

SOCIO-ECONOMIC IMPACTS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SRI LANKAN DOMESTIC MANUFACTURING COMPANIES

(WITH REFERENCE TO HARISCHANDRA MILLS PLC,
MATARA, SRI LANKA)

GODAKANDA ARACHCHIGE NILUKA DARSHI

This Master Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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Master Thesis

Socio-economic impacts of Corporate Social Responsibility practices in Sri Lankan domestic manufacturing companies

(With Reference to Harischandra Mills PLC, Matara, Sri Lanka)

By
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Abstract

The purpose of this study is to explore the socio-economic impacts of Corporate Social Responsibility (CSR) practices in Sri Lankan manufacturing companies. The thesis sets out to seek how CSR activities can obtain business benefits as well how it appeals to the socio-economic issues in the community. To achieve the aim of this study, an investigation of the current practices was performed through a pertinent empirical study. The empirical investigation is based on a case study of Harischandra Mills PLC CSR practices. It shows an increasing concern of the company to participate in social programmes to contribute socio-economic issues of the community.

The author's review of the literature highlights the importance of CSR activities. Although a widespread definition is not available, CSR has gained an immense attention during past years. Many business firms perform CSR initiatives to pursue their economic, social and environmental responsibilities while interacting with their stakeholders. Today, stakeholders look increasingly at companies to answer to many socio-economic problems in the community. The CSR practices ensure gains for all stakeholders involved while enhancing business benefits. Awareness and sense of necessity for practicing CSR is important factors to achieve fruitful benefits of CSR to address the long-term development needs in a sustainable way.

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Last but not least, my heartfelt thanks go to my family, friends and every one who has lent me a hand for the accomplishment of this study. Thank you very much.

Declaration by candidate:

I hereby declare that the thesis:

Socio-economic impacts of Corporate Social Responsibility practices in Sri Lankan domestic manufacturing companies

With reference to Harischandra Mills PLC, Matara, Sri Lanka

has not been submitted to any other Universities than the University of Agder for any type of academic degree.

24th May 2010

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Date

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Abbreviations and acronyms

ADB	Asian Development Bank
APO	Asian Productivity Organization
BC	Before Christ
BSA	British Sociological Association
CEA	Central Environmental Authority
CED	Committee for Economic Development
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CM	Commercial Manager
CO ₂	Carbon Dioxide
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
GCE O/L	General Certificate of Education Ordinary Level
GCE A/L	General Certificate of Education Advanced Level
GDP	Gross Domestic Product
GHG	Green House Gas
HDI	Human Development Index
HRM	Human Resource Manager
HO	Carbon Monoxide
IMF	International Monetary Fund
ISO	International Organization for Standardization
NGO	Non-Government Organisation
OECD	Organisation of Economic Cooperation and Development
PA	People's Alliance
PLC	Public Limited Company
PM	Production Manager
QAM	Quality Assurance Manager
SAARC	South Asian
SLFP	Sri Lanka freedom Party
SMM	Sales and Marketing Manager
SRA	Social Research Association
UDA	Urban Development Authority
UN	United Nations
UNDP	United Nations Development Programme
UNP	United National Party
US	United States
WB	World Bank
WBCSD	World Bank Committee for Sustainable Development
WSSD	World Summit on Sustainable Development

Chapter 1: Introduction

1.1 Background

Corporate Social Responsibility (CSR) is a notable topic within the present-day global business arena. It is can also be a useful management tool. “CSR can be a strategic management tool that can lead organizations through the current economic downturn and help them to come out the other side better and more robust businesses, where many traditional business tools will fail”(Radcliffe, 2009). CSR is not a new concept in business practices. The CSR concept has “a long and varied history” (Carrol, 1999:268).Today the concept of CSR has been adopted by a number of companies in various industries. “Corporate social responsibility has emerged as a significant theme in the global business community and has become a mainstream activity” (Übius, 2009: 6).

Companies need to answer to two aspects regarding their operations i.e. the quality of their management, and the nature of their impact on societies in various areas (Baker, 2009). Inside as well as outside stakeholders are interested in learning about the activities of a company. Shareholders, customers, employees, suppliers, sub-contractors, and community etc are usually referred to as stakeholders, “as all are deemed to have a stake in a company’s actions” (Illert, 2004:2). They pay attention to what the companies do and what they have actually done. This may be in terms of products or services, impact on the environment, the operations in the market or in local communities, or among employees. The companies engage in CSR activities because they can reap some kind of business benefits such as a good reputation, customer loyalty etc. According to the European Commission, CSR is defined as the voluntarily contribution of companies for a better society and a cleaner environment (European Commission, 2001 cited in Branco et al., 2007). It addresses complex issues such as “environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers” (Branco, 2007:5). Carroll (1979 cited in Carroll, 1999:283) argues in his definition that CSR encompasses four social responsibilities; economic, legal, ethical and discretionary. Further, Carroll points out the importance of CSR as “the CSR concept has a bright future because at its core, it addresses and captures the most important concerns of the public regarding business and society relationships” (Carroll, 1999:292).

In any country, the business sector plays an important role. The economic growth of a country can be sustained by the expansion of manufacturing sector. In this perspective, we should study how to achieve sustainability of the manufacturing firm. In this regard, CSR practices are an important factor for developing countries, because CSR programs address a wide array of social, economic and environmental issues. Up to now, most CSR studies have focused upon organizations operating in the developed world. As a global practice it is important to understand the practise of CSR in developing world as well. In this regards, we see that there has been a strong relationship between “adaptation of a CSR strategy by a firm and its effective environmental and innovative performance” (Borger and Kruglianskas, 2006 cited in Übius, 2009: 6). CSR can be a key success factor in today’s rapidly changing and competitive business world.

Contributing to community well-being and environmental sustainability, simultaneously with making profits for the company can be considered as a good practise and a positive trend in the business sector. It is all about maintaining integrity in managing resources effectively. People, their choices and activities, and the environment are the most important factors for the business sector. Considering the community, socio-economic issues and the environment, the business sector can play an important role in socio-economic development including poverty alleviation, health-care provision, infrastructure development, employees' welfare, education and environment. A greater commitment to CSR has been one solution to mitigate some of negative social and environmental impacts of companies. "Although the future of CSR faces many challenges ahead, already there is a promising suggestion that CSR is a step towards sustainable development" (Vongsuksiri, 2007:6). This idea implies that socially-responsible firms lead to attain sustainable development. The concept of sustainable development was coined in the Brundtland Report. It emphasises the commitment towards socio-economic development taking the physical limitations of the earth into consideration. "Sustainable development is a political concept for human social, economic and environmental progress" (Brundtland, 2004:3). The commonly used definition of sustainable development emphasises ethics and environmental protection as the ability of the current generation to meet its needs without compromising the ability of future generations to meet their needs (Brundtland, 2004). She has emphasised that sustainable development can be achieved through collaboration and shared responsibilities. Thus, CSR activities are the pathway for sustainable development of the country as a whole.

At present, most of Sri Lankan organizations are seeking to conform to CSR practices since stakeholders and other relevant parties often want to know about a firm's social responsibility. As companies are responsible for their actions with regards to both socio-economic and environmental consequences, they should therefore consider socio-economic and environmental impacts to be a part of their responsibility while at the same time generating profit. In developing economies like Sri Lanka, the CSR concept plays an important role in the sustainable development discourse. It is also seen as a potential solution to sustainable development.

This study investigates the socio-economic impacts of CSR practices in a manufacturing company in the Southern Province in Sri Lanka. There are several misconceptions in Sri Lanka regarding CSR. Some Sri Lankan companies use CSR reporting for getting more publicity (Gunawardana, 2009). "Even CEOs of many companies have yet to perceive its value and necessity and its essential relationship to a company's operating philosophy and as a driver of its future performance" (Gunewardana, 2009). The 2002 World Summit on Sustainable Development (WSSD) pointed out the importance of CSR (Corporate Watch, 2009). Nevertheless, many Sri Lankan manufacturing companies are not accountable for the social and environmental consequences of their actions. But stakeholders of the companies, especially the government, expect the companies to consider social, economic and environmental consequences along with their profit-driven priorities. This study attempts to increase our understanding of the CSR practices in Sri Lankan manufacturing companies. The study's focus on the CSR activities of a manufacturing company was chosen because manufacturing has been the subject of criticisms regarding its impacts on development. The CSR activities are being used by the manufacturing companies to respond to some of these criticisms. Therefore, the topic of this thesis is particularly relevant to the manufacturing industry in Sri Lanka.

Harischandra Mills PLC is a Sri Lanka-based company. It is a family business that manufactures and distributes food and soap products. The CSR practices of Harischandra Mills PLC at the local level and their socio-economic impacts in the local community, is the case study used for this research. Harischandra Mills PLC executes its CSR activities mainly in the region where the company operates. These CSR activities make both economic and social impacts in the communities surrounding the company. Thus, the CSR activities have the potential to contribute to socio-economic development and environmental conservation as well as direct benefits to the company itself. This study reveals how this company that has embraced CSR, and how CSR would benefit and become part of the solution for socio-economic issues.

1.2 Contextual overview in brief

Democratic Socialist Republic of Sri Lanka is an Asian Country that having a population of 20.2 millions. It is categorized as a lower-middle income developing nation with a per capita income of \$ 2,000. The literacy rate is high as compared with other Asian countries, presently as 92.5% (Department of Census and Statistics, 2008). As a developing country its economy is based largely on agriculture, services and light industry (Encyclopedia of the Nations, 2010). “Manufacturing industries account for approximately 19 percent of the Gross Domestic Product (GDP) and employ about 17 percent of the workforce” (Encyclopedia of the Nations, 2010). Harischandra Mills PLC is a Sri Lanka-based company and one of the food manufacturing companies in Sri Lanka. The company was started in 1948. It is one of the listed companies, as well a family-based company in Sri Lanka. Harischandra Mills PLC is a pioneer manufacturing company in the south of the country and only one public limited company that registered in the southern province. The principal activity of the company is manufacturing and distribution of food and soap products.

1.3 Research Objectives

The main objective of the study is to analyse the socio-economic impacts of CSR activities in a Sri Lankan manufacturing company. The study is based on a case study of the Harischandra Mills PLC’s CSR practices and their socio-economic impacts on the societies where the company operates in Southern Province. It aims at understanding the application of CSR activities on socio-economic development. In addition to the main objective, the sub-objectives are,

- To understand the status of CSR practices in Harischandra Mills PLC manufacturing organization.
- To analyse the perceptions of the different stakeholders regarding the company’s CSR activities.

The following research questions will address the research problem:

- What kinds of CSR practices are performed by Harischandra manufacturing company?
- Why does Harischandra Mills PLC engage in CSR practices?
- What are the perceptions and views of the management and the employees regarding the socio-economic and environmental impacts of the Harischandra Mills PLC's CSR activities/practices?

- How do ordinary people regard the socio-economic and environmental impacts of the Harischandra Mills PLC's CSR practices?
- What have been the main opportunities and main barriers of the company for engaging in CSR activities?

1.4 Methodology in Brief

A mix method approach was used for collecting and analysing data. Primary research was carried out over a period of three months from January to March 2010 in Matara District and at the Harischandra Mills PLC. The study applied a multiple research strategy where primary data was collected through interviews, participant observation and self-completion questionnaires. Secondary data was collected by documents analysis such as annual reports, CSR reports etc. Some simple calculations have been done by using SPSS to give a better overview of some of the social and economic impacts of CSR. The reliability of the research were maintained by keeping the research transparent as much as possible. (For further details on research method, see Chapter 4).

1.5 Significance of the study

In this study, my aim is to investigate the CSR practices in Sri Lankan manufacturing companies. Through this research, I hope to make an important academic contribution to the manufacturing sector and national development. There has been limited empirical evidence in Sri Lanka, regarding the CSR practices in manufacturing sector as well as in other sectors. During the literature review of this research only a few articles were found that cover the subject of CSR in the Sri Lankan context. Through this research, I attempt to contribute with important information by examining the above research questions and try to give a message about the importance of this concept. One leading domestic manufacturing company was analysed as representing the manufacturing sector with a CSR engagement in Sri Lanka. Harischandra Mills PLC has a long history of philanthropic and charitable activities. Therefore, the social activities are not entirely new concept to the company. As a leading manufacturing company in Sri Lanka, the Harischandra Mills PLC practises CSR activities towards society and some activities are independent of their business concerns. Most of Sri Lankan manufacturing companies are involved in charitable and philanthropic activities as part of their CSR. In the business community most of them feel that they have a role in addressing socio-economic issues. But, “they do not have a clear direction on how and what to contribute to society, and the benefits from doing so” (Fernando, 2007:5). However, understanding of CSR and its’ socio-economic impacts are important in manufacturing sector as a driver of future performance. The aim of this case study is to analyze the socio-economic impacts of CSR engagement.

It is also important for companies to know how different types of CSR activities may affect various socio-economic and environmental factors of a community. Consequently, it is of crucial importance to find the right type of CSR activities that should be implemented for socio-economic development of a society and to know the companies’ commitment for doing that.

1.6 Thesis Outline

Chapter 1 deals with the introduction to the thesis, the research objectives and the methodology in brief.

Chapter 2 gives a contextual overview of the study in presenting the history and the socio-economic profile of Sri Lanka, with a particular emphasis on the Southern province.

Chapter 3 provides an explanation of the theoretical framework of the study, and reviews relevant literature on evolution of CSR, CSR approaches, socio-economic impacts of CSR, socio-economic dimensions, and CSR activities in Sri Lanka.

Chapter 4 describes the methods used in the thesis and outlines of the research process. It explains the research strategy, design, sample and data collection methods for this study.

Chapter 5 presents the empirical research findings and a discussion of them. The chapter consists three main parts. The first deals with Hrischandra Mills PLC's CSR practices. The second explores the perceptions of three different stakeholders regarding the company's CSR practices and their socio-economic impacts. Third part outlines the main opportunities and barriers of the company for engaging in CSR activities.

Chapter 6 draws conclusion from this discussion and assesses the extent to which the aims and objectives are met. It also is provided possible recommendations from this study.

Chapter 2: Contextual Overview

2.1 Brief history of Sri Lanka

Sri Lanka is a tropical island with a long history. It is situated in the Indian Ocean, off the southeast tip of India. Sri Lanka is well known for its rich biodiversity, as well as its documented history of over 2500 years civilization. The Mahavansa (The Great Dynasty) is a valuable source for the legends and historical heritage of Sri Lanka. It is the irreplaceable literary source for the country. According to Mahavansa it is believed that the Sinhala people's history began with the arrival of Vijaya and his turbulent companions from India in the 5th century BC (De Silva, 2005). Buddhism was introduced by them in their principal areas of settlement in the country. Earlier in the civilisational history of Sri Lanka there were three major kingdoms, a Tamil Kingdom in the north, a Sinhalese kingdom in southwest, and finally, the Kingdom of Kandy in the interior. Being an important trade port and oasis of nature Europeans conquered the country at three different times. The colonial period started in 1505 with the arrival of the Portuguese. They ruled the country until Dutch arrived in 1796. Their ambitions were to extend trade in spices. In 1815, the British took over the island, and the Dutch ruling period was over (Sri Lanka Travel Guide and Country reference, 2004). During the colonial period, major social and economic changes took place. There was a development of commercial activities, agricultural activities (introducing tea, coffee, cinnamon, coconut and rubber instead of traditional crops), changes in the political and administrative structure as well as social and cultural changes. The country was called Ceylon until 1972, when the national constitution adopted the name Sri Lanka, Sri means "blessed" and Lanka is the name of the country (Chapin and Silva, 2010).

In 1948, the colonial period was terminated and the Sri Lankan government got a dominion status. After the independence, the power has fluctuated mainly among two political parties i.e. Sri Lanka Freedom Party (SLFP) which is the main party in the present People's Alliance (PA); and United National Party (UNP). Up to 1972, the Ceylon constitution, which was made by the Soulbery Commission, had been followed. However, there were shortcomings in the Soulbery constitution hence First Janaraja (republican) constitution was introduced. The second constitution was introduced in 1978 by the UNP. The country was officially called the Democratic Socialist Republic of Sri Lanka (Sri Lanka Travel Guide and Country reference, 2004). The presidential system was also introduced in 1978, where the president has the executive power for a six-year term. During this period a policy of open economy was introduced, and the country has achieved a robust economic growth (The World Bank, 2009). The manufacturing sector was dominated by the garment industry. Since then, open economic policies have been followed by every government. In 1994, The PA party came to the power, ending the 17 years UNP ruling period. At present, Mr Mahinda Rajapaksha from PA is the president of Sri Lanka.

2.2 The socio-economic context of Sri Lanka

Sri Lanka is a small island with a size of sq. Km. 62,705, and with a population of 20.2 million population (Central Bank of Sri Lanka, 2007). The national population density was 319 persons per sq.km in 2007, and the population growth rate is estimated to be 1.1%. Regarding the distribution of population 80% of are living in rural areas, 14.6% in urban areas, and 5.4% in the

estate (plantation) areas. There are many religious and ethnic groups in the country. The Sinhalese comprise 74.5%, the Tamils 16.5%, the Moors 8.3% and others 0.7% (Central Bank of Sri Lanka, 2007). The official languages are Sinhala and Tamil, although English is also commonly used. More than two decades of civil war in the country has hampered development and poverty reduction efforts. The ending of the civil war provides an opportunity to the country to achieve a strong economic growth. Sri Lanka is on the way of becoming a fully-fledged middle income country (The World Bank, 2009). The GDP is Rs. 3,578 billion (US\$ 32.4 billions), and the real GDP growth per year is 6.8%. Regarding the sectoral composition of GDP agriculture comprises 11.7%, industry 29.9%, and services 58.4% (Central Bank of Sri Lanka, 2007). The textile industry is one of the largest industries in Sri Lanka, contributing sustainability to the country's GDP as well as to the national export revenue. In 2001 it contributed 5.6% to the GDP (Sri Lanka Export Development Board, 2010). When we are considering the share of the manufacturing sector it covers 17.7% to the GDP.

Key economic indicators of the country are not satisfactory level. Country's exports and imports are 23.9% and 34.9% of GDP respectively (Central Bank of Sri Lanka, 2008). According to that current account balance is not favourable in the country. It was recorded -7.1% of GDP. According to the Colombo Consumers' Price index the inflation rate has declined to 5.8 % in 2010 which reached 15.8% in 2007 (Central Bank of Sri Lanka, 2008). Budget deficit was recorded as -7.7% of GDP in 2007. This affect to the economic well-being of Sri Lanka. "In no year since independence has government run a surplus budget except for the years 1954 and 1955 (CBSL Annual Report, 2006 cited in Fonseka, 2008). International Monetary Funds said that the country should pay attention on inflation and budget deficit (Sirimanne, 2007).

However, the stock market in Sri Lanka has achieved remarkable growth in 2009. The stock market performance in the country is ranked second in the world (Ministry of Finance & Planning & The Treasury of Sri Lanka, 2010). The labour force consists of 67.9% males and 34.3 % women of the working age population. The employed population by major industry groups are recorded as; agriculture 32.7%, industry 26.3% and services 41%. The unemployment rate decreased from 8.4% in 2003 to 5.4 % in 2008 (excluding Northern and Eastern Province) (Department of Census and Statistics, 2008).

Table 1: Number of unemployment and unemployment rate by sex and sector - 2008

Sector	Total		Male		female	
	Number unemployed	Unemployment rate	Number unemployed	Unemployment rate	Number unemployed	Unemployment rate
Total	433397	5.4	193978	3.7	239419	8.4
Urban	47307	5.3	27637	4.5	19670	6.9
Rural	386090	5.4	166341	3.6	219749	8.6

Source : Department of Census and Statistics (2008)

According to the distribution of unemployment rates by sex and sectors , it reveals that the unemployment rate reported for females is higher in every sector than for males. The unemployment rate is worst among the youth.

Table 2: Unemployment rates by age groups and sex - 2008

Age group	Total	Sex	
		Male	Female
Total	5.4	3.7	8.4
15-24	18.8	14.3	26.2
25-29	9.5	5.9	16.0
30-39	3.1	1.5	6.1
40+	1.2	1.1	1.4

Source: Department of Census and Statistics (2008)

Underemployment is often an important factor regarding the employment situation in developing countries. In Sri Lanka it represents 4.5% of employed persons. The country has achieved a literacy rate of 92.5% (Department of Census and Statistics, 2008).

Despite this progress, the country is characterised by inequities which divide people into social classes. 23% of people are below the national poverty line considering reference year as 2002-2008 (The World Bank, 2010).

Healthwise, Sri Lanka is not at a satisfactory level according to indicators such as number of physicians and hospital beds. There is only 55 physician per 100,000 people and only 3.1 hospital beds per 1,000 people (Central Bank, 2007). Infant mortality rate as well as Maternal Mortality rate are low when comparing with other SAARC countries. The Infant mortality rate per 1,000 live births is 12, and the Maternal mortality rate is 58 while neighbouring India's rates are 56 and 450 respectively. Life expectancy at birth is 75 years with males at 67.9 years, and women at 75.6 years. As a result of these socio-economic indicators, the Human Development Index (HDI) takes a favourable value as 0.743 in reaching to maximum level (Central Bank, 2007). It indicates the country's average achievements of life expectancy at birth, knowledge and a decent standard of living. Sri Lanka's social indicators show a satisfactory level within the South Asian region (ADB, 2008). At present, Sri Lanka has been ranked as 102 on the Human Development Index and UNDP has ranked the Sri Lanka as medium human development country (UNDP, 2009). The International Monetary Fund (IMF) expects the expansion of Sri Lankan economy by more than 3 percent in this year (Ondaatje, 2010). The Central Bank of Sri Lanka has stated that the economic growth of Sri Lanka has accelerated at the end of the civil war.

Sri Lanka has substantial natural resources such as fertile soils, regular rainfall, tropical beaches and so on. Agriculture is the most important economic sector, employing about one third of the country's workforce, and contributing to 17% of Sri Lanka's GDP (ADB, 2007). Rice, which is the staple diet of the people, and estate crops such as tea, rubber and coconut, and spices, are the dominant agricultural products in the country. However, the contribution of agricultural sector has declined because of migration of labour force to urban areas and abroad, as rural people seek employment outside agriculture (ADB, 2007).

The social activities by the business community is not new in Sri Lankan business community. But the CSR concept is new to the business community and the society. Therefore, the awareness of the CSR concept is less within the community. There are different perceptions of the concept among the stakeholders. In Sri Lanka, the companies are "aware of the need for CSR, but they

simply don't have a clear understanding of what it really entails" (Anthonisz, 2010). It is further suggested 83% of corporates include the index talk about CSR in the annual reports. Most of the companies mention about their donations to various charitable activities (Anthonisz, 2010) But it is not mentioned about "how they treat their employees (...) what they are doing to prevent harmful discharge from their organizations into the environment or what they are doing to ensure high standards of conduct in their supply chain" (Anthonisz, 2010). The Sri Lankan companies use CSR as another marketing opportunity rather than a sustainability strategy.

2.3 The Southern Province and the Matara District

Three districts belong to the Southern Province; Galle, Matara and Hambantota. The total area is 5,543 sq km, which is about 8.45% of the total area of the country. The highest elevation is approximately 1200 meters above sea level. The climate of the Province varies between the various districts; Galle and Matara has a wet zone climate, while Hambantota is in the arid zone (Art Gold Sri Lanka, 2010). The population of the Southern Province is 2,417,000. The main economic activities in the Province are subsistence farming and fishing. The majority of the land area of the province is used to agriculture, and 43% of the workforce is engaged with agricultural activities. The leading industries are textile and food processing which generates a large number of job opportunities (Foreign Affairs Office of Hainan Province, 2009). The Southern Province is the site of coconuts, rubber, cinnamon, and fishing industry. When comparing with other provinces, the economy is stronger than the others except for the Western Province. The Southern Province contributed to the national GDP with 8.9% (Art Gold Sri Lanka, 2010). Male and female literacy rates are at 94.3% and 91.4% respectively. However, 7.7% of the people in the province are illiterate. The educational attainment of the people in Southern Province is 31.6% with primary education, 38.3% with secondary education, and 22.4 % with post secondary education (Central Bank of Sri Lanka, 2007).

The unemployment rate in the Southern Province is higher than the other provinces of the country. The unemployment rate of the southern province is 8.1% of the labour force (Department of Census and Statistics, 2008)). Regarding employment by sector it is recorded that the manufacturing sector employs 16.8% as the second most employment source with agriculture, forestry and fishing sector comprising 39.8 % of total employment. The Southern Province was seriously affected by the tsunami in 2004.

Location of the study area

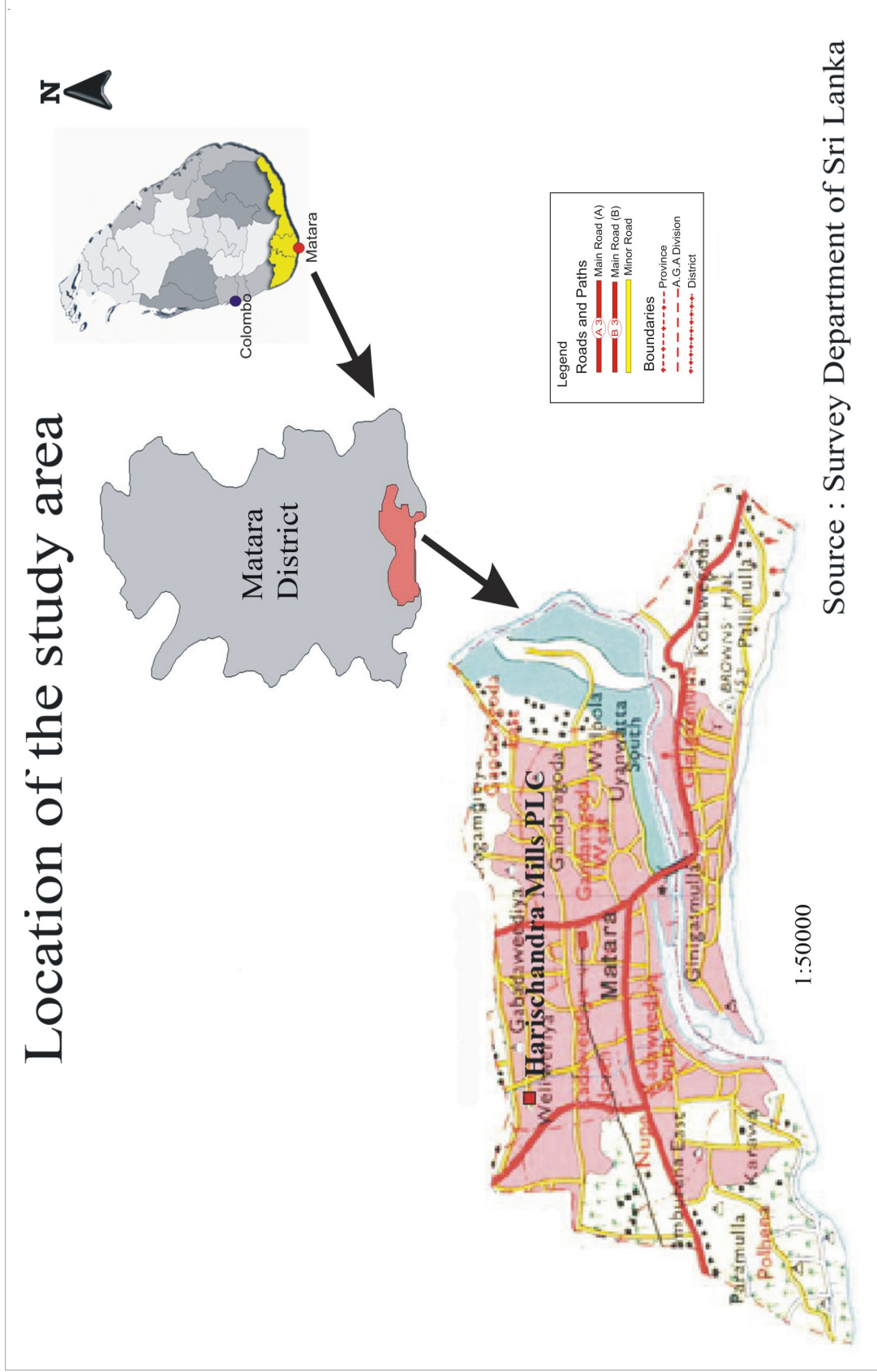


Figure 1: Location of the study area

Matara is a city in Southern Province. It is one of the largest cities in Sri Lanka with a population of about 803,999. There is a coastal belt 55Km long lies from Nilwala at Dickwella to Midigama in Weligama. ‘The width of the continental shelf close to Matara district is about 7Km’. The district extends about 64 Km from the South towards the up to Sinharaja (District Secretariat Matara, 2010).

The land area of the Matara district is Sq.km1,282, covering 1.96% of the total land area of the country, and 23.14 % of the land area of the Southern Province (District Secretariat Matara, 2010). This district belongs to the low country wet zone, and it is situated between Galle and Hambantota districts. There are 16 secretariat divisions in the district (District Secretariat Matara, 2010). The majority of the people in the district are Sinhala Buddhist. There are also other ethnic groups in the Matara district.

Table 3: The ethnic division of the population in Matara District

Sector	Sinhala	Tamil	Muslim	Burgar	Malay	Other
Urban	87753	458	9450	36	32	21
Rural	664873	5685	14166	118	68	41
Estate	4420	16854	19	0	02	02
Total	757046	22997	23635	154	102	64

Source: District Secretariat- Matara (2010)

The table shows that the ethnic division of the population in the study area. Majority of them are Sinhala Buddhist. Second ethnic

2.4 The organisational context of the study

I will in this section describe the history, vision, mission and objectives, product portfolio, and the management structure of the company that is the object of my study, Harischandra Mills PLC.

2.4.1 Harischandra Mills PLC

Harischandra Mills Limited was established in 1943 by Mr. C.A.Harischandra and its roots in the South of Sri Lanka (Piyasena, 2005). The objective of the establishment was to utilize local raw materials and to provide job opportunities to the people in the area. At the initial stage, the company milled rice and sold pulses and dried goods in the neighboring towns and villages. In 1959, it became as a limited liability company. In addition to being a pioneer company in the Southern province, the company became a pioneer in allocating forty percent of its shares to its employees. The company was listed on the Colombo Stock Exchange in 1983 and they incorporated Harischandra Mills (Distributor) Limited which is a fully own subsidiary of Harischandra Mills PLC (Company data). The Harischandra Mills PLC is the only (one) Public Quoted company registered in the Southern province. At present, Harischandra Mills PLC is the market leader in the sales of noodles products, coffee, grain flour and soap. The company has a wide distribution network, and its head office and factory is located at Matara in the

Southern province. Harischandra products are distributed using Harischandra Mills (Distributor) Ltd which is located in Colombo. At present Harischandra Mills PLC is a leading manufacturing company in the Southern province. The company is characterized by a strong customer loyalty, mainly based on the belief that Harischandra Mills PLC provides high quality and pure food and soap products.

2.4.2 Vision, Mission and corporate objectives of the company

Vision – “To enhance our heritage brand status and serve the nation”

Mission – “To provide the public with a variety of high quality foods and soaps and to maintain increasing returns to shareholders”

Corporate objectives:

- Constant improvement of the quality of all products
- Provide a fair return to shareholders while safeguarding their investment
- To encourage and promote the manufacture of foodstuffs and maximizing the use of locally available raw materials
- Provide opportunities for personal and career development of employees with maximum benefits

2.4.3 Organizational structure of the company

Mr. Harischandra was the chairman of Harischandra Mills (Pvt) Ltd. up to 1985. After the death of Mr. Harischandra Mrs. Harischandra was the chairperson and the Managing Director (MD) up to 1989. The board of directors consisted of family members; four daughters and two-son-in-laws. In 1989, after the death of Mrs. Harischandra, the company nominated a chairman outside the family. He held position until 2000. In the year 2000, again one of the family members was elected as the MD and still he is holding the position. The present board of directors consists of family members of second and third generation, but also with some outside members.

The Harischandra Mills PLC has 6 key divisions such as finance, marketing, human resource management, quality assurance, production and commercial activities. Under these functions all manufacturing, distribution and selling activities are performed. (See appendix2).

2.4.4 Total equity of the company

The authorised share capital of the company is Rs.20 Million. The issued and paid up capital is Rs. 995, 980, 000 which divided into 959, 800 ordinary shares of Rs.10 each. Rs 290, 538, 822 of total equity consists with ordinary share capital and reserves.

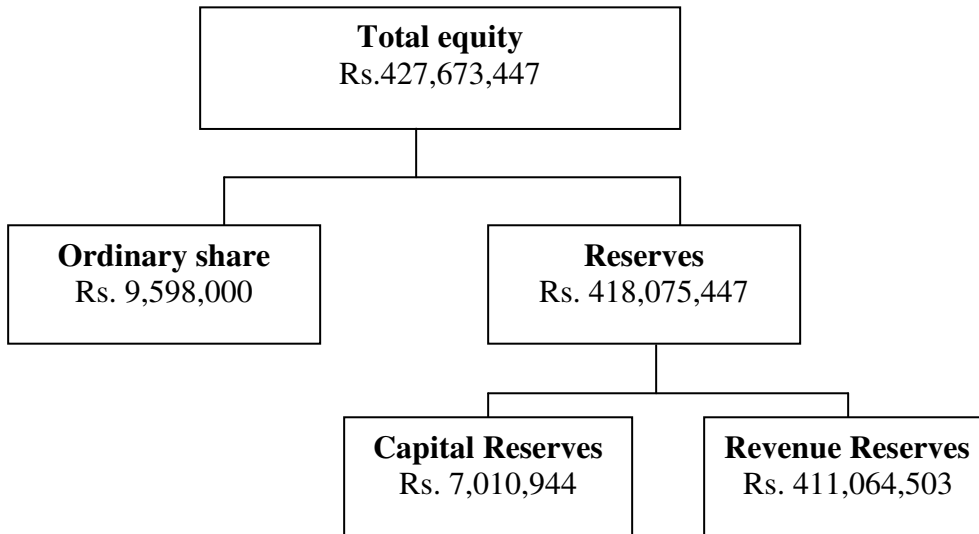


Figure 2: Total equity of Harischandra Mills PLC

Source : Annual Report 2008/2009

2.4.5 Product portfolio of the company

At present the company is the market leader in the sales of noodles, coffee, grain flour such as Kurakkan, ulundu and rice, and it has an appreciable market share for soap. Some new products such as masala papadam, spicy papadam, mango soap, rose soap etc have been introduced to the product line. Today, Harischandra products are distributed island wide and the brand name of 'Harischandra' has become highly popular. It has become an inevitable name regarding domestic needs. It has a wide range of food items which is distributed throughout the length and breadth of the island. The following are the products portfolio of the company.

- Grinding Mill Products – Coffee, Kurakan flour, Ulundu flour, Rice flour, curry powder
- Soap Productions
- Noodles Products
- Papadam Products
- Bakery Products
- Gingelly products
- Prawn Craker Products
- Table salt
- By products: Poultry food, Gingerly seeds cover, Biscuits powder etc.

Source: Company data

2.4.6 Quality policies of the company

The main attention of the company is towards the quality of their products. The company has formulated quality policies to provide better customer services. Below are mentioned the quality policies of Harischandra Mills PLC.

- In our company, the experience, attitudes and skills of our staff are our main assets
- These three key elements are essential to the continuing success of our business.
- It is our aim to improve the quality of our products constantly and enhance customer satisfaction to increase the market share effectively.

Other than the quality policies, the company has set-up quality objectives of providing only absolutely natural, pure wholesome food for their customers. The company quality objectives are as follows.

- Reduce the reject rate by 2% every year from the previous years rejects.
- Reduce customer complaints and increase market share by 2% every year from the previous year's complaints.
- Update equipment and install new equipment to meet the safety and hygienic requirements.
- Utilize 5% of the net profit of the company to improve environmental hygiene, including adequate handling of factory discharge to prevent pollution of the environment both inside and outside the factory premises.

2.4.7 Composition of employees of the company

At present, there are 415 employees in the company. The composition of the employees is shown in table 04 below.

Table 4: Employee population of the company

Designation	Male	Female	Total
Directors	04	02	06
Manager	19	02	21
Clerical Staff	18	20	38
Sales Representative	34	0	34
Executives	07	05	12
Supervisors	06	04	10
Machine operator	20	0	20
Machine helper	08	0	08
Helper	02	0	02
Peon	09	0	09
Labour	128	105	233
Driver	20	0	20
Security	13	-	13
Trainee	07	08	15
Total	295	146	441

Source. Company data

2.4.8 Employees' benefits of the company

The company's main concern is on the employees' welfare and their satisfaction. In this regard, the company has implemented various welfare programmes and activities. The employees are benefitted in two ways; financial benefits and non-financial benefits. Annual bonus, attendance bonus, married allowance, loan facilities, telephone call facility, scholarships for children, school books and stationery, annual health camps, annual trips etc are included among the financial benefits. The non-financial benefits consists of working independently, flexible working hours, advancement opportunities and promotions, fitness and recreational facilities, priority for past employees' children on filling vacancies etc.

The company is concerned with the employees' skill and their career development. By providing financial support and other facilities for the post graduate, diploma courses, or any other skill development programmes, the company was able to increase level of skill among the employees in the company. An annual health camp is arranged in the company for all employees. It includes medical tests and health educational programmes. There is a medical center at the manufacturing premises to provide medical services for the employees. The company maintains a health ledger for the employees, and it reimburses medical expenses for the employees covering up to two months salary.

All permanent employees with family members are insured by the company. The insurance coverage is Rs. 500,000 and installments are paid by the company. In addition to these benefits, the Harischandra welfare shop supplies company products to all employees at a low price.

2.4.9 The company's expenses for Employees welfare, Donations and sponsorship

The company deploys their expenses for CSR activities under three categories; employees' welfare, donations and sponsorships. The following table shows the distribution of the company's CSR expenses for each category during the last five years.

Table 5: Composition of CSR expenditure and percentages

Category	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Welfare	9,785,393	9,064,048	10,040,058	12,957,503	12,227,690
Donations	1,788,819	511,672	1,019,082	1,047,404	1,147,761
Sponsorships	458,751	784,587	875,458	758,455	979,585
Total CSR expenditure	12,032,963	10,360,307	11,934,598	148,492,472	14,355,036
Total expenditure of the company	99,067,972	112,328,358	124,844,983	148,492,473	185,295,383
CSR expenses as a % of total expenditure	12.15%	9.22%	9.56%	9.94%	7.75%

Source: Company data

Table 5 shows the company's total expenditure, CSR expenditure and CSR expenditure as a percentage to total expenditure. Even though, the total cost of CSR activities has increased over the last five years, the CSR proportion of total expenditure has decreased gradually from 12.15% to 7.75%.

In order to better understand the socio-economic impacts of CSR, it is important to understand the socio-economic condition of the study area. The better understand of the socio-economic condition of the country as well the study area where the company operates, help to understand the impacts of CSR activities. The company has a growing expectation to improve their social, economic and environmental performance.

Chapter 3: Literature Review and Theoretical Framework

3.1 Evolution of CSR

It is both useful and essential for this study to understand the theoretical approaches used in the contemporary CSR discourse. The start of the modern era of CSR can be traced back to the 1950s. The concept of CSR was introduced in 1953 with Bowen's publication of 'Social Responsibility of Businessmen' (Corporate Watch, 2009). It posed the question 'What responsibilities to society can business people be reasonably expected to assume?' (Corporate Watch, 2009). He has been attributed to the nick name "father of CSR" (Bowen, 1953 cited in Lee Hong et al., n.d.: 2). His view of CSR adopted in the CSR discourse "as the businessman's obligation to pursue organizational policies and decisions based on desirable social objectives and values" (Sharon Yam and Ismail, 2008: 5).

The CSR concept expanded in 1960s suggesting certain responsibilities to society. In this era, the new Cultural Revolution happened because some societal issues such as minority rights, women's rights, consumerism, environmentalism etc caused the CSR movement (Salehi and Azary, 2007). CSR attempted to link community and businesses. Scholars tried to define society in the broadest terms in that time. Keith Davis was the first and most prominent writer who defined CSR (Carrol, 1999). In the opinion of Davis businessmen's decisions and actions should be taken on the basis of a firm's direct economic and technical interest as well as to enhance the total socio-economic value (Davis and Federick, 1960 cited in Lee Hong et al., n.d.). In 1960s, the debates on CSR of business advanced rapidly. Keith Davis (1960 cited in Übius, 2009:14) presented a similar stance as Bowen in mentioning that socially responsible decisions have "a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook". Davis' idea set out the well-known 'Iron Law of Social Responsibility' which introduces "the emphasis of social responsibility in a business correlates to the size of the business" (Carrol, 1999 cited in Carr et al., 2004:8). According to that law, the large businesses have the largest impacts on society. On the other hand, socially responsible decisions within the business would bring long term benefits to the firms (Übius, 2009). In 1963 McGuire attempted to elaborate his idea of social responsibility by introducing corporate citizenship in concerning firm obligations (Kashyap et al., n.d.). According to him the business has economic and legal obligations as well as "certain responsibilities to society that extend beyond these obligations" (Übius, 2009:14).

Davis and Blomstrom(1966 cited in Übius, 2009) presented their idea on CSR in 1966, stating that it is a person's obligation to consider "the effects of his decisions and actions on the whole social system" (Übius, 2009:14). In 1967, the new concept of social responsibility was introduced by Walton (Übius, 2009). "The intimacy of the relationship between the corporation and society were introduced". Further, he stated that this relationship should be considered by the top management as well as related groups in pursuing their goals (Übius, 2009:14). This relationship depends on a degree of voluntarism, i.e. all parties see social responsibility as a voluntary and self regulated work of a business organization. In 70s and 80s, the academic discussions of the CSR have been grown. Many scholars have debated on social responsibility, corporate social responsibility and public responsibility (Übius, 2009), explaining why business firms engage in

socially responsible activities. According to that, we can see various motives for engaging in CSR activities.

In 1970, in a Times Magazine article Milton Friedman argued that the sole purpose of the businesses is to generate profit (Makower, 2007), perceiving CSR as a destructive idea. Friedman (1970 cited in Makower, 2007) concluded “The difficulty of exercising ‘social responsibility illustrates, of course, the great virtue of private competitive enterprise –it forces people to be responsible for their own actions and makes it difficult for them to ‘exploit’ other people for either selfish purpose. They can do good –but only at their own expense”. But today, a globalized world of businesses has accepted and practise social responsibilities (Makower, 2007).

In the opinion of Carroll (1999), Committee for Economic Development (CED) gave a ‘landmark contribution’ in its 1971 publications. CED argued that “business functions by public consent and its basic purpose is to serve constructively the needs of society- to the satisfaction of society” (Carroll, 1999:274). Further, these ideas evolved to focus on the quality of human life broadening responsibilities to the society. It was represented three parts of CSR; emphasising economic functions, increasing the awareness of changing societal values and improving the social environment. These three parts of CSR “gave way to Carroll’s four parts of definitions” (Carr et al., 2004:9). “They are asked to contribute more to the quality of human life, it will depend on the quality of management as well as how they response to the changing expectations of the public” (Lee Hong et al., n.d.).

Johnson (1971 cited in Übius, 2009) states that “strongly profit-motivated firms may engage in socially responsible activities” (Übius, 2009:15). Johnson (1971 cited in Carroll, 1999) argued that CSR is required to consider multiple interests of every party (stakeholders, employees, suppliers, dealers and local communities) as well as business firms have to achieve their multiple goals and long-run profit maximization. It is worth to note that Johnson gave a hint towards stakeholder approach. According to his second view “Social responsibility states that business carry out social programs to add profits to their organization” (Johnson, 1971 cited in Carroll, 1999: 274). A firm should pay attention to social issues only after the firm has met its profitability goals. Johnson (1971) presented his third view of social responsibility that explains “the prime motivation of the business firm is utility maximization” (Johnson, 1971 cited in Carroll, 1999:274), implying that business firms have multiple goals rather than only profit maximization. Manne and Wallich (1972 cited in Kashyap et al., n.d.) took this debate further concerning the effects of CSR on firm performance. They also pointed out that it is impossible to measure the impacts of CSR in most cases. Davis again entered to the debate and he took his argument to the debate by defining CSR as “the firm’s consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm” (Übius, 2009:15). According to Manne and Wallich (1972) at this time, long term managerial focus and discretionary distinguish “rather than mandated actions” (Kashyap et al., n.d.). They pointed out the voluntary obligations and commitment. They recognised that two phases which comprise the CSR as “not spoil society” and to provide solutions through “voluntary assumption of obligation” (Kashyap et al., n.d.). Backman (1975 cited in Obalola, 2008) states social responsibilities which “are not directly related to economic” are also a stated objective as others. But “rather address its negative externalities; improve employee’s conditions and the societal quality of life” (Obalola, 2008.3).

At the end of the 1970s, Carroll's CSR model explains four components from his development view point (Übius, 2009). He summarised the whole literature in giving the definition of CSR: "the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time" (Übius, 2009: 15). Legal and economic obligations were considered as mandatory responsibilities while discretionary obligations were considered as societal expectations (Kashyap et al., n.d.). Carroll's contribution on CSR is important in the evolution of CSR. According to his CSR model, the business need to identify responsibilities and responsible persons within a certain setting, as well as how it responds to society's expectations.

In that era, the writers were more concerned with corporate philanthropy and community relations (Carroll, 1999 cited in Carr et al., 2004). "As early as 1971, literature indicates that business has a 'multiplicity of interests' including stockholders, employees, suppliers, communities and the nation as a whole (Carroll, 1999 cited in Carr et al., 2004:8). The ideas evolved regarding these factors lead to the development of the stakeholder theory introduced by Freeman in the 1980s. According to the stakeholder theory "business's responsibility extends beyond groups with only financial investment and includes those with any relationship with the business" (Carr et al., 2004:8).

A significant contribution took place in 1991, introducing the corporate social performance framework: principles, processes, outcomes. Wood (1991 cited in Kashyap et al., n.d.) connected and elaborated these three interrelated themes in explaining two areas. First, she stated "why industries, firms, and managers should endeavour to engage in socially responsible behaviour (principles of legitimacy, public responsibility, and managerial discretion)" (Kashyap et al., n.d.:53). It explains the formulation and implementation of socially responsible objectives including "the processes of environmental assessment, stakeholder management and issues management" (Kashyap et al., n.d.: 53). Other explanations depend on the outcomes or results of CSR. By developing the stakeholder theory (Freeman 1984; Donaldson; and Preston 1995) and to the constructs of corporate citizenship (Maignan et al., 1999) 'environpreneurial marketing' (Menon and Menon, 1997), and 'corporate environmentalism' (Bannerjee et al., 2003) by marketing researches, they attempt to delineate the scope of CSR (Kashyap et al., n.d.).

More recently, the debate on stakeholder approach of CSR has turned into a model of corporate sustainability in alternative perspectives "that demands managerial attention to economic, environmental, and social issues" (Marrewijk, 2003 cited in Kashyap et al., n.d.:54). As stated by Porter and Kramer (2006 cited in Sandra, 2007:3) there are four arguments for demanding CSR as moral obligation to "do the right thing", sustainability, focused on environmental and community stewardship, license to operate and reputation terms of the company's image, brand, morale, or stock value. Likewise, CSR act as multidimensional and multidisciplinary nature.

The Organisation of Economic Cooperation and Development (OECD) is concerned with sustainable development through other societal expectations including "returns to stakeholders, products and services to customers and societal and environmental concerns" (Illert, 2004:2). In 2000, UN Global compact was launched to ensure a sustainable and equitable global economy in marking a radical step for the UN. The Global Compact is formed by ten principles on human rights, labour standards, environmental protection and anti-corruption as they apply to business and public policy. It significantly contributed to CSR by stating that both society and business

share common objectives. The Global Compact expanded the collective effort to meet the challenges of globalization through the responsible corporate citizenship and global CSR knowledge (UN Chronicle, 2007).

3.2 Definitions: Is there a specific definition?

There is no specific definition of CSR that has been accepted by all. The definition of CSR is debatable. Different organizations or persons have formulated different definitions that can be found in literature. According to the extensive literature, CSR concept can be seen as a complicated concept, and there is no accepted framework for this concept. As stated by Dahlsrud (2006) all the definitions can be categorised to the various dimensions such as environmental, social, economic and voluntariness. According to his analysis of 37 definitions of CSR “the definitions show that CSR is nothing new at a conceptual level; business has always had social, environmental and economic impacts, been concerned with stakeholders, be they the government, customers or owners, and dealt with regulations” (Dahlsrud, 2006:7).

According to literature the first definition of CSR was stated by Bowen (1953). According to his view CSR can be seen “as the businessman’s obligation to pursue organizational policies and decisions based on desirable social objectives and values” (Lee Hong and Ismail, 2008:5). According to his definition he mentions obligatory responsibility of the business. It highlighted the company’s commitment beyond the financial benefits.

According to Communication from the Commission to the European Parliament, The Council and the European and Social Committee, Brussels (2006 cited in Sandra, 2007:1) defined as “a concept whereby corporations integrate environment and social concerns”. European Union refers to corporate social responsibility as “concept whereby companies integrate social and environmental concerns in their business operations and in the interaction with their stakeholders on a voluntary basis” (Overland, 2007:5). Another definition was given in concerning the economic and social perspectives by the World Bank Committee for Sustainable Development (WBCSD) in 1998. The WBCSD emphasises the sustainable economic development, hence it has described corporate social responsibility as a concept whereby companies integrate “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” (Overland, 2007:5).

According to the Lord Holme and Richard Watts in the publication of World Business Council for Sustainable Development “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Business Respect, 2009). Under that, it points out the CSR lay on the fundamental factors of both the economic development and quality of life. Commission of European Union rests CSR on the better society and a cleaner environment. According to that, companies decide voluntarily to contribute both ‘better society’ and ‘cleaner environment’ (Business Respect, 2009).

United Nations (UN) defines CSR in giving broad perspective. According to that “CSR can be defined as the overall contribution of business to sustainable development”. This definition gives

broad sense of CSR how it contributes to the sustainable development.” The concept of corporate social responsibility aims both to examine the role of business in society, and to maximise the positive societal outcomes of business activity” (UN, 2007:1).

The definitions vary according to the country as “CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government” from Ghana, while the perception of Philippines as “CSR is about business giving back to society” (Business Respect, 2009).

In the same way, there are various definitions but all these definitions have framed in the common ground. All these definitions and empirical studies stress the areas where CSR should be applied by the business firm. We can identify the areas such as environment, market, work place, product, community and employee relations. It integrates with positive impact on society into business strategy and operations. However, the European model focuses “on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons” (Übius and Alas, 2009:44). But there is no one model to CSR and different countries have different priorities, and values that guide how business act (Übius and Alas, 2009:44).

3.3 Different approaches to CSR

There are several theoretical frameworks to examine CSR. Friedman’s Agency Theory in “1970 asserts that engaging in CSR is symptomatic of an agency problem or a conflict between the interests of managers and stakeholders” (Abigail and Donald, 2001: 2). Freidman argues that managers use CSR to fulfil their own agendas at the expense of shareholders. According to the agency theory “managers would be acting contrary to the duties and responsibilities for which they have been employed if they engage in social responsibility, unless it can be shown that by so doing, shareholders’ wealth are maximised” (Obalola, 2008: 5). Thus, resources for CSR can be spent more wisely as increasing the efficiency of the firm.

This theory has been challenged with Corporate Social Performance (CSP) as including social responsiveness, the social issues involved and the social responsibility categories that was introduced by Preston (1978) and Carroll (1979). Using CSP Waddock and Graves (1997) have done an empirical test and report a positive association between CSP and financial performance (Abigail and Donald, 2001).

Johnson (1971) gave a first hint of stakeholder theory. It has evolved in several ways within a dominant paradigm in CSR (Abigail and Donald, 2001). According to that, a firm balances all stakeholders’ interest as socially responsible firm. Freeman (1984) developed this idea and mentions that firms have relationships with many constitute groups and mutually their activities are affected to each other. Freeman (1984 cited in Obalola, 2008: 5) posits “that managers bear a fiduciary relationship to stakeholders, whom he defines as groups or individuals who can affect or are affected by the achievement of the organization’s objectives, such as stockholders, supplier, employees, customers and the local community”.

Freeman's instrumental orientation focuses on managing the relationship between its stakeholders to improve the bottom line. Further, Evan and Freeman (1993 cited in Obalola, 2008:6) and others have tried to "modify the theory to reflect normative orientation".

Russo and Fouts (1997) introduced Resource-Based theory which examined "CSR from a resource-based view of the firm perspective" (Abigail and Donald, 2001). According to that, they mention Corporate Social Performance (environmental performance) can achieve competitive advantage, especially in high growth industry (Abigail and Donald, 2001).

In addition to these theories, there are two distinct schools of thought appear to dominate the CSR literature. It helps to make decision on whether or not firms should adopt CSR. "The first group comprises those who think business responsibility does not go beyond making as much profit as possible for its shareholders" (Obalola, 2008: 6). The second group presents that the business has a responsibility to a wide range of groups in the society (Obalola, 2008). Thus, whatever way CSR is defined, it has wider impact on society and it assures that impact.

Different approaches and schools interpret and use different terminologies according to their different perceptions of CSR. According to these theories and two distinct schools of thoughts we can identify the areas that should be concerned in order to adopt CSR. Thus, Environment, Market, work place, employees and community are the important domains where CSR activities can be used.

3.4. CSR and Socio-economic impacts

3.4.1 Socio-economic dimensions

Sandra (2007) identifies the several social dimensions submitting her paper for Asian Productivity Organization (APO). APO study meeting in 2007 identified CSR as a major issue on the social dimensions of productivity (Sandra, 2007). In her study three groups suggested the dimensions for advancing the productivity in their respective countries (Sandra, 2007). According to her the most important social dimensions are, social conditions, Technology, workplace conditions (labour laws and practices, sharing gains from productivity, motivations, work ethic, communication, skill development, appropriate use of information technology, and facilities and services to enhance efficiency and effectiveness).

As stated by Miyan (2006) CSR has internal and external dimensions. Human resources management, health and safety at work, adaptation to change and management of environmental impact and natural resources are the internal dimensions while including external dimensions as local communities, business, partners, suppliers and consumers, human rights and global environmental concerns (Miyan, 2006). According to that he mentions "CSR may be as simple as sponsoring social service oriented entertainment events" (Miyan, 2006).

According to Cushman & Wakefield Healey & Baker (2005:2) they state the socio-economic dimensions of CSR in the community in encompassing following areas.

- Crime & safety
- Health
- Business enterprise
- Education, training and skills development
- Support for charities
- Sponsorship

Chakravarty et al (2006) study how CSR activities of a business address economic, social and environmental issues i.e. how to contribute sustainable development. They present indicators for internal context and external context in including all stakeholders. According to that, internal stakeholders are employees and shareholders while customer, supplier & competitors, local community and society in general are external stakeholders. The indicators are given for each stakeholder's objective. For employees training time male female ratio, average wage of the company with respect to the sector, number of permanent employees to total number of employees, number of accidents, number of outplacements or dismissed employees etc. Percentage increase of the share value in last three years, report on investment, informative transparency etc represent the shareholders' indicators (Chakravarty et al., 2006).

Likewise, customer supplier and competitors, local community and society indicators have been offered such as number of claims from customers, number of indirect jobs, number of sanctions because of competition donations for education and health and affiliation to international declarations on CSR etc. (Chakravarty et al., 2006).

3.4.2 Socio-economic impacts of CSR

The awareness of the socio-economic impacts of CSR has highlighted the need for manufacturing sector to adjust their CSR activities. In order to manage diverse issues due to the manufacturing activities they have commitment to address these issues. Mainly these CSR activities are based on three key areas; environment, social and economic. In recent years, many discussions were based on the CSR and sustainability. According to literature CSR aims at achieving social and economic benefits. There are various definitions of CSR and all of them “share the theme of engaging in economically sustainable business activities that go beyond legal requirement to protect the well-being of employees, communities, and the environment” (Heslin and Ochoa, 2008:126).

Foster and Meinhard (2002) conducted the research on CSR in the Canadian context: The new role of corporations in community involvement and social issues. They investigate “how social and political history may affect a corporation's perspective on CSR” (Foster and Meinhard, 2002: 13). They use three secondary data source to create a CSR profile for all the companies. They found that the CSR is influenced by company size and industry sector and social disclosure is related to social performance. They conclude that “on the issue of CSR, global, not national standards determine behaviour” (Foster and Meinhard, 2002: 13). They explain this by comparing Canadian and US companies. US is the most important market and Canadian companies must

“emulate US companies in all aspects of corporate behaviour and strategy, including CSR, in order to be successful” (Foster and Meinhard, 2002: 13).

Monaghan et al (2003:59) concluded their study in presenting their ideas as “Corporate Responsibility movement is failing to help companies adequately manage their economic footprint in poor and disadvantage communities”. Further they mention the emerging standards for CSR also do not guide the companies on economic development. The activities which have the greatest economic impact are identified by them. The research team have identified six business activities; facilities siting and management, employment, product and service development, use and delivery, sourcing and procurement, financial investments and fiscal contributions, philanthropy and community investments have greatest economic impacts. They studied the six company reports and looked at economic impacts (Monaghan et al., 2003). As they identified ‘siting of facilities’ in a community have significant impacts to the community; generation of income and local tax revenues, creation of employment etc. Levy (2006) states that social impacts of CSR as bottom-line outcomes. “A focus on bottom-line outcomes can be just as useful in quantifying social value” (Levy, 2006:9). Further, there are three ways to measure social value of a programme: effect on a social condition, its socio-economic impact or its market value. First one explains the effect of CSR programme on improving social conditions. The second one relates to the reducing costs or increasing revenues for society. He explains it in giving example “job training programs that increase the number of taxpayers increase societal revenues” (Levy, 2006:9).

In Bangladesh the practices of CSR is not satisfactory. “A focus on CSR in Bangladesh would be useful, not only for improving corporate governance, labor rights, work place safety, fair treatment of workers, community development and environment management, but also for industrialization and ensuring global market access”(Miyan, 2006:6). The socio-economic consequences such as creating employment, providing primary education, contribution to infrastructure development and addressing environmental concerns cause to develop community in Bangladesh as a developing country (Miyan, 2006). “In essence, CSR is positive rapport with the society” (Miyan, 2006:6).

CSR activities in developing countries depend on the socio-economic environment and they specifically aim at addressing the socio-economic issues of the country including poverty, education, infrastructure development, and health-care provision while developed countries pay their attention on green business, fair trade, climate change concerns, socially responsible investments etc. (Amaeshi et al., 2006 cited in Visser, n.d.).

Business firms in developing countries perceive CSR concept as a strategic tool for surviving the business. However, CSR activities in developing countries contribute to improve well-being of the people. Boon and Ababio (2009) study the impact of social responsibility in relation to the major mining companies in Ghana. According to them “Companies are increasingly recognizing that improving their own impacts and addressing wider social and environmental challenges of the communities they operate in will be crucial in securing their long-term success”(Boon and Ababio, 2009: 2).

Cushman, Wakefield Healey & Baker (2005:2) thinking on the socio-economic impacts of CSR is positive. They also pointed out “A company can increase its business by supporting the

community, through a programme of corporate community investment”. Further their discussion evolved to focus on the environmental impacts, socio-economic impacts.

Many scholars are concerned on the community development activities of CSR. Ismail (2009), in his article on corporate social responsibility and its role in community development, explains the role of CSR and impacts to the community such as closer ties and interdependencies between corporations and community, sharing the costs the society has to pay due to environmental degradation, transfer of technology from international companies to developing countries, environmental protection, poverty alleviation, human right advocacy, helping data gathering. He gives his perspective in internationally.

Drucker (1984 cited in Ubius and Alas, 2009) mentioned the importance of proper social responsibility towards society’s wealth by using the company resources for broad social ends. According to him “the proper social responsibility of business is to tame the dragon- to turn a social problem into an economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth” (Drucker, 1984 cited in Ubius and Alas, 2009:150).

The above literature demonstrates that CSR activities of a company can provide a number of social and economic benefits for both business and society.

3.5 CSR activities in Sri Lanka

Today the society looks to private sector activities for answers to many of their problems such as poverty, health and environmental issues. Similarly, the private companies “undertake certain responsibilities towards society independent of their business concerns” (Ariyabandu and Hulangamuwa, 2002). They point out that these CSR activities have indirect impact to the business. They argue it in giving example “there is a positive image of the company in the eye of the public and the employees’ morale is boosted, which in turn has a positive effect on the productivity of the company” (Ariyabandu and Hulangamuwa, 2002:10).

It is evident that in Sri Lanka many businesses have identified the importance of implementing CSR activities. Many companies in Sri Lanka have recognised CSR activities and their impacts as important factors for the company’s success. They are now concerned on reporting their business activities and their impacts to the society (Gunewardena, 2004). Fernando (2007) have done a comparative study about Tsunami related CSR activities of two leading Sri Lankan private sector organizations. In relation to that study he mentions that the “one significant challenge would be developing constructs and measurements to assess the moral goodness of the organization” (Fernando, 2007: 21).

Various forms of CSR activities are implemented in Sri Lanka by the private sector and they disclose these activities in their annual reports. “However, they are ad hoc and seen as purely optional initiatives” (Ariyabandu and Hulangamuwa, 2002:10). As they have stated, the private sector engages these activities to achieve the benefits such as boosting the morale of employees, enhancing the image of the company, maintaining good relationship with all sectors of the community, creating new relationships with the other stakeholders such as government, aid

agencies and other private sector companies, compensating for the negative aspects of a company's activities, taking tax exemptions and other concessions (Ariyabandu and Hulangamuwa, 2002:11). According to that, the main objective of the company in respect of these activities enhances their corporate reputation and gets competitive advantages. Levin (1982 cited in Foster and Meinhard, 2002:4) state that "disclosing CSR activities in Annual Reports has been characterized as a marketing tool".

However, in Sri Lanka we can see the various forms of CSR activities which take into consideration the environmental impact of company activities, business ethics and business practices. According to (Ariyabandu and Hulangamuwa, 2002) the main forms of CSR activities as follows:

1. Philanthropic and charitable activities
2. Environmental conservation
3. Public awareness
4. Corporate sponsorships

If we consider the manufacturing sector it plays a major role in the development of any country. In manufacturing sector, the negatives externalities are often high. Those negative externalities can often be seen in mining sector, steel manufacturing, rubber products, oil manufacturing etc. In 2004 a comprehensive survey was performed by an international NGO to study the perceptions and attitudes of CSR among Sri Lankan business organisations and the public (Fernando, 2007). 147 individuals were interviewed and 76.2% of the people were aware of the concept and while the others had never heard about it. 54.7% agreed to the argument that generating profit is the sole responsibility of the large scale businesses. However, this study indicated that "most of Sri Lankans do not have a clear understanding of the role they wish businesses to play in society" (International Alert, 2005 cited in Fernando, 2007: 6). The business community felt that "they have a strong role to play in addressing social needs, while there is a long history of charitable giving in Sri Lanka"(Fernando, 2007:5).

According to the survey, the business community also haven't a clear direction on their CSR strategy or policy. 73.2 % of the companies had a CSR policy, and 17% had a formal policy as written policies (International Alert, 2005 cited in Fernando, 2007). This study shows the reasons of implementing CSR by various organizations as a percentage. According to that, many companies (84.1%) wanted to contribute to 'the betterment of society'. Other reasons are building employee pride and commitment, publicity, satisfying other business and civil society, complying rules and regulations and as a part of company mission. Many CSR activities have been connected to education, others are connected to internal practices, religious activities, environmental concerns, health and infrastructure facilities. The International Alert study reveals that more than 50% of the companies have been involved in CSR for more than six years. Seven organisations have been involved in CSR for more than 30 years. (International Alert, 2005 cited in Fernando, 2007).

Most of the studies are based on economic impacts or economic performance of CSR. In a country like Sri Lanka, characterised by social inequalities there are many issues in their socio-economic condition.

3.6 Theoretical Framework

In this section, the analytical framework for the thesis will be discussed. This research regards performance of CSR activities related to Sri Lankan manufacturing companies, and aims at exploring and obtaining an understanding on the development, progression and involvement of manufacturing companies in CSR activities. According to the literature CSR activities have been defined under various domains.

- Community- charitable giving, support for education and support for housing
- Employees - health and safety, strong retirement benefit programmes, union relations
- Work place
- Environment – clean air programs, climate friendly policies
- Product
- Market

Under that, I analysis socio-economic impacts of CSR considering the above activities according to the six main sectors where CSR activities are implemented: community, environment, market place, product, employees and workplace. These activities affect to the socio-economic development of the country.

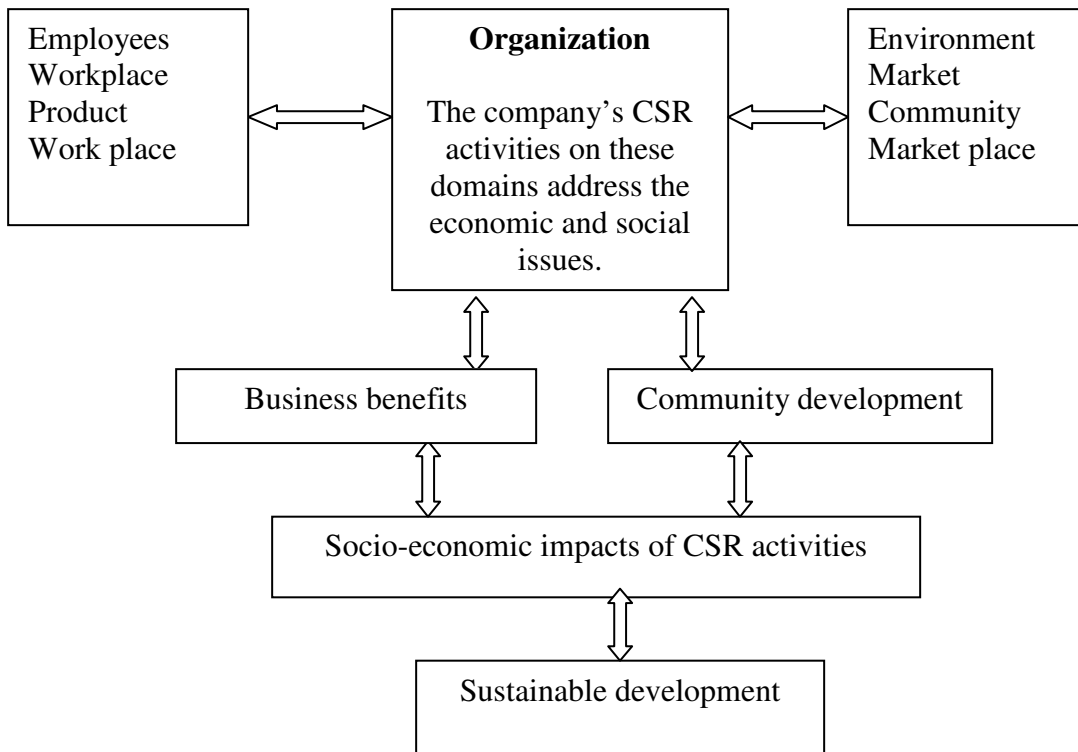


Figure 3: Conceptual framework

Source: Author

This diagram seeks to illustrate the CSR practices of particular company on various domains which identified. Further, it seeks how these CSR activities affect to the community development and business development as generating socio-economic impacts. Harischandra Mills PLC implements CSR activities in these identified domains in order to address social and economic issues. Employees, workplace and product are internal areas and environment, market and community are external areas. We can identify various activities which are directly or indirectly lie on CSR within these domains. The outcomes of the CSR activities are two fold. On the one hand a number of benefits are there for the society in terms of community development. It includes socio-economic impacts resulting from the CSR activities. On the other hand, CSR practices causes to generate business benefits as well. These are direct or indirect benefits to the company. Moreover, to be sustainable it must address the socio-economic issues of the company's externalities.

According to the literature, the CSR can make tremendous contributions in promoting social and economic activities in the society. Likewise, we can see that the socio-economic impacts of CSR can finally lead to upgrade the country's development. According to the World Business Council for Sustainable Development CSR is defined as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"(Chakravarty et al., 2006:21). According to that definition CSR relates to the social and economic impacts as well as business benefits. Finally, both these impacts relate with the sustainable development. The terms 'corporate social responsibility' and 'sustainability' take same place in recent years (Overland, 2007).

Chapter 4: Methodology

4.1 Research strategy

This chapter deals with two important aspects of the research, namely the data collection and data analysis. The research strategy can be qualitative quantitative or a combination. Many writers differentiate between the two strategies in terms of “the connection between theory and research, epistemological considerations, and ontological considerations” (Bryman, 2008:22). The quantitative is usually concerned with measurements and explanations, in other words it emphasizes quantification in the collection and analysis of data and testing of theories. It entails a deductive approach in order to test the theory (Bryman, 2008). It is common to describe quantitative research as concerned with the social reality as an external fact (*objectivism*). According to that social reality exists independent of human behaviour or separate from actors. If we are concerned with it in terms of epistemological position, i.e. how knowledge is generated, a quantitative methodology emphasizes the explanation of human behaviour (*positivism*) (Bryman, 2008). By contrast, qualitative research is usually concerned with interpreting words and behaviour rather than numbers. It entails an inductive view in terms of the relationship between theory and research as theory is generated by the out come of the research (Bryman, 2008). It emphasizes the ways of understanding and interpreting the social world by its participants (*interpretivism*) (Bryman, 2008). An ontological position describes qualitative research as *constructivism* implying that social phenomena and categories emerge as a result of people’s interactions as well as “it is in a constant state of change” rather than definitive (Bryman, 2008:19).

As will be presented in this chapter, I have chosen to use a mix method comprising both quantitative and qualitative elements. The objectives of this study are to scrutinize the socio-economic impacts of CSR practices employed by the Sri Lankan manufacturing companies; and who are benefited stakeholders by such CSR practices. Using a theoretical framework that is based on the literature, I will look at the CSR practices and socio-economic impacts applied by the company in a holistic manner, including the ideas of all parties that are involved in the company’s activities, directly or indirectly.

As qualitative research methods are flexible, I consider them appropriate and helpful for this study. It provides “rich descriptions of people and interaction in natural settings’ (Bryman, 2008:367). Therefore, qualitative research is the main strategy used in this study. The study mainly concerned with the perception of the various actors connected to the company such as ordinary people, employees and management. The study is primarily concerned with gaining and understanding of people’s perception. The quantitative method is used for collecting data and cross-checking the results obtained by basic techniques of quantitative method. It helps for interpreting relationship between variables and supporting to explain qualitative findings.

4.2 Research Design

A research design means all the issues involved in planning and executing a research. It represents the framework for collecting and analyzing data (Bryman, 2008). It represents “an overall view of the method chosen and the reason for that choice” (Saunders et al 2004:31). A case study design is research design that helps to conduct detailed and intensive analysis of a single case (Bryman, 2008). It is such a case study design that has been chosen for this study. It is used to study the socio-economic impacts of CSR practices and policies in a Sri Lankan manufacturing company, executed as an in-depth investigation of the perceptions, ideas of three groups of actors: ordinary people who are living around the site of the manufacturing company, employees, and the management. According to Bryman (2008:54) “the case is an object of interest in its own right and the researcher aims to provide an in-depth elucidation of it”. Accordingly, the researcher is concerned to explicate the “unique features of the case” (Bryman, 2008:54). By using a case study design in this study, it enables the researcher to examine the socio-economic impacts of CSR activities in manufacturing companies. It also investigates social interaction between company and the surrounding society.

Three stakeholders are involved for this study as this study looks at the socio-economic impacts of CSR activities of the company. The perceptions, ideas and their suggestions are comparatively analyzed in order to investigate overall socio-economic impact.

4.3 Sampling

In this study respondents are selected according to their relevance for this study. On that account, non-probability form of sampling is used to select respondents in a strategic way. I wanted to access a wide range of individuals relevant to the research questions, and study their different perspectives. Consequently, a purposive sampling method was used for interviewing. I made initial contact with key informants in the company. This included both the management and regular employees of the company. Using a snowball technique I obtained an overview of different people who were involved in the company as employees (management or non-management). The respondents from the management group are represented by the managers who are working closely or directly with CSR activities. It was considered to be more likely that these respondents could provide information that would lead to relevant answers to the research questions. I made initial contacts with management of the company, and then I used these to establish contact with employees, and also some respondents who are beneficiaries from the company’s CSR activities.

As a domestic manufacturing company Harischandra Mills PLC’s CSR activities are mainly spread out in the Southern Province. Southern Province comprises three districts namely; Galle, Matara and Hambantota. Among these three districts most of the CSR activities have been implemented in Matara district where the manufacturing company is situated. On the other hand, the company has a policy to recruit employees within a 5km distance from the company site. This implies that most of the employees are residents in the Matara district. In addition to that, considering time and cost constraints Matara district was more suitable area for selecting the sample of ordinary people. The negative externalities of manufacturing activities directly

influence to the people who are living around the company. Therefore, I selected the Matara urban area for selecting the sample of ordinary people.

Considering the company’s CSR activities and their impacts, the sample of ordinary people were selected from the Matara district. By using random sampling, people were interviewed on the basis of their relevance for a certain topic within this study. Two groups of people were selected. One group represents the people who are living around the company site (within 1 Km). The other group represents people who are living in Matara town area. The Harischandra Mills PLC is situated in the Matara urban area. Structured-questionnaires were used for both groups. About 200 families were subjected to first object i.e. the people are living around the company site. From this sample, 80 people were interviewed regarding how they experienced the impact of the company’s activities. The company’s manufacturing activities directly influence to the people who are living around the Company. As they are living in an urban area they also face various socio-economic problems; unemployment, waste disposal, health, pollution etc. The second group was selected because they have experiences with the company’s CSR activities. It was included another 80 people from Matara town area. The two groups of people from each category were picked randomly and I was able to interview people who belong to different socio-economic status groups.

The actual company to be studied was chosen from listed companies at the Stock Exchange. As I focus on domestic manufacturing companies, Harischandra Mills PLC is the only one registered company in Southern province. This is why this company was selected.

Table 6: Overview of sample

Method	Actor	Sample size
Semi-structured interviews/ open ended interviews	Directors	1
	Managers	4
Structured questioner	Executives	10
	Clerks	15
	Skilled workers (Lab assistants, machine operators, supervisors, driver)	15
	Non-skilled workers (Helper , labour , security guards)	20
Self-completion questioners	Ordinary people from Matara district	
	Matara town area	80
	Delkada and Rahula road (around the company)	80

Notes to table 1:

1) The selection of sample of ordinary people was a simple random sample. The 160 people were selected out of the total population in Matara district. Most of them are having jobs in private firms and government institutions. Others are business people and farmers. The sample consists with 84 men and 76 women. Further, this sample was divided into two groups according to the impact from the manufacturing activities.

2) Structured questionnaire and interview guide can be found in appendix 1. The interview guide was used mainly in English and sometime I had to translate it into Sinhala for low level management. Separate questionnaires were prepared for two groups; employees and ordinary people. They can also be found in appendix 1. Structured questionnaires were translated into Sinhala. In addition to the self-completion questioners I tried to make conversations with some people to gather further data as in-depth analysis was conducted. I was able to make conversation with 20 families.

3) There are six senior and functional managers; namely Chief Financial Officer (CFO), Commercial Manager (CM), Human Resource Manager (HRM), Quality Assurance Manager (QAM), Production Manager (PM) and Sales and Marketing Manager(SMM). Chief accountant, accountant, purchasing manager, factory managers, area managers, depot managers and sales and administration manager are included in managers and allied category.

4.4 Data Collection

The data collection was conducted over a period of 3 months from January to March 2010. In the first month, primary and secondary data collection were collected by interviewing management, studying company documents and observing production process. The remaining months were spent collecting data from employees and ordinary people who are living in the surrounding areas of where the manufacturing company is located. In the data collection, both qualitative and quantitative methods were included.

4.4.1 Interviews

Unstructured and semi-structured interviews have been employed as the interview process was flexible. The interviewees' views and opinions were important in explaining and understanding the CSR practices and their impact. Both types of interviews were conducted with respondents from the company. Semi-structured interviews were conducted with the help of an interview guide. However, the interviewees were free to answer in their own way without much interruption. This method was considered more applicable to the management level of the company as they have more expertise in various fields. According to this method, respondents were free to answer what the interviewees perceived as relevant and important regarding the topic.

The interview guide was important for making sure that all relevant areas would be covered when conducting the interviews. The interviewees' expert opinions and ideas were valuable to cover the aim of the research questions. When the interviewees responded outside the topic, I interfered by asking relevant questions. I used a tape recorder to record their ideas and perceptions which were important for the detailed analysis (Bryman, 2008). By using this method the interviewees' answers were captured in their own words without any losses. When taking notes it is possible that this happen (Bryman, 2008). Most of the interviews can be regarded as conversations and they provided valuable contextual information about the history of the Harischandra Mills PLC and the company's social responsibility practices. The interesting points that they made were followed up in the in-depth analysis. The respondents' views and perceptions on CSR were interesting, valuable and important as they were experienced by the company's CSR activities.

4.4.2 Participant observation

The idea behind participant observation is that the researcher actively engage in a specific social setting over some time to see various situations, events, etc as others see them (Bryman, 2008). The researcher act as a member of the social setting being studied (Bryman, 2008). It involves observing behaviour, listening to conversation, partaking by asking questions, and participating in various activities (Bryman, 2008). Participant observation was used in this study as a complementary data collection method. During the two weeks I spent for collecting data at the company, I observed employees' behaviour, their rights and status within the working environment, the company's attention on environmental consequences, and the quality of their products. Sometimes, workers were interviewed while they were working, when I had to support them by doing small activities. I observed how the management communicated and how they responded to workers' grievances. At that time I behaved as a company member by interacting with them. Moreover, I observed how the company's management interacted with their employees. I made several visits to see the production processes in order to gain knowledge about the various aspects of the company's operations. Informal conversations were held with employees to explore their ideas and opinions about their working environment. In this way, a lot of data were gathered in a natural setting, and it allowed employees to express their opinions and ideas rather freely.

4.4.3 Document analysis

“Documents are windows onto social and organizational realities” (Bryman, 2008:526). I mainly analyzed the company's annual reports and other internal documents related to CSR practices. As a Public Listed Company, an annual report includes CSR activities, financial data, investor information etc. In addition, documents that do not belong to the public domain, such as organizational charts, production procedures, market research information, and evaluations carried out by regulatory bodies, etc were collected and analyzed. “Such information can be very important for researches conducting case studies of organizations” (Bryman, 2008:522). However, this information should be evaluated according to the Scott's four criteria; authenticity, credibility, representativeness and meaning (Bryman, 2008).

The aim of applying this method was to obtain a base of knowledge and to study the company activities in-depth. It enabled me to identify possible areas to address as well as an understanding about the company's status regarding CSR activities. On the other hand, document analysis facilitates the understanding of the role and significance of subcultures within the company (Bryman, 2008). I was able to check whether these documents corresponded with the information collected through participant observation and interviews. I was able to access most of the relevant documents which provided the necessary information for this study. It was a time constraint for analyzing these documents thoroughly. All relevant documents with regards to CSR practices and financial data were gathered for analytical purposes.

Newspapers, magazines and other mass-media outputs were potential sources for obtaining data. The biography of Mr. Harischandra was used to collect the history of the company and the CSR practices at the initial stage of the company. It gave most of the historical data regarding the CSR.

4.4.4 Self-completion questionnaire

Self-completion questionnaires were used for collecting data from non-management and ordinary people. These questionnaires were designed considering the research questions and objectives. It enabled me to collect data from a large sample where it is difficult to apply interviews or direct conversation. That this is both cheap and quick were main factors of using this method. Self-completion questionnaire method has not interviewer effects and interviewer variability (Bryman, 2008). I used this method for two groups as it was convenient. In the company the non-management employees have clear targets and they have no time to waste. As they always try to cover their production targets, such questionnaire was a suitable method for collecting information from them.

A pilot survey was done before distributing the questionnaire to the ordinary people. Based on this some important adjustments were done, as it was revealed that some questions didn't give a clear understanding. In addition it was seen that the questionnaire was too long. Accordingly, some questions had to be changed in order to give a clearer understanding of what I wanted to find out. Two different questionnaires were used for ordinary people and for the non-management group. Both were presented in the Sinhala language. Sometimes, I had to fill the questionnaires by asking orally since some ordinary people had low literacy. There were several alternative answers for each question and they had to choose one. In this case questions were asked in a simple manner in order to make them understand them. Thus, the complete absence of interviewer effects could not be ensured. However, respondents answered after understanding the question well. Several open-ended questions also were included in the questionnaire to obtain more information for in-depth analysis.

4.5 Data recording

During the interviews with the management, I took notes as well as using a tape recorder. I could start writing when the respondents talked as not to interrupt the discussion. In addition to the management interview, I interviewed community people to obtain further data which were not covered through the self-completion questionnaire. I used to write down any additional information or reflections that I got through these discussions. After the interviews I listened to the recordings and went through the discussions again and captured what was important. It was very helpful in terms of remembering the information again lively.

4.6 Data analysis

An inductive approach is mainly used in the analysis of this study. In this study data has been collected for examining the socio-economic impacts of CSR. The theoretical framework helped me to organize the data. I identified common themes from the various sources of data to measure the socio-economic impacts of CSR activities. Although, most of the data is of a qualitative nature, I have chosen to do some simple calculations to give a better overview of some of the issues. In order to be able make use of the data from the questionnaires, the data was transformed into statistics. Using the SPSS statistical package for analyzing the information from questionnaires, I measured and interpreted ordinary peoples, and the employees' perceptions and ideas on the company's CSR activities. But perceptions and ideas can not be measured in terms of

numbers. In this study descriptive statistics and other statistical techniques have been used to give better overview.

4.7 Ethical consideration

In planning, conducting and reporting research findings, the researcher should fulfill several obligations in order to meet the codes of ethics. Codes of ethics in social research have been formulated by professional associations such as the British Sociological Association (BSA) and the Social Research Association (SRA).

During the research, before interviewing or submitting the questionnaires, I introduced myself and the topic. Moreover, I explained that the purpose of collecting data was to use it as material for a master thesis. Sometimes, respondents asked questions to clarify further, and I replied without any hesitation. I assured them that the data that I had collected was only for research purposes and that it would never affect their personal or professional affairs. Ordinary people in the community believed that they will benefit from outcomes of the thesis. I did my utmost to ensure anonymity and confidentiality.

4.8 Limitations and challenges

Conducting research on a domestic manufacturing company implied certain challenges with regards to interpretation of certain aspects. Sometimes, the interpretations would be affected to the company reputation. I had a commitment to ensure that the outcomes of the study would not affect the company's future. However, I attempted to convince the respondents that this study would not affect them negatively. Some employees in the low level hesitated to reveal important details in fear this would be a threat to their jobs. Therefore, I had to ensure them to trust me and have confidence in me in order to induce them to reveal the information that they had. Without building trust, they would avoid giving me important information. Moreover, I had to be sensitive to employees' problems and that this might have shaped their opinions to ensure the job security. When I distributed the questionnaires among ordinary people some people who are living around the company expressed their negative ideas. They didn't see any positive impacts of CSR or other activities of the company except for product quality. Finally, I understood that these people didn't give correct data due to personal problems related to the company. However, I had to spend more time to get their authentic answers regarding the company's CSR activities.

The other challenge was that respondents did not have any awareness of the CSR concept. When I was collecting data I had to explain the CSR concept. Some people had never heard about CSR. Therefore, I attempted to address the issue by considering their level of understanding of the concept in order to collect both negative and positive aspects of the company's CSR activities. I submitted my questionnaire in Sinhala language in order to communicate well.

“All research is constrained by time and resources” (Bryman, 2008:68). In my study, I also faced to these two constraints. Therefore, a thorough investigation of all ordinary people benefiting from the CSR activities was not possible. However, the selection of the ordinary people was carefully done to collect more relevant data. The two groups of ordinary people were selected considering all constraints.

Chapter 5: Findings and Analysis

This chapter presents the empirical findings and analysis of Harischandra Mills PLC's CSR practices and their socio-economic impacts. This chapter is divided into three main parts under the different headings. The first part deals with the Harischandra Mills PLC's CSR practices. It answers research question one and two by outlining 'what kind of CSR practices are performed by the Harischandra Mills PLC?' and 'why does the company engage in CSR practices?' The second part explores the perceptions of the management, the employees and ordinary people regarding the company's CSR practices and their socio-economic impacts. It answers to a combination of the third and fourth research questions. In this part, first part is combined to scrutinize the socio-economic impacts which are the discussion of the outcome of the CSR and how it leads to sustainable development. In the third part, it explores the main opportunities and barriers of the company for engaging in CSR activities.

5.1 Harischandra Mills PLC's CSR practices

The CSR practices of the Harischandra manufacturing company can be seen under the Carroll's (1991 cited in Branco and Rodrigues, 2007:10) four types of responsibilities:

1. Economic Responsibilities
2. Legal Responsibilities
3. Ethical Responsibilities
4. Philanthropic Responsibilities

The CSR activities that are implemented by the company comply with their corporate vision, mission and objectives, as well as they are formed by considering inside and outside stakeholders' pressures and the society's expectations. This section explores the empirical findings for why the Harischandra Mills PLC practices CSR activities and what kinds of practices are performed by the company. I have identified several factors to perform CSR activities according to the management views and the company's documents.

- Complying with organizational Vision, Mission and Objectives
- Stakeholders' pressure
- Negative consequences of manufacturing activities
- Business incentives

Figure 1 shows the reasons that I have identified in the company for engaging CSR activities. All these factors have identified as a result of discussions with the management, analyzing the company's documents and discussion with ordinary people and employees.

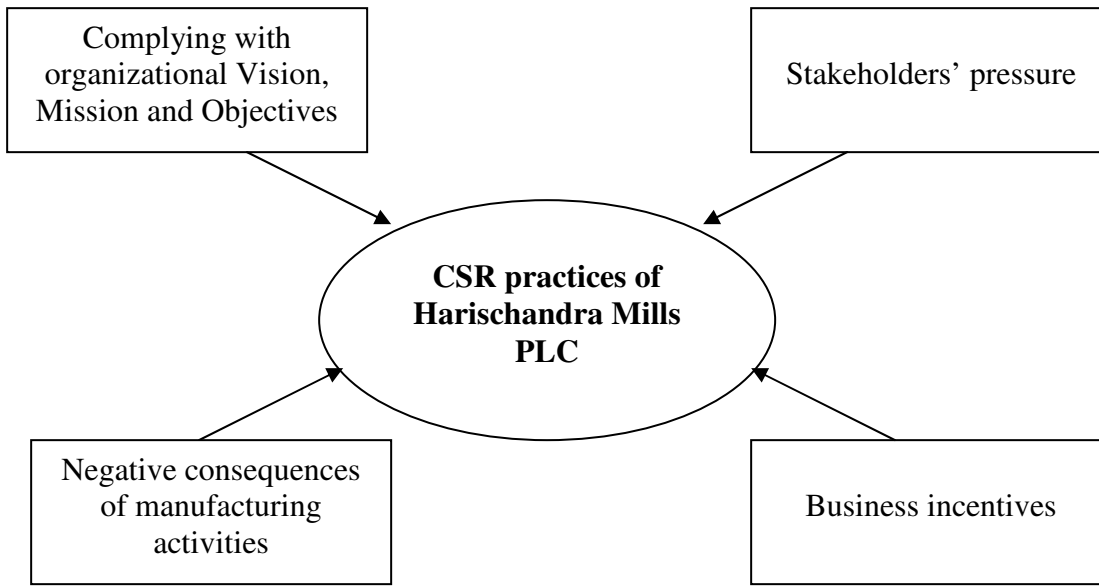


Figure 4: Reasons for engaging in CSR activities

Source: Author (Based on Harischandra Mills PLC documents and management interview)

5.1.1 Complying with the Organizational Vision, Mission and Objectives

The company's vision is "to enhance our heritage brand status and serve the nation" it emphasizes the concept of CSR. "Serve the nation" implies the company's responsibility to serve the nation in accordance with nation's expectations. To fulfill the nations' expectations, the company has to understand the social, economic situation in the country. The management said that the CSR is relevant for all the company's and it is an integral part of operating activities.

In the company's, as well as their objectives, the CSR commitment is emphasized toward their stakeholders. A clear and concise message comes through in the Harischandra company's mission, 'to provide the public with a variety of high quality foods and soaps' (Annual Report, 2008-2009). The company identifies their mission as to provision for high quality products. The vision, the mission and the objectives of the company emphasize the company's commitment to share their benefits with the society. The CSR covers a number of elements in the company's objectives. The company supports the local producers by buying their raw materials. Accordingly, the company has several things in their mind; making quality products, selling it for a profit, increasing returns to shareholders, providing maximum benefits for its employees and serve the nation. The first three goals are typically found in most product-oriented companies. The last two goals presents that the company's commitment to the society.

"The company has a heritage brand name. Quality products are our main theme in the business. All other goals can achieve through the providing quality products. As a profit oriented business second goal is important. If we are not running a profitable business, the company can't do any good for anyone" (...) However, in our vision and mission give a direction to do a socially responsible business" (HRM [interview]).

Therefore, CSR is an important penetrative concept to the company, corresponding to their vision, mission and objectives.

5.1.2 Stakeholders' pressure

Various stakeholders engage in the company with various expectations. The CSR concept has become an instrument for solving issues associated with the stakeholders. We can identify several stakeholders; shareholders, customers, employees, suppliers, community, regulatory bodies and government "as all are deemed to have a stake in a company's actions, not just the shareholders" (Illert, 2004:2). Shareholders are keen to know how their money is invested and what outputs from their investment are. As a public limited company the Harischandra Mills PLC publishes annual reports giving a broad insight of the company's annual financial and non-financial activities with comparing with the past two years. In addition, publishing an annual report is a fulfillment of legal requirement. Customers, employees and suppliers would like to know the financial strength of the company and the future of the company in order to deal it. In addition to that, the company has identified the value of credibility with suppliers and customers. They are eager to maintain good business relationship with them.

"The customers are the main value of the company. They expect quality products from the company and they trust our heritage brand. Therefore our main property is our brand name. We should not break their credence on us. (...) we provide good quality products to satisfy their needs. The company maintains quality control department and quality parameters to produce quality products (...) we pay suppliers on cash and they continually supply their material to us (.....) (CFO [interview]).

The company has received ISO 9000 in 2001 and ISO 9001 in 2008 for their products by fulfilling quality requirements. The government and other regulatory bodies keep their attention on the company's activities to see if whether they are harmful to the society or not. The Labour department is concerned on labour laws and workers' rights.

"(...) one representative of the Labour department comes annually and he examines all necessary requirements for labourers in the manufacturing premises. After considering the necessary factors such as security and safety condition, environmental condition, and working environment he issues the certificate to the company to do their manufacturing activities(.....) We got this certificate every year without any obstacles. Sometimes, the examiner told us to do some changes in our manufacturing area such as replacing machine to reduce the disturbing noise for the residents in this area (....) (HRM [interview]).

Inland Revenue department and provincial councils pressure the company to pay tax. The Harischandra company has to comply with the company laws and industry laws as it is a public quoted and manufacturing company. The Central Environmental Authority (CEA) also examines the environmental consequences of the company's manufacturing activities.

The community is another stakeholder who pressures the company to engage in CSR activities. They are affected by the positive as well as negative externalities of the company's manufacturing activities. Most of negative externalities are mainly concerning environment. Polluting environment (air pollution, water and sound pollution), releasing dust, making noisy etc

are the main issues of the residents who are living around the company. Therefore, the company has to respond to their complaints and adapts their manufacturing activities in a reasonable manner while minimizing environmental consequences. Considering all these requirements and expectations, it is believed that the company CSR practices comply with the company's goals, national laws, legislations and stakeholders' expectations.

5.1.3 Addressing negative consequences of manufacturing activities

There are various environmental challenges inherent in the manufacturing industry. The Harischandra Mills PLC also has these environmental challenges, and the company has the responsibility to reduce or mitigate these effects. Tension between the company and surrounding community arose in mid 2000s. The local people objected to the manufacturing activities of the company, arguing that they were harmfully affecting their lives. Two areas have identified with negative effects, one inside and one outside the company. The company did respond to reduce the inside impacts as they affected directly the employees. But, the externalities that occurred in outside of the company were difficult to reduce completely. During my data collection period at the company, I saw several issues regarding their manufacturing activities. This manufacturing company is situated in an urban area (See figure 1 page 10). Therefore, this is a populous area. There is no buffer zone between the residence area and the site of the company. There is a wall around the site of the company and the local people's houses were built attached to the wall surrounding the company. When the company started in 1953, the area was not a residential area. But presently, the area has become a populous area, consequently, the negative effects are now felt among the locals. Before building a house, people should get an approval from the Urban Development Authority (UDA). UDA checks whether the proposed house-site is situated at the approved distance. However, the people get such approval despite the law, and houses have been built closely to the company. As a result, the people who are living around the company have to face many environmental issues.

“(....) when the company starts to manufacture products the coffee and spices dust released by the factory to our house. We have to rewash the cloths in the cloth-line which were hung outside for drying because the dust emitted by the factory dirt them. We inhale this dust and now we have health problems. Most of our children are suffering wheeze and lung problems (....) On the other hand, the machines are clangorous. Look at our walls; they were damaged by the vibration (.....) the waste water released with impurities by the company it flows through drainage across our residences. We have complained to relevant parties to take necessary actions for that (....) (A respondent at Delkada road)

The company's impacts on the environment are mainly on air and water. The impacts on the communities are connected to health and safety, ethical issues and conflicts. One of the most visible impacts of the company is releasing dust to the air and making a nuisance when the company starts its operations. The big lorries pass several times a day and it generates a lot of noise and dust. Most of the people who are living at Delkanda road confirmed that the apparent impacts have a very negative effect on their lives.

Negative environmental effects also occur as a consequence of the using fuel for the grinding machines. There are emissions of green house gas (GHG) in terms of the carbon dioxide (CO₂),

Carbon monoxide (CO) and unburned hydro carbon particles. The company has already looked into these matters:

“The company tries to mitigate these CO₂ emissions and unburned hydro carbon particles. Mainly, CO₂ is released by the boiler house, bakery section and coffee roasting section (.....) unburned hydro carbon particles are harmful to release to the air. Therefore, the company installed the combustors to mitigate these effects (.....) (QC [interview]).

5.1.4 Business incentives

By implementing the CSR programme, the company expects to enhance their corporate reputation and competitive advantage within the industry as well as boost the morale of their employees, and maintaining a good relationship with all sectors of the community. The benefits of CSR are increasing in the industry level competition; we can see the market share of other firms comparatively less than the company. Good quality products, philanthropic activities and other CSR activities lead to keep a satisfactory market share. The four benefits mentioned above were identified according to the company’s management views and therefore, it is proved that the CSR concept creates benefits to the company. These four benefits directly contribute to the achievement of Harischandra Mills PLC’s vision, mission and corporate objectives finally to its overall goal.

The company has identified their stakeholders including the customers, shareholders, suppliers, business partners, government and regulatory bodies, and the local community. The company has a commitment to listen to the issues that are associated with the company’s business activities. The company maintains a good relationship with them through various information and communication strategies including meetings, impact assessments, considering grievances etc. The HRM manager emphasizes the importance of keeping this relationship:

“The company has a good reputation since 1943, the beginning of the company. (...) at that time Mr. Harischandra was not aware about the concept of CSR. But, there were evidences that he practiced CSR in the company. Since then, the company has well reputation on employees’ welfare facilities among the industry. The company has long history regarding CSR activities (.....). Mr. Harischandra is the pioneer for introducing Employees’ Provident Fund (EPF) in Sri Lanka in 1951. The government introduced this system in 1958” (HRM [interview]).

The company believes that practicing CSR activities gives them a good reputation as well as competitive advantages (The Management [interview]). People trust the company’s brand name through this good reputation, and it helps to access to markets. The competitive advantages take several forms according to the Managing Director (MD):

“(.....) the good reputation gives an easy access for marketing.. Now we have satisfactory market share in local further we hope to expand our market internationally. The reputation of the company helps to expand international markets easily in future” (....) (MD [interview]).

Effective CSR helps to differentiate this company from other companies. Even with number of competitors, the CSR lets a company to face this challenge. The CSR initiatives encourage the stakeholders to stay involved with the company. The company can build a customer loyalty

which gives a number of benefits, e.g. opening up new markets. Over the past years, the company has been able to expand their market share, thus increasing the company's turnover.

Table 7: The Company's turnover for last five years

Year	Turnover (Rs)
2004/2005	621,549,000
2005/2006	713,878,000
2006/2007	872,860,000
2007/2008	1,214,144,566
2008/2009	1,311,139,097

Source: Company annual reports

The company's employees have a good morale due to the CSR activities. Socially responsible firms can attract the employees and they are willing to receive less pay. The CSR initiatives help to keep committed and productive employees in the company (Heslin and Ochoa, 2008). When I discussed with the employees I have identified that most of the employees have a good morale and a high employee loyalty. They think the company belongs to them. Actually, some employees have ownership to the company by owning shares in it.

"(...) I never hope to give up this company. My father also worked here. I feel this company is ours. The company provides us many welfare facilities and career development programmes" (.....) (An employee)

However, the company faces many problems with their poor relationship to the people who are living around the company. Several problems were identified in this regard. The problem is a threat to the company by posing constraints to the company's operations which may lead to interruptions in the company operations.

5.1.5 The company's CSR practices

There is no specific framework or policies regarding CSR in the company. The company's social activities go back to the 1943. I have identified several bygone CSR activities by reading biography of Mr. Harischandra. The owner was not aware of CSR, as a concept. But, he had practiced various CSR activities on behalf of the company's employees and the community. At the initial stage of the company, Mr. Harischandra purchased the lands and distributed it among the employees in order to let them pay it in affordable installments. The employees had been settled near to the company as Mr. Harischandra wanted to get their service on time. He kept a good relationship with the company's employees by listening to their ideas, perceptions and grievances. All the employees were not reluctant to meet the owner. Being an employee of the company, not only the employee but also his family members have benefited from the company. Through this relationship the company was able to reduce security costs because the employees had a loyalty to protect the company. Even at present, we can see the same aspect of the employer-employee relationship in the company. An objective of starting the company was the usage of locally available raw materials. One of the reasons for the popularity of the Harischandra product is the use indigenous raw materials. In this process, Sri Lankan farmers and other raw material suppliers are able to find out the market for their products (Piyasena, 2005). Corporate

philanthropy and establishment of employee welfare can be seen since the initial stage of the company.

In addition to the above mentioned CSR activities, Mr.Harischandra is the pioneer in starting the co-operative hospital in Matara. In 1950s there was a monopoly regarding western-type medical facilities for instance the doctors didn't treat patients after 5 pm, neither in hospital nor in private practices. Most patients faced the problem of getting treatment after 5 pm. Therefore, the co-operative hospital was a solution for that monopoly. Since then the company CSR activities have changed gradually. Initially, the CSR activities were performed on a fully voluntary basis. Now it has changed as a result of both stakeholders' pressure and voluntary base activity. The company has a stronger pressure to engage in CSR. The present CSR practices can be seen in the following table.

Table 8: The summary of CSR activities of the company

Category	CSR activities
Philanthropic and charitable activities	Donations for religious activities, giving stationeries for Dharma schools (kind of Sundry schools), maintaining ward ten of General hospital in Matara, supporting schools' requirements, giving scholarships for poor students, donations for sanitation facilities, providing training facilities for University students(internship) etc.
Employees' benefits	Providing company products at low price, annual health camp, financial support for employees' education, providing university and educational scholarships, training programmes, distributing school books and equipments for employees' children, annual bonus, issuing shares to employees, annual trip, providing uniforms, marriage bonus, study leave, life insurance, basic amenities
Working environment	Transparency of decision making and communication (through measuring, accounting and reporting) safe and secure working environment, job security, clean working environment
Corporate sponsorship	Educational programmes, sports meets, government institutes' common programmes, health programmes,
Quality products	Establishing quality control department, following quality parameters, considering customers' complaints, buying good quality materials, using labour incentive production process
Engage with stakeholders	Maintaining a relationship with government and local authorities, ensuring timely payment of the dues for suppliers, payment of interest and dividend regularly for shareholders, transparency of the company operations etc.
Country of origin	Supporting to the local material suppliers and their businesses providing loan facilities, producing country of origin product
Environmental concerns	Compliance of the environmental regulations, mitigating environmental impacts
Economic and legal responsibilities	Providing jobs, support to local manufacturers and local material suppliers, contributing to National GDP, complying with relevant laws, rules and regulations, paying taxes

Source: Fieldwork returns (Management interview)

The company CSR activities mainly focus on the employees of the company. The World Bank defines CSR as “ the commitment of business to contribute to sustainable economic development working with employees, their families, the local community, and society to improve their quality of life, in ways that are both good for business and good for development” (World Bank Group, 2003:1). The company CSR activities represent this definition by focusing mostly on the employees and their families. This was confirmed by the Human Resource Manager (HRM) of the company.

“(....) the company first tries to upgrade employees’ social and economic condition. They can’t do their role efficiently, if they have problems. That is why the large portion of the company’s CSR expenditure is employees’ welfare. We always try to keep better working environment for them in the manufacturing premises. They do not try to form labour union because they can solve their problems with top management. There is no discrimination according to their job status” (.....) (HRM [interview]).

Managerial development as a productivity initiative also contributes to the CSR programme. The company implements various programmes to develop management skills. Most members of the management group have completed post graduate education with support from the company.

Harischandra Mills PLC is ranked under ‘the large tax unit category’ by the Inland Revenue Department. The company is also among the top ten tax payers in Sri Lanka. The management emphasizes that any company has a tax liability and it should be paid without fraud or delay. The company doesn’t expect tax exemptions by implementing CSR. The tax liability of the company is as follows:

Table 9: Tax liability of the company

Tax category	2007/2008	2008/2009
Corporate Tax	34,558,436	45,608,668
Social Responsibility Levy	345,584	684,130
Value Added Tax	129, 134,490	135,806,066
Stamp Duty	127,857	87,705
Debit Tax	1,650,281	1,890,016
National Building Tax	*	1,587,915
Business Turnover Tax	11,978,146	12,894,322

Source: company data

* National Building Tax (NBT) was implemented from 2008.

Carroll’s four part pyramid is useful to look at how CSR is manifested in the company.

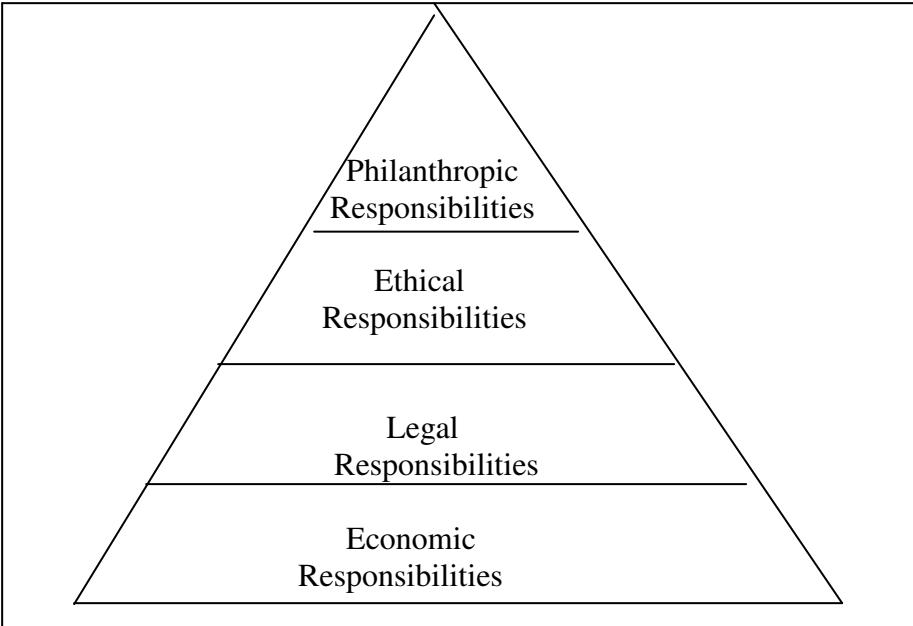


Figure 5: Carroll’s pyramid of CSR
 Source: Carroll (1991 cited in Branco and Rodrigues, 2007)

When adopting Carroll’s CSR pyramid for the Harischandra Mills PLC (see figure below), the order of four categories is changed according to the CSR practices of the company. The company economic responsibilities get the first priority and philanthropic responsibilities take the second priority. Legal and ethical responsibilities are given third and fourth priority respectively.

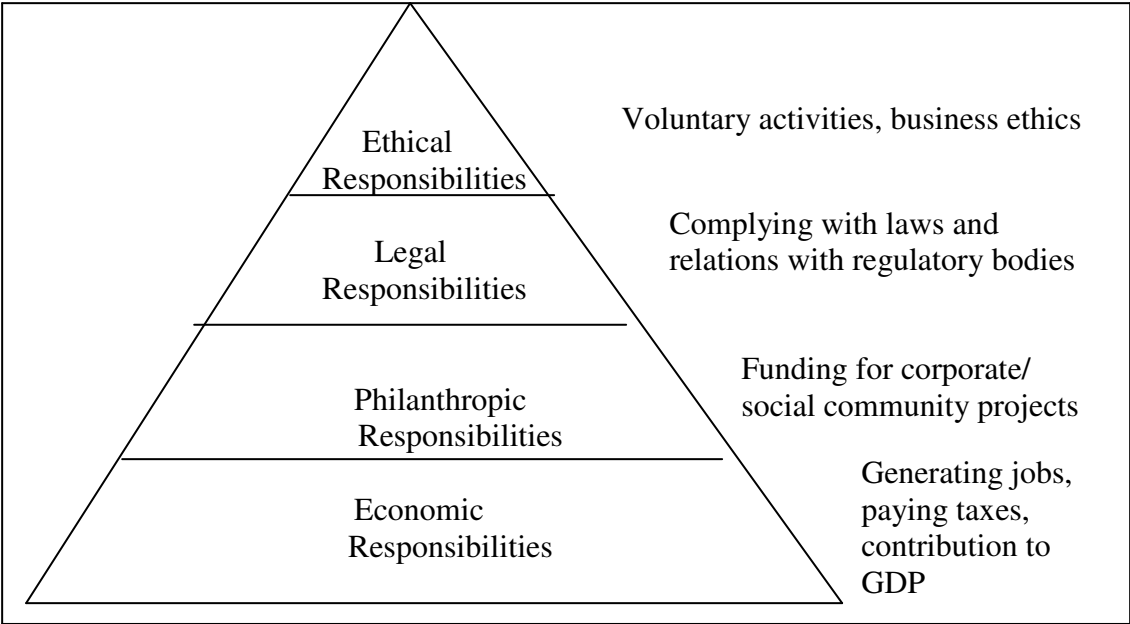


Figure 6: Carroll’s pyramid of CSR for the company

5.2 Management perceptions on CSR practices and their socio-economic impacts

5.2.1 Management perceptions on CSR practices

The interviewed management team includes one of the Managing Directors (MDs) and four managers representing various functions of the company, namely the Chief Finance Officer (CFO), Human Resource Manager (HRM), Quality Assurance Manager (QAM) and the Factory Manager (FM). As having a long history of social responsibility the company management is concerned with all impacts of the manufacturing activities, and also with the stakeholders. The interview guide (See appendix 1) was supported to collect relevant information. The management group’s perceptions of CSR vary with their individual role, but there is a considerable common ground between them. The corporate vision, mission and objectives are addressed by them all. When performing CSR activities the two challenges to meet is to understand the stakeholders’ expectations, and to implement activities to address these expectations. Various stakeholders have various expectations to be fulfilled by the company. The company can not operate independently of the society. Improving operational effectiveness creates short-term economic advantage, increasing profit and firm value. But, the CSR produces a sustainable competitive advantage and company reputation. It captures consumers as well as employees’ loyalty and trust. Through the CSR practices the company has been able to increase sales and profit, employee satisfaction and attraction to investors. The perceptions of the management towards CSR can be summarized as follows.

Table 10: The perceptions of the management regarding CSR of the company

Managing Director	Producing good quality product with reasonable price to meet higher customer satisfaction and employees welfare
Chief Financial Officer	Acting as a good corporate citizen in which the company operates , evolving social concerns of stakeholders, mitigating existing and anticipated negative externalities of business activities
Human Resource Manager	Producing good quality products, improving employees’ welfare and maximizing the long-run beneficial impact of the firm as well as on the society through green business
Quality Assurance Manager	Serve the nation by producing good quality products
Factory Manager	Taking the responsibilities to satisfy multiple stakeholders’ interest of the company

Source: Fieldwork Returns (Management interview)

The MD emphasized that the company’s main social responsibility is to produce good quality product for a reasonable price, to meet higher customer satisfaction, and to distribute the benefits within the society. He emphasized the importance of socially responsible investments. The HRM manager is responsible for all employees’ related activities. He emphasized that large portion of the company’s CSR expenditure is distributed to the employees’ welfare. The CFO is mainly

concerned with society's benefits, the interest of the multiple stakeholders, and the environment. When I discussed with the QAM regarding the CSR practices, his main concern was to produce good quality products. By providing good quality products to the society, he believes that the company performs the most important role of CSR. Considering customer complaints about the products and testing the products with quality parameters regularly, the company is able to keep their trade name at the top of house hold products in Sri Lanka. FM emphasizes that the importance of satisfying the stakeholders of the company. When satisfying the stakeholders of the company it can be regarded as CSR because the company has to contribute to community well-being and environmental sustainability. However, the management of the company agrees that the best way to accomplish CSR would be through establishing sound employees' welfare policies and producing good quality products.

Considering the above perceptions of the management, their understanding of CSR can be summarized in the concept of the 'triple bottom line'. Elkington (1997 cited in Adams et al., 2004) offers a mechanism to contemporary corporations for thinking about the three bottom lines; economic prosperity, environmental quality and social equity. Normally, any company is concerned mainly with the financial bottom line, but there are two other bottom lines that should be considered, namely the social and the environmental bottom line.

5.2.2 Perceptions and views of the management regarding socio-economic issues

The view of the company management regarding the socio-economic issues in the Matara district can be categorized according to their significance. The company prioritizes the socio-economic issues which they have identified as follows:

1. Unemployment
2. Health
3. Rapid urbanization (increasing slum areas, waste disposal problems, sanitation etc.)
4. Pollution (Air, water and sound)
5. Education
6. Infrastructure (roads, electricity, drainage system etc.)
7. Poverty

According to the management's view, the socio-economic issues can be discussed under the above areas. The unemployment rate in Southern province is higher than the other provinces of the country. It is recorded as 11% in Matara district (Somayajulu et al., 2005). Most of the unemployed are youth. According to the view of the management, the reason for this problem is educational issues. Education is a key factor in sustainable development of a country. In Sri Lanka most of school students leave early because of poverty. Though the literacy rate is high in Sri Lanka comparing to the rest of the South Asian region, there is a high drop-out rate at primary and secondary levels. With a low level of educational qualification, the drop-outs can not get the professional jobs (HRM [interview]). On the other hand, there is a mismatch between the jobs desired and the jobs available for educated persons. Therefore, the country suffers from high unemployment among the educated youth. Youth unrest can be seen every where. The management's view on unemployment was confirmed after discussing with ordinary people in the area. Accordingly, unemployment, education and poverty are interlinked. Urbanization is

another factor that creates many socio-economic problems in Matara district. Rapid urbanization creates the problems related to residence, sanitation and other socio-economic issues.

Pollution can be seen in three various ways; air, water and sound. Most of the administrative offices and the industries are situated in Matara town. Vehicle emissions and air pollution by the manufacturing companies are the main factors for releasing CO₂ and other harmful gases. Sound pollution (noise) can be experienced in the town area. Urbanization and manufacturing activities cause an increase in water pollution in the district. The roads are not in a good condition except for the main roads. Most parts of town areas are flooded during heavy rainy days due to the poor drainage. Most people in the slum areas suffer from poverty. The Poverty Head Count Index indicates that the population below poverty line is 15.2 % in Sri Lanka (Microfinance Industry Report, 2009). National Poverty line is Rs 2,233. In Matara district, 176, 021 are in below the poverty line (27%) (Department of Census and Statistics, 2005). Therefore, local people have many socio-economic and environmental issues that should be solved.

5.2.3 The impacts of the company's CSR activities for the socio-economic issues and the company's value

As stated by the management, the company's CSR activities address socio-economic issues in the area where the company operates. The company management believes that their CSR activities generate a favorable climate for their manufacturing activities, and that achieving their corporate mission and objectives will benefit the company. The more the CSR practices are integrated in business activities, the greater will be the business benefits. The principle CSR activities of the company are looked upon as the most important socio-economic issue for the society. They provide positive impacts on the community. However, it is a challenge how to run their manufacturing activities in a responsible manner. Finally, by benefiting the community the company makes a contribution to sustainable development.

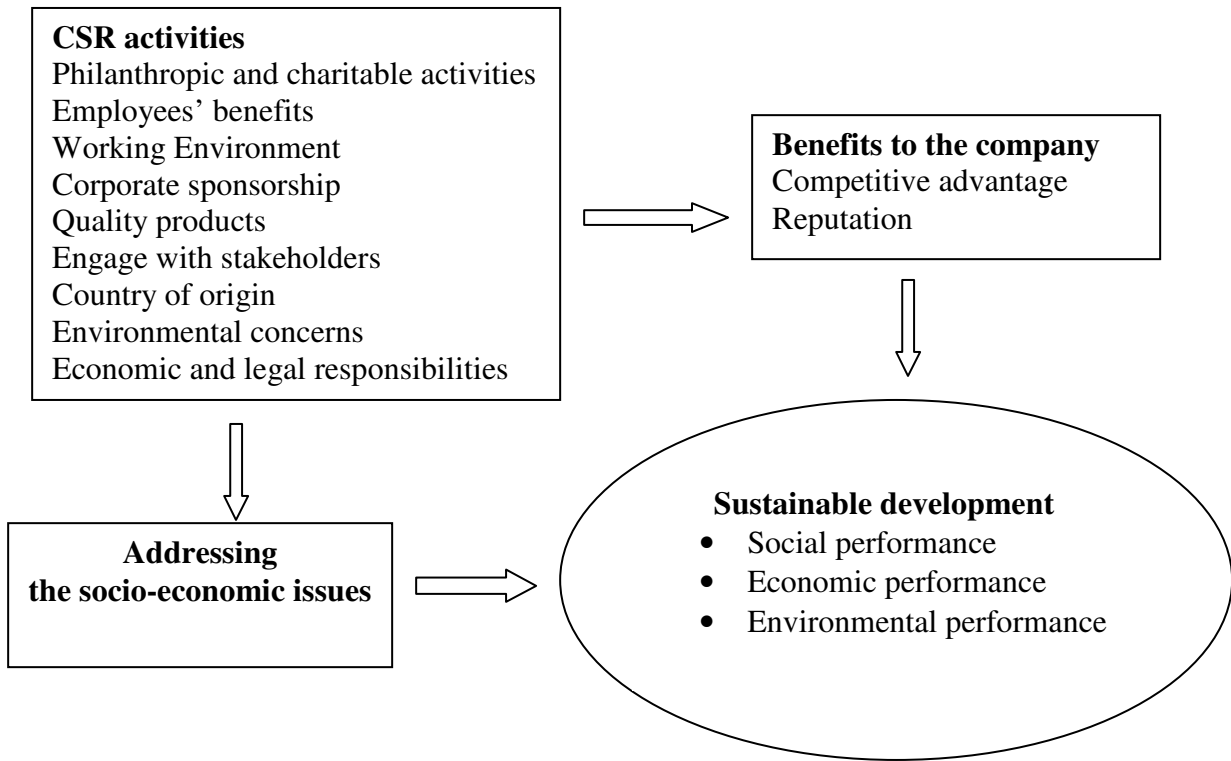


Figure 7: The management view of socio-economic impacts of CSR activities

Source: This figure is based on the information of the management of Harischandra Mills PLC

The diagram demonstrates that by implementing CSR activities, the company can achieve two outcomes directly that will contribute to the sustainable development i.e. socio economic and company benefits. By securing the company’s reputation and its competitive advantages, the company has been able to stay in the position as a leader of household products. Through these benefits, the company has been able to improve the company image and strengthen its brands. The CSR activities has caused to a build up of the relationship between the business and the community in which it operates. This is potentially important for the company because it increases their ‘license to operate’.

5.3 Employees’ perceptions on CSR practices and their socio-economic impacts

The perceptions and views of the employees regarding CSR and their socio-economic impacts were gathered from the structured questionnaire (See appendix 1) and the discussion with them. Some important information regarding CSR was gathered through the dialogue with the employees. Through this process, the researcher expected to study the employees’ views of the company’s CSR activities in various domains such as employee benefits, working environment, safety and security, skill development, product quality and environment. According to the conceptual frame work of the study, employees are the one domain where CSR activities have

been implemented. The sample for this study consisted of 60 employees with the following gender participation:

Table 11: Gender participation of the non-management sample

Gender	Frequency	Percent
Female	31	51.7
Male	29	48.3
Total	60	100.0

Source: Fieldwork returns (employees' questionnaire)

The company is not concerned with the gender issue when performing their CSR activities at the operational level. Regarding the strategic level however, a gender imbalance can be seen. There is no policy for the company to recruit women for the management level. The management revealed that female employees tend to be concentrated in middle level positions. This situation indicates the necessity of having gender equality policy in order to capitalize on the talents of the women in the workforce.

Table 12: Gender participation at the strategic level

Designation	Male	Female	Total
Directors	04	02	06
Manager	19	02	21

Source: fieldwork returns (employees' questionnaire)

The above table indicates the total gender participation at the strategic level. As depicted by the above tables, it is revealed that there is gender gap in the work force at the strategic level.

Table 13: Age and period of service

Age	Period of service					Total
	Less than 1	1-5	5-10	10-20	More than 20	
18-24	2	6	0	0	0	8
25-34	1	6	5	3	0	15
35-54	1	6	6	10	12	35
55-64	0	0	0	0	2	2
Total	4	18	11	13	14	60

Source: Fieldwork returns (employees' questionnaire)

The table demonstrates that most of the employees are in 35-54 age group range. The workforce consists mainly of experienced employees. This is further confirmed by the period of service for the each age group. The employees' experiences, educational level and other skills are important for an efficient workforce. It is depicted by the following table outlining the educational qualifications of non-management employees.

Table 14: Educational level of the non-management

Education level	Frequency	Percent
Primary	1	1.7
GCE O/L	22	36.7
GCE A/L	29	48.3
Diploma	3	5.0
Graduate	5	8.3
Total	60	100.0

Source: Fieldwork returns (employees' questionnaire)

Most of the non-management employees (85%) have GCE O/L and GCE A/L qualifications. This indicates that most of them needed continual education and training to increase productivity, innovation, and quality of work. More skillful and committed employees at all levels will increase the company's productivity and reputation.

The employees' perceptions and their views are important and an integrated part of the CSR of any corporate body. In this perspective, the following factors should be considered as a part of CSR. The criteria of job satisfaction of employees indicate the level of satisfaction of being an employee of the company. The mean value of the job satisfaction 3.2 (see table 15) indicates a neutral view regarding the job and job related benefits.

Table 15: The mean values of the different activities

Activity	Mean value
Job satisfaction	3.2
Safety and security condition of the work environment	3.87
Transparency	3.5
Physical and mental health	3.85
Job stress	3.33
Discrimination on the job	3.5
Energy savings	3.72
Participation to high quality production process	4.28

Source: Fieldwork returns (employees' questionnaire)

When discussing with the employees it was revealed that their salaries are not up to a satisfactory level comparing with other companies in the sector.

"We have several welfare benefits. But salary is not enough to improve our living condition" (an employee).

The other non-management employees had similar opinions on this issue. They are more concerned with the salary than other benefits when they were answering this question. The management view on this regard was as follows:

“Actually we are more concerned on the employees’ welfare benefits than their salary. The company believes that by providing welfare facilities and other benefits, their living condition can be gradually improved. Some of employees can not understand what we do on behalf of them” (HRM [interview]).

Further, the HRM explained the reasons for implementing such a strong and attractive welfare programme in the company. The company has one of the largest Employee Provident Funds in Sri Lanka. The monthly subscription to the fund is 30% of the salary, contributed with 15% by the company and 15% by the employee. The employees can get loans by using this fund. The employees agreed that they have many welfare benefits from the company comparing with other firms. However, it is any company’s responsibility to pay fair wages for their employees.

There are outstanding safety and security conditions in the work environment of the company. This is further confirmed by the mean value of 3.87 (see table 15) regarding safety and security conditions. The company complies with the standards of factory ordinance in Sri Lanka. Annually, the company is audited by the district factory inspection engineer. He checks whether the company takes the necessary safety and security steps to protect employees from harmful incidents that can take place during the manufacturing process.

Table 16: Responses for job satisfaction, safety and security condition and transparency of decision making

Satisfaction level	Job satisfaction		Safety and security		Transparency	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly dissatisfied	2	3.3	0	0	1	1.7
Dissatisfied	8	13.3	4	6.7	5	8.3
Moderate	31	51.7	14	23.3	25	41.7
Satisfied	14	23.3	28	46.7	21	35.0
Strongly satisfied	5	8.3	14	23.3	8	13.3
Total	60	100.0	60	100.00	60	100.0

Source: Fieldwork returns (employees’ questionnaire)

70% of the employees are satisfied with the safety and security conditions of the company (see table 16). The safety and security conditions of the work environment is an important factor in any manufacturing company since there is a high possibility for accidents for workers are operating machinery. The company has a responsibility to protect their employees.

“From 2001 to up to now two critical incidents and five normal incidents have been recorded in our company. The critical incidents mean two employees have lost one of their fingers. The company compensated them and claimed all medical expenses” (HRM [interview]).

In accordance with the Workman Compensation Act, for an employee who is hospitalized more than 3 days, the company has to pay a compensation which is decided by the labour department. In addition, the employees of the company have an insurance which covers Rs.500, 000.

Transparency of decision making and communication from top management to operational level is important factor for the employees' moral. Transparency refers to "being completely open and honest in everything you do" (Jones, 2005:5). The employees are extremely interested to know what the company does. Transparency can be helpful to make employees feel more positive about the company. Accordingly, monthly meetings are held to inform about the decisions that have been made on behalf of the company. Transparency is one of the Harischandra Mills PLC's core values. The mean value of respondents' answers for transparency is 3.5 (see table 15). It indicates the employees' satisfaction with the transparency of decision making and communication within the company. However, the majority of employees are neutral in their answers on this issue. 25 respondents (see table 16) have a moderate interest on this question.

Regarding the company's concern on workers rights and the protecting of their rights 91.7% employees agree with that policy. They believe that the company protects and comply with labour rights. The following figure indicates the employees' responses when they were asked about the way the company protected their labour rights.

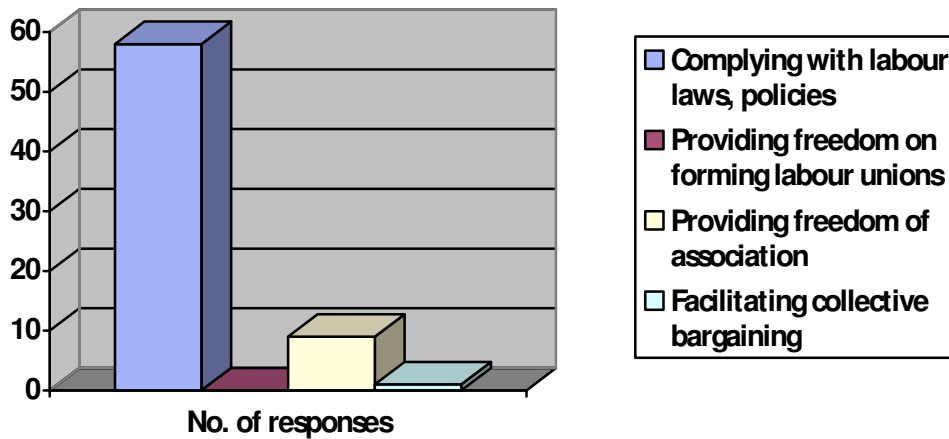


Figure 8: The Company's concern on workers' rights

Source: Fieldwork returns (employees' questionnaire)

Mental and physical health of the workers is important to the company for improving productivity. In addition it is a social value in the community. The stress in the work place sometimes affects the other family members when the employee is at home. When questioned about only job stress the employees were neutral. Although, the company's concern on physical and mental health of the employees, it is not always successful. This was confirmed by the employees who were interviewed.

Table 17: Responses for physical and mental health, job stress and job discrimination

	Physical and mental health		Job stress		Job discrimination	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	1	1.7	3	5.0	1	1.7
Disagree	2	3.3	6	10.0	7	11.7
Moderate	18	30.0	25	41.7	22	36.7
Agree	23	38.3	20	33.3	21	35.0
Strongly agree	16	26.7	6	10.0	9	15.0
Total	60	100.0	60	100.0	60	100.0

Source: Fieldwork returns (employees' questionnaire)

When the employees were questioned about the company's support to their physical and mental health, the majority agreed with the company's policy. This is confirmed by the mean value 3.85 (see table 15) which is near to the 'agree'. 65% of employees answered 'agree' or 'strongly agree' with this question.

“The company arranges an annual medical camp for us and we appreciate it. But some times, the working environment affects our mental health. I have job stress when I am working there. Because always we have targets and we should cover it. In addition to that, when we are at home, we have many economic and social problems to solve. So, we have to work under these situations that create job stress” (An employee).

This is confirmed by the answers of other employees that indicate that 41.7% of the employees (see table 17) have neutral view on this matter.

Discrimination is another factor which should be considered by a company. It is possible in terms of the status of the employment, age, gender etc. If the company's working environment is formed by a top-to-bottom hierarchy, it can lead to discrimination of the workers in terms of their job-status. This can again lead to a lot of self-doubt and thus reduce the confidence of the employees. The company management can reduce job discrimination through various activities. Harischandra Mills PLC practices equal opportunities for all employees. As an example, the company provides the same uniform for all levels of employees, from top to bottom. In addition to that, all welfare benefits can be obtained equally by all. However, the salary, fuel allowances etc are varying with the position. The non-management employees said that there is a significant wage gap between management and them, but they do not feel that they are not discriminated by the company in respect to their employment and occupation. This is confirmed by the 3.9 (see table 15) mean value of that question.

The opportunities that are provided by the company for developing employees' skills should be given equally. 80% of the employees agreed that the company has provided opportunities for developing their skills but 20% of the employees answered 'No'. Analyzing the answers most of the 'no' answers were provided by the operational level employees. When discussing this issue with the employees, they confirmed that they get less opportunity than top the management. Even though have some opportunities to develop skills most opportunities are provided to the

management and executive level employees. The responses are as follows according to the job status.

Table 18: Employee’s responses under the various categories for developing skills

Job status	Yes	No	Total
Executive	10	0	10
Clerk and allied	12	3	15
Skilled workers	11	4	15
Non-skilled workers	15	5	20
Total	48	12	60

Source: Fieldwork returns (employees’ questionnaire)

The company provided several opportunities for developing the employees’ skills. The following graph illustrates the responses of the employees towards the way that the company provides opportunities to develop skills. Some respondents have selected several ways among the given opportunities.

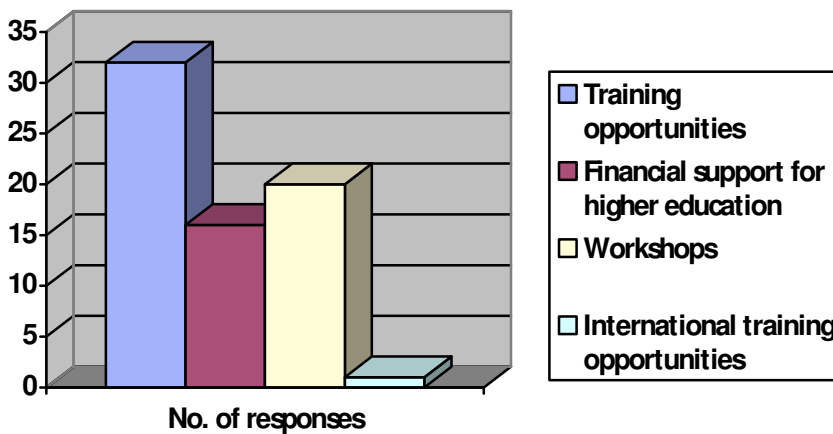


Figure 9: Employees perceptions on the company’s skill development opportunities

Source: Fieldwork returns (employees’ questionnaire)

53 percent of the respondents stated that the company has developed their skills by providing training opportunities. But foreign training opportunities are less for the employees, as depicted by the graph.

When the employees were about the main benefits they receive by being an employee of the company, ‘welfare activities’ were the main benefit, stated by 29 respondents. 10 respondents mentioned ‘job satisfaction with reasonable salary while 9 and 8 answered family-friendly workplace and high job security respectively. 16 respondents have stated that all these benefits they receive by being an employee of the company.

Table 19: The main benefits received by being an employee of the company

Benefits	No. of responses
High job security	8
Job satisfaction with reasonable salary	10
Career development (training, higher education)	5
Working in a family-friendly workplace	9
Provision of labour welfare activities	29
Above all	16

Source: Fieldwork returns (employees' questionnaire)

By these responses it is confirmed that the welfare activities in the Harischandra Mills PLC plays a major role among CSR activities compared with other activities. In addition to that, as management did emphasize, a large number of employees own shares in the company i.e. 40% of total shares were owned by the company's employees. In the selected sample there are 8 (13.3%) of the employees owning shares.

By issuing the shares to employees, the company expects to build the feeling of ownership among the employees. Likewise, 40% of shares were issued to the employees by the company.

The availability of awareness programmes and activities regarding the CSR policy and activities in the company is moderate. This is confirmed by the employees' responses. 34(54.7%) employees agreed to the implementation of the awareness programmes. As they see it the company's main CSR activities is philanthropic and charitable activities. Other important CSR activities reported by the employees are corporate sponsorships, employee welfare and quality products. It can be illustrated as follows.

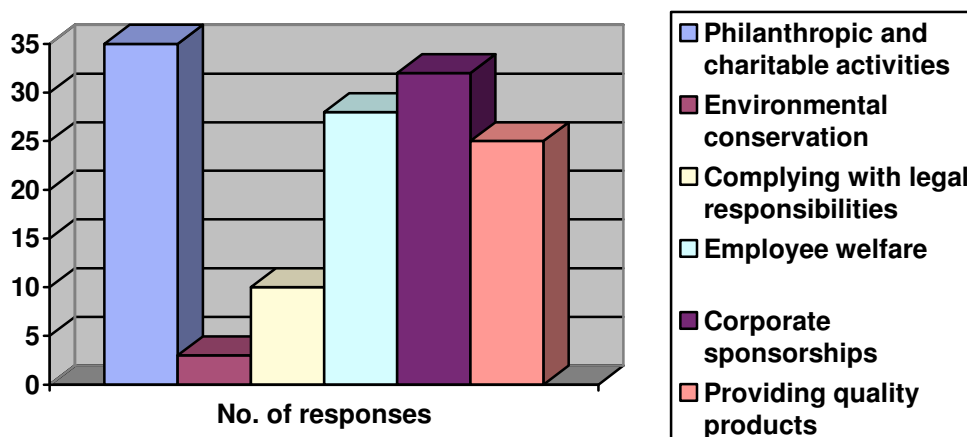


Figure 10: Harischandra Mills PLC's main CSR activities

Source: Fieldwork returns (employees' questionnaire)

This graph shows what the main CSR activities are as perceived by the employees. Environmental conservation takes low value according to the responses. This is a considerable factor when the company's CSR activities are analyzed. As a manufacturing company they have several negative environmental externalities and they should be concerned on environmental conservation to mitigate these impacts. Even though the environmental impacts can be visible or not the company has an ethical responsibility to engage in conservation programmes to protect the environment. The company has a key role to play in identifying and implementing remedial actions to cover the negative implications of their operations. The World Commission on Environmental and Development Report (Brundtland Report) has emphasized the importance of bringing environmental concerns of the corporations into their own strategic decision-making (Mazurkiewicz, n.d.). The Environmental Strategy of the World Bank mentions that the private sector is a decisive factor which influences on "environmental performance and long-term environmental sustainability" (WB, 2002 cited in Mazurkiewicz, n.d.:7). Environmental responsibility is identified as the duty to cover implications of all operational activities of the company, maximize the efficiency and productivity of its resources and "minimize practices that might adversely affect the enjoyment of the country's resources by future generations" (Mazurkiewicz, n.d.: 7).

When asked what social issue that concerned them the most in this area, the employees responded that unemployment is the most important (responded 48 employees). Some respondents have identified more than one issue, and 38 respondents have selected all issues that were given. Accordingly, the main socio-economic problems, as perceived by the employees, are unemployment and poverty. When considering the contribution of the company's CSR activities to solve the social, economical and environmental issues, the main effects are on the social and economic situations. No responses mentioned on environmental impacts of CSR. This indicates that the company's environmental concern is weak and should be increased.

The company's promotion of employees to engage in volunteer activities was answered positively by 21 responses while 20 responses were moderate and 19 responses negative. When discussing with some employees I have identified that they are keen to engage in CSR activities, but the working environment does not support them. The awareness programmes for all level of company employees are needed to improve their willingness to engage in the CSR policy. This may give many benefits to the company as for instance, maximizing the efficiency and productivity of its resources, and increasing the company's reputation.

The CSR activities of the company should be adopted in order to manage resources, especially energy as scarce resource. The company's great attention to save energy is noticeable. This is proven by the 3.72 mean value of the company's concern on energy savings (see table 15). 37 employees agreed to the energy savings of the company.

The employees' views of the quality of the company products are highly positive. This is confirmed by 4.28 as the mean value (see table 15) and 54 of employees agreed that they have the opportunity to participate to produce high quality products. It implies that company's concerns on producing good quality products to the society as part of the company's responsibility is highly appreciated.

Table 20: The benefits adhere by the society of using company products

Benefit	No. of responses
High Quality	60
Reasonable price	38
Easy accessibility	30

Source: Fieldwork returns (employees' questionnaire)

It is the employees' view that the society is benefited in terms of being supplied with good quality products. This is confirmed by all 60 employees, that is 100% of them. Further, 36 of employees highlighted reasonable price of the products, and 27 mentioned the easy accessibility of products.

5.4 Ordinary people's perceptions on CSR practices and their socio-economic impacts

The ordinary people living in the community surrounding the company can be considered an important stakeholder in regarding the company's affairs. Studying the public perceptions of CSR activities, provides important information of practical value. Ordinary people take an outstanding interest in the activities of the company by seeking what the company has actually done in terms of products, CSR activities, etc. and their impacts on the environment and the local community. Moreover, they are concerned with on how the company treats and develops its workforce and about the development of the country. The impression of the community regarding CSR indicates what they expect from the business sector. They outlined the role of the companies to include such issues as "addressing socio-economic problems of society", "protecting the environment" and "the awareness of the people, their needs and rights".

This study focused on residents in Matara district and a standard combination of qualitative (discussion) and quantitative (structured questionnaire-See appendix 1) methods was used for getting relevant information. The sample consisted of 76 female respondents and 84 male respondents. In the sample, the majority was youth, and 98 of the respondents have been living in this area for more than 20 years. Due to the high literacy rate of the country most of them have completed the secondary level schooling. 21 graduates and 1 post graduate are included in the sample (see table 18).

Various CSR activities of the company address the community expectations. On the other hand, the community is entitled to know the activities of the company because they buy their products and invest their money. Communication of what the company does, for instance in terms of CSR, is as important as financial transparency. The company's CSR activities have changed over time. The people's perceptions regarding the CSR activities are important to the company to identify their expectations. When we consider the awareness of the concept of CSR among the community, 78 of the ordinary people lack basic awareness regarding CSR and most of them have never heard about the CSR concept. 39 of them were, to some extent, aware of the concept.

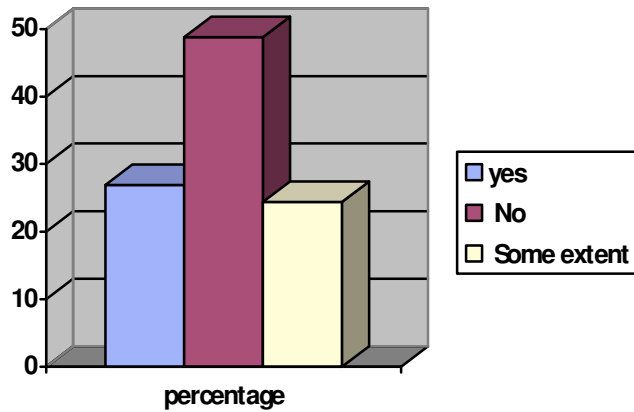


Figure 11: Awareness of CSR

Source: Fieldwork returns (ordinary people’s questionnaire)

The graph indicates the awareness of CSR concept among the ordinary people and the majority of them have not the aware of the concept of CSR. I had to explain the concept of CSR to obtain accurate information before distributing the questionnaires. Therefore, the awareness programmes of CSR should be implemented by the company to enhance the significance of their CSR policy. CSR represents a long term partnership with the community in solving socio-economic issues. By educating the community about their CSR policy, the company can also achieve many socio-economic benefits.

The community’s perception on what important factors that the company contributed with to the community is products of high quality, reasonable prices and availability. This is confirmed by the mean values of 4.14, 3.81 and 3.6 respectively.

Table 21: Mean values of different perceptions

Perception	Mean value
Product quality	4.14
Price	3.81
Availability	3.6
Environmental conservation	2.8
Responses for environmental impacts	3.1
Waste disposal methods	3.46
Company’s CSR activities	3.2
Conducting operation in sustainable way	3.4

Source: Fieldwork returns (ordinary people’s questionnaire)

The table shows that all mean values are above 3. When ordinary people were asked about the company’s main benefits to the society, the quality products were one of the main activities as perceived by 118 responses.

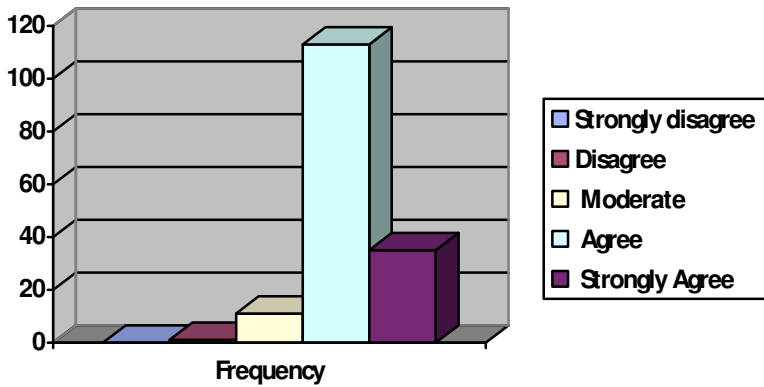


Figure 12: The public’s perception of product quality
 Source: Fieldwork returns (ordinary people’s questionnaire)

As figure 12 illustrates, most of the people agreed that the company is producing good quality products. This is further confirmed by the ideas that have obtained by the discussion with them.

“We consume Harischandra products over a period of time. We can trust the brand name because of its purity, using local materials; hygienic products are produced with reasonable price. A person prefers to buy at least one of the Harischandra products” (a respondent).

It is revealed by the structured questionnaire that almost all respondents consume the company products. Figure 9 displays people’s responses regarding the consumption of Harischandra products.

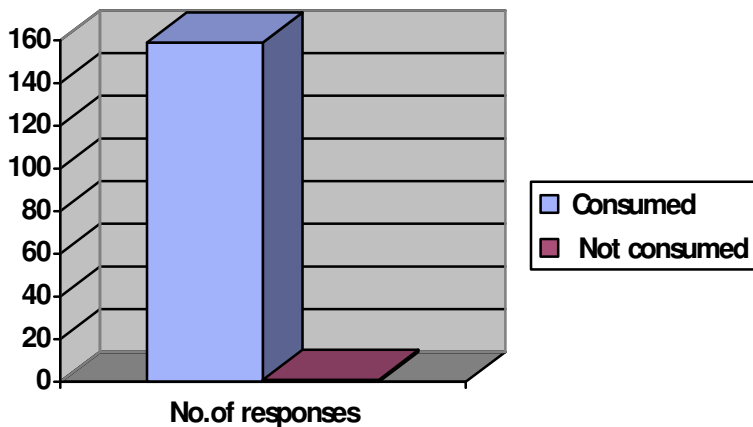


Figure 13: The frequency of consuming Harischandra products
 Source: Fieldwork returns (ordinary people’s questionnaire)

In addition to supplying quality products to the society, the company purchases local material in a socially responsible way. Most of the local farmers sell their products to Harischandra Mills PLC because the company pays farmers a fair price for their products. This is further supported by the ordinary people when asked about the main benefits that the company has contributed to the community 80 respondents then mentioned the company’s support for the domestic suppliers.

Table 22: Main benefits to the society

Benefit	No. of respondents
Quality products	118
Job opportunities	124
Educational support	80
Charitable giving	23
Infrastructure facilities	5
Reasonable price	12
Support to domestic material suppliers/ business	80
Introducing the domestic products- country of origin	41
Contributing for development of the country	22
Health services	13
Employee benefits	51
Sponsorships	75
Environmental programmes	3

Source: Fieldwork returns (ordinary people’s questionnaire)

The company management also declared that they are more concerned more with local suppliers, and that they provide facilities to promote farmers by providing loan facilities, paying on time, and providing consultant service. The ‘country of origin’ is the reason for consuming the company’s products, in addition to the quality and the price. The company brings two important contributions to the country; motivating local raw material suppliers, and producing high value added products.

Unemployment is the main social issue in this area as well as in the country as a whole. In our sample, 25% of people are unemployed.

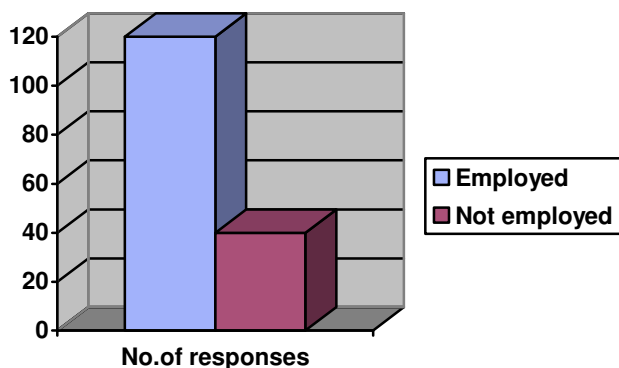


Figure 14: Employment among the ordinary people

Source: Fieldwork returns (ordinary people’s questionnaire)

The community perceptions on which are the main socio-economic issues, unemployment, health, air pollution and education were mentioned. The waste disposal problem and poverty were also significant issues, as indicated by the responses of ordinary people. The socio-economic problems mentioned vary between the two areas where the study took place. The people who live

around the company stated that their main socio-economic issues are health, unemployment and air pollution. Most of the people suffer from health problems, especially children. Dengue, lung diseases, wheeze and flu are common health problems among them. As they stated, the company's negative externalities cause some of these health problems. By releasing coffee dust and dusty spices to the air, the health of neighboring people is threatened. Systematic mitigation activities are necessary to solve these health problems.

Table 23: The main socio-economic problems in the area

Socio-economic issue	Responses	
	Delkada(around the company)	Matara town area
Poverty	10	13
Education	16	20
Health	55	35
Sanitation	2	2
Infrastructure	3	6
unemployment	46	65
Air pollution	34	18
Sound pollution	12	4
Water pollution	6	3
Waste disposal problems	24	28

Source: Fieldwork returns-ordinary people questionnaire

In the town area, however, the main issue mentioned is unemployment, although health problems, waste disposal and education are important. However, unemployment is the most important social issue that should be solved. Most of the unemployed people are educated youths. Officially, the country's unemployment rate is 6%, (Central Bank of Sri Lanka, 2008), but according to the sample, 25% people are unemployed. They have again dependent family members. When discussing with them, they mentioned that the education system is not matched with the job market. Comparatively, most of the educated people are unemployed due to this reason.

Table 24 : Responses of having a job according to the education level

Education level	employed		Not employed		Total
	Male	Female	Male	Female	
Primary	2	3	-	2	7
GCE O/L	12	9	4	6	31
GCE A/L	34	30	4	8	76
Diploma	8	6	5	5	24
Graduate	4	8	2	7	21
Post Graduate	-	1	-	0	1
Total	60	57	15	28	160

Source: Fieldwork returns (Ordinary people questionnaire)

The table indicates, 7 people in the primary level, 31 people in GCE O/L and 76 people in GCE A/L. Majority of people have completed GCE A/L. 9 out of 21 graduates in the sample are unemployed, in the percentage of 42.8. Rama (1999 cited in Aggestam and Hallberg, 2004) has

mentioned that there are three characteristics of unemployment in Sri Lanka. Most of them are youth, educated and dependents of family members are the three characteristics. The study indicated that unemployment rate increase with education level. Comparing with other levels it indicates higher value. However, the company has given some positive contribution to the problem of unemployment in the country as they have provided about 450 job opportunities. The 124 ordinary people perceived it as the company's main CSR activity (See table 22). In my sample of the residents from Matara district, 25 people have been offered direct or indirect jobs. The employments in the company are direct jobs. Giving contracts, establishing dealer's shops, supplying materials to the company etc create indirect job opportunities to the community. It includes 16 direct jobs and 9 indirect jobs.

To solve these socio- economic problems, the company has contributed by implementing various CSR activities. 56 people agreed and 96 people agreed to some extent for the involvement of the company in solving these socio-economic issues. The respondents have selected several activities which were given in the questionnaire and they mentioned the main involvement regarding such issues as educational support, employment and support to local industries.

Table 25: The Company's involvement of solving socio-economic issues

Type of support	Responses
Education	128
Employment	87
Health	24
Sanitation	6
Infrastructure	8
Donations	21
Support to local industries	64

Source: Fieldwork returns (Ordinary people questionnaire)

The table indicates that the company involvement of solving socio-economic problems in the area. As ordinary people have perceived, the company's main contributions are education, employment and support to local industries.

The company has, to some extent, assisted the people who have faced to natural calamities. This can be shown by the responses from the ordinary people. 50% of them accepted that the company has supported them when natural disasters occurred. The company intervention on this matter was moderate according to the view of the community. The relief work was immediate and short-term. Therefore, the impact was not significant within the community. Most of programmes were one-day programmes focusing on distributing foods and other consumer goods. The people said that there were no follow-up activities. In addition, the company has provided the voluntary service for cleaning and building their houses. Thus, the company has responded to an emergency.

Another main CSR activity has been to sponsor various common activities (see table 22). The company sponsors educational programmes, government institutions' activities, health programmes etc. The company sponsors a gold medal to the student who has the best results in management stream in University of Ruhuna. Other than this, people stated that scholarships have

been given to employees' children. Employee benefits, contribution to the national development, charitable giving are other benefits that the company has contributed with to the community, as mentioned by the respondents.

The environmental concern of the company is not up to the satisfactory level, as the ordinary people perceive it this is confirmed by the 2.8 mean value of environmental conservation. (See table 21).

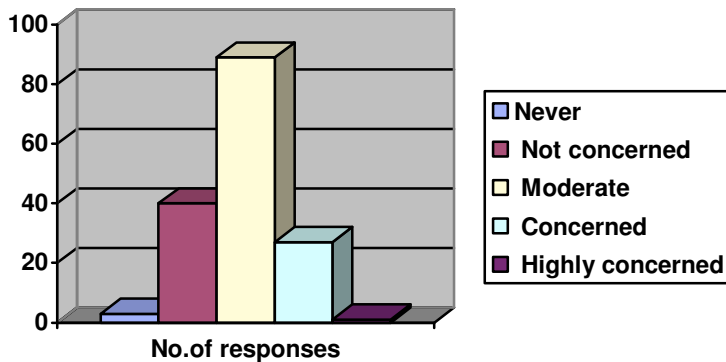


Figure 15: Environmental concern of the company
Source: Fieldwork returns (Ordinary people questionnaire)

The company's concern for environment and environmental impacts can not easily be seen according to the perception of the community. The findings demonstrate that the CSR initiatives have not attempted to engage environmental conservation. The Commission of European Union emphasizes that social and environmental concerns in business operations, and interaction with stakeholders should be included in CSR (Overland, 2007). In this perspective, CSR provides the guidelines to do business in a sustainable way. People have the view that the company's responses to environmental impacts are moderate. This is confirmed by the 3.1 of mean value (see table 21). Contributing towards a clean and sustainable environment is a major responsibility of any company. The management should incorporate environmental concerns into the corporate strategic decision making. "To day many companies have accepted their responsibility to do no harm to the environment" (Hart, 2000 cited in Mazurkiewicz, n.d.:7). Sound environmental management practices can not be seen as a prioritized field of this company. But, the company complies with relevant regulations, and implements systematic waste disposal methods. The management's ideas implied that the company mitigates their negative environmental externalities. But, the ordinary people who live around the company disagreed with the management's idea. The company has implemented a systematic waste disposal method and the Urban Council has also appreciated it. This was confirmed by the people with 3.46 of mean value (see table 21). By analyzing all views and perceptions of ordinary people and by the observation during the field work, it is obvious that the company's concern on the environment is not sufficient to mitigate their negative externalities.

The community participation in the company's CSR activities is very poor. The ordinary people were unable to play an active role in company's CSR activities. The community involvement in the CSR activities of the company is important to get fruitful benefits. However, the poor

participation of the community has caused to the expected outcomes of the company's CSR activities.

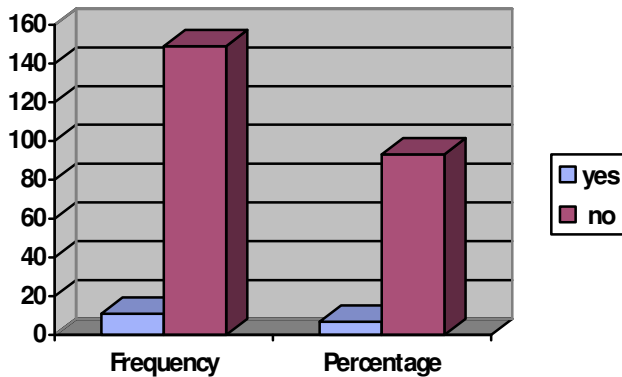


Figure 16: Community participation to the CSR activities of the company

Source: fieldwork returns (Ordinary people questionnaire)

The graph demonstrates the low level of participation of the ordinary people in the company's CSR activities. When they were asked the reasons for that they replied:

“We are willing to participate to the company's CSR activities, but the company does not ask our participation. The company is not concerned our problems and they do what they want to do” (a respondent)

The rest of the ordinary people also have a similar opinion on this issue. They stated their comments and suggestion at the latter part of the questionnaire. The majority of them mentioned their willingness to participate in CSR activities that are implemented by the company. They are of the opinion that the company's operations and CSR activities are moderate. This is indicated by the mean value of 3.4 and 3.2 respectively (see table 21).The ordinary people have suggested (and expected) the following changes in CSR activities.

- Give local people an opportunity to participate in the CSR activities of the company
- The company should reduce their negative environmental externalities
- The company should increase job opportunities
- The company should be more concerned on environmental issues and the environmental conservation of the area
- The company should implement CSR awareness programmes
- The company should expand CSR activities in various areas without limiting particular activities to benefit poor people

The last suggestion is arisen because of the limited CSR activities of the company. The company sponsors or gives the company's support to the institutions. The company does not aim the poor people in the community. The local people claimed that the company limits their CSR activities to particular activities or institutions. The management of the company said that they are concerned and give priority to common activities. Necessity of a single person is not considered by the company. Nevertheless, most people expect benefits from the company for their individual

activities. Moreover, the company only implements CSR programmes which aim to give benefits to a large group of people.

On the other hand, poor administration and short-term perspectives can be seen in many CSR activities of the company. The importance of CSR activities should be understood when the company is making decisions. Addressing socio-economic issues by sharing values with the stakeholders will lead to self-sustaining of the company.

5.5 The opportunities and barriers that company faces for engaging in CSR activities.

To study the main opportunities and barriers for engaging in CSR activities, the views and perceptions of the management, ordinary people, employees and the existing policies were analyzed. The CSR activities of the company tend to focus on the community because of the economic, social and environmental impacts that their operations are basically affecting the community. The company's CSR activities are concentrated in the areas of education, employment, health, philanthropic activities and sponsorships.

5.5.1 Opportunities for engaging CSR activities

Many of the opportunities that motivate to engage in CSR can be identified. There are both internal and external drivers that motivate the company to undertake a systematic approach to CSR. As the company has a long history of CSR, they have many experiences of implementing CSR activities. All pros and cons of the existing CSR activities can be studied in order to implement effective CSR activities that will give benefits to the society. The willingness of the top management to engage in CSR is decisive, the same is their desire to improve the corporate image and reputation.

The main three parties in my study; the community, the company and the government need to work together to implement the most efficient and effective CSR activities. The community is willing to actively work with the company to implement CSR activities. The government also provides necessary facilities, and regulatory requirements to promote CSR activities. Sometimes, the government gives income tax exemptions for CSR expenses to promote business firms performing CSR. However, the Harischandra Company does not obtain this tax exemption.

The good reputation and image of the company is another opportunity to engage in CSR activities. Through these values, the people trust the company and a great performance can be achieved. We also see that the various stakeholders are demanding CSR activities. They are concerned about social issues and the participation of the company to solve these issues. This is also an opportunity to engage in CSR activities.

The employee involvement is vital for the success of all CSR activities. This is an indication of the company's commitment to CSR. The employees of the company are, for instance, willing to engage in CSR activities on a voluntary basis. This can also be seen as an opportunity for the company to implement CSR activities successfully.

5.5.2 Barriers for engaging CSR activities

The perception that expanding the CSR activities could increase their costs, reduce profitability and increase regulatory interference can be looked upon as barriers to the company's engagement in CSR. The low awareness of a strategic CSR policy and its benefits to business may discourage the company for expanding CSR. Although I may see that the top management has an awareness regarding the importance of the CSR, the middle and the operational level employees do not have an adequate awareness on this matter. The meaning of CSR, its benefits both to the company and the society are important to understand how to practice CSR successfully.

Another barrier which has been identified during the discussion with the management is the way of ascertaining the concept of CSR. The managers interpret CSR according to their particular role in the company. Unavailability of a common, explicit CSR policies or framework is a negative factor in the direction of the company's CSR. If there were policies or a framework, they would have a clearer idea where they should head and what to do. In addition, the government policies do not encourage the company to invest properly in socially responsible initiatives.

Inappropriate industrial policies, arbitrary political interference, and corruption have created a mistrust between the government and the private sector in Sri Lanka. To build trust and balance between the goals of the private sector, the government and the civil society are some of the key challenges of CSR. It is also a barrier to the engage in CSR activities that there is, neither at the country nor at the industry level, common CSR standards or policies. If there was established regulations and transparency regarding CSR, the company's motivation would be increased while the mistrust would be reduced.

The weak relationship between the local community and the company is a barrier to implement successful CSR initiatives. The majority of the local people stated that the company does not attempt to get their cooperation for the CSR activities. There are no follow-up activities of CSR initiatives. Establishing the regular follow-up activities, more effective impacts of CSR can be achieved. Other barrier is cost factors associated with most of CSR activities.

The CSR concept is a comparatively new concept in Sri Lanka. This is proved by the responses from the community members. Out of 160 people, 78 people have not awareness about the concept. Therefore, this is a barrier to the implementation and achievement of the benefits that are expected from the company.

The concept of CSR is mostly applied in the context of charitable giving, sponsorships and social projects. The perception of CSR to be short-term involvements giving short-term gains is a barrier to promote long-term and systematic CSR programmes. The people perceive several short-term philanthropic activities as CSR activities. According to the views of ordinary people, they expect financial support for their individual activities such as funeral houses, arms giving etc. In a broad sense, they are not so concerned about developing common goods, such as infrastructure, health services, education, environmental conservation etc. Consequently lack of awareness regarding the role and function of CSR seems to be the most significant obstacle to deeper CSR engagement.

Chapter 6: Conclusion and Recommendations

6.1 Conclusion

Consensus emerging that the CSR can best contribute to sustainable development by addressing the social, economic and environmental issues. The CSR activities also minimize the negative impacts of the business activities on the community. Because CSR ensures that all activities of a business entity are done properly. This is also a commitment to all stakeholders to ensure that they are benefitted by the company. The benefits are not merely the return on investment to shareholders. All other stakeholders are entitled to the benefits as they have the impacts of the company directly or indirectly.

The implementation of CSR practices can help the companies to achieve their organizational goals. The strong commitment of the company to CSR raises the public's perception of CSR activities. It is important for these activities to be addressed socio-economic issues and distributed the benefits equally to the community. Otherwise, there may be a negative impact on the company's reputation and image. The participation of the community for the company's CSR activities make a strong commitment to achieve organizational goals as well as community expectations. Satisfying all stakeholders of the company, the many socio-economic benefits can be achieved and, that contribute to the sustainable development.

In this study, I empirically investigated socio-economic impacts of CSR in Sri Lankan domestic manufacturing companies. To find out the CSR practices and their socio-economic impacts, I used different methods and processes to collect the relevant data. It is revealed that socio-economic impacts are not much effective to address the socio-economic issues due to some drawbacks of CSR practices. Further, the company's CSR practices obviously affect the company's reputation and the image. As well, the systematic CSR initiatives address the socio-economic problems of the community. When discussing under the six domains as depicted by the conceptual framework in chapter 2, various shortcomings can be identified. These weaknesses cause to reduce the positive socio-economic impacts of CSR. The status of CSR practices under the each domain are discussed to get better view of CSR practices and their socio-economic impacts.

6.1.1 Employees

Employee involvement is vital for implementing successful CSR initiatives. It can be seen as a good indicator of the commitment to their CSR activities of the company. In Harischandra company employee morale is high to engage CSR activities. Moreover, it is proved by the responses for the questions regarding CSR activities. The company's concern on their employees are satisfactory level that is depicted by the mean values which are above average level. In addition to statistical data, the discussion with the employees proved that the company is concerned on the employees benefits. But, the less attention of the company to get employees' participation for the CSR activities reduce the concrete benefits. On the other hand, there could be seen the discrimination regarding skills development opportunities. Operational level employees are not satisfied with their opportunities although top management highly talk about their opportunities. Nevertheless,

as a whole, the impacts of CSR on the employees are significant because it leads to their productivity. It also indicates better living of the employees and their family in the society.

6.1.2 Workplace

When considering the workplace the company has created a good working environment complying with labour laws and considering business ethics. The company's prominent concern on safety and security condition, family-friendly working environment, transparency in terms of decision-making, communication, consideration of workers' rights and energy savings can be seen according to the responses of the employees. Discussing with the employees, they have a strong loyalty on behalf of the company. Though they do not satisfy with their salary, they accept that they have other welfare benefits. There is not a labour union in the company. The obvious reason for that is most employees do not like to join to form a labour union. In Sri Lanka, most of labour unions act very aggressively for employees' rights. Therefore, the employers perceive that the labour unions as a threat to the company. There is a weak association of the employees regarding their rights in the Harischandra company. Thus, it affects to the bargaining power of their demands. However, a good working environment promote the employees to work more effectively and efficiently. This leads to generate more benefits to the company and to the employees and finally, to the society.

6.1.3 Product

As a main value of the company the product quality is high as they expected. It is proved by the employees' and ordinary people' responses. The both groups agreed to the product quality, reasonable price and its availability. There is a range of product categories of the company to fulfil the household requirements. Customer satisfaction and customer loyalty of the Harischandra products are in a high level comparing with other household products in Sri Lanka. Therefore, 'Harischandra' name is the market leader in household products in the country. By supplying good quality products with reasonable price, the company and community can achieve many socio-economic benefits e.g. increasing sales and profits, customer satisfaction, generating job opportunities etc. The distribution channels are not sufficient to distribute the company's products especially in rural areas. Most of ordinary people suggested to establish outlets in rural areas to get the benefits of Harischandra products.

6.1.4 Environment

A set of policies, procedures and CSR practices are needed to help mitigate environmental impacts. The companies have responsibilities beyond the production of goods and services for generating profits. The company is not much concerned on the environmental impacts of the company's manufacturing activities and the environmental conservation activities. The company's involvement of implementing the awareness programmes amongst all levels of the company as well as the community are not sufficient to ensure environmental performance of the company. According to the ordinary people's responses, the company does not engage with environmental conservation programmes but, they complies with environmental rules and

regulations. The laws have been enacted to limit the negative effects of the company's manufacturing activities. Nevertheless, some issues appear in terms of the smoke release into the atmosphere and the quality of waste water. Accordingly, several socio-economic issues have been taken place as a result of less environmental concerns. Health problems, damages to houses, pollution (air, water and sound) etc are the obvious impacts. But, the company has a systematic solid waste disposal method and it is evaluated by the UC.

6.1.5 Market

The company has strong relationship with suppliers and dealers that is proved by the ordinary people and the management. The transparent payment procedures, maintaining credibility of the transactions and fair competition are the part of CSR practices. The company relationship with the suppliers can powerfully affect the company's survival and prosperity. The company addresses both customer and supplier needs. It is proved by the ordinary people's responses. Prompt payment of invoices, maintaining credibility, not exploiting monopoly power over suppliers can be seen practicing CSR in market place. Ethical business behaviour as a part of CSR improve customer confidence and protect the company's brand name and the reputation, in other words competitive advantages. It leads to earn mutual benefits to the company and the society.

6.1.6 Community

A company has many responsibilities to the community that includes around its location and the society at large. Charitable giving and philanthropic activities were the main CSR activities of the company. The company has supported the educational activities that contributes achieve long term development goals. The company has a social responsibility statement in their annual reports and it seems to be an integral part of their business activities. The charitable activities are not new concept to the Harischandra Mills PLC and various forms of CSR activities are performed by the company. Sometimes, they are ad hoc and seen as short-term initiatives. However, the CSR activities of the company bring the socio-economic impacts to both the company and community. The community is benefitted by generating employment, good quality products, contributing to the development of education, health etc.

The less awareness and participation of the community is a main barrier to achieve fruitful benefits to the company. On the other hand, the company has not any programme to get the community participation and thus, the company was not able to achieve the expected benefits of CSR activities. The CSR activities in the company can be seen to limit particular activities such as sponsorships, charitable giving, educational support and health. Broadening the CSR activities of the company, it can be achieved mutual benefits. As well the company has not sound CSR policies or framework to implement CSR initiatives.

By these all domains, it has emphasised that the importance of CSR practices as it has many socio-economic impacts to the community. As a result, the sustainability is enhanced benefitting the company and the society. Through a systematic CSR initiatives, a manufacturing company can achieve economic, social and environmental performance. Both social and environmental performance determine its economic benefits for the firm. If a company can identify the socio-

economic problems, that it is best equipped to address and from which it can gain the greatest economic benefits to the company as well socio-economic benefits to the society.

6.2 Recommendations

The study confirmed that there are many socio-economic benefits of CSR practices and they contribute to the sustainable development of a country. The manufacturing companies should engage and increase of the awareness of CSR to play a significant role in sustainable development in the country. According to that some recommendations will be provided by the researcher for future researches.

In terms of employees, the company should encourage them to engage in CSR activities. It may be the form of volunteer works or another internal programmes. Effective communication channels should be maintained by the company with employees. It is a significant factor for the success of CSR, further, as it has other benefits to the employees of a company.

The community participation and the awareness regarding the CSR activities of the company should be improved to get the potential benefits of CSR. The beneficiary participation is important as part of the exercising CSR effectively. The sound awareness programmes should be implemented both the inside and the outside of the organization to give the awareness of the importance of CSR. Consequently, follow-up activities should be done by the company to identify weak and strong points within CSR activities. On the other hand, before implementing CSR activities, the major socio-economic issues should be identified to address them. Thus, the company is allowed to achieve business benefits consequently, the community is benefitted by solving their critical socio-economic issues.

The less concern about the environment of the company generates many socio-economic problems in the area. Therefore, the responsibility of the company towards nature has to be well realized and taken as an important part of their CSR practices. The company should strictly comply with environmental laws, rules and regulations in order to minimise environmental disturbances. The company has ethical responsibility to contribute the sustainable environment in maintaining the ecological balance.

The company has limited their CSR activities to the several micro-level activities mainly associated with philanthropy or charity i.e. education, health, sports, and other community services. There are some doubts the long-term sustainability of certain CSR activities. The company should establish CSR policies to ensure the sustainability of certain activities. As well, CSR activities should be expanded towards infrastructure, environment and socially responsible investments to gain long-term socio-economic outcomes.

The government should encourage CSR activities in business community through regulations, providing advices and information. The awareness programmes and campaigns should be implemented to change the perception of CSR among the business community and local community. The encouragement should be given to conduct the researches into CSR, because the researches into CSR relatively underdeveloped in Sri Lanka. Hence, there is an urgent need for further research on CSR in the country.

The relationship with all stakeholders is an important factor of CSR. If CSR activities are performed successfully, the company and all stakeholders can be benefitted generating positive socio-economic impacts and this will lead to a better society with sustainable development. The company should carry out the CSR initiatives in partnerships with other organizations and government rather than individual activities of the firm. Through the partnerships the company can achieve greater outcomes by harnessing the strengths of other organizations.

Although this study focused on the manufacturing sector, this research offers some important guidance for the companies operating in other sectors that wish to contribute socio-economic development of the country to achieve sustainable development. This study provides the degree to which CSR activities can contribute to socio-economic development of the community. It depends largely on the way the activities are implemented and how they respond to socio-economic problems.

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Appendices

Appendix 1

Quantitative Questionnaires and Interview guide

1.1 Questionnaire for employees

I am a student of Master of Development programme, University of Agder, Norway and currently conducting an academic research to find out the socio-economic impacts of Corporate Social Responsibility (CSR) in manufacturing companies in Sri Lanka with special reference to Harischandra Mills PLC. The Questionnaire is designed for gathering necessary information for the research study.

Thank you very much for giving your precious information to the research.

Please tick mark (√) where necessary.

1. Gender :

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

2. Marital status:

Married	<input type="checkbox"/>
Unmarried	<input type="checkbox"/>

3. Age:

18- 24	<input type="checkbox"/>
25 -34	<input type="checkbox"/>
35- 54	<input type="checkbox"/>
55 – 64	<input type="checkbox"/>
Above 65	<input type="checkbox"/>

4. Residence:

5. How long do you work in this company?

Less than 1 year	<input type="checkbox"/>
1- 5 years	<input type="checkbox"/>
5- 10 years	<input type="checkbox"/>
10 -20 years	<input type="checkbox"/>
More than 20 years	<input type="checkbox"/>

6. Status of the Job:

Excecutive	<input type="checkbox"/>
Clearks	<input type="checkbox"/>
Skilled workers (Lab assistants, machine operators, drivers, supervisors, etc.)	<input type="checkbox"/>
Unskilled workers (Labour, security guards, helpers etc.)	<input type="checkbox"/>

7. Level of Education:

Primary Education	
GCE O/L	
GCE A/L	
Diploma	
Degree	
Postgraduate	

8. How satisfied are you with the job and job related benefits (Salaries, Bonus, medical facilities):

Strongly satisfied	
Satisfied	
Moderate	
Dissatisfied	
Strongly dissatisfied	

9. Safety and Security condition of the work environment.

Strongly satisfied	
Satisfied	
Moderate	
Dissatisfied	
Strongly dissatisfied	

10. Transparency of decision making and communication in the company:

Strongly satisfied	
Satisfied	
Moderate	
Dissatisfied	
Strongly dissatisfied	

11. 11.1 Is the company concerned about workers' rights?

Yes	
No	

11.2 If yes, specify the way that they are concerning on workers' rights.

Complying with labour laws, policies	
Providing freedom on forming labour unions	
Providing freedom of association	
Facilitating collective bargaining	
Above all	

12. How do you agree with the company's support to the physical and mental health of its employees?

Strongly agree	
Agree	
Moderate	
Disagree	
Strongly disagree	

13. How do you agree with statement that you have no stress when working in the company?

Strongly agree	
Agree	
Moderate	
Disagree	
Strongly disagree	

14. How do you agree with the statement that you are not discriminated by the company in respect of employment and occupation?

Strongly agree	
Agree	
Moderate	
Disagree	
Strongly disagree	

15. 15.1 Does the company provide the opportunities to develop your skills?

Yes	
No	

15.2 If yes, specify the way that the company provides to develop your skills.

Providing training opportunities for specific field	
Giving financial support for higher education	
Workshops	
International training opportunities	
Other	

16. Do you hold the shares in the company?

Yes	
No	

17. What are the main benefits you receive by being an employee of the company?

High job security	
Job satisfaction with reasonable salary	
Career development (training, higher education)	
Working in a family-friendly workplace	
Provision of labour welfare activities	
Above all	

18. Does the company implement an awareness programme regarding Corporate Social Responsibility policy and activities?

Yes	
No	

19. What are the main Corporate Social Responsibility activities that you know about in this company?

Philanthropic and charitable activities	
Environmental conservation	
Complying with legal responsibilities	
Employee welfare	
Corporate sponsorships	
Providing quality products	
Other	

20. According to your view point what are the society's main issues that should be concern?

Poverty	
Education	
Health	
Unemployment	
Environment	
Above all	

21. According to your view point what kind of impact/s the company's Corporate Social Responsibility activities have on the society?

Social impacts	
Economic impacts	
Environmental impacts	
Above all	

22. Does the company promote you to engage in volunteer activities?

Yes	
No	
Some extent	
Not at all	

23. Does the company concern on Energy savings?

Strongly concerned	
Concerned	
Moderate	
Not concerned	
Never	

24. You have the opportunity to participate the process of high quality products.

Strongly agree	
Agree	
Moderate	
Disagree	
Strongly disagree	

25. According to your view point, how is the society benefited by the company's products?

High Quality	
Reasonable price	
Easy accessibility	
Above all	

26. Your general comments on company's CSR.

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1.2 Questionnaire for ordinary people

I am a student of Master of Development programme, University of Agder, Norway and currently conducting an academic research to find out the socio-economic impacts of Corporate Social Responsibility (CSR) in manufacturing companies in Sri Lanka with special reference to Harischandra Mills PLC. The Questionnaire is designed for gathering necessary information for the research study.

Thank you very much for giving your precious information to the research.

Please tick mark (√) where necessary.

Questionnaire

1. Gender :

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

2. marital status:

Married	<input type="checkbox"/>
Unmarried	<input type="checkbox"/>

3. Residence:

4. Time of living in this area:

Less than 1 year	<input type="checkbox"/>
1- 5 years	<input type="checkbox"/>
5- 10 years	<input type="checkbox"/>
10 -20 years	<input type="checkbox"/>
More than 20 years	<input type="checkbox"/>

5. Age:

18- 24	<input type="checkbox"/>
25 -34	<input type="checkbox"/>
35- 54	<input type="checkbox"/>
55 – 64	<input type="checkbox"/>
Above 65	<input type="checkbox"/>

6. Level of Education:

Primary Education	<input type="checkbox"/>
GCE O/L	<input type="checkbox"/>
GCE A/L	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Postgraduate	<input type="checkbox"/>

7. Do you have a job?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

8. Main source of monthly income of the family:

Government Job	
Private sector Job	
Commercial work	
Pensions	
Domestic work	
Agriculture	
Others	

9. Have you heard about the concept of Corporate Social Responsibility?

Yes	
No	
Some extent	

If yes, what does Corporate Social Responsibility mean to you?

10. 9.1 Do you consume the products of Harischandra Company?

Yes	
No	

9.2 If yes, explain why?

9.3 If no, explain why?

11. How do you agree with the statement that there is high product quality of the Harischandra Company's products:

Strongly agree	
agree	
Moderate	
Disagree	
Strongly Disagree	

12. What do you think about prices of the company's products:

Very reasonable	
Reasonable	
Moderate	
Not reasonable	
Not at all reasonable	

13. Accessibility/availability of the products:

Very easily accessible/available	
Easy available	
Moderate	
Difficult to access	
Strongly not convenience	

14. What are the socio- economic problems existing in your area?

.....

15. 14.1 Do you know if the Harischandra Company is involved in dealing with these problems?

Yes	
No	
Some extent	

14.2 If yes, which type of support does the community receive from Harischandra Company to solve these problems?

Education	
Health	
Sanitation	
Infrastructure	
Donations for poor people	
Support to local industries	
All	

16. 16.1 Have the company assisted you when natural disasters (Tsunami, flood etc.) occurred?

Yes	
No	

16.2 If yes, how did the company assist you?

Providing financial support	
Donating physical aids	
Giving voluntary service (cleaning, helping to build houses etc.)	
Providing health services	
Other	

17. 17.1 As a resident of this area, have you been offered an employment by Harischandra Company?

Yes	
No	

17.2 If yes, what type of employment have you been offered?

Direct Jobs	
Indirect jobs (material supplying, sub contracts)	
Other	

18. Please mention four benefits that the company has contributed to this community according to the priority:

.....

.....

.....

.....

19. Do you feel that the company is concern with environmental conservation?

Highly concerned	
Concerned	
Moderate	
Not concerned	
Never	

20. How do you agree with the statement that the company has responded for the environmental impacts of their manufacturing activities?

Strongly agree	
Agree	
Moderate	
Disagree	
Strongly disagree	

21. Are you satisfied regarding company's waste disposal methods?

Strongly satisfied	
satisfied	
Moderate	
Dissatisfied	
Strongly dissatisfied	

22. 22.1 Have you participated in any Corporate Social Responsibility activities that have been implemented by the Company?

Yes	
No	

22.2 If yes, how do you contribute to their Corporate Social Responsibility activities?

Giving voluntary service	
Participating to implement awareness programme (environmental programmes, health camps, educational projects)	
Giving donations	
Other	

23. How do you feel about the company's Corporate Social Responsibility activities?

Very good	
Good	
Moderate	
Poor	
Very poor	

24. Do you think that the Company is conducting their operation more equitable and sustainable manner both economically and socially.

Strongly agree	
agree	
Moderate	
Disagree	
Strongly Disagree	

25. What are your suggestions regarding to Corporate Social Responsibility practices of Harischandra Company in the future?

1.3 Selected dimensions of CSR activities in various domains

I selected the following socio-economic dimensions to measure the socio-economic impacts of CSR in the six domains of conceptual framework. These dimensions were based for preparing the structured questionnaires.

Selected dimensions of CSR activities in various domains according to the literature

Domain	Dimensions
Employees	Training and development
	Balance work
	Diversity of work force
	Job security (stability at the workplace)
	Profits and share capital participation
	Salaries and other welfare facilities
Workplace	Safety and security
	Environment
	Communication and transparency
	Consideration of workers' rights
	Conservation of energy
Product	Quality
	Reasonable Price and product categories
	Distribution
	Customer satisfaction
Environment	Minimising environmental consequences of manufacturing activities
	Environmental conservation
	Waste disposal methods
Market	Relations with suppliers (payment procedures, credibility etc.)
	Contribution on national production
Community	Paying taxes
	Contribution on community development
	Generating jobs
	Engaging with social activities
	Contribution on natural disasters

1.4 Qualitative Interview Guide, Harischandra Mills PLC management

Harischandra Mills PLC management Interview Guide	
Questions	Follow-up questions
Tell me about the history of Harischandra Mills PLC? Could you explain me about the operational aspects of the company?	
What does CSR mean to you?	
Why are you carrying out Corporate Social Responsibility activities and policies?	Why CSR is important to the company? Why CSR is important to the employees? Why CSR is important to the society?
What socio-economic impacts do the Company's CSR activities have on the society?	How many job opportunities have you been provided to the country? What are the economic benefits for the employment and the society? How do you deal with economic, social and environmental issues such as health, education, environment conservation?
What are the main factors which are considered on product? Are you concerned on customer satisfaction?	What kinds of products do you mainly produced and what are the product categories? To what extend are you concerned on product quality? Are there any awareness programmes or quality circle in the company? Which factors are considered in determining the price of the products? Do you consider the claims/ complaints from customers? Why? What is your profit margin? How do you determine it? How are you concerned on customer satisfaction?
How are you concerned on employees' related facts and welfare facilities?	How many permanent/temporary/ contract basis employees are there in the company? What are the main benefits that are given to the employees? What are the steps that are taken for developing employees' skills? Why? Do you pay your attention on diversity of your workforce? (mal/female, skilled/unskilled) How and why? Are you concerned on job security of employee? How and why? Do employees have an opportunity to buy

	<p>shares of the company? Why do you give this opportunity to employees?</p> <p>Do you think that you give satisfactory salary for your employees? Why?</p> <p>What are the other welfare facilities which they are given?</p> <p>Do you provide the freedom to form labour unions, collective bargaining and association?</p>
<p>What are the main facts that you are concerned on working environment?</p>	<p>What steps have been taken for upgrading working place safety and security condition? How many accidents have been occurred? How?</p> <p>What steps you have taken to overcome these accidents? (Compensation, fire alarm etc...)</p> <p>Are you concerned on cleanness, noisy level and other harmful factors? How?</p>
<p>What are the consequences of the company's activities?</p>	<p>Have you received complaints from the people who are living in around the company? What? (noise, emission, chemicals, water)</p> <p>How did the company monitor these? What types of compensation mechanism exists?</p> <p>What are your waste disposal methods?</p> <p>Do you think that the company is conducting their operation more equitable and sustainable manner both economically and socially?</p>
<p>How is the community benefited from the company?</p> <p>How is your contribution on relief to natural calamity?</p>	<p>What are the issues existing in this area?</p> <p>What role does the company play in this?</p> <p>What kind of job opportunities have been offered by the company?</p> <p>When you are donating or sponsoring for activities what do you consider mainly?</p> <p>Do you give charity on religious activities? Why?</p> <p>How did you assist the people when natural disasters occurred? (Tsunami, flood etc.)</p> <p>Were employees participated for these activities?</p> <p>Have you contributed to develop infrastructure facilities in this area? (road, electricity, water, sanitation etc)</p>

<p>What did you think about the relationship with suppliers/agents?</p>	<p>What are the payment methods? Are you concerned on the complaints from suppliers/agents? Have you contributed to solve their marketing problems? What factors do you consider when you are buying raw materials?</p>
<p>Have you implemented environmental conservation programmes?</p>	<p>What are the main activities that you have implemented regarding the environment? (Planting trees, awareness programmes etc.)</p>
<p>Future trends regarding CSR</p>	<p>What is your future plans regarding CSR practices of the company?</p>

Appendix 2

