Stakeholders' Perceptions of Corporate Social Reporting in Bangladesh

Ataur R. Belal
Robin W. Roberts

ABSTRACT. Recent calls in the corporate social reporting (CSRep) literature have emphasized the importance of giving voice to non-managerial stakeholder groups in the social reporting process. The research, presented in this paper, employs recent work in stakeholder theory and CSRep to examine the perceptions of a diverse set of non-managerial stakeholders in the context of a developing country, Bangladesh. A series of semi-structured interviews were conducted with individuals who identify with various non-managerial stakeholder groups. Interviewees generally believed that the motivation and practice of CSRep in Bangladesh is developing in response to pressures from international markets and is producing largely cosmetic responses. Also, they expressed concerns that, given the economic, political, and social conditions in Bangladesh, premature adoption of strict CSRep standards may lead to increased corruption and other unintended consequences. Whilst some of the interviewees sharply criticized the current process of imposing social accounting codes/standards on developing countries which fail to consider the important local socio-economic context, the findings suggest that there is overwhelming support for mandatory externally verified CSRep based on the principles of peoples' right to know, full disclosure/completeness, and relevance, which are anchored in the broader principles of transparency and stakeholder accountability.

KEY WORDS: corporate social reporting (CSRep), stakeholders, stakeholders' perceptions, accountability, Bangladesh

Introduction

The recent corporate social reporting (CSRep) literature emphasizes the importance of giving voice to non-managerial stakeholder groups in the social reporting process (Belal, 2002; O'Dwyer, 2002; Owen et al., 2001; Pater and Lierop, 2006; Quaak et al., 2007; Unerman and Bennett, 2004). However, there are few published articles that evaluate non-managerial stakeholders' perceptions of CSRep (O'Dwyer et al., 2005a). This paper examines non-managerial stakeholder perceptions of CSRep and, thus, focuses on external social reporting. We view CSRep as part of a corporation's overall set of corporate social responsibility activities but also agree that CSRep can be manipulated (Sims and Brinkmann, 2003) and that documenting a corporation's social responsibility activities does not necessarily reveal its motivating factors for engagement (Snider et al., 2003). However, as Holder-Webb et al. (2009) point out, "Virtually all theoretical approaches carry the implication that it is not enough to partake of CSR action, it is necessary then to disseminate information about the action that has been taken" (p. 499). Thus, in the present study we examine CSRep perceptions of a diverse set of non-managerial stakeholders within the context of a developing country, Bangladesh, in order to better understand the expectations of CSRep in a developing country. Through our analysis we bring unique insights into the ongoing discussion of corporate social responsibilities in developing economies. We chose Bangladesh as the location for study for four primary reasons.

First, by undertaking an empirical study of CSRep in a developing country such as Bangladesh, we can improve our general understanding of corporate social responsibility, reporting and stakeholder analysis. A stakeholder approach recognizes a corporation's obligations to non-shareholder interests and entails an acceptance of corporate social responsibilities (Kaler, 2006). Reed (2002) points out that corporate responsibilities and stakeholder relationships may be different in developing countries than they are in more developed countries, and

argues that corporations operating in developing countries have increased responsibilities to a ''full range of stakeholder groups'' (p. 167). To date, relatively little is known about how corporations actually practice social responsibility in developing countries or how it is perceived by outside stakeholders (Jamali and Mirshak, 2007). Our interviews with non-managerial stakeholders provide us with information needed to help evaluate both contentions.

Second, although Bangladesh is considered a least developed country (LDC), it made notable progress in economic performance during the 1900s and into the twenty-first century as it began to embrace a more open economy and became more integrated with global economic markets (Mahmud, 2004). Economic growth and a transition to a market economy are associated with increases in stakeholder relationships and with the demand for social reporting.

Third, economic growth in Bangladesh can be attributed in large part to its continuing transition from a primary commodity exporting country (jute) to a manufacturing exporting country (garments) (Khundhker, 2002). This transition generates relatively new issues for stakeholders in the Bangladesh economy (e.g. manufacturing labourers, environmentalists and community NGOs).

Fourth, we were able to gain additional insights into the study because one of the authors is from Bangladesh. Because of his own heritage, he was able to conduct interviews in the Bengali language and was better able to develop a rapport with interviewees. Taken together, we believe that our study offers unique and useful insights concerning stakeholder relationships and CSRep in developing countries.

A series of semi-structured interviews were conducted with individuals who identify with various non-managerial stakeholder groups. We found that interviewees generally believed that the motivation and practice of CSRep in Bangladesh is developing in response to pressures from international markets and is producing largely cosmetic responses. Also, they expressed concerns that, given the economic, political, and social conditions in Bangladesh, premature adoption of Western CSRep standards may lead to increased corruption and other unintended consequences. Whilst some of the interviewees sharply criticized the current process of imposing

social accounting codes/standards on developing countries which fail to consider the important local socio-economic context, the findings suggest that there is overwhelming support for mandatory externally verified CSRep based on the principles of peoples' right to know, full disclosure/completeness, and relevance, which are anchored in the broader principles of transparency and stakeholder accountability. Our findings support the arguments of prior stakeholder and corporate social responsibility research that highlights the need for corporations to accept and report on additional social responsibilities when operating in developing countries.

Background

Bangladesh was a British colony and received its independence along with India and Pakistan in 1947. It had separated from Pakistan through a liberation war in 1971. Since then it was mostly under various military regimes. The democratic process began in the 1990s. The current government led by Awami League Party was elected in 2009 by an overwhelming majority. The capital market of the country (total market capitalization of $32,000 millions approximately as at 2nd February, 2010) has received new life with the beginning of democratic process in 1990s.

The economic context of Bangladesh is characterized by a private sector-led rapid industrialization policy, marked by significant foreign investments and export-oriented industrialization. Such an economic strategy has enabled Bangladesh to achieve a stable average annual economic growth of about 7% over the last decade (WorldBank, 2006). However, economic growth has resulted in many adverse social, ethical and environmental impacts, increasing the demand for stakeholder engagement (Islam and Deegan, 2008), and greater transparency and accountability in companies (Byron, 2005; Rahman, 2003).

The principal employee-related issues of concern, particularly in the garments and textile sector, and also in other export-oriented companies, are health and safety at work, child labour, human rights, and equal opportunity. Since 1990, there have been 115 factory fires killing 300 people and resulting in over 2500 injuries. Under international pressure, child

labour is being eliminated but the rehabilitation and welfare of these ex-child labourers have been ignored (Milne, 2001; Priyangika, 1999). The media regularly report violations of human rights in factories, particularly in the export-oriented units, related to the abnormal length of working hours, unpaid wages, mandatory pregnancy tests, and harsh working conditions (Afrin, 2002; Milne, 2001).

Industrial pollution is a major environmental concern in Bangladesh (Belal et al., 1998). Tannery companies in the Hazaribagh areas of Dhaka and other industrial units (Nurunnabi, 2002), seriously pollute nearby communities and rivers on a daily basis with industrial wastes. In addition to these employee and environmental issues, issues of corruption and consumer rights have raised significant concerns in the society. Bangladesh was ranked as one of the 30 most corrupt countries in the world according to the 2006 Transparency Internationals Ranking (see www.transparency.org). Business communities' involvement in unethical and corrupt activities, such as bribery (Khaleque, 2005) and tax evasion (Hasan, 2002), have been widely reported in the media.

Bangladesh has a good number of rules and regulations (e.g. Factories Act, 1965, Industrial Relations Ordinance, 1969, Employment of Labour (Standing Orders) Act, 1965, Payment of Wages Act, 1936, Environmental Protection Act, 1995 and Workmen Compensation Act, 1923) inherited from the British colonial regime. These laws are meant to control the social and environmental behaviour of the companies operating in Bangladesh. However, in reality they are routinely flouted due to lack of enforcement by the relevant agencies which appear to be corrupt, weak and ineffective. They also lack strong political will and necessary resources such as manpower, skills and knowledge to be able to implement the relevant laws. Flouting of environmental laws is evidenced by unwillingness of the manufacturing organizations to instal effluent treatment plants (ETP) which were mandated in 1995. In response to a petition by the Bangladesh Environmental Lawyers' Association Bangladesh High Court has recently issued an order to implement the requirement of ETPs by 2010. This move came against the backdrop of an 'environmental catastrophe' that Bangladesh is facing due to the significant pollution by the industrial organizations.

Government leaders and emerging pressure groups have demanded transparency in all spheres of public life, including ethical business practices. In addition to internal domestic pressure there has been ever increasing external pressure on export-oriented companies to adhere to the principles of international labour practices (Islam and Deegan, 2008). The external pressure for ethical business practices mainly emanates from international agencies (TheDailyStar, 2004) and large Western corporations (Milne, 2001). Moreover, subsidiaries of multinational companies continue to be under pressure from international lobby groups to improve transparency and accountability in their operations in developing countries (Newson and Deegan, 2002). Because of these pressures it is widely speculated that companies in Bangladesh will be asked to comply with the requirements of social accounting standards and corporate codes of conduct that are being developed and adopted in Western developed countries (Islam and Deegan, 2008).

The recent research by Sobhani et al. (2009) highlights the current state of CSRep in Bangladesh. Based on a survey of 100 listed companies in Bangladesh they conclude that the level and extent of social and environmental disclosures are poor. In spite of the poor labour practices revealed in local and international media (Milne, 2001; Priyangika, 1999) all of the surveyed companies disclosed employee-related issues whilst only 47 and 19% disclosed on community and environmental issues, respectively. Nearly, in 90% cases most of these disclosures were positive. The level of disclosure appears to have increased over the last 10 years and this increasing trend is likely to continue.

However, it is yet to be seen whether such disclosures reflect the realities on the ground. In a qualitative content analysis of 87 companies' annual reports Belal (2008) concluded that CSRep practices in Bangladesh reflected the interests of powerful economic stakeholders neglecting the interests of weak social stakeholders such as local community, environment and the wider society. This is evidenced by the performance of Bangladeshi companies on the issues of child labour and health and safety which have been highlighted earlier in this section. This gap between disclosures and actual performance on social and environmental activities

has been aptly captured in Belal and Owen (2007) and Islam and Deegan (2008).

Corporate social responsibility and reporting and stakeholder analysis in a developing country context

Research in corporate social responsibility and reporting has begun to address how the societal role of business, especially the role of multinational corporations, may change when facing the economic, social, and political challenges that are present in developing countries. In proposing a twenty-first century agenda for researching corporate social responsibility, Godfrey and Hatch (2007) point out several contentious issues associated with expansion of multinational businesses into countries where Western, democratic capitalistic frameworks are either emerging or non-existent. They assert that the development of strong markets may disrupt the current status of existing stakeholders, increases in demands for private property rights may reinforce the power of governing elites, and an infusion of new international capital may resurrect memories of colonialism. Overall, research suggests that the dynamics affecting perceptions of corporate social responsibilities are significantly influenced by cultural factors operating within society (Jamali and Mirshak, 2007).

Bird and Smucker (2007, p. 1) developed three corporate social responsibility principles that they argue must be considered when a multinational firm operates in a developing country. They are: (1) maintaining an awareness of the historical and institutional dynamics of local communities; (2) using non-intimidating communication with local constituencies; and (3) a willingness to safeguard and improve the local communities' social and economic assets. These three principles align with a stakeholder approach that requires corporations to internalize the perspectives of stakeholders and to adopt mutually nurturing approaches to stakeholder relationships (Buchholz and Rosenthal, 2005). Reed (2002) argued that, in addition to a need for corporations to be sensitive to historical and cultural differences that may be present in developing countries, there are a set of normative stakeholder principles that potentially increase a corporation's obligations to their

stakeholder groups. Increased obligations for a corporation doing business in a developing country may include determining appropriate standards for the compensation and working conditions of employees, respecting workers' rights to organize, implementing measures to incorporate marginalized groups, determining appropriate standards for externalities and emergency responses, refraining from anticompetitive practices, and providing space for acts of public autonomy (Reed, 2002, p. 195). Given that corporations' stakeholder obligations may depend upon the social and political context of the specific developing country in which they operate, it is important for corporations to undertake CSRep and that all stakeholder groups perceive CSRep as informative and transparent.

A primary purpose of CSRep is to discharge accountability to all relevant stakeholder groups who might be affected by organizational activities, irrespective of their power. It is a normative perspective on stakeholders (Deegan and Unerman, 2006) that is supported by many social accounting scholars (Adams, 2002; Bebbington et al., 1999; Belal, 2002; Gray et al., 1997; O'Dwyer et al., 2005a, b; Owen et al., 1997, 2000, 2001; Unerman and Bennett, 2004). O'Dwyer et al. (2005a) have called for CSRep studies that include 'different sets of non-managerial stakeholders such as trade unions and consumer groups' (p. 36). They also emphasize the need to examine the 'perspectives of these stakeholders in other contexts where Corporate Social Disclosure (CSD) has been emerging over the past number of years' (p. 36). Further, Reynolds and Yuthas (2008) point out that alternative stakeholder perspectives can affect perceptions of both the process and content of CSRep. Thus, we view CSRep as an integral part of a corporation's overall set of corporate social responsibility activities.

A small number of studies have examined the views of accounting and accounting-related professionals regarding CSRep in a developing country context. Lodhia (2003) found little involvement of accountants in the development of environmental accounting and reporting in Fiji, mainly due to their lack of expertize in the area. In a study of CSRep in Thailand, Kuasirikun (2005) combined a questionnaire and interview study to find that a more positive attitude was held by the Thai accounting profession towards the development of social and environmental

accounting. Additionally, research in the Middle East has identified support amongst the users of annual reports (accountants, auditors and academics) for the development of CSRep in Jordan (Naser and Baker, 1999) and Qatar (Al-khater and Naser, 2003), mainly because of the relevance of such data for addressing the country's socio-economic problems.

We are not the first to study CSRep in Bangladesh; however, most previous studies are descriptive in nature, mainly measuring the volume of disclosures (Belal, 2000, 2001; Imam, 1999, 2000). None of this earlier research examined managerial or stakeholder perceptions of CSRep in Bangladesh, although recent work by Belal and Owen (2007) focused on managerial perceptions of CSRep in Bangladesh. They found that managers believed that current CSRep processes are mainly driven by 'outside' forces, such as parent companies, international buyers and international agencies. The findings of this prior research call attention to serious domestic issues that often accompany the arrival of 'outside' forces (i.e. global capital) in a developing country such as Bangladesh. The domestic issues are political and social, as well as economic, because Western notions of market supremacy, individual property rights, and a limited role for the state are privileged by global capital. Belal and Owen (2007) suggest that the imposition of international social accounting standards and codes is likely, but that due consideration of the needs of local stakeholders is not likely to be significant. They consider it unlikely that such a passive compliance strategy will achieve the fundamental purpose of social accounting, which is to achieve corporate transparency and accountability (Medawar, 1976) by empowering stakeholders. Thus, when investigating CSRep in a developing country, the perceptions of non-managerial stakeholders takes on added importance.

Research method

In order to have an appropriate perspective on stakeholder perceptions of the emerging CSRep agenda in Bangladesh it is necessary to examine why and how these perceptions are held, as well as the context in which they are held. As argued by O'Dwyer et al. (2005a), the use of qualitative methods is more appropriate in these circumstances as it helps to provide in-depth access to the perceptions and cognitive processes of the stakeholder groups included in the study.

In order to conduct our study, we interviewed 11 individuals from Bangladesh who identify with various non-managerial stakeholder groups. A brief profile of the interviewees showing their demographical background, status and nature of their organization is given in Table I. The tacit knowledge of the context of Bangladesh of one of the authors and consideration of prior literature aided the selection of these interviewees. Initial contact was made by e-mail where possible; however, the majority was contacted personally by telephone during the field visit to Bangladesh.

The key informants in this case were the most senior persons in the organization who appeared to be knowledgeable about CSRep issues, e.g. information inductance impact on actual performance, stakeholder pressures and adoption of social accounting standards such as GRI's Sustainability Reporting Guidelines, SA8000 and AA1000. Most of the interviewees were fairly independent from any business affiliations (except interviewees from the accounting background who might be indirectly involved with business as advisors and auditors) and collectively they formed part of the civil society to influence the socio-cultural development of Bangladesh. Their recent success in mobilizing public opinions in favour of an environmental movement in Bangladesh is noteworthy. We believe that interviewees' opinions fairly reflected their constituents.

The duration of the interviews ranged from 30 min to 2 h. All interviews started with a brief introduction of the project and an outline of the objectives of the interview. With the permission of the interviewees a tape recorder was used to record each interview. All recorded interviews were transcribed. It was agreed that neither the interviewees nor their respective organizations would be identified when quoting them.

Following a semi-structured interview protocol, interview questions encouraged open-ended responses that allowed interviewees to respond from their particular stakeholder perspective. Each topic was discussed as it related to the Bangladesh context.

TABLE I

List of interviewees

Interviewee no.	Status/rank of the interviewees	Nature of organizations	Gender	Education
I1	Secretary General	Trade Union Congress	Male	B.Sc.
I2	Secretary General	Consumers' Association	Male	B.Sc.
I3	Manager	Environmental NGO	Male	B.Sc.
I4	Director	Environmental Lawyers' Association	Female	M.Sc.
I5	Chairman	Environmental Journalists' Association	Male	B.Sc.
I6	Director	Social/Civil NGO promoting transparency	Male	M.Sc. Bar at Law
I7	Honorary Chairman	Social/Civil NGO promoting transparency and also an academic	Male	Ph.D.
I8	Executive Director	Regulatory Body	Male	M.Sc.
I9	President	Leading Professional Accounting Body	Male	M.Sc. FCA
I10	Accounting Practitioner	Representative, one of the Big Four accounting firms in Bangladesh	Male	B.Sc. FCA
I11	Member	Stock Exchange	Male	M.Sc. FCA

Topics covered in the interviews were non-managerial stakeholder perceptions of:

1. the need for CSRep;
2. corporate motivations for CSRep;
3. the need and relevance of social accounting standards;
4. important CSRep principles/issues;
5. the prospects for CSRep (including speculative comments about degree of change resulting from the requirements of compliance with international standards).

The above procedure generated over 100 pages of data. A summary of each interview was prepared and analysed. These summaries helped to identify the contrasting perspectives of different stakeholder groups, the most commonly occurring themes and differing viewpoints, and allowed us to situate the responses within prior research on corporate social responsibility and stakeholder analysis in a developing country context.

Results and discussion

Based on our review of prior literature and our analysis of the interview data, we observed two recurring themes that are salient to the discussion of corporate stakeholder responsibilities and CSRep in this developing country context. The first theme relates to how non-managerial stakeholders perceive the role of corporations, especially multinational corporations, within the ongoing economic, political and social development of their country. Corporate stakeholder relationships and CSRep should take into account how cultural and socio-economic factors within Bangladesh affect non-managerial stakeholder perceptions of corporate responsibilities (Bird and Smucker, 2007; Jamali and Mirshak, 2007; Reed, 2002). This theme includes local concerns over reconfigurations of the existing business environment (Godfrey and Hatch, 2007).

The second theme relates to non-managerial stakeholders' evaluations of their country's willingness and ability to develop or adopt CSRep standards and forms of accountability that incorporate normative stakeholder principles (Buchholz and Rosenthal, 2005; Reed, 2002). It is important to point out that these two themes are not separate and contain interactive elements. For example, Buchholz and Rosenthal (2005) explain how a corporation's internalization of external stakeholder perspectives can allow it to develop mutually nurturing approaches to stakeholder relationships. This approach to stakeholder management can be expected to lead to CSRep that incorporates normative stakeholder

principles. Through our interviews, however, we discovered that, in a developing country like Bangladesh, the successful application of these principles may require a recognition and understanding of the willingness and ability of the developing country to accept and internalize them. As our first theme acknowledges, there can be tension between Western notions of normative stakeholder principles and existing economic, political and social cultures. In the following two sections we explore these themes in more detail.

Economic, political and social considerations

The interview results indicate that a large majority of non-managerial interviewees (10 of 11) are in favour of CSRep in Bangladesh. From a normative stakeholder perspective they argued that the overriding purpose of social accounting and auditing should be to discharge accountability to all relevant stakeholder groups in a democratic and transparent manner (Medawar, 1976). According to them, the CSRep process should be based on stakeholder engagement (Belal, 2002; GRI, 2000; ISEA, 1999). This sentiment is captured in the following quote:

> I think the principle that needs to be stated very clearly is that companies should disclose. The practice of non-disclosure encourages lack of transparency and secrecy, so you need to establish the principle of full disclosure. (I6)

However, the current practice of CSRep in Bangladesh is viewed as far from satisfactory and one that does not promote the desired levels of transparency and accountability. Interviewees stated this clearly:

> I think at the moment peoples' right to information is not that much enforced here. Generally, in Bangladesh, the dissemination of information is very poor. Management does not disclose both in public and private sectors. (I6)

> Truly speaking, the garment factory owners are very shrewd people. They buy labour at a very cheap rate. They don't care about the health and safety measures. As a result, we lost hundreds of human lives in recent days due to factory fires. The victims who survived are not even getting proper compensation. The offenders go away without being brought to justice. Isn't it a

human crime? They should be punished and made accountable for it. (I2)

In line with the findings of O'Dwyer et al. (2005a, b), interviewees in this study were highly sceptical about the corporate motives behind CSRep. In their opinion, public relations concerns appear to be the primary motive. Questions were raised about the genuine intentions of corporations with regard to CSRep, especially locally owned corporations that are thinly capitalized. The following comment is representative of those made by interviewed participants:

> Businesses are basically motivated by profit. To be honest, you can't really expect much from the local small and medium sized enterprises. There is a greater possibility with the larger companies. With the changing societal expectations they might respond although in a very cosmetic fashion. (I6)

The profit motive is used in Bangladesh, as in other countries, as a corporation's rationalization for not adopting a more normative approach to stakeholder relationships and for not engaging in CSRep. Interviewees expressed their concerns with profit-oriented arguments against CSRep, often viewing political pressure and government regulation as the most likely way to effect positive change. As one interviewee phrased it,

> You see whenever we talk about these social and environmental obligations businesses would complain about the lack of resources. But when they see that without complying with these requirements they cannot attract orders and make exports then they start to comply. Our businesses only bow down to the international [economic] pressures. (I4)

In her examination of Chinese stakeholders' perceptions of CSRep Tsoi (2010) had similar findings. This is also echoed in the findings of Belal and Owen (2007). Discussion with the interviewees leads us to believe that non-managerial stakeholders can play a positive role in the development of CSRep in Bangladesh. However, in order to effect meaningful change, reforms in existing corporate laws and corporate governance structures are necessary (Owen et al., 2000, 2001). In Bangladesh, legal and corporate governance reforms that are beneficial to less powerful stakeholders may be difficult to implement

because of relatively high levels of government corruption. One interviewee explained:

> Business organizations in this country are not corruption free. We've seen corporate malpractices, which have been reported through various newspaper reports. One particular source of corruption arises from the business owners' close proximity to the politicians and lawmakers. We'd like to see a clear ethical policy in this regard. They should disclose their performance against that policy. (I6)

Given this level of corruption, it is also hard to anticipate the consequences that may be generated from any stakeholder-oriented reforms that are passed. In other words, when regulatory changes are implemented, stakeholders may face new forms of risk. Interviewees who held these views stated:

> Legal provisions sometimes may lead to corruption because the law enforcing agencies are corrupt here. Therefore, it may breed corruption. (I7)

> Given the level of corruption and lack of accountability and transparency I am not very hopeful. How do we begin to come out of this? That is really a big challenge. I feel that there will have to be some really brave risk takers in this area, who will have to make the break-through. You know it may not be the indigenous companies. To start with, it could be overseas multinationals. They have more resources. (I6)

Some of the interviewees believe that the most effective way to improve corporate accountability is through efforts made by domestic and international organizations to exert public pressure. These two comments represent the sentiments of our interviewees:

> I think the pressure groups certainly will have to be the driving force behind either policy change or putting pressure on the business sector to take social responsibility more seriously. If you look at the West you will see public pressure really makes a big difference. For example, if you look at the role of media you will see that they have done a lot in terms of raising public awareness regarding social and environmental issues…. I think organizations like the consumers' association can play a very important role. (I6)

> If a particular company is creating pollution in a particular community then by mobilizing public opinions

we can put pressure on the company to be more socially and environmentally responsible and accountable. (I3)

One interviewee pointed out, however, that a minimum level of credible CSRep may be needed in order for pressure groups to function effectively:

> If pressure groups are empowered with necessary information and rights they can play a role by putting pressure on businesses through public litigation and campaign. They should be involved in the reporting process. (I4)

Interviewees asked for independently verified disclosures on issues related to a variety of topics such as environment, product quality, child labour, equal opportunity, poverty alleviation, health and safety and corruption. On interviewee (I7) noted the necessity of providing social balance sheet showing social capital at the beginning as well as at the end of a particular period:

> This is a difficult question. I want to see the social balance sheet of every organization – the state of social capital at the beginning as well as at the end of the year. (I7)

He then went onto discuss the contents of social disclosure. Although he did not elaborate on this point he hinted on the kind of broad issues he would like to see disclosed:

> I want to see progress made on the social issues concerned. All issues related to consumers, employees and the environment should be disclosed. (I7)

The interviewee from the consumers' association specifically asked for disclosures on the quality of product and services provided by the Bangladeshi companies. On the other hand, interviewee from the Trade Union Congress demanded disclosures on the employment conditions such as child labour, health and safety and equal opportunities.

In addition, some argued that non-managerial stakeholder engagement, not only corporate reporting activities, is the most appropriate avenue to follow in order to produce meaningful CSRep.

> A multi-disciplinary team of experts can oversee the whole process. It would not be wise to leave it to the financial auditors only. They might not have enough

expertise. Here pressure groups have a role to play as part of that multi-disciplinary team. (I3)

However, interviewees from the accounting profession remained unconvinced on the role of CSRep and did not show much enthusiasm about the prospects of CSRep in Bangladesh. They appear to be dismissive of the merits of a CSRep agenda in Bangladesh.

At the core of normative stakeholder theory is the belief that corporations should treat each stakeholder relationship as an end in itself, not as a means to an end. Interviewees' comments indicate their support of this concept. According to them, corporations should not view the people or the natural resources in Bangladesh merely as economic opportunities that can be exploited. Interviewees captured this concept by saying:

> You can't just come and make money leaving the surrounding communities in a pretty poor condition. We want to know what you have done to address the problem of poverty in the local communities. (I1)

> It [CSRep] is more essential in Bangladesh because you see our eco-system is quite unique and very fragile. We need industrialization; there is no doubt about that. But in the process of industrialization we should not destroy the eco-system and pollute the river bodies. Any industrial units located along the bank of rivers should be responsible for taking appropriate environment-friendly measures to prevent pollution. They should let others know through disclosures whether they have taken such measures. (I5)

Standards and accountability through CSRep

Most of the interviewees held the opinion that the requirements for CSRep should be made mandatory. They argued that in the absence of legal requirements many companies would not report corporate social and environmental performance voluntarily.

> If there is legal provision that also in some way helps to create awareness. For example, whenever there is any public litigation against a particular company it becomes lead news in the newspaper. So whether you win it or lose it – it creates some sort of awareness. (I4)

> It should be at some stage. Even if you pass a law right now things will not improve overnight. Then again it is also true that if you have law there will be a tendency to comply although there may be some non-compliance initially. But if there is no law then you are at liberty to do whatever you like – you may or may not take CSRep seriously as it will increase costs. (I8)

Similar views were espoused in the recent Irish studies (O'Dwyer et al., 2005a, b). A strong case may be made in favour of CSRep regulation by drawing attention to the limits of voluntary initiatives in developing countries. Although our interviewees believed that public pressure is the most effective catalyst for improving CSRep, pressure groups are typically not well funded or organized in developing countries (Perry and Singh, 2001). For example, one interviewee stated:

> …it seems to be that neither public pressure nor regulatory mechanism is there to make these things happen. Definitely that [CSRep] would be a step in the right direction. (I6)

A number of the interviewees believe that pressure for corporations operating in Bangladesh to engage in CSRep would come from global market participants as the country became more integrated into the global economy. This could also encourage an adoption of global CSRep standards such as the SA8000 social accountability standards that are supported by International Labour Organization (ILO) conventions. However, views on the relevance of SA standards to developing countries like Bangladesh were mixed. The principal argument in its favour is that corporations are interested in the adoption of SA standards mainly for economic reasons. Some interviewees think that it would give a competitive edge to Bangladeshi companies in the global market. Moreover, from a social perspective, the adoption of social accounting standards like SA8000 might help improve working conditions of employees in Bangladesh. Coming from a supportive perspective, one interviewee stated that the

> …relevance of these standards is linked to the stage of economic development. But in a globalised world we would not be able to compete in the global market without taking care of these standards. So in that sense it could be relevant. Additionally, it could be argued that the adoption of these standards would involve

costs. But I think in the long run these costs will be offset. Therefore, I think from that point of view this could be relevant. (I5)

Some pressure groups have sharply criticized the adoption of SA standards in Bangladesh. First, they expressed concerns that global standards can create economic burdens on domestic suppliers, leaving an adverse impact on the export performance of the country. Instead of helping developing countries in their development process, these standards could instead create non-tariff barriers (Belal and Owen, 2007).

> Today or tomorrow these standards will come to Bangladesh. Our export-oriented companies will be under pressure to rise up to these standards. But we should be careful about their adoption. It should not be too cumbersome for us. (I4)

Second, it is argued that the standards might act as a seal of approval without making a substantive difference. So the compliance certificate might actually endorse current corporate activities by addressing the issues only at a surface level. Finally, these codes of conduct/standards do not address some crucial issues related to the local context and are mostly concentrated on issues that received widespread media coverage and the attention of consumers in sophisticated markets, such as child labour and health and safety issues.

Some of these issues have been highlighted earlier in "Background" section. For example, most of the Western codes of conduct/standards highlight the importance of child labour elimination. However, in doing that most of the time the issue of their rehabilitation and welfare is obfuscated. Terminated child workers often become involved in various anti-social activities which might have devastating impact on their families. This unintended consequence of child labour elimination creates further problems in society (Belal and Owen, 2007). This clearly indicates that local realities are different from the rhetoric of good labour practices espoused from the Western context.

Interviewees who did not endorse immediate adoption of global CSRep standards were sceptical of both the costs and benefits. For example, they commented:

> The West is trying to enforce their standards on developing countries without giving us the opportunity to come to a certain level. So enforcement of these standards will do more harm to a developing country than good. So it is rather premature for a developing country like Bangladesh to go for these standards. (I10)

> I am very wary of these Western standards. I think they tend to be quite mechanical. It does not affect the reality of the situation. If the people who come for inspection or if the owners are not fully committed, the system can easily be circumvented. So just mechanically applying the standards could be rather deceiving. I do not think they will go to the heart of the issues addressed…We also need to think from the cost point of view whether we are creating additional burden, whether we are creating an industry for the sake of industry for a group of professionals and consultants to go round and give advice. (I6)

The overall impression that we glean from this analysis is that there are concerns on the imposition of international standards in Bangladesh. However, the concerns appear to be related to the process of implementing the standards and what they actually achieve rather than the content of it. Prior research shows that CSRep is often performed strategically as a way to manage impressions regarding corporate social responsibility. Thus, it is reasonable that interviewees fear that these standards might not necessarily lead to the desirable change in corporate behaviour. They argued that if real changes (in terms of improved treatment of non-owner stakeholders' concerns) could not be achieved on the ground then we have probably missed the point.

Conclusions

Most of the interviewees appear to be in favour of mandatory requirements for CSRep in Bangladesh. This is in line with the findings of Naser and Baker (1999) and Al-khater and Naser (2003). The policy shift towards legal requirements is imperative given the limits of voluntary initiatives. However, such policy recommendation is not without reservations. We argue that the process of policy shifts in the socio-political and cultural context of Bangladesh should be taken seriously into account. It also raises the question of capacity building, as rightly argued by Tsoi (2010) in the Chinese context, so that the spirit of law can be upheld and the comprehensive implementation is not constrained.

For this purpose, relevant law enforcement agencies should be streamlined and adequately resourced. Given the level of corruption and bribery in government machineries in Bangladesh it is likely that any mandatory requirements of CSRep will have unintended consequences of breeding further corruption as pointed out by our interviewees. Unless these government machineries are cleaned from the problem of corruption and bribery there is a danger that CSRep laws will not be enforced. Therefore, whilst mandatory requirement of CSRep is desirable, law enforcement agencies should be strengthened at the same time for effective monitoring and implementation. This is an understandably complex issue and needs further research.

There are differences in the points of view of different stakeholders about the CSRep process in Bangladesh. Whilst they broadly agreed on the need for CSRep, interviewees from an accounting background appear to be sceptical about the merits of the emerging CSRep agenda in Bangladesh. One possible explanation for such negative attitudes could be their cosy relationship with management and their tendency to be in alignment with corporate interests in Bangladesh (Rahman, 2003). Also, due to their traditional training and focus on the narrow economic performance of the organizations it could be that they fail to see the potential of CSRep and for accounting for broader societal issues (Burchell et al., 1980). Whilst this finding is not unique, as similar results were found in earlier studies which examined accountants' attitudes towards environmental accounting and reporting (see for example, Bebbington et al., 1994; Deegan et al., 1995; Lodhia, 2003), it stands in contrast to Kuasirikun's (2005) study where she found a more positive attitude in Thai accountants regarding the future development of social and environmental accounting in their country.

Given the negative attitude of accountants, the catalyst for change in the field of CSRep in Bangladesh is more likely to come from the broader social constituents (such as civil society groups) who generally appear to be supportive of an emerging CSRep agenda. Commensurate with their expectations, the desired form of CSRep in Bangladesh should be aimed at the promotion of transparency and accountability to stakeholders. Thus, stakeholders' expectations surrounding the emerging practice of CSRep in Bangladesh appear to be grounded in the normative perspective of stakeholders (Deegan and Unerman, 2006). However, it is observed that current disclosure practice has largely failed to meet the expectations of stakeholders. The lack of stakeholder dialogue, absence of external verification and ad hoc disclosure systems as opposed to a comprehensive mandatory disclosure system, which covers all aspects of social, ethical and environmental performance including the crucial eco-justice issues make this apparent in Bangladesh (Belal, 2008). Some of the interviewees sharply criticized the current process of imposing social accounting standards, which fail to consider the important local socio–economic context of developing countries such as Bangladesh. Interviewees are also sceptical of the motivations behind the current practice of CSRep in Bangladesh and interpreted those motivations as a largely cosmetic response and a response to pressures from the international market.

The views expressed by the interviewees in this article can be compared with those of developed country stakeholders. From the European context in response (EC, 2002) to a Green paper (EC, 2001) on CSRep, respondents from the trade unions and civil society organizations favoured mandatory requirements for CSRep and wanted to see CSRep as a mechanism for extending corporate accountability. On the other hand, consumer groups emphasized the importance of credible and comprehensive information about the environment in which products and services are provided for informed buying decisions. Similar views were expressed in this study by the interviewees from trade unions, civil society and consumer groups in Bangladesh.

There are several theoretical implications of the results and analysis presented in this article. First, this study confirms the findings of Belal and Owen (2007) that CSRep agenda in Bangladesh, as in other developing countries, will be driven by 'outside' forces such as international market participants. This stands in sharp contrast with the developed countries where the pressures for CSRep appear to come from the media (Brown and Deegan, 1999), NGO/pressure groups (Deegan and Blomquist, 2006; Tilt, 1994), ethical investors (Friedman and Miles, 2001) and regulation (Larrinaga et al., 2002). Secondly, Western CSRep standards should be applied in the

developing countries after due consideration of the local context. Finally, at least the core provisions of CSRep should be made mandatory. However, for effective implementation law enforcement agencies must be strengthened and adequately resourced. Private/Civil regulation (such as corporate code of conduct, SA8000 and AA1000) (Parkinson, 2003) has its own limitations, and it cannot be substitute for state regulations (Vogel, 2010).

The research reported here extends the CSRep literature by providing a stakeholder perspective on CSRep in Bangladesh. Thus, it both contributes empirical evidence from other than a managerial perspective on CSRep and adds to the existing knowledge of these issues in developing country contexts. Given the qualitative nature of this study it is not the purpose to arrive at statistically generalizable conclusions. For such results and conclusions future researchers might undertake large-scale comprehensive questionnaire survey of stakeholders with a view to examine their perceptions of CSRep in Bangladesh and other developing countries. The findings of this study should help the research design of the proposed future research.

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Ataur R. Belal
Finance, Accounting & Law Group,
Aston Business School,
Aston University,
Birmingham B4 7 ET, U.K.
E-mail: a.r.belal@aston.ac.uk

Robin W. Roberts
Kenneth G. Dixon School of Accounting,
College of Business Administration,
University of Central Florida,
Orlando, FL, U.S.A.
E-mail: rroberts@bus.ucf.edu