Corporate Social Responsibility (CSR) of MNCs in Bangladesh: 
A case study on GrameenPhone Ltd.

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Abstract: This paper examines how multinational companies manage corporate social responsibility (CSR) in Bangladesh. It considers how the concept has come to be framed within business in Bangladesh, which is increasingly globalized. The discussion is based on interviews with managers who deal with CSR issues and strategy and an analysis of published reports such as annual reports of consecutive five years. In looking at how CSR practice is being adopted and adapted by MNCs in Bangladesh, we can begin to see what implications arise from the fact that CSR is a Western-led concept and Bangladesh can be thought to be lagging behind in its understanding and adoption of CSR, in part because corporations do not necessarily state their policies as formally as might be expected. The paper also tries to explore current practices in CSR by the MNC GrameenPhone.

Introduction

Business is an inseparable and embedded part of the society. In addition to its economic role in society, business also has several other roles and responsibilities towards society (Preston and Post, 1975; Davis and Blomstrom, 1971), viz. responsible conduct of business activities while pursuing economic gains; the social and environmental responsibilities of the business towards its stakeholders; and business’s contributions that would benefit the society at large (Margolis and Walsh, 2001; Sethi, 1975). It is mandatory for companies to conform to the legal responsibilities as they are prescribed by law. So, organizations have no alternative but to comply with the basic law of the land (Carrol, 1979). On the other hand, Ethical responsibilities of corporations are taken as additional responsibilities going beyond legal compliance and profit making and include those that firms believe are the right things to do. Ethical responsibility originates from humanistic, religious and moral orientation of corporations (Lantos, 2001). The voluntary responsibilities to the society refer to the discretionary nature of obligations rooted in the altruistic principles which are not required by law. The motivation for such sense of responsibilities arises from the reciprocal obligation of giving back to the society in exchange of profit and power that companies receive from society. This school of thought gave rise to CSR which is seen as continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, local community, and society at all, including the environment. Even though Bangladesh is one of the world’s poorest countries, CSR activities in Bangladesh have risen significantly in importance. It is believed that the interest in CSR initiatives in Bangladesh has been fuelled by MNCs’ global activities.

Review of literature

CSR is still an evolving concept that enables corporate executives to create and apply self determined policies to best meet the needs and demands of its stakeholders. As stated by the department of Trade and Industry in the United Kingdom, CSR represents “the integrity with which a company governs itself, fulfils its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its activities”. The argument around CSR is based on examining relationships between business and society. Companies can enhance their legitimacy through environmental reporting.

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In the normal course of business, MNCs put no or little concern on social/environmental issues, even if they do so they may not adhere to them. Companies are now expected to perform well in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Some examples of CSR are safe working conditions for employees, environmental stewardship, and contributions to community groups and charities. This peculiar nature of CSR practices makes their cross-border management difficult. Achieving consistent CSR practices across global operations involves not only the transfer of the CSR practice, but also the transfer of its underlying value and meaning. While, at the same time, faced with contextually diverse stakeholder expectations and local CSR requirements, MNCs also need to practice differentiated CSR at their local sites, in response to the local context. How MNCs meet these competing demands for managing CSR in their global operations and what determines their choices remains less discussed. Foreign direct investment flowing to developing countries has the potential to make important contributions to the development of local economies, including creating jobs, capacity building, and the transfer of technology. Multinational corporations (MNCs) can therefore have a positive impact in developing countries, especially through corporate social responsibility (CSR) initiatives focusing on sustainable development and cooperation with civil society. However, for many MNCs, CSR is an outcome of public pressure arising from their operations in developing countries in relation to human rights, environmental pollution and labour issues. In other words, it has generally been a pragmatic response to consumer and civil society pressures (Raynard and Forstater, 2002). CSR is a process driven by globalization, deregulation and privatization. Proponents of CSR are keen to demonstrate that business has responsibilities beyond the production of goods, services and profit making, and that socially responsible business can help to solve important social and environmental problems. On the other hand, counterarguments on CSR attempt to show that CSR distorts the market by deflecting business from its primary role of profit generation (Henderson, 2001), and this is seen as potentially quite dangerous (Wolf, 2001). Such arguments further maintain, for example, that the role of business determines its responsibilities. As such, business has no social responsibility beyond compliance with the law. As Bendell and Shah (2002, p. 5) put it, the critics make it more important for us to be clear on what we believe to be the business case for corporate responsibility.

MNCs and CSR

In recent times, there has been an acceleration of multinational corporate activity, generating wide attention and criticism. In the era of globalization, Multinational corporations (MNCs) that conduct business across national boundaries in many countries are no longer able to conduct destructive and unethical practices under protective radar. With a dramatic proliferation of media attention, propagation of non-governmental organizations (NGOs) and global information sharing, there is a surging demand from civil society, consumers, governments and shareholders for corporations to conduct sustainable business practices. The corporate response has often meant an adoption of ‘a new consciousness’. (Anupama Mohan, 2006)

The corporate response has often meant an adoption of ‘a new consciousness’ and this has been known as Corporate Social Responsibility (CSR) since the 1970s. MNCs are complex differentiated networks marked with internal heterogeneity and with the
complexity of managing across globally dispersed, diverse units (Bartlett and Ghoshal, 1989; Ghoshal and Nohria, 1989). MNCs are faced with diverse stakeholder environments across their international operations. This has several implications for MNCs’ management of stakeholder relations across the multiple levels and diverse contexts of its operations. Global CSR management also involves cross-border transfer and management of CSR practices, from one part of the MNC to another, as well as the management of local CSR practices suited to the local context of the subsidiary units.

The analysis of self-reported CSR practices in these MNCs revealed the globally-managed CSR practices and their transnational management processes, as well as several CSR practices not transnationally managed across multiple units and levels of the MNC and also several local CSR practices.

The international business domain offers a challenging context for inquiry into firm’s CSR and ongoing stakeholder relationship management since there are many more and diverse stakeholders of international business firms (Wood and Pasquero, 1997). The MNCs are faced with wider CSR expectations, and MNCs are under increasing pressure for socially responsible behaviour in their global operations. The complex legitimacy issues faced by MNCs across these diverse political, economic, institutional and sociological environments are also discontinuous and marked with uncertainty and preclude universal corporate policies because what may be acceptable in one country or at a time may run counter to public policies or acceptable norms elsewhere or at other times (Logsdon and Wood, 2002).

Common CSR practices in Bangladesh by MNCs are centred around namely poverty alleviation, healthcare, education, charity activities, cultural enrichment, youth development, women empowerment, patronising sports and music etc. these activities are devised to be the partners in development as responsible citizen. In describing CSR policy GrameenPhone states at their policy statement:

“Our core strategy in this area is to be Bangladesh’s partner in developing the country, particularly in its promise, as a United Nations Millennium Declaration signatory, to meet the eight targets known as the Millennium Development Goals by 2015. We have consolidated our social investment initiatives in four core areas related to the Millennium Development Goals namely, Poverty alleviation, Healthcare, Empowerment, & Education.”

**CSR practices in Bangladesh**

Till today, most of the businesses in Bangladesh are family owned and first generation businesses. Businesses are involved in community development work in the form of charity without having any definite policy about the expenses or any solid motive regarding financial gains in many instances. (Mondol, 2007). It is evident that the importance of CSR in the first-world, questions regarding the extent to which corporations operating in developing countries have CSR obligations are still to be worked out. (Jamali and Mirshak, 2007). There has been increasing pressure on national and multinational corporations in Bangladesh to consider the social implications of their actions (Belal, 2001). CSR practices in Bangladesh is still in infancy. Companies are getting aware of it because being a part of global market, it is really difficult to ignore CSR standard particularly in the export sector. It is evident that CSR practices are gradually getting integrated into cross-border business practices and consequently becoming one of the determining factors for accessing market. It is becoming equally instrumental for local acceptability as well. Bangladeshi firms are to focus on CSR not only for improving corporate governance, labour rights, fair treatment of workers, community development and environment management, but also for industrialisation...
and ensuring global market access. The government of Bangladesh is going to undertake an initiative to promote CSR practices. The objective would be to encourage the businesses to carry out the good citizen-like activities with the aim to reversing the perceived trend of businesses to have little commitment to society. (Ataur, 2008)

A number of corporations are now following an increased commitment to CSR beyond just profit making and compliance with regulation. Organizations such as CARE Bangladesh, Katalyst and Bangladesh Enterprises (BEI) are working at the forefront of CSR activities in Bangladesh. These organizations are preparing Corporate Social Audit catering to small/Medium enterprises. While these initiatives are more discretionary in their nature, they have resulted in the creation of jobs and value-added services to communities that BATA and CARE are showcasing as CSR programs in action.

It is also found that initiatives in CSR activities in Bangladesh are pioneered by MNCs. Since Bangladesh is now exposed to global standards, it can be anticipated that the CSR activities in Bangladesh will continue to be extended. Firms are now trying to uphold their corporate image of socially responsible firms and consequently influence consumer buying decisions in favour of the goods and services marketed by them.

**Organisation of the paper**

The CSR practices have a normative basis, and those practices are both values-based and contextually determined. The CSR expectations, definitions and meanings are drawn from the context within which these occur. The review of literature presents the existing understanding of management of global CSR and several arising unanswered questions. It notes that the management of CSR in global firms involves internal coordination processes, as well as environmental influences at multiple levels of MNC operations, however these are less understood.

This paper is organised around to reveal the importance of Corporate Social Responsibility as a lawful tool for organisations; therefore three different subjects of responsibility were met.
- How CSR is used by companies in order to expand their market share/profit and competitiveness
- How companies are trying to balance both parties’ interests, shareholders (profit) and stakeholders concerns for example reducing pollution omission.
- How companies are adapting to local (country where they operate) set laws and rules and in this way trying to enhance sustainable development.

In this way companies are interpreting its social responsibility in business and economical content; and when we look further in argumentation we recognise that company’s business perspective is overriding its social concerns in practice.

On the other hand, the paper weighs information regarding the activities and behaviour of others including counterparts for example the increasing illogical demands of services by society. Also companies criticise some pressure groups’ certain behaviours when they use some narrow CSR topics to interrupt companies’ operational efficiency. In this way they are reducing the critical voice of pressure groups.
The management of CSR in the global operations of MNCs, discussed in this paper, is an empirical in-depth investigation using multinational company ‘GrameenPhone’. The analysis of self-reported CSR practices in this MNCs revealed the globally-managed CSR practices and their transnational management processes, as well as several CSR practices not transnationally managed across multiple units and levels of the MNC and also several local CSR practices. The exploratory study undertaken for this research, using the activities of multinational Company ‘GrameenPhone’. The empirical findings of MNC’s management of CSR in routine stakeholder relations, with employees, consumers, environment and communities are presented. Influences of the home country environment in the Bangladesh, as well as the global and local environments faced by the MNC are analysed.

Study methodology

The empirical findings of MNCs’ management of CSR in routine stakeholder relations, with employees, consumers, environment and communities are presented. The case study design was adopted as a research strategy to study the CSR phenomenon in Bangladesh because GrameenPhone Ltd. is the pioneer in the relevant sector.

An in-depth study through multiple methods, for example: exploratory study, interview, were conducted to organise data. The samples of the study for direct interview consist of 34 managers mostly from top management or department head at the corporate head office. The research is based on ‘non probability’ sampling method. Sample units were selected based on the potential for information about CSR practices.

Primarily Annual reports of last five years and various CSR publications were used to analyse current practices in the field.

Limitations

While the present study has supplied useful information about CSR Practices in Bangladesh, it has several limitations that must be acknowledged. Annual Reports analyzed did not provide sector specific (CSR) expenditure in the income statement. Therefore, information was collected from interviewees with the manager which is to some extent subjective. The study also relied on various CSR publication and relevant web sites.

A brief profile of GrameenPhone Ltd

The company has so far invested more than BDT 10,700 crore (USD 1.6 billion) to build the network infrastructure since its inception in 1997. Grameenphone is also one the largest taxpayers in the country, having contributed nearly BDT 7000 crore in direct and indirect taxes to the Government Exchequer over the years. Since its inception in March 1997, Grameenphone has built the largest cellular network in the country with over 10,000 base stations in more than 5700 locations. GP has generated direct and indirect employment for a large number of people over the years. The company presently has more than 5,000 full and temporary employees. GrameenPhone Ltd. Recognizes ‘Development is a journey, not a destination’. In this connection, it is always believed that good development is good business. While it
maintains business focus, taking the nation forward remains top priority. Thus its relationship with Bangladesh is built on a partnership which strives to achieve common economic and social goals. GrameenPhone Ltd. has consolidated social investment initiatives in four core areas related to the Millennium Development Goals namely, Poverty alleviation, Healthcare, Empowerment and Education.

**Findings**

The data reveal a variety of CSR practices within the MNC, as well as systematic variation in global management of CSR practices. Several CSR practices were globally managed across the MNC levels; and several CSR practices differed across the MNC units or were specific to the local operations. CSR practices within the MNC varied across the stakeholder dimensions and within stakeholder groups.

In the vision, mission and goals statements this MNC stated their business objectives were to contribute to the wider societal benefit as well as to business returns. At the policy level the MNC made a commitment to CSR in all their operations. For example, addressed the future viability of its business; the caring role of the company and stated its community relations and environment policy. Corporate citizenship was considered as the part of the company's values statement. For example: In devising business policy and profitability GrameenPhone stated their CSR as:

“Development is a journey, not a destination. Our work is not just about ensuring connectivity; it is about connecting with people and building relationships, based on trust, with our subscribers, business partners, employees, shareholders, as well as the wider community. We have always believed that good development is good business.”

Along with providing telecommunication services to over 9 million people, providing direct income-earning opportunities a large number of people and being one of the top corporate taxpayers in the country, GrameenPhone takes its CSR activities quite seriously. Environment, health and safety performance for the group and its initiatives to protect biodiversity, and transparency of R&D are taken into consideration while devising company policies. CSR practices of the MNC addressed socio-political, ecological, and environmental issues at the corporate level. The MNC does not have synchronised collaboration and does not partner with governments and non-government organizations substantially to address negative impacts of business activities and to solve several social problems. This paper organizes discussion around different dimensions of CSR; namely Employee Dimension, Customer Dimension, Environment and community care Dimension.

**Employee Dimension**

While the HR functions tend to be largely decentralized and more locally managed in GrameenPhone, the Head Quarter (HQ) have significant involvement in the management of some HR-related CSR practices in their global operations, often to varying extents of effectiveness. For example, GP’s global policies for equal opportunities, bullying and harassment were available across the global operations through the company’s intranet.

On the other hand, CSR in most HR practices was largely locally managed. For example, in GrameenPhone equal opportunity practices, salary and benefits packages, or training and development of employees were largely locally managed by local
offices, often with a close involvement of the Regional Offices. In developing human resources Grameenphone strives towards developing not only local but also global competencies. It has a promise to provide a positive, friendly, productive, and respectful work environment. GrameenPhone in their value statement says about commitment towards its employees –

“The grameenPhone has consistently demonstrated its commitment towards its employees and the environment over the years. It has been recognized as the practitioner and promoter of socially responsible business behaviour.”

**Customer Dimension**

Marketing, like human resource management, is often decentralized in the MNCs (Rosenzweig & Nohria, 1994) in order for the local units to meet the differentiated needs of the local customers. The MNCs in this study illustrate variety of integration of CSR in global marketing practices. In GrameenPhone, CSR towards customers significantly involved the HQ through centralized or integrated management. Customer safety and security in GrameenPhone were centrally co-ordinated through routines set by the HQ based on global regulations. In addition, the national regulations and norms were followed by the units. Customer feedback procedures comprised a mix of formal routines set by the HQ. Customer satisfaction and customer relations were globally managed through centralized IT networked processes. The brands and various point-of-contact practices were customised through global and local manuals and guidelines alongside which the local norms and approaches were also informally followed by GrameenPhone’s units.

Now a days customers and the business look beyond just the product and services. GrameenPhone recognises essential correlation between connectivity and development. They have connected more than 20 million people all over the country. It made the access to information available to the people who had little access before in turn which tends to transform lives in a holistic way. For example, the village phone is believed to bring both social and economic empowerment to the rural women as it contributed to gaining economic strength.

**Environment and Community care Dimension**

The existing discussions of environment care management in MNC operations (Hansen, 2003; Shrivastava, 1987) place the responsibility for environment care somewhere between the HQ’s and the local operations. The HQs took several measures to ensure implementation of environment care at the local sites either directly by the HQ, or by the local units. GrameenPhone’s central unit centrally reports their global environment care performance. In addition, the company’s local units reported their environment care initiatives locally.

Environment care in GrameenPhone is integrated by the HQ into functional areas, viz. global procurement, product design, and technical operations. Company’s annual report provided details of the regular monitoring and measure of the key characteristics of its activities that may impact the environment in global operations. These included reporting on compliance of international and local regulation several local issues in Bangladesh, such as addressing local cultural influences. GrameenPhone has involved in a variety of wider environment care activities, e.g., initiatives to promote responsible operation like free health care, tree plantation, preservation of ecosystems and partnership with the government agencies for saving
environment. These policies were directly managed centrally but considering indigenous factors. Environment care in global operations of GrameenPhone involved extensively integrated multilevel internal reporting and audit. These systems operated alongside processes for participating voluntarily in numerous local environment care issues.

Community care by firms is typically localized at the sites of operation, i.e., the HQ and the subsidiaries in the case of MNCs. The MNC studied here revealed several patterns of localization and centralization of community work. Operations in Bangladesh of the MNC have several impressive community care activities to their credit. GrameenPhone has considered Health is one of the key focus areas and consolidated its social investments. In collaboration with USAID GrameenPhone has established a network of 318 smiling sun clinics in 61 districts. They also launched the GrameenPhone safe motherhood and infant care projects for economically disadvantaged mothers and their infants nationwide.

GrameenPhone adopted several other community care initiatives throughout Bangladesh. Its local unit conducts charity and community support activities locally without much involvement of HQ. GrameenPhone reports centrally, its worldwide community activities. Some CSR practices were shared across HQs and its international units, e.g., the campaigns against counterfeit drugs, HIV-AIDS. CSR practices were integrated into customer service, marketing, GrameenPhone information services, and quality procedures. GrameenPhone’s units locally undertook activities such as innovative rural marketing for providing access to avail technology for the poor people in remote villages.

Considering education as the basic human rights GrameenPhone has considered it as one of the key focus areas in social investment. GrameenPhone provides 100 merit scholarships to meritorious but underprivileged students at different academic levels in collaboration with ‘Grameen Shikkha’ a project of Grameen Bank. It also helps financially a number of special schools with a view to support in the learning process of the gifted children in our society. Grameenphone is also a proud partner of the enrichment program of ‘Bishsho Shahitto Kendro’ through which free books are distributed.

In all countries, the law stipulated the conduct of employment relationships, but the varying scope of regulation across countries resulted in diverse behaviour across the units within the MNC. For example, the working time, pay determination, recognition of employee unions, consultative structures, and redundancy provisions, were defined by local legislation. Furthermore, many practices, though designed to be managed transnationally, could not be implemented in the global operations, as these did not appear to ‘fit’ with the cultural or institutional contexts of the subsidiaries. GrameenPhone appears to be equal opportunity employer and find employee counseling, bullying and grievance procedures, or the Customer Listening Forums promoted by the HQ to ‘fit’ with the local business environment.

The above analysis of empirical findings across global and local CSR practices in the MNCs reveals a fine-grained interplay of global, national-home country, host-country level environmental factors, and firm’s strategic choices and design for the management of CSR in global operations.
This study suggests that the normative prescriptions for increased global CSR benefit from the recognition that global management of CSR requires strategic and systematic design for global management of CSR practices. Furthermore, the study suggests global CSR requires supportive environmental factors throughout the MNCs’ multilevel environment, i.e., the regulatory, normative and cognitive elements of the institutional environments at multiple levels of the MNC need to collectively support CSR practices for their global management.

While the present study has supplied useful information about CSR Practices in Bangladesh, it has several limitations that must be acknowledged. Annual Reports analyzed did not provide sector specific (CSR) expenditure in the income statement. Therefore, the researchers had to rely on interview and other CSR publications for analysis.

**Conclusion**

It can be concluded from the study that CSR is no longer exclusively practised in developed countries; companies in the developing countries like Bangladesh are showing interest and commitment to CSR as well. Although most people appreciate the recent advancement of CSR, some argue that corporations are still not doing enough or are only acting in self interest. These people say that multinational corporations are acting ethically in areas that are highly regulated, such as North America, but at the same time, they are acting in an opposite manner in other parts of the world (such as using cheap or child labour). In addition, while corporations must have good CSR policies in order to maintain their reputation, they are also expected to maximize profits for stakeholders such as shareholders, employees, and customers.

Therefore, people argue that businesses do not put in a sufficient amount of resources to achieve what they have promised in their CSR policies. Because CSR is becoming more commonplace among corporations, there are concerns that some companies promote an image of CSR whether or not they have a true strategy in place and the results to show for. Accountability and transparency are key to conducting business in a responsible manner.

Furthermore, stakeholder expectations, critical social issues, norms, and values, and institutional and sociological requirements also change over time. CSR is behaviour that has to be congruent with prevailing social norms, values and expectations of the society. As CSR practices and stakeholder expectations vary across countries as well the MNCs must consider the indigenous factor while devising CSR policy matters.

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