

Kumar, Ritu, Murphy, David F. ORCID: <https://orcid.org/0000-0001-8416-5627> ,
Mortier, Rochelle and Raihan, Ananya (2004) Altered images: the 2003 state of
corporate responsibility. Understanding and encouraging corporate responsibility
in South Asia update three: Bangladesh. TERI Press, New Delhi, India.

Downloaded from: <http://insight.cumbria.ac.uk/id/eprint/3460/>

Usage of any items from the University of Cumbria's institutional repository 'Insight' must conform to the following fair usage guidelines.

Any item and its associated metadata held in the University of Cumbria's institutional repository Insight (unless stated otherwise on the metadata record) may be copied, displayed or performed, and stored in line with the JISC fair dealing guidelines (available [here](#)) for educational and not-for-profit activities

provided that

- the authors, title and full bibliographic details of the item are cited clearly when any part of the work is referred to verbally or in the written form
 - a hyperlink/URL to the original Insight record of that item is included in any citations of the work
- the content is not changed in any way
- all files required for usage of the item are kept together with the main item file.

You may not

- sell any part of an item
- refer to any part of an item without citation
- amend any item or contextualise it in a way that will impugn the creator's reputation
- remove or alter the copyright statement on an item.

The full policy can be found [here](#).

Alternatively contact the University of Cumbria Repository Editor by emailing insight@cumbria.ac.uk.



BANGLADESH

Altered Images

the 2003 state of corporate responsibility



Ritu Kumar
David F Murphy
Rochelle Mortier
Ananya Raihan

TERI-Europe and the New Academy of Business have been working with various partners on an initiative to understand and encourage corporate responsibility across South Asia. The initiative seeks to raise awareness and stimulate a proactive corporate responsibility agenda in three South Asian countries—Bangladesh, India, and Sri Lanka. The partners are the Centre for Policy Dialogue (Bangladesh), TERI (India), and LGA Consultants (Sri Lanka). The project is funded by the Asia Division of the Department for International Development, UK.

Our vision is to contribute to a positive change towards business practices and attitudes that support sustainable development and poverty eradication in the region. The focus is on expanding the knowledge base of corporate practices in South Asia relating to working conditions within factories; living conditions in surrounding communities; environmental protection; and corporate accountability and transparency. In this way, we aim to provide useful information and tools (such as training materials) for South Asian companies and civil society

groups, especially the more vulnerable income groups, in the three countries. We hope that this will assist in eventually elaborating a home-grown agenda of corporate responsibility sensitive to the social, cultural, and economic situation in Bangladesh, India, and Sri Lanka.

This report presents the results of the initiative's third activity—an agenda-setting survey on corporate responsibility in Bangladesh. The survey explored the views and expectations of workers, company executives, and civil society groups towards the social, economic, and environmental responsibilities of companies operating in Bangladesh. It was the first to include workers in a survey on corporate responsibility. The survey was carried out in 2003 through a partnership between TERI-Europe, LGA Consultants, and the Centre for Policy Dialogue in Dhaka. The results presented in this report are intended to provide a better understanding of attitudes and practices and develop targeted training materials for company executives, workers, and community representatives.

Understanding and Encouraging Corporate Responsibility in South Asia

Update Three: Bangladesh

Altered Images the 2003 state of corporate responsibility

Ritu Kumar
David F Murphy
Rochelle Mortier
Ananya Raihan



© The Energy and Resources Institute, 2004

ISBN 81-7993-034-3

All rights reserved. No part of this publication may be reproduced in any form or by any means without prior permission of the publisher.

Published by

TERI Press
Darbari Seth Block
Habitat Place
Lodhi Road
New Delhi – 110 003
India

Telephone 2468 2100 or 2468 2111
E-mail teripress@teri.res.in
Fax 2468 2144 or 2468 2145
Web site www.teriin.org
India +91 • Delhi (0) 11

Printed in India by Kaveri Printers Pvt. Ltd, New Delhi

Contents

Understanding corporate responsibility in Bangladesh 1

Corporate responsibility in Bangladesh 2003: a snapshot 5

Conclusions and next steps 18

References 22

Acknowledgements

The authors wish to record their appreciation of the assistance rendered by TERI, India, especially the following.

- Ms Mudita Chauhan-Mubayi and Ms Parikrama Gupta for editing;
- Mr R Ajith Kumar for design, layout, and typesetting;
- Mr R K Joshi for cover design and graphic illustrations; and
- Mr T Radhakrishnan for production supervision.

1

Understanding corporate responsibility in Bangladesh

The evolution of CR (corporate responsibility) is deeply rooted in the history of business and enterprise. From the beginning of the Industrial Revolution,¹ those within and outside the business world have wrestled over both the concept and the extent of CR, and over time, four different ‘models’ have emerged, which help to place CR practices in Bangladesh in perspective.

Ethical model

The origins of the first ethical model of CR lie in the pioneering efforts of 19th century corporate philanthropists such as the Cadbury brothers² in England, and the Tata

family in India. The pressure on Indian industrialists to demonstrate their commitment to social progress increased during the Independence movement, when Gandhi developed the notion of trusteeship, whereby the owners of property would voluntarily manage their wealth on behalf of the people.

I desire to end capitalism almost as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no makeshift, certainly no camouflage. I am confident that it will survive all other theories.

Gandhi (1939),
cited in Bose (1947)

¹ Industry developed rapidly in Britain in the late 18th and 19th centuries with the introduction of machinery. It was characterized by the use of steam power, the growth of factories, and the mass production of manufactured goods.

² John and Benjamin Cadbury, brothers from Birmingham, pioneered the development of chocolate around 1847.

Statist model

A second model of CR emerged in India after Independence in 1947, when India adopted the socialist and mixed economy framework with large public-sector- and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of CR, especially those relating to community and worker relationships, were enshrined in labour law and management principles.

Liberal model

Indeed, the worldwide trend towards privatization and deregulation can be said to be underpinned by a third model of CR—that companies are solely responsible to their owners. This approach was encapsulated by the American economist Milton Friedman,³ who in 1958 challenged the very notion of CR for anything other than the economic bottom line.

If anything is certain to destroy our free society, to undermine its

very foundation, it would be a widespread acceptance by management of social responsibilities in some sense other than to make as much money as possible. This is a fundamentally subversive doctrine.

Friedman (1958)

Many in the corporate world and elsewhere would agree with this concept, arguing that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can then be directed towards social ends.

Stakeholder model

Yet, the rise of globalization has also brought with it a growing consensus that with increasing economic rights, business also has to face up to its social obligations. Citizen campaigns against irresponsible corporate behaviour along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of CR. This view is often associated with

³ Recipient of the 1976 Nobel Prize for Economic Sciences, Friedman is widely regarded as the leader of the Chicago school of monetary economics, which stresses the importance of the quantity of money as an instrument of government policy and a determinant of business cycles and inflation. Friedman has also written extensively on public policy, with emphasis on the preservation and extension of individual freedom.

R. Edward Freeman,⁴ whose seminal analysis of the stakeholder approach to strategic management in 1984 brought stakeholders into the mainstream of management literature (Freeman 1984). According to Freeman, ‘a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives’.

However, it was not until the 1990s that the idea of the stakeholder corporation gained prominence in business practice. David Wheeler and Maria Sillanpää (formerly with The Body Shop) captured the essence of the stakeholder model in the following statement.

The long-term value of a company rests primarily on: the knowledge, abilities and commitment of its employees; and its relationships with investors, customers and other stakeholders. Loyal relationships are increasingly dependent upon

how a company is perceived to create ‘added value’ beyond the commercial transaction. Added value embraces issues like quality, service, care for people and the natural environment and integrity. It is our belief that the future of the development of loyal, inclusive stakeholder relationships will become one of the most important determinants of commercial viability and business success.

Wheeler and Sillanpää (1997)

The experience of the past decade has served to reinforce this viewpoint. With companies facing increasing scrutiny in the global economy, the CR agenda now encompasses a wide range of issues including provision of product quality, safe products at fair prices, ethical business practices, fair employment policies, and environmental performance. In addition, there is increasing focus on the growth of corporate power and therefore the need for greater accountability and

⁴ Pioneer of the stakeholder and ‘business ethics’ concept in the context of corporate responsibilities, Freeman developed a framework for identifying and managing the critical relationships of the modern corporation. His conceptual crystallization of stakeholder analysis has become a staple of both academic writing and business academic models. Freeman’s contribution to education at the intersection of business and society is also extensive. He has won numerous teaching awards and is well known for his innovative approach to pedagogy.

transparency to society, for example through reporting, corporate governance, and stakeholder dialogue.

Indeed, there is a growing consensus throughout the world that companies need to go beyond their traditional 'economic' roles; the following analysis from the Centre for Development and Enterprise in South Africa aptly demonstrates this.

It is in the interests of the corporation and the business sector as a whole to become more self-conscious social actors. Both the individual firm and the voluntary business association need to think hard and strategically about their role in society, and their relationships with government and others. To do anything else is counterproductive.

Bernstein and Berger (2000)

This call for greater CR to a wider range of stakeholders is also relevant in the context of Bangladesh. Many companies in Bangladesh are facing new pressures, not simply to comply with legislation but also to meet the business requirements of international and national business partners, for example, through codes of conduct related to labour and environmental standards in their operations, as well as throughout their supply chains.

The evidence on CR in Bangladesh suggests a mainly liberal mindset, with evidence of moves towards a stakeholder mindset, especially in sectors such as the garment industry, which currently accounts for more than 4 billion dollars in exports, and in subsidiaries of international MNCs (multinational companies).

2 Corporate responsibility in Bangladesh 2003: a snapshot

TERI-Europe commissioned the Centre for Policy Dialogue⁵ to conduct an initial survey of the state of CR in Bangladesh. The survey was designed to capture the experiences and perceptions of CR practices, from the following three sets of stakeholders.

- **Workers of companies** in the sectors of garments, energy, leather, pharmaceuticals, construction, ceramics, plastics, software, engineering, food, textiles, jute, and agro-based industry
- **Company executives and managers** from the above sectors
- **Civil society groups**, including academics, gender activists, action researchers, intellectuals, and trade union leaders.

The survey was carried out in the city of Dhaka, where the largest

concentration of corporate entities in Bangladesh is located. The poll surveyed a total of 70 workers, 49 company executives, and 32 public representatives.

The survey provides an overview of company practices as well as employee and civil society experiences and perceptions of CR. It attempts to register factors that influence the *opinion* of companies, as well as those that shape *expectations* of CR. A summary of the main findings is provided here.

Main findings

What are the key drivers for corporate responsibility In Bangladesh?

The current agenda for CR in Bangladesh is driven by three factors, of which the main impetus for change

⁵ Details at <www.cpd-bangladesh.org>, last accessed on 22 March 2004

is an increasing scrutiny of the local practices of subsidiaries of MNCs. The continuing incidents of pollution, exploitation, and increasing local appreciation and buy-in to world-class CR closely underpin the case for change to a wider adoption of CR practices.

The increased social consciousness of western consumers, brought about through high-profile cases of corporate exploitation, has been a strong impetus for companies to focus on CR practices. This has placed pressure on local subsidiaries of international MNCs to be held accountable and responsible. One sector where this is increasingly evident is the garment sector in Bangladesh. Here companies tend to perform better on CR practices relative to other sectors, due to increased scrutiny and standard setting by their parent companies.

In Bangladesh, the ability to hold companies accountable has also been facilitated to some extent, by the significant growth in the number of local NGOs (non-governmental organizations). In 1970, it was estimated that there were around 40 NGOs operating in Bangladesh. By 1999, the figure was estimated at 22 000, of which around 150 are of foreign origin (Mohiuddin 1999, cited in Matin 2002).

In Bangladesh, as elsewhere in the world, out of the trend towards privatization and market liberalization policies, a discourse has emerged on the imperative for business to take up wider social responsibilities, which would both complement the role of the state and fill in the space created through possible retreat of the state (Kumar 2003; Matin 2002).

An example of this is the HIV/AIDS (Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome) initiative kicked off in 1998 by FICCI (Foreign Investors' Chamber of Commerce and Industry) in Bangladesh and UNAIDS (the Joint United Nations Programme on HIV/AIDS), so as to form a business coalition on AIDS in the country (Matin 2002).

The imperative for CR is also the continuing evidence of issues and incidents relating to the wasteful use of scarce resources and pollution caused by industries, as well as by consumers in Bangladesh. Some examples of these include the struggle between shrimp farmers and rice growers over land usage, the deforestation of the Chittagong hill tracts due to gas and oil prospecting, and the pollution of the Gulshan-Baridhara lake in Dhaka from the dumping of industrial

waste from the Tejgaon, Badda, and Mohakhali industrial areas. These incidents have been reported in the international press as well as on international business and human rights websites, and have resulted in greater international and local demands for CR practices.⁶

Local and global resistance to corporate irresponsibility has resulted in community campaigns in the case of shrimp farming in Bangladesh, as well as quality pressures from European Union health regulators and consumer boycotts in Europe. Together, these local and global pressures have helped shape the CR agenda in Bangladesh.

The drive for improved CR is evident in certain sectors through a new generation of business leaders, keen to develop new skills and new business practices that encompass thinking about a 'triple bottom line'. For example, a local company in the textile industry – Beximco Textiles – is part of a leading industrial corporation and a greenfield technology partnership. It has achieved global competence in environmental and technological standards through integrating sustainability into innovation and corporate strategy. It has also

successfully demonstrated the market benefits of vertical integration. Beximco is now leading the efforts of the Bangladesh Textile and Mills Association at establishing a homegrown code of conduct, comparable to international standards.

Are corporate responsibility policies consistent with corporate responsibility practices in Bangladeshi companies?

The survey elicited opinions and evidence of both company policies and practices. Bangladeshi companies appear stronger on policy rather than on practice (Figure 1). Around two-thirds of the companies have policies on sustainable development, corporate governance, human rights, and international labour standards; over 90% of them claim compliance with relevant local legislation. However, measures to ensure implementation appear to be less robust. None of the companies surveyed had anyone responsible for the implementation of stated company policy on stakeholder dialogue, corporate governance, bribery and corruption, or integrated risk. Only a few companies had managers responsible for policy implementation for sustainable

⁶ Details at <<http://www.business-humanrights.org/>>, last accessed on 22 March 2004

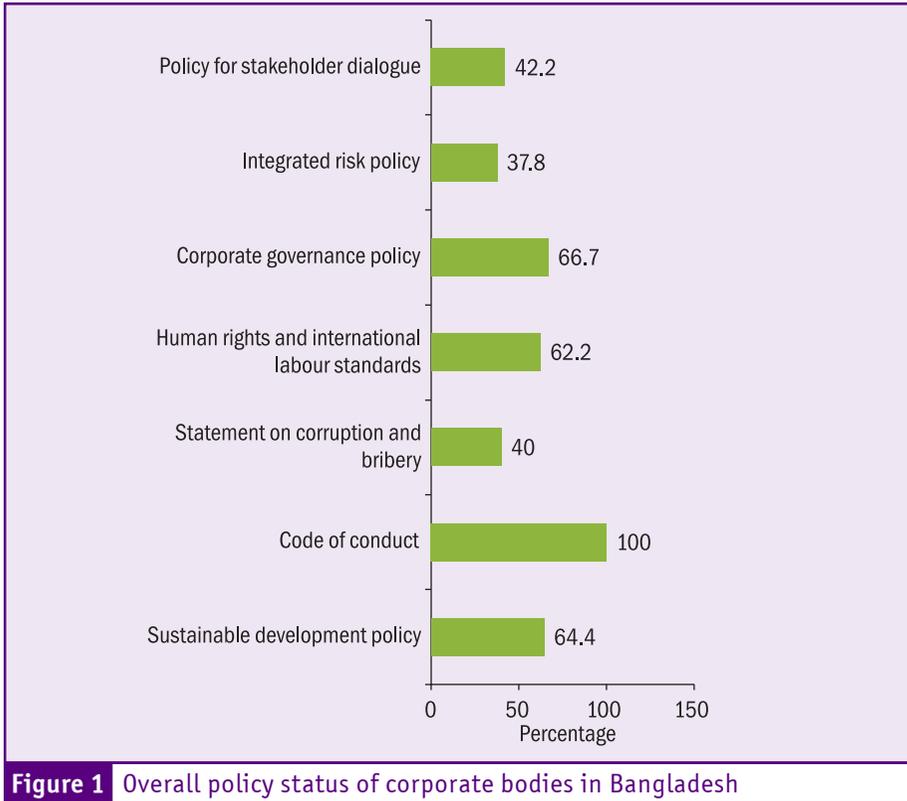


Figure 1 Overall policy status of corporate bodies in Bangladesh

development and human rights, and only in one-fourth of the cases was there a system in place for reporting human-rights-related incidents.

In some cases, policy areas are defined in a narrow sense. For example, the majority of companies (66%) have a stated policy on corporate governance. However, policies to control bribery and

corruption are in place in only 40% of the companies, and less than one-third follow the guidelines of TI (Transparency International) or any other international guidelines. Over 75% of the companies have stated that they provide donations to political parties, candidates, and causes. According to TI (Bangladesh), corruption and bribery are

regarded as *requirements* for conducting business in Bangladesh (TIB 2000). A close nexus between the political elite and business appears to reinforce political patronage as a way of life. The code of conduct that all surveyed companies appear to have in place is a behavioural one for their employees.

How consistent are executive and employee perceptions of labour practices?

Most companies have labour policies for full-time, permanent employees although, often, core labour policy does not apply to part-time or temporary staff (Figure 2). Nearly 68% of the companies have

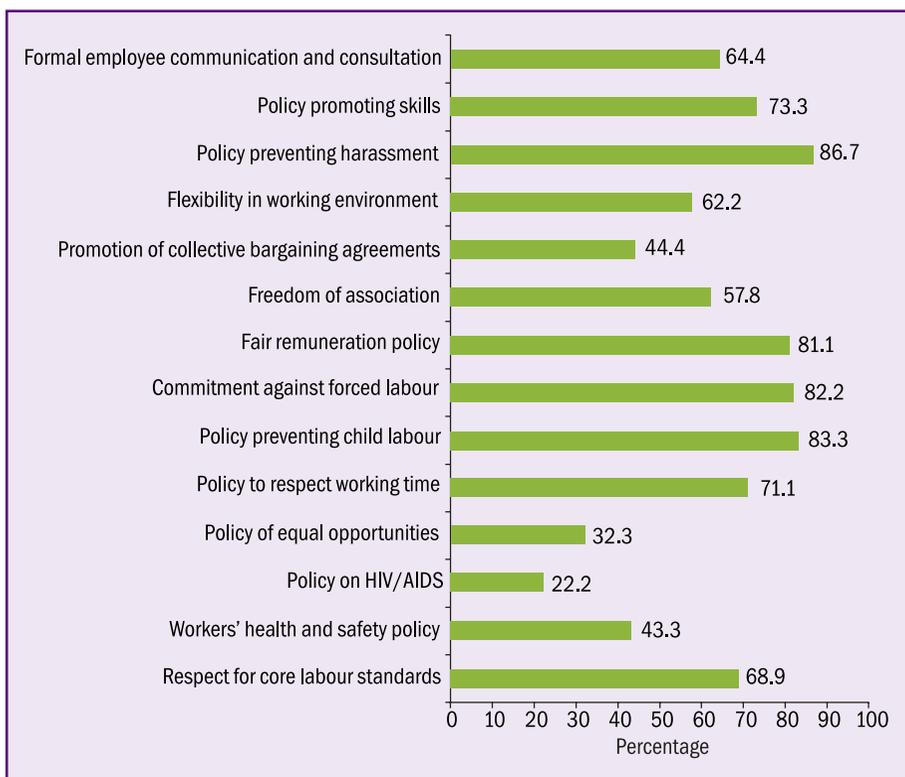


Figure2 Labour practices: policy status

established policies that provide for core labour standards, management of employee relations, training, health and safety measures, and equal opportunities. Policies are usually backed up by assigning a senior corporate member the responsibility for implementation of labour standards. Most companies also stated that they conduct regular audits of labour policy implementation. In half the companies surveyed, labour policies are monitored and verified by independent authorities and one-third of the companies have SA 8000 (the auditable international standard for companies seeking to guarantee the basic rights of workers, where SA stands for 'social accountability') certification or similar standards of international compliance.

There appears, however, to be a gulf between corporate and employee perception of labour policies. Around 70% of the workers are dissatisfied with company policies; this dissatisfaction is centred on the realities of working hours, overtime payments, minimum wages, and health and safety measures. This incongruence between corporate efforts and employee perceptions of labour practices may be due to both a lack of engagement of employees and other stakeholders in

the corporate policy-making process, as well as real gaps between corporate policy and practice in certain areas.

Are worker health and safety properly prioritized?

More than half the employees surveyed revealed that their company did not have any formal training programme on health and safety protection for workers. Less than half were familiar with any health and safety systems at work. Most companies stated that they did not have a core staff member responsible for implementation of policy in this area.

On-site facilities – such as a dispensary or clinic – appear to be available only in a minority of companies, with just 30% of the employees stating that their company provided such facilities. Around one-third of the employees stated that leave for medical reasons and support with medical expenses were not available in their companies.

Is there evidence of child labour and gender discrimination in the workplace?

According to most civil society respondents, child and forced labour persist in Bangladeshi companies. More than 73% of civil society representatives believed that children

were exploited. The responsibility of companies to desist from employing children (aged below 14 years) is underpinned by national legislation and has had wide publicity in Bangladesh over the last decade. Companies are therefore aware of their responsibilities, and most have a policy of not employing children and a stated commitment to the elimination of all forms of forced or compulsory labour. Unlike civil society respondents, employee perceptions are more consistent with the corporate view of child labour practices. A large majority (81%) of employees believed that the companies they worked for did not employ children on a full-time basis. They stated, however, that part-time employment of children does exist.

The Bangladesh Constitution guarantees equal opportunities for all citizens irrespective of sex, race, political orientation, religion, or age. Most company executives stated that their recruitment processes are free of sexual, racial, or religious discrimination, yet only 32% of the companies have formal policies on equal opportunities. Within this small proportion of companies, 40% have policies that may be described as progressive in terms of seeking to encourage diversity in the workplace.

The majority view of the employees surveyed was that companies prefer to employ men. Half the employees agreed that when organizations do employ women, they prefer to employ women of certain age groups only. Around 37% of the employees found that companies fell short of providing adequate facilities for women workers with small children. Some civil society respondents found that female employees were subject to higher victimization than their male counterparts.

Are workers paid satisfactory wages?

According to most employees and civil society respondents, workers do not receive the minimum wages as fixed by the government. As many as 81% of the companies claimed to have a policy to pay the minimum wages; however, less than half take adequate steps to assess the actual cost of living. This does not provide a sense of confidence that wages at these companies are, in reality, consistent with the local cost of living. Only 40% of the companies offer what are regarded as superior benefits, such as pension or employee share option schemes.

The survey results suggest some exploitation of workers on overtime practices. Around 63% of the

employees are quite dissatisfied with the level of overtime pay and around 40% stated that overtime pay is less than that for regular time. More than 11% of the employees appear to get no extra payment for working beyond eight hours.

Are employee rights adequately safeguarded in the workplace?

The rights of employees to join trade unions, not to work overtime, and to be safeguarded from sexual, physical, or mental harassment are generally upheld in terms of policy statements by the majority of the companies. The civil society is, however, critical of company practices, and 62% of the respondents believed that many companies are involved in human rights violations, ranging from underpayment to physical assault, and legal harassment to suspension without good reason.

In terms of collective bargaining and workers' right to strike, less than half the companies surveyed (44%) supported these rights. Around 75% of the workers appear not to belong to a trade union. It is likely that employees do not engage in trade union activities due to fear

of losing their jobs and the lengthy legal process involved in the settlement of labour disputes.

The employee and civil society stakeholder groups were critical of company overtime practices. An overwhelming 93% of civil society respondents believe that corporate practices allow workers to work for more than eight hours a day and more than one shift a day. Civil society leaders believe that overtime work is widely prevalent in most companies and that workers work under highly exploitative conditions. Although a lesser proportion than the civil society, the majority of the employees (62%) also found that companies allowed more than eight hours or more than one shift per day, and one-third of the workers had experienced high normal rates of overtime. In contrast, 71% of the executives stated that their companies had a policy on working time to ensure that employees do not work excessive overtime or shift work.

Are HIV/AIDS issues addressed?

In 2001, the estimated number of adults and children living with HIV/AIDS in Bangladesh was 13 000, which is a prevalence of less than

0.1%.⁷ Perhaps because of the low incidence of the epidemic, only a fraction of companies address HIV/AIDS issues in the workplace. Despite the potentially serious consequences for companies in terms of employee absenteeism, reduced productivity, and potentially reduced market demand, less than one-quarter of the companies surveyed have a formal policy on HIV/AIDS. Under one-fifth have an employee awareness programme, and just 4% of the companies provide specific support for employees on HIV/AIDS-related issues. Companies seem to prefer supporting community programmes dealing with these issues, rather than address them in-house. In a minority of companies, there is involvement in national partnerships on HIV/AIDS.

A 1998 campaign funded by FICCI in Bangladesh and UNAIDS to form a business coalition on AIDS in the country, appeared to have gotten off to a good start, but subsequently ground to a halt (Matin 2002; p. 17).

How well do companies support the community?

The companies surveyed tended to acknowledge their responsibility to support the community in which they operated. The analysis suggests that companies do sponsor social and cultural events and community welfare campaigns. However, these activities seem to be based on these companies own corporate preferences, and are rarely developed in conjunction with stakeholders in the community. A minority of the companies' (6%) stated that they carried out community opinion surveys or reported on their relationship with the community. Only 15% of the companies encourage employee involvement in the community.

The civil society view of company support to the community is therefore, perhaps justifiably, cynical. They perceive that company consultation with the community is very limited and generally only done to meet their own corporate objectives. A majority (70%) of civil society respondents believe that the

⁷ Details at <www.usaid.gov/pop_health/aids/Countries/ane/bangladesh_profile.pdf>, last accessed on 22 March 2004

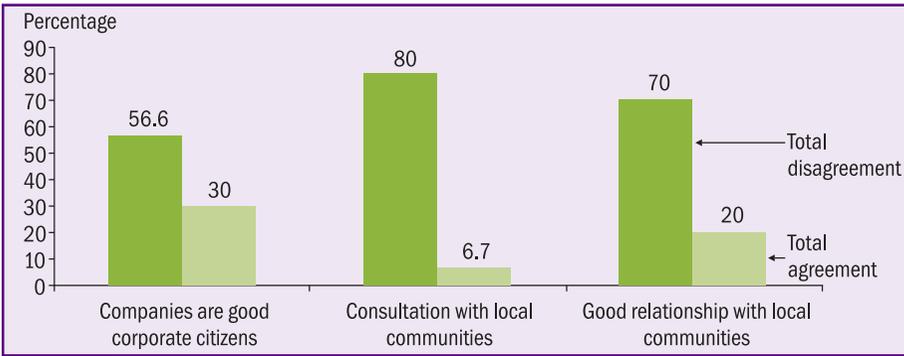
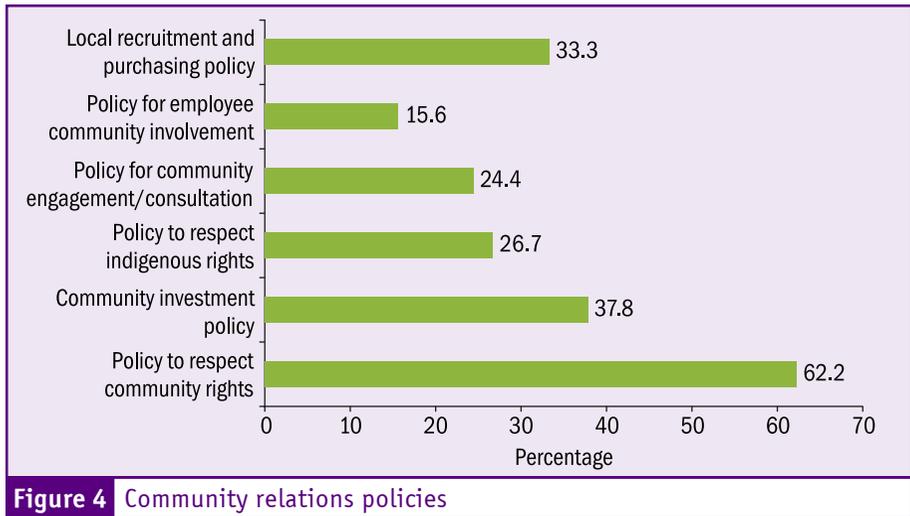


Figure 3 Perception of the civil society on corporate responsibility

corporate sector does not maintain good relationships with its host communities (Figure 3).

Financial investment in the community appears to be mostly on a very small scale, and the decision as to the type of investment is seen as proprietary to the company. According to the companies surveyed, only 13% make a community investment of more than 1% of taxable income, and just over one-third of the companies (38%) have a policy to invest resources in the communities in which they operate. The nature of the donation or investment is decided mostly through internal discussions, sometimes at the board level, and only around one-third of the companies surveyed have formal selection criteria in place, which is publicly available (Figure 4).

The civil society perspective is that company–community relations are not effective. However, there is some evidence to suggest that there might be a lack of visibility of corporate community activities to civil society. About 50% of civil society respondents stated that they were not aware of the corporate role in many community projects. For example, British American Tobacco participates in government reforestation programmes. Pepsi-Cola and Coca-Cola sponsor major social and cultural events around the country. Most local sports events are sponsored by domestic companies and national daily newspapers such as *Prothom Alo* and *The Daily Star*. *The Independent* sponsors young scholars and supports the campaign against acid-throwing, and Lever Brothers has financed a



public hospital, which also promotes the Lifebuoy brand. The apparent discrepancy between the reality of corporate efforts to play a role in the community and the perception of civil society of these efforts, suggests that there is room for dialogue and awareness building between corporate and civil society in this area of CR.

Are environmental protection policies and practices in place?

The survey results indicate an awareness of environmental issues but a lack of ownership and accountability on the part of the companies surveyed (Figure 5). Just

under 50% of the companies acknowledge their responsibility to protect the environment. About 69% do not have resource conservation practices and specific targets for improvement. Just 40% have a policy to manage and minimize the life cycle of environmental risks, only 26% have a responsible person in charge of environment-related activities, and 31% set aside sufficient resources to implement policy in this area. The practices of the companies surveyed suggest that most respondents believe that they do not engage in activities that harm the environment. In addition, none of the companies surveyed showed evidence of environmental

Box 1

**Contribution of Lever Brothers to community welfare
Lifebuoy Friendship Hospital, Bangladesh**

Hospitals come in all shapes and sizes but few actually float on water. However, the Lifebuoy Friendship Hospital is perfect for Bangladesh's rivers and canals, since many deprived communities live alongside them.

Lever Brothers Bangladesh decided to support the hospital, via its Lifebuoy brand, as part of Unilever's commitment to 'meeting the everybody needs of people everywhere'.

Healthcare requirements are enormous in Bangladesh. With a population of 130 million and with 36% of the people living below the poverty line, vast numbers of people cannot afford the cost of healthcare. Moreover, many poor people live in rural areas where the healthcare infrastructure is particularly weak. There is only one health complex for every 130 000 people and the ratio of doctors to people is 20: 100 000.

Lever Brothers Bangladesh donated 150 000 dollars to the humanitarian Friendship Association to convert a large barge into a Lifebuoy-branded floating hospital.

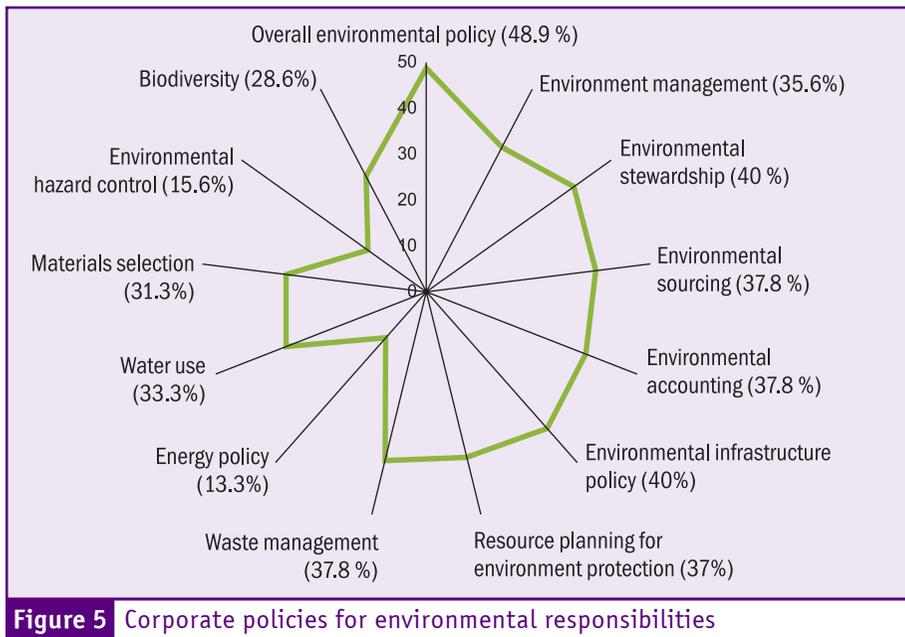
Each year, the hospital is expected to serve 30 000 people with free treatment and medicines donated from other sources. Branded leaflets offering advice on basic health and hygiene are also given out, along with free soap samples.

audits or any independent verification of their environmental systems.

The low number of companies (9%) admitting to a violation of environmental legislation may suggest reluctance on the part of companies to admit to such incidents, and perhaps a lack of proper enforcement measures.

The apparent lack of corporate enthusiasm for environmental protection practices is mirrored in the

perceptions of civil society. As many as 83% of civil society respondents expressed concern over environmental degradation through company activities. Also, 89% of civil society respondents stated that companies often violated environmental regulation, while the percentage of executives in the survey who admitted to having had such an experience was just 9%. Employees, on the other hand, appear to be



quite satisfied with their companies' environmental practices. This may be a reflection of a limited appreciation

of the potential scope of corporate environmental responsibilities.

3

Conclusions and next steps

This survey has revealed a number of areas where there is considerable scope for improving CR practices in Bangladesh. The main conclusions and suggested recommendations are described here.

External forces are the main drivers for corporate responsibility in Bangladesh

Currently, the agenda for CR appears to be prescribed by the MNCs and their local subsidiaries. These companies have taken a strategic business perspective involving localizing CR and sustainable development concepts and practice throughout their supply chains. Local management awareness in Bangladeshi-owned companies on the benefits of CR practices to corporate value and profitability appears to be low. There appears to

be no business case for CR in the corporate world in Bangladesh. The ‘win-win’ argument that ‘doing good is also good for business’ does not seem to have penetrated the corporate mindset.

Indeed, Bangladeshi firms seem to take a utilitarian approach to CR. CR is defined rather narrowly as comprising those practices that are legal obligations, a means of protecting the company from adverse publicity, or as a means of promoting brand image. CR is seen less as an integral part of good and ethical business practice. This is also evidenced through the existence of strong CR policy statements, which are not substantially practised by corporates in reality.

There is a need to educate future business leaders on the case for CR for sustainable and profitable business models. Increasing education

and awareness on CR through management training, business school courses, and leadership development seminars would help to build the business case for CR, and shape the mindset of local management. Initiatives to identify and promote local businesses that champion CR practices ought to be implemented where both the tangible and intangible benefits are articulated and quantified.

Companies in Bangladesh need to appreciate that not only is there a direct and tangible business case for ethical and environment-friendly business practices, but that by practising CR they will join a growing number of local and global companies that subscribe to a common set of values and commitments.

The vulnerable are left exposed through inadequate corporate responsibility practices

In general, there appears to be little evidence to suggest that company policies and practices adequately protect the vulnerable, such as children, women, part-time workers, those with medical conditions, or victims of HIV/AIDS. Despite wide publicity against the employment of child labour, civil society groups indicated that the problem still exists.

They are also aware and critical of corporate discrimination against women workers. Gender inequalities are deeply rooted in Bangladeshi society, and this is reflected in gender discrimination in the workplace, by either not employing women or not employing women of childbearing age. Employees are critical of the failure of companies to pay effective wages, provide fair overtime pay, reduce overtime, and ensure adequate health and safety.

This thrust of issues around basic protection for the vulnerable suggests an urgent need for improved policy and government legislation. The government should work together with businesses to create appropriate incentives for business to address these gaps. Civil society agents and the government should also seek to improve methods of enforcement and accountability.

Corporate responsibility for the environment falls short of expectations

The very low level of environmental protection practices in all areas indicated by this survey highlights a significant gap in CR in Bangladesh. The lack of environmental awareness and responsibility, on the part of companies, is a serious problem, and perhaps unexpected in a

country that suffers regularly from both natural and man-made disasters. There also appears to be a dearth of information to help support the monitoring of environmental practices. Neither external information on violations of environmental legislation nor internal company reporting on environment practices is prevalent to any significant degree.

Responsibility for the environment needs to be addressed at the boardroom level as well as throughout the organization. Again, the business case for environmental responsibility needs to be articulated as well as the need for greater awareness building throughout the organization through training and practice. Community initiatives to improve environmental protection through a partnership of stakeholders in the community ought to be encouraged, and corporates should be encouraged to play an effective role here. Improved enforcement, monitoring, and accountability measures for CR in the environment lie in the domain of both government and civil society.

Significant scope for dialogue and partnerships between corporate and civil society

There are significant differences in the perceptions of CR amongst the

stakeholders surveyed (Figure 6). This suggests a tension in the relationships between corporates, employees, and civil society, which needs to be addressed through dialogue and cooperation. Stakeholder dialogue is vital for CR and usually accompanies the management's growing awareness of the importance of intangible assets to corporate value and profitability (Bendell 2000). The misperceptions encountered in this survey are likely to be due to a lack of transparency and objective information on CR practices. At a minimum, there is scope for increased information on CR company activities in Bangladesh to be passed into the public domain, in order to inform and provide stakeholders with the ability to respond and clarify concerns. This could be a significant initial step to forging responsible relationships based on mutual respect and cooperation rather than on suspicion.

NGOs are increasingly partnering with businesses to bring about change that can have a tangible and positive impact on profitability. In one case, Phulki, an NGO committed to the cause of working women and childcare in Bangladesh, is working together with firms in the garment industry to provide crèches for the children of the mostly female

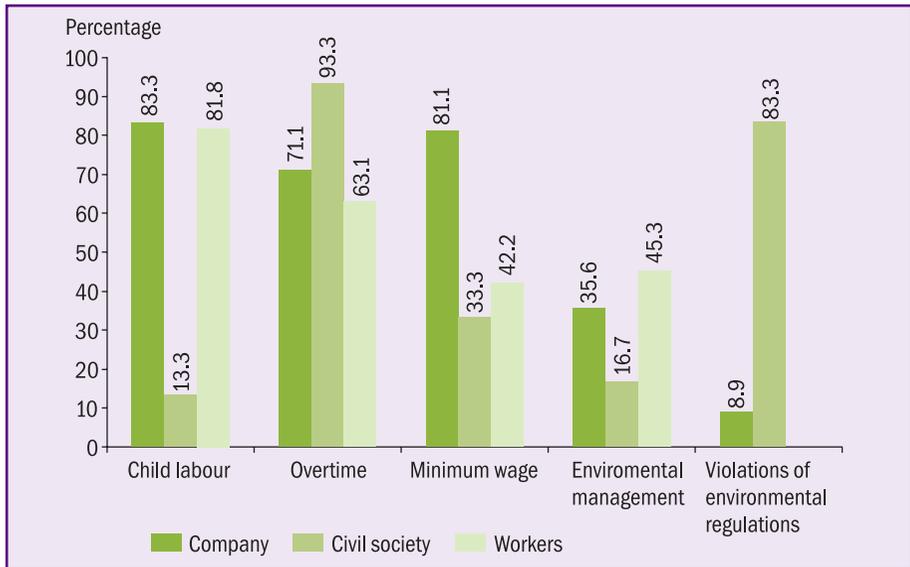


Figure 6 Corporate responsibility: variability of perceptions

employees who work in these factories. The crèches enable women who work long hours in factories to be close to their children, and for mothers of infants to continue breastfeeding. Phulki was able to demonstrate the business case for this simply and effectively. The running cost of a crèche was, in one instance, calculated at 38 Bangladeshi takas per *month*, while the cost of absenteeism of one woman was 38 Bangladeshi takas per *day*. The factories organizing these crèches also found that workers who took

maternity leave tended to return to work sooner, there were fewer cases of absenteeism, and production was more efficient.⁸

This report has served to highlight some key areas that require attention by management, workers, civil society, and the government to improve the scale and scope of CR in Bangladesh. There remains considerable scope for collaborative action and capacity building at the local level to move the much-needed agenda for CR further in Bangladesh.

⁸ Details at <<http://www.phulki.org/contacts.htm>>, last accessed on 22 March 2004

References

- Bendell J. 2000
Talking for Change? Reflections on Effective Stakeholder Dialogue
 [Paper presented at the New Academy of Business Innovation Network, held in England, on 20 October 2000]
- Bernstein A and Berger P L (eds). 2000
Business and Democracy: cohabitation or contradiction?, p. 8
 London: Centre for Development and Enterprise
- Bose N K (ed.). 1947
Selections from Gandhi
 Ahmedabad: Navajivan Publishing House
- Freeman R E. 1984
Strategic Management: A Stakeholder Approach
 Boston: Pitman Publishing Company
- Friedman M. 1958
Three major factors in business management: leadership, decision-making and social responsibility
 [Talk delivered at *Eighth Social Science Seminar*, 19 March 1958, as summarized by W A Diehm in *Social Science Reporter*, and cited in Ansoff 1969]
- Kumar R. 2003
Corporate Responsibility: the emerging South Asia agenda
 In *Something to believe in*
 Sheffield: Greenleaf Publishing and New Academy of Business
- Matin N. 2002
Corporate Social responsibility and Natural Disaster Reduction: insights from Bangladesh, p. 11
 Available online at
 <www.benfieldhrc.org/siteroot/disaster-studies/csr/csr-bangladesh.pdf>, last accessed on 20 March 2004
- Mohiuddin A. 1999
Bottom Up: NGO sector in Bangladesh
 Available online at
 <www.benfieldhrc.org/siteroot/disaster-studies/csr/csr-bangladesh.pdf>, last accessed on 20 March 2004 [cited in Matin 2002]
- TIB (Transparency International Bangladesh). 2000
Corruption Database Report, July–December 2000
 Dhaka: TIB
- Wheeler D and Sillanpää M. 1997
The Stakeholder Corporation: a blueprint for maximising shareholder value, p. ix
 London: Pitman Publishing Company

About TERI-Europe

A charity set up by TERI, India and approved by the Charity Commission for England and Wales, TERI-Europe endeavours to strengthen the linkages between India and Europe by (1) exploring common grounds for solutions to global problems like climate change, (2) setting up databases to facilitate appropriate technology choices in various sectors of the economies, (3) informing European industry about business opportunities in India's energy and environment fields, and (4) promoting dialogue between organizations on pertinent issues like corporate social responsibility.

Further details at <www.teriin.org/teri-eu/index.htm>

About New Academy of Business

The New Academy of Business is an independent business school with a vision to build a just and enterprising future. It works with entrepreneurs, educators, managers, activists, policy-makers, and other change agents to produce educational activities and resources. Its major activities are teaching, collaborative research, organizational learning, and eLearning.

Further details at <www.new-academy.ac.uk>

About Centre for Policy Dialogue

The Centre for Policy Dialogue is among Bangladesh's premier research organizations that focus on civil society's demands for a more participatory and accountable development process. It conducts research on issues of critical national and regional interest, organizes multistakeholder consultations and disseminates knowledge and information on key developmental issues, and influences the policy-making process.

Further details at <www.cpd-bangladesh.org>

Contact details

Ritu Kumar

Director, TERI-Europe
27 Albert Grove, London SW20 8PZ
United Kingdom
Tel. 44 20 8947 9145
E-mail ritukumar@aol.com

David F Murphy

Programme Director
New Academy of Business
Carpenter House Innovation Centre
Broad Quay, Bath BA1 1UD, UK
Tel. 44 0 1225 388 648
Fax 44 0 1225 388 638
E-mail info@new-academy.ac.uk

Ananya Raihan

Researcher
Centre for Policy Dialogue
House No. 40/C, Road No. 11 (new)
Dhanmondi R/A, Dhaka 1209
Tel. 880 2 812 4770
Fax 880 2 813 0951
E-mail cpd@bdonline.com

