibility among their consumers. They are involved in different social activities throughout the country and are participating in different kind of activities. They are investing in education sector by providing funds to different educational institutions, providing scholars to students that they can get higher education and they have organized different training programs for the teachers. Unilever Pakistan is not only supporting the students at a higher level they are also working on different projects to improve the grass root level of educations.

Unilever Pakistan is also involved in different activities related to health Unilever brand Lifebuoy is committed with the help of their quality products to improve the health and also create a positive behavioural change in the society. Lifebuoy Pakistan has started a five year campaign to create a positive behavioural change among the society to create a healthier society. In Pakistan more than 146 children die every day because of waterborne diseases like Diarrhea and typhoid Unilever Pakistan with the help of their quality product Lifebuoy soap enable the society to live without any fear of health consequences and hygiene through its hygiene and health massage all over the country. Lifebuoy is working on collaborating with various other organizations on different platform to achieve a single goal “Healthy Hoga Pakistan”. Through their project Healthy Hoga Pakistan they launched a mass healthy activity in more than 1200 schools to promote the message among the school students to wash hands with soap on five key occasions of the day.
before bathing, post defecation and before three meals. This message was not only promoted by ground but also in print and electronic media. The campaign was spearheaded by famous celebrity of Pakistan “Wasim Akram” in partnership with the ITA in big cities like Karachi Lahore Islamabad and Multan. Unilever Pakistan claims that through their “Healthy Hoga Pakistan” campaign they touched over 0.2 million children through the school program these children not only learn habits of hand washing on five different occasions. In November 2009 the swine flu epidemic starts spreading in the country and more than 219 people were affected by it and among them 14 persons were dying Lifebuoy was the first anti-bacterial soap to start public service message on the media about source of transmission of the disease and recommended hand washing as a protective precaution their efforts were also appreciated by the minister of health. (Unilever sustainable report 2010, p. 11)

Unilever Pakistan also provides funds to different health institutions namely The Aga Khan University, Layton Rahmatullah Benevolent Trust and to Kidney Centre for dialysis patients. Unilever Pakistan is contributing to improving healthier lifestyle by maintaining high standards and providing healthy and reliable products. Unilever Pakistan has set up a Nutrition Enhancement Program which is based on internationally dietary advice to measure the quality of all their foods and drinks. For understanding the nutritional information they have initiated choices program the customer can easily read them on the on the front of the packs on which they have provided information about the product that they are buying products consistent with international dietary requirements. Unilever Pakistan is working hard on addressing some of major health issues and they focus on 3 priority areas Kids and Family nutrition, cardiovascular health and vitality and performance. Unilever Pakistan has a strong nutrition policy. They have reduced the salt content of their Knorr soups by 10%.

Unilever Pakistan is committed to provide consistent about their brand, healthy diet and about the lifestyle to their different consumers. They
aim to act responsibly with a strong nutrition policy. Moo ice cream has calcium with equal one glass of milk, Lipton tea for a cup of theanine\(^1\) and Supreme tea having naturally occurring flavonoid\(^2\) that improve over blood circulation. Unilever Pakistan brand Blue Band is working in partnership with the United Nation World Food Program (UNWFP) to support and provide balanced nutrition for children in a fight against hunger program (Unilever sustainable report 2010, p. 12).

Unilever is working hard to improve the living standards of their consumers and through their different brand they are trying to produce quality products that can help them in improving way of living. Regarding the social issues, Unilever Pakistan is trying to behave as a responsible member of the society.

The Walls factory had taken the initiative to provide free treatment to the local community in which they have established their factory. Almost 500 people were given treatment that amounts of funding of PKR (Pakistani Rupees) 360,962. Knorr on the other hand had a partnership with a Trust called “Zindagi” to establish a playground for a school in Karachi that educated unprivileged children’s.

**4.3.5. Customer Response:**

The main target market of Unilever is big stores and main markets as they don’t have their own store chain to provide the customer's facility near to their house. So, the response of the customer can be best judged by observing the trends in the main markets and big stores as well as shops. For this purpose the people that were interviewed were the store, shop manager or owner. The distributors were also questioned about the demands of the customers. They were themselves big customer of Unilever Pakistan that made the product to reach the self of the stores. After this, the customers

\(^1\) Name of the organic chemical
\(^2\) Same as above
that came to the shops and stores were examined and questions were asked from people in an unstructured interview method.

According to most of the owners, the reason behind having good demand of Unilever Pakistan products is the availability, product quality and affordable price and brand image. One senior distributor of the Peshawar region (main city of NWFP now called “Pakhtoon khawa”) at the store said that Unilever Pakistan offers products that are superior in quality as compared to local brands at the same or sometimes less price.

The shop owners and store managers also supported the above depiction and added that people are not looking at price or quality alone but the combination of both and Unilever Pakistan provides it. The value attached to its products is mainly sourced from the international image of the company and the placement of Unilever products in the minds of the people through regular advertisement campaigns.

At the bottom level, the summary of the responses of the customers is that people need a low or affordable price good quality product that is backed by a strong brand.

The customers know little about the projects and a need was felt that the social and environmental work of Unilever Pakistan should be promoted through communication channels. They knew that Unilever Pakistan was responsible but they had very little information about the how many schools are being funded, patients have been treated and in which area the company is good or better than others.

4.3.6. Shareholder value at Unilever Pakistan:

Unilever Pakistan works under the principles of good corporate governance that was accepted internationally. Unilever Pakistan issued their annual report which provides information to their shareholders about the company performance, financial situation and structure. The factor of
transparency is assured in the annual reports of the company which help the company to improve their shareholder confidence.

Unilever Pakistan organized an annual general meeting in which different issues were discussed with the shareholders and management of the company. The main purpose of the annual general meeting is to consider the company financial statement of the year ended with the reports of the directors and auditors. The company feature activities were also discussed and the company policies about different projects were also discussed with their shareholders.

At the annual meeting, the shareholders also approved the declared dividend on ordinary shares recommended by the directors. The shareholders used their right of vote to elect the directors of the company for the next coming years and appoint auditors for the following year. The compensation for the executive directors and chief executive had also been approved in the proceedings of the meeting.

The number of the directors that are elected at the annual general meeting was fixed at eight which was increased from seven to eight this year. The procedure for any person who wants to offer himself for election was that he must submit his documents for election 14 days before the election. The person must have enough knowledge about the companies and he should be aware of the power and duties of the directors as mentioned in the company ordinance 1984. The person must be a registered tax payer and he had not been convicted by court as default in payment of any loan any financial banking and non-banking financial institute.

The right to vote is given to the shareholders to select the boards of directors of the company. The directors are answerable to the shareholders if they demand explanation to any activities of the company and they are communicated to be available at the annual general meeting.
Unilever Pakistan believes in transparency for their shareholders as they issued an annual report in which information about the company were published for their shareholders. The shareholders were provided information about different business areas of the company in the annual report which were important for them. Unilever Pakistan while working for their other stakeholders is strongly committed to increase the income of their shareholders. This aim of Unilever Pakistan can be observed in the data of the annual report. The report reflected growth in the various businesses despite of the fact that the country’s internal situation is not good for the business. The following table is about the financial performance of the Unilever Pakistan which shows the growth of the last year.

Table 5: Summary of Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRs (Millions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>44,672</td>
<td>38,188</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>14,577</td>
<td>13,335</td>
</tr>
<tr>
<td>Gross Profit as a % of Sales</td>
<td>32.63</td>
<td>34.92</td>
</tr>
<tr>
<td>Profit from Operations</td>
<td>4,970</td>
<td>4,943</td>
</tr>
<tr>
<td>Profit from Operations % Sales</td>
<td>11.13</td>
<td>12.94</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>4,780</td>
<td>4,516</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>3,273</td>
<td>3,056</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>246</td>
<td>230</td>
</tr>
</tbody>
</table>

Source: Unilever annual report 2010, p. 13
This financial growth shows that Unilever Pakistan is a better origination for their investors which help Unilever Pakistan to increase their investor confidence in the company. With the increase in financial growth the share of the shareholders also increased. This increase in the shareholder shares was also mentioned in the Unilever Pakistan annual report which is stated in the table as below.

Table 6: Earning per share

<table>
<thead>
<tr>
<th>Earnings Per Share</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit After Tax</td>
<td>3,283,831</td>
<td>3,066,964</td>
</tr>
<tr>
<td>Preference Dividend on Cumulative Preference Shares</td>
<td>(239)</td>
<td>(239)</td>
</tr>
<tr>
<td>Profit After Taxation Attributable to Ordinary Shareholders</td>
<td>3,283,592</td>
<td>3,066,725</td>
</tr>
<tr>
<td>Weighted Average Number of Shares In Issue During The Year (In Thousands)</td>
<td>13,294</td>
<td>13,294</td>
</tr>
<tr>
<td>Earnings Per Share (Rupees)</td>
<td>247</td>
<td>231</td>
</tr>
</tbody>
</table>

Source: Unilever annual report 2010, p. 72

The table of value addition and distribution explains about the efforts of transparency of Unilever Pakistan. The shareholders are given a clear picture about the areas in which the company has increased its capabilities by the value added process.

Furthermore, the wealth distribution records indicate the areas where the profit of the company has been spent. The records of employees under the distribution heading depict about the portion of revenue that Unilever Pakistan shares to its employees. These records advocate about the salaries in comparison to the profits gained by the company. Respectively, the records of government tax, funding of social programs, dividend to shareholders and company depreciation show the operations of the company in financial terms.
The intentions and actions of the company are traceable from the company’s financial statements. This indicates transparency and trust on the part of Unilever Pakistan.

Table 7: Statement of Value Addition & its Distribution

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>%</th>
<th>2009</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs in ,000</td>
<td></td>
<td>Rs in ,000</td>
<td></td>
</tr>
<tr>
<td>WEALTH GENERATED</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue Inclusive of</td>
<td>55,136,743</td>
<td></td>
<td>46,861,852</td>
<td></td>
</tr>
<tr>
<td>Sales Tax and Other Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bought-In Material And Services</td>
<td>(34,905,906)</td>
<td></td>
<td>(29,930,364)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20,230,837</td>
<td>100%</td>
<td>16,931,488</td>
<td>100%</td>
</tr>
<tr>
<td>WEALTH DISTRIBUTION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Benefits and Other</td>
<td>2,367,174</td>
<td>11.70%</td>
<td>2,153,205</td>
<td>12.72%</td>
</tr>
<tr>
<td>Costs</td>
<td>90,000</td>
<td>0.44%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Restructuring Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax, Sales Tax, Excise</td>
<td>13,769,607</td>
<td>68.06%</td>
<td>10,952,391</td>
<td>64.69%</td>
</tr>
<tr>
<td>Duty and Custom Duty, WWF, WPPF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Society</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donation Towards</td>
<td>33,780</td>
<td>0.17%</td>
<td>30,215</td>
<td>0.18%</td>
</tr>
</tbody>
</table>
### Education, Health And Environment

<table>
<thead>
<tr>
<th>To Providers of Capital</th>
<th>Dividend to shareholders</th>
<th>3,004,413</th>
<th>14.85%</th>
<th>1,980,787</th>
<th>11.70%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mark-up/ Interest expenses on Borrowed Funds</td>
<td>144,068</td>
<td>0.71%</td>
<td>243,070</td>
<td>1.44%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To Company</th>
<th>Depreciation, Amortization &amp; Retained Profit</th>
<th>821,795</th>
<th>4.06%</th>
<th>1,571,820</th>
<th>9.28%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contingency Reserve</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

| Total | 20,230,837 | 100% | 16,931,488 | 100% |

Source: Unilever annual report 2010, p. 26

#### 4.3.7. Other stakeholders:

Unilever Pakistan is trying to create awareness about its responsible activities. It has been successful in developing the concept of corporate social responsibility among their different stakeholders. In developing country like Pakistan where the concept of corporate social responsibility, due to bigger problems like education and poverty, is not that much developed as we compare it with the developed countries. So to gain competitive advantage on their competitors, Unilever Pakistan has been trying to develop the concept of corporate social responsibility among their stakeholders. To develop the concept of corporate social responsibility, Unilever is involved in different social activities by philanthropic as well as working in partnership with their partner organizations.
Unilever Pakistan is not only working for their customer, employees and stakeholders but they are also working hard to improve the natural environment. To improve the natural environment, they have made a lot of efforts not only by philanthropic investment but they are also directly involved in many projects that are working for the improvement of the natural environment. For the protection of the natural environment, Unilever Pakistan conducts a series of workshops, training programs and different awareness programs. Among the most notable education and training programs are environmental management system framework standard Lead Auditor Courses, Awareness courses and Eco-Efficiency Workshops. At their head office, Unilever Pakistan has started a behavioural transformational program to reduce the consumption of energy and Co₂ footprints causing 16% decrease. To optimize cooling temperature they replace halogen lights with energy savers. Unilever Pakistan, at their Rahim Yar Khan³ site has reduced emission of Co₂ up to 7% by reducing energy and steam consumption. (Unilever sustainable report 2010, P. 15)

To minimize environmental pollution, Unilever Pakistan has divisions for each category of waste material. The waste that is collected is firstly sorted into different categories and then moved through separate recycling procedures. Unilever Pakistan also replaced stretch wrap to re-usuable rubber belts which also helps in reducing pollution. In a warehouse, an online electronic board has been placed which help the supervisor in monitoring different activities. Handheld devices for paperless instruction implementations and customer informational portals are used which help in reduction of overall footprints. They also focused on environmental friendly disposal through their different contractors, waste recycling and also collect wrappers from their consumers and send them for recycled. (Unilever sustainable report 2010, P. 16)

³ Name of the district or small town
Unilever Pakistan is committed to bring sustainability in their products therefore they ensured that the raw material used by them were also produced and were provided to them in a sustainable way. They trained their supplier how to produce sustainable raw material and also keep checking on them if they are providing sustainable material to them. As Unilever Pakistan is working with developing the concept of corporate social responsibility among their stakeholder, they are also working to create this concept among their suppliers. They facilitate their suppliers to develop themselves according to the principle of sustainability. They are also involved in different activities to help their suppliers and also trying to improve the life of their supplier as they are trying to improve the living standards of their other stakeholders.

For the protection of the natural environment, Unilever decided that they will obtain tea from ethical and sustainable sources. They chose Rain Forest Alliance after a careful evaluation of their options. The alliances ensure sustainable behaviour by changing Land-Use practices and work for the conservation of Bio-diversity. They ensure wild life protection, promote community relations and also integrate waste management. As a result in 2010 Unilever Pakistan secured 500 tons estimated 297 million tea cups secured from rain forest Alliance certificate farms (Unilever sustainable report 2010, p. 16).

One of the major tasks that Unilever Pakistan team faced in their endeavour to sustainable processes for behaving responsibly and having socially as well as ecologically positive impact:

- The feasibility analysis of integration of local labelling
- Preservation of Brand Image
- Aesthetics and Eco labelling
Reasonable energy consumption along with improvement in operational capability of waste management and eco processes (Unilever sustainable report 2010, p. 16).

5. Chapter 5

5.1. Analysis and Discussion

Rhenman (1967) defined stakeholders as individuals or groups who depend on the company and the company is also dependent on them for their objectives. He further stated that the company’s management must create a balancing situation between their different stakeholders which will help the organization to increase and attract resources for sustainable development.

This concept of Rhenman (1967) was reflected in Unilever Pakistan activities as they are struggling to deal with each and every category of stakeholder through continuous dialogue for productive connection.

The documents available on the Unilever official website, interviewing their different stakeholders and my own understanding of the situation reflected that Unilever Pakistan values their stakeholders. The response of the employees and particularly managers reflected that the company recognizes the fact that being a business that mostly comprises of fast moving consumer goods, the stakeholders are vital for continuous stream of revenue. Therefore, it is among the few companies that have a good customer care system. Most of the products and brands have their own help lines for customer care. The reasonable profit margin and improved quality as compared to local products is the notable factor which provides Unilever an edge over other competitors.
The response of the managers in this matter was that they have to keep their prices as low as local products while keeping their quality close to international standards that are the promise of Unilever globally.

Andriof et al. (2002) depicted that companies behave as responsible organizations by having dialogue and engagement with the stakeholders that does not include shorter profits but concentrates on a long term position of the business. The survival of the company in the long term depends upon considering the values and value of stakeholders.

The long term relationship of Unilever Pakistan is reflected by its work in floods, earthquake, education, health and giving scholarships to needy students. Nutrition and proper diet is also a problem that has been considered by Unilever Pakistan by crafting nutrition packages. Furthermore, Unilever believes in healthy and hygienic products that not only increase the company profits but also improve the health of the community.

The activities of Unilever are recognized by customers as interviews revealed that most of the people buy their products as they perceive them to be promising, good quality and satisfying. The factor of being responsible is seen to be an added factor for most of them but it doesn’t mean that the customers don’t count those activities. According to the assessment based on interviews, one of the main reasons of the support and acceptance from customers comes due to being responsible by reflecting value and values through products.

Hopkins (2003) stated that corporate social responsibility is actually the integration of values and business operations which reflect the interest of all the stakeholders including customer, employees, investors and the environment. In other words, Marrewijk (2003) further state that CSR and sustainability depend on the activities of the company that demonstrate environmental and social concern with stakeholders and in business activities. Unilever Pakistan, as depicted by their social report, has been participating in various social projects according to the needs of the developing country. The interview response from the stakeholders also depicted that the company is
actively involved in projects for social development and is not merely doing philanthropic activities.

As far as philanthropic activities are concerned, the company has invested more than 21.0 million rupees in different educational, economic and health projects. Unilever Pakistan is not only funding and giving donations but it is also directly involved in different projects and has allocated more than 35.6 million rupees in partnership with different social organizations. Health issues are a chief concern of the country so Unilever is providing health facilities in some areas. It is working on setting hand pumps are also working to improve personal hygiene, children's education, nutrition, and women empowerment.

The WWF green office program has been initiated to reduce energy consumption. Engineering improvements have been done in terms of eco-efficient lighting in the head office and procedural simplification in the soap manufacturing process to implement sustainable energy consumption patterns.

Unilever Pakistan is also committed to reduce its impact on the environment for which certain initiatives are taken to decrease the emission of CO₂. The social report (2010) claims achievement of 16% reduction in their CO₂ emission. Improvements in transportation and made possible with some modifications in their vehicle routes on the basis of their load they contain. In the collaboration with their non-competitors they have utilized their vehicles on the return trip which help them to share carbon footprint of round trip. They have been successful in sustainable packaging technique through PVC removal in HPC packaging and also organized different seminars for their junior managers to train them about environmental management.

Khoury et al. (1999) Includes relation with employees, increasing financial performance by maintaining and creating further employment that is backed by growth in the market. The Commission of the European Communities (2003) talks about improving the living standards of the community and employees for companies that ought to reflect themselves as responsible.

According to the Unilever annual report (2010), 17% of the financial growth in overall financial activities has been a notable achievement in the present
condition that is marked by electricity shortages, product duplication and smuggling.

Unilever Pakistan is working hard to expand their business and to create new opportunities of employment in the country that is hard hit by the economic crunch. Unilever, through their different quality products and through their social activities are trying to improve the living standards of the society. They produce good quality products with a comparatively low price which are contributing a lot in improving living standards of the society.

Aguilera et al. (2007) explained the role of employees in pushing the organization to adopt CSR policies and stated that employees work as an agent for social change. Unilever Pakistan employees are working together with the organization and are involved in different social projects. They help the people affected by the flood by donating in the Unilever flood relief program. They are also donating money in many educational projects to the company who donate it to the citizen foundation for their school rehabilitation program. Unilever employees are also practically involved in different training programs and are actively participating by investing their skills and providing monetary supports.

Ramus & Steger (2000) considered secure effective CSR policies and programs are very important to support employees. Unilever Pakistan is working on different social projects to improve their employee health and internal environment of the organization. Occupational health and safety is among the Unilever Pakistan top priorities Company management is determined in achieving excellent safety, health and environment (SHE). They also operate different schemes like Pension scheme, Gratuity scheme and Pensioner’s medical plane for their permanent employees and management of the organization. They have started an Agile working program which facilitate the top management to operate one day out of home in a week to generate positive energy among the management they also facilitate sports activities.

Investor world (2011) explained that shareholders have the influence due to ownership of shares in the company along with ownership. They have the
right to vote on certain issues including the selection of boards of directors. The shareholder also has the right to declare the dividends of the company. Unilever Pakistan organized an annual general meeting every year in which the shareholders discuss different issues and they have also given the right to vote on certain issues. They also use their vote while selection of the boards of directors of the company. At the annual general meeting, the shareholders also declare the dividends of the company.

The issue of trust and transparency is one of the notable concerns of the shareholders due to international weak economy and risks of fraud like misrepresentation of financial position. It was first depicted by Freeman (1984) with the advent of multinational companies gaining power in societies due to their operations. Unilever Pakistan has made efforts to have a sustainable relationship with shareholders on the basis of continuous dialogue by adopting a CSR strategy. The strategy of the company, as depicted by the responses of stakeholders and corporate documents including own understanding and experience declared that Unilever Pakistan take care of shareholders by delivering profit continuously in recent decade as well as not neglecting the stakeholders.

5.2 Conclusion

The learning and contribution of this paper is that it provides the assessment of Unilever Pakistan which is a multinational company in a developing economy. The summary of the responses of managers, employees and customers depict that there are no traces of any serious fraud or malpractices on part of Unilever Pakistan. The operations of the company that came under discussion by depicting the social projects and programs also reflect that the multinational company is behaving on a similar pattern to a satisfactory extent as it is working in developing countries.

The cross checks of the company operations with stakeholder responses and filtering them on the basis of theoretical model reflected that company has been in continuous dialogue with the stakeholders. The company executives
recognize that there social image and trust of shareholders is the backbone for retaining the balance in dependency of resources for competitive advantage. This exploratory study also provided analysis of the company’s philanthropic and non-philanthropic activities. The former is marked by funding in education and health whereas the later covered operations as involvement in flood, earthquake and nutrition programs.

The employees are considered as partners in the company and have declared in their report that betterment of employees is in the benefit of the company as the business is supported by the workforce. Employees and managers replied that the workplace environment is friendly and empowering. There are some adaptations made due to the ecology and environment that surrounds the company but many procedures and policies are same as depicted by the head office.

Unilever Pakistan has been facing challenges in terms of continuous productive and sustainable dialogue with their stakeholders, managing their perception and handling the factor of trustworthiness in the eyes of shareholders. Unilever Pakistan is also struggling for CSR strategy implementation and awareness about their social programs. This is true as customers demand quality product at a competitive price with social responsiveness being the added factor and shareholders insist on continuous profit regardless of the economic crunch and regional problems, a detail of which is described in empirical study.

6. References


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7. Appendix:

Managers Interview

1. What is CSR according to your experience?
2. How much experience do you have in this industry?
3. How much experience do you have in this company?
4. Define Unilever Pakistan?
5. Explain about the business of Unilever Pakistan?
6. How Unilever Pakistan behaving responsibly?
7. Explain about Stakeholders?
8. What are the challenges for the company?
9. How do you see Unilever Pakistan in future?
10. What are employees and customers to the company?

Employees Interview

1. How much experience do you have in the company?
2. Define Unilever Pakistan in your words?
3. Is the salary paid by the company reasonable?
4. What is the most visible attribute of management?
5. Is there employee empowerment present in the company?
6. Are the managers friendly?
7. Are you satisfied with your job?
8. Where do you see Unilever in near future?
9. What are the challenges that company is facing in the present?
10. Have you participated in any social program?
Customers Interview

1. Do you buy Unilever Pakistan products?

2. What products do you buy and why?

3. If I say to you that Unilever Pakistan is working for orphans and poor children education, how this will affect your buying decision?

4. What thing you prefer, price and quality or social commitment?

5. Are you satisfied with the Unilever Pakistan products?