

# Social responsibility, consumerism and corporate behaviour : a comparative study of managerial attitudes and marketing action in Australia and Bangladesh

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# **SOCIAL RESPONSIBILITY, CONSUMERISM AND CORPORATE BEHAVIOUR:**

*A Comparative Study of Managerial Attitudes and  
Marketing Action in Australia and Bangladesh*

A Thesis submitted in fulfilment of the requirements  
for the degree of Doctor of Philosophy

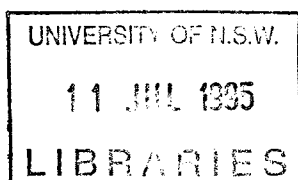
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## **Declaration**

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of a university or other institute of higher learning, except where due acknowledgment is made in the text

Signed

**Quazi Mohammad Ali**

Dated this 2<sup>nd</sup> day of

199<sup>th</sup>



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This thesis is concerned with managerial attitudes towards social responsibility, seeks to identify underlying dimensions, and explores linkages among attitudes towards social responsibility, corporate behaviour, and managerial demographics, within two divergent environments, Australia and Bangladesh.

Based on a review of the literature, a two dimensional model of corporate social responsibility was developed.

The database used to test the model comprised responses from 102 Australian and 218 Bangladeshi CEOs in the clothing and food industries from a mail survey (Australia) and from a mail cum personal interview (Bangladesh) using the same structured questionnaire.

ANOVA was used to examine the differences between attitudes towards social responsibility and marketing action in the different environments. Two leading dimensions emerged from factor analysis that confirmed the two dimensional model. "Quick cluster" analysis of the social responsibility attitude items pointed to two clusters in both Australia and Bangladesh, one picking up managers with a broad contemporary concept of social responsibility, and the other with a limited narrow view. The former group was larger in Bangladesh than in Australia.

A correlation matrix approach was used to explore the interactions between attitudinal factors, policy alternatives and managerial demographics such as age, education, experience and beliefs. In Australia the correlation between acceptance of social responsibility and action was highest in decisions relating to the broad work environment while in Bangladesh the relationship involved core areas of marketing decision. Linkages between demographic characteristics, attitudes and action suggest that age, education, training, and international experience were the most important determinants of attitudes and action in both environments. Factors such as religion and fatalism were related to both attitudes and action in Bangladesh, and in Australia religious belief was linked with social responsibility commitment.

The results broaden an understanding of the nature of social responsibility and action in differing market settings and may help design appropriate societal and public policy marketing strategies.

Since the present study is limited to an exploration of the critical linkages among the key variables, further research is needed to examine the causal relationships among these variables based on a larger database covering a wider range of countries and industries.

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**LIST OF ABBREVIATIONS**

SR	:Social Responsibility
CSR	:Corporate Social Responsibility
SR paradigm	:Social Responsibility Paradigm
ANOVA:	:Analysis of Variance
CEO	:Chief Executive Officer
NGO	:Non-government Organisation
CLC	:Consumerism Life Cycle
CAB	:Consumers Association of Bangladesh
Ad	:Advertising

# CHAPTER 1

## INTRODUCTION

### 1.1: Background

Over the past few decades there has been a significant change in the relationship between business and society. (Steiner and Steiner 1994; Samli, 1992; Khan and Atkinson, 1987; Orpen, 1987; Khan, 1985; Davis and Frederick, 1984; Sawyer, 1979). The constant interaction and the occasional friction between social values and the purpose of business organisations has changed the nature of this relationship. Social values have also changed as a result of constant interaction among the various components of society leading to a shift in thinking about the functioning of business. This has not only affected the internal functioning of business but also the way in which firms relate to society.

These changing social values have also given birth to an expectation for 'better quality of life' which translated into growing public demand for quality ranging from 'quality products' to 'pollution free environment (Lee, 1987: 23). Steiner and Steiner (1991) observed wide agreement as to the following shifts in the attitudes and values of society regarding the functioning of business:

1. From considerations of quantity (more) toward consideration of quality (better).
2. From profligate use of resources to conservation.

3. From the concept of independence toward the concept of interdependence (of nations, institutions, individuals, all species)
4. From free trade to managed trade.
5. From more government regulation to less government regulation and back to more government regulation.
6. From mastery over nature toward living in harmony with it
7. From the primacy of technical efficiency toward considerations of social justice and equity
8. From the dictates of organisational convenience toward the aspirations of self-development in an organisation's member.
9. From authoritarianism and dogmatism toward participation.
10. From uniformity and centralisation toward diversity and pluralism.
11. From the concept of work as hard, unavoidable, and a duty toward the recognition of leisure as valid in its own right (Steiner and Steiner, 1991: 37)

These changes in social values and expectations have created a new environment in which both society and business are evolving and interacting. Two important observations can be made:

*Firstly*, in the industrially advanced countries business is no longer perceived by society as an economic institution orientated to profit only. It is considered to be a social institution as well (Steiner and Steiner, 1994; Chrisman and Carroll, 1984; Davis and Frederick, 1984). The public now expects business to be a part of the community and to act responsibly with the well-being of society in mind (Steiner and Steiner, 1994; Samli, 1992).



Though the expectations of society have gone far beyond the mere production and distribution of goods and services to which business has traditionally been committed, this has not been contradictory to the economic mission of business, for society still approves of the business goal of providing economic goods and services at a profit (Buchholz, 1990; Davis and Frederick, 1984). The emerging expectations of society with regard to consumerism, product safety, environmental protection illustrate the issues that have attracted considerable attention. In the industrially advanced societies, pressure on business for societal adaptation is widely prevalent. This has made it more difficult for business operating in these countries to achieve their economic goals without being at the same time responsive to emerging societal needs and aspirations.

*Secondly*, in the western economy of affluence the firm has been the victim of its own success as a social institution. As a consequence attention has shifted from the firm's economic contribution to its shortcomings. The firm ceased to be the "sacred cow" of economic progress and instead it became a favourite target of control and criticism (Ansoff, 1984). This development had its roots in growing crisis of public confidence and cynicism with regard to business practices and behaviour. Numerous studies indicate that this crisis is widespread (Varadarajan, Bharadwaj and Thirunarayana, 1991; Reidenbach, 1989; McLaughlin et al., 1987; Bower, 1987; Hoffman, 1986; Gaski and Etzel, 1986; Harris, 1983; Lipset and Schneider, 1983; Barksdale, et al., 1976, 1982; Halliday, et al., 1981; Shaver, 1980).

## **1.2: Social responsibility in different environments**

It is to be noted, however, that the above trend towards crisis is not equally strong in many countries, for not all societies expect business to be socially responsible in a similar manner (Hays et al., 1982; Robinson, 1978). In the less developed nations, for example, business is under much less pressure to act in a socially responsible manner (Daniels et al., 1979; Negandhi and Prasad, 1971; Khan and Atkinson, 1987; Khan, 1985). A crisis of confidence regarding the role of business and cynicism as to business activities are comparatively unimportant concerns in these societies.

These differences in the developed and underdeveloped countries with regard to social expectations concerning the responsibility of business, can be attributed to differences in the nature of the broad social consensus in those societies which shapes the attitudes of society as well as the manner in which businesses behave. Contrary to the developed countries, for example, economic growth is the main concern in the less developed countries. Business is, therefore, perceived to be more an economic institution than a social institution. In these societies business is still regarded as a vital institution producing and distributing goods and services as well as generating the employment and income in society which is vital for the survival of the people (Steiner and Steiner, 1994; Austin, 1990; Khan, 1985; Khan and Atkinson, 1987; Teoh and Thong, 1984; Kaynak, 1981). Unlike the West, these societies are ready to tolerate some negative by-products of development for the sake of economic growth and therefore, are less critical of the potentially negative role of business in society in general. The role of the social responsibility of business in a developing country in differing stages

of economic development has been reflected in an observation made by Khan (1985: 91), in a comparative study of management in the U.K. and India. He noted:

*The relevance of social responsibility to the problems and aims of a developing society like ours is viewed differently ..... matters such as social justice or the social accountability should wait until there was further economic growth and more wealth created; and that too much concern with these matters at the initial stage of economic development would only result in arresting the process of growth.*

The central issue encapsulating the differences in attitudes of society and the nature of responses on the part of business in the two contrasting environments, is the nature and extent of the underlying 'Social Contract.' This consists of some generally accepted duties, obligations and relationships between the major institutions in society and its people and clearly corporate social responsibility is a substantial part of this Social Contract (Steiner, 1972).

The extent and pattern of the social responsibility of business in a particular society is dictated by the terms of the social contract i.e. the generally accepted duties, obligation and responsibilities. A dynamic consensus has to be reached between society and business as over time to the point where the interests of society and business do coincide. Just as society can benefit from the growth of business in terms of income generation, business can also benefit from societal cooperation in allowing business to carrying out its activities with minimum of interference.

This is the critical point where the differences lie between societies in terms of their expectations of business and the level of involvement a business can reasonably

afford. Perceptions of the social responsibility of business are likely to vary significantly in different societies reflecting broadly the level of economic development. The specific factors likely to influence the values of the social contract include the stage of economic development, market structure, the level of the basic human rights enjoyed by its people, extent of representative Government, level of literacy, the amount of social regulation in force as well as cultural and religious norms. For example, a developing country characterised by a sellers market and a liberal regulatory environment may witness a social contract emphasising the classical role of business where it is limited to producing goods and services at a profit (Steiner and Steiner, 1994; Austin, 1990).

### **1.3: Scope and objectives of the study**

There has been much discussion with regard to various aspects of the social responsibility of business with specific reference to the developed countries (Kraft and Hage, 1990; Zahra and LaTour 1987; Spencer and Butler, 1987; Ford and McLaughlin, 1984; Teoh and Thong, 1984; Yap and Sin, 1981; Ostlund, 1977; Holmes, 1976). While there have been some studies comparing managerial attitudes towards the social responsibility of business in two or more nations, most of these have been confined to the Western world (England, 1975; McClelland, 1961; Orpen, 1987; Abratt, Nel and Higgs, 1992; Tsalikis and Nwachukwu, 1989; Izraeli, 1988). An examination of managerial attitudes and corporate actions in response to mounting social demand, in the two diverse environments offered by developed and developing economies has, however, been rarely attempted (Khan, 1985; Khan and Atkinson, 1987). The present

study is intended to contribute to reducing the knowledge gap in this particular aspect of the social responsibility of business, by examining managerial attitudes towards and actions in response to social responsibility arising out of the emerging social goals in the context of developed and developing countries.

In particular Australian and Bangladeshi managers working in the food and clothing industries have been used as the respondents for the study. The study is designed to shed light on managerial attitudes towards social responsibility and on the nature of the key linkages between the following sets of variables in both Bangladesh and Australia:

1. *The relationship between managerial attitudes towards social responsibility and consumerism and the broader environment within which business operates. For instance, does environment in which managers conduct their business make a difference in attitudes towards social responsibility and consumerism?*
2. *Relationships between the factors relating to managerial attitude towards social responsibility and the demographic characteristics of managers such as age, education, attitude towards religious belief, training status, overseas visits and ability to influence their lives. For example, does age or religious belief play a role in the formulation of attitudes towards social responsibility?*
3. *Relationship between the actions taken in response to social responsibility and the demographic characteristic of managers. For example, does training or overseas visit have an impact on willingness to take relevant action?*

Therefore, the major objectives of the study are:

1. *To identify the impact of macro environmental factors on managerial thinking and action in the area of corporate social responsibility in two dissimilar environments.*
2. *To uncover and compare the underlying dimensions in managerial attitudes towards social responsibility in two dissimilar environments.*
3. *To explore possible linkages between managerial commitment to social responsibility and corporate action in the two countries.*
4. *To examine the relationships between the personal demographics of managers and their perceptions and behaviour in the two different environments.*

#### **1.4: Organisation of the various chapters**

The reminder of this thesis is organised as follows:

In chapter 2 a review of the relevant literature is presented exploring managerial attitudes and actions in the developed and developing countries; particular emphasis is given to the lack of literature in the developing countries which motivated this investigation.

Chapter 3 is concerned with establishing a theoretical framework and sets out a broad model leading to the identification, definition and justification of the variables and the relationships to be tested.

Chapter 4 deals with the methodology used in the study including sample selection, design of the study instrument, scale construction, sample implementation and analysis.

Chapter 5 sets the stage for a detailed review of the evidence by providing a comparative analysis of Australia and Bangladesh in terms of such factors as the stage of economic development, market structure, socioeconomic indicators, regulatory environment, social structure, religious belief, and climatic conditions.

Chapter 6 explores the impact of macro environmental factors on managerial perceptions of social responsibility and consumerism, and the extent of corporate action in the two divergent settings provided by Australia and Bangladesh.

Chapter 7 seeks to identify and compare the underlying dimensions in managerial attitudes toward social responsibility and goes on to group managers in each country based on their views of social responsibility.

Chapter 8 is devoted to an exploration and comparison of the direct linkages between attitudes towards social responsibility, corporate behaviour, and managerial demographics in Australia and Bangladesh.

Chapter 9 concludes the study with an overview of the major findings, potential contribution to a deeper understanding of social responsibility and consumerism in dissimilar environments, limitations of the study and the scope for further study in the field.

## CHAPTER 2

### CORPORATE SOCIAL RESPONSIBILITY-DEVELOPMENT OF KEY CONCEPTS

#### 2.1: Introduction

Concern with the concept of 'Social responsibility of business' is not a new phenomenon as the concept has been discussed in the management literature since the late 1930's. Barnard (1938), the author of the book, "Function of the Executive", is one of the early authors to show the importance of managers or/companies behaving in a socially responsible manner. However, the modern debate concerning social responsibility commenced with the publication of Bowen's (1953) pioneering work in the early 1950's. (Spencer and Butler, 1987; Lee, 1987; Wartick and Cochran, 1985; Davis, Frederick and Bloomstorm, 1980; Sawyer, 1979). Bowen (1953: 6) argued in favour of the notion that business has an obligation:

*..... to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.*

Bowen's arguments were based on the following two fundamental premises:

*Firstly*, business exists at the pleasure of society and as such its behaviour and method of operations must be in accordance with the guidelines set by society.

*Secondly*, corporations, as change agents, reflect the values of society and therefore, must reinforce such values.



Bowen's first premise referred to a trend in the relationship of society and business which questioned the legitimacy of business operations. The argument is based on the idea that since society has allowed business to operate its activities in the best interest of society, business must behave to this end. Bowen's thought was based on the concept of 'social contract' which determines the nature of duties, responsibilities and obligations of business in relation to society. While the form and character of the social contract may change with change in societal conditions, the concept of a social contract always plays a significant role in justifying business legitimacy (Wartick and Cochran, 1985).

Bowen's second premise is related to the view that corporations act as moral agents in society (Steiner and Steiner, 1991; Corlett, 1988; French, 1986, 1984, 1979) and as such like other institutions e.g. state and church, reflect and reinforce social values (Wartick and Cochran, 1985). Therefore, the behaviour of business should be consistent with and indeed reinforce the values of society which make a business socially (morally) responsible.

The two above mentioned ideas-social contract and moral agency endorsed by Bowen have been used as the basic premises of the social responsibility concept (Wartick and Cochran, 1985). The concept of a social contract and a review of the controversies surrounding social responsibility will be considered in the next two sections.

## **2.2: SOCIAL CONTRACT**

### **2.2.1: Definition and background:**

The concept of a 'social contract' has drawn a great deal of attention from academics and researchers in recent times (Donaldson and Dunfee, 1994; Steiner and Steiner, 1994; Collins, 1988; Frederick et al., 1988; Buchholz, 1986; Wartick and Cochran, 1985; Donaldson, 1982, 1983, 1989, Steiner, 1972; Anshen, 1970, 1980; Committee for Economic Development, 1971). Social contract is an important concept around which the relationship between business and society is evolving.

The social contract has been described as the "vehicle through which business behaviour is brought into conformity with society's objectives." (Wartick and Cochran, 1985: 759). While tracing out the nature of an implied social contract and its historical development, Anshen (1970) referred to a number of early philosophers including Epictetus, Thomas Hobbes (1651) and Jean Jacques Rousseau (1743) who contributed to the refinement and nourishment of the term 'social contract' over the past several centuries. It is apparent from their writings that even at that time there existed norms in society which determined the nature of relationships between the members of society and its institutions. The role of the state in enforcing the rules of a social contract was stressed by some philosophers while others emphasised the importance of forming a relationships leading to reciprocal duties and obligations between the members of a society and its institutions.

The existence of social contract in the eighteenth century is reflected in the writings of Adam Smith. Collins (1988) observed three provisions in the social contract based on Smith's original arguments. The first provision establishes the economic self interest of individuals and non-intervention from government in these pursuits. The second and third provisions set the ground for intervention by the government or the justice system in economic activities on behalf of the citizens. The conclusion that can be drawn from Adam Smith's writings as observed by Collin (1988) is that social contract determined the nature of relationship between society and business on the basis of reciprocal self interest of business and society and state intervention was desirable when the terms of social contract was required to be legally determined in order to protect societal interests.

However, there is a universal nature of social contract which has been reflected in the observation of Steiner in the early Seventies. He commented:

At any time in the society there is a set of generally accepted relationships, obligations and duties between the major institutions and people. Philosophers and political theorists have called this set of common understandings 'the social contract (Steiner, 1972: 18)

A Social contract, therefore, comprises of generally accepted norms, duties and obligations that relate to the impact of the corporation on the welfare of society. The nature and extent of these generally accepted relationships, duties and obligations will dictate how the social contract in a particular society will look. Since a social contract is a "set of two way understanding that characterise the relationship of business with society." (Carroll (1981: 9), the exact nature of a social contract is an outcome of the interaction of business with society and may vary between different societies.

However, determining the form of the social contract which is in operation at a particular point in time in a particular society, has been made difficult by a lack of consensus between business and society as to what is the 'common understanding' with regard to the obligations, duties and responsibilities due to each other. Chamberlain (1968:144) observed:

*Each seeks a stable relationship in which its own advantage is secured and each is continually upsetting and reconstituting it in a way that it hopes will be advantageous to itself.----- to society, the firm is an instrument to be used. To the firm , society is a field to be exploited.*

The state has always played a significant role in resolving this problem, and in determining the true nature of the social contract in a particular situation, by translating the on going terms of the social contract into a written form in which the interests of both parties are protected. Imposition of regulation through the enactment of new legislation and/or amendments of existing acts and the introduction of deregulation, where society demands, this be done, largely reflect the changes in the terms of a social contract.

Donaldson (1982) presented a lively discussion of the justification of social contract. While arguing in favour of a social contract, he referred to the philosophy of a political social contract under which the state is assigned, or accepts a very important role to play. Society allows the government to exercise such power as imposing taxes, raising armies and punishing criminals. In exchange the state has obligations which include preserving the rights of citizens and ensuring the welfare of people. If the government fails in its obligation, the basic tenet of the political social contract is

breached and this may lead to the overthrow of the Government. In the same way the reciprocal relationship between business and society which lays down the basic premises of a social contract with business, will collapse if business fails in its obligations to society.

The support for a political social contract can be found in the actions and activities of almost all the governments in the West. In Australia, for example, numerous actions have been taken by Commonwealth as well as State Governments to enact legislation, such as the Trade Practices Act of 1974, with a view to regulating business activities in line with the changing terms and conditions in the social contract between business and society from time to time. These actions of the government reflect its obligation to meet the basic rights of its citizens despite the absence of a constitutional provision regarding basic rights in Australia. In Bangladesh the Constitution ensures the basic rights of its people, but government has taken few positive steps towards discharging these obligations. Instead the basic rights of citizens have been withheld for most of Bangladesh's short life due either to military rule or the application of a military democracy in which the Constitution had very little role to play in discharging the obligation of the state in ensuring the rights of its people.

### **2.2.2: Changes in the Social contract**

As noted, a social contract is continuously being reviewed and rewritten according to the changing terms of the contract. The trend towards change in terms of social contract became apparent three decades ago and was reflected in one of the pioneering

investigations in the U.S.A. in the early seventies:

*Today it is clear that the terms of the contract between society and business are, in fact, changing in substantial and important ways. Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business contribute more to the qualities of goods and services. Inasmuch as business exists to serve society , its future will depend on the quality of management's response to the changing expectations of the public (Committee for Economic Development, 1971: 16).*

The nature of change in the terms of social contract that was taking place a few decades ago is not the same as is occurring today. The change that we are witnessing today is fundamental in nature. Steiner and Steiner (1991) commented:

*...that generalisation about the relationship between business and society in the past may not be valid today. In period of great change, such as we are witnessing today, there is more pervasive and fundamental rewriting of the contract than in tranquil times. Indeed, today there are many people who feel that the social contract is being rewritten in a fundamental way.*

However, changes in the social contract are not new as it has always been revised by both business and society in order to adjust the contract to the needs of the time. What is new, as Lee (1987: 39) observed, is "the extent to which business is mandated to fulfil these ongoing modifications to the unwritten social contract, and the rising degree of public expectations of the business". The shifts in the new social contract includes consideration of quality rather than quantity, interdependence instead of independence of institutions, from regulation to deregulation and again back to regulation and from emphasis on technical efficiency to social justice (Steiner and Steiner, 1991)

However, the nature and extent of the 'generally accepted' rules that constitute a social contract may vary not only from society to society but also from time to time

(Reidenbach, 1989: 39). In many parts of the world especially in the industrially advanced nations of the West, the contents of social contracts have undergone profound change over the last few decades. The pressures have led to a reformulation of the generally accepted duties, responsibilities and obligations between society and business. (Anshen, 1970, 1980; Committee for Economic Development, 1971; Steiner, 1972; Lee, 1987; Ansoff and McDonnell, 1990; Steiner and Steiner, 1988).

Thus, under the revised social contract which is emerging after a period of unprecedented economic growth in Western society, an increasing role for business in meeting these new demands has been inevitable. The role of business is no longer confined to the mere supply of goods and services to society. Business is being asked to assume more responsibilities towards non economic areas of society, thus contributing generally to an improved quality of life. These noneconomic areas include environmental protection, consumerism, product safety, employees' welfare, community welfare and philanthropy (Anshen, 1980).

One of the most fundamental changes that is now taking place in society with regard to social problems is the increasing realisation that it has become impossible for governments to be the sole contributors to the solution of such problems. Private institutions such as business obviously have an increasing role to play in tackling the problems. Drucker (1984) commented:

*.....the social problems of the mid-twentieth century differ most and most fundamentally, from those of the 18th and 19th centuries. But the problems we face in the decades ahead will be even "harder" than those with which we do so poorly now. each of them has powerful "constituencies" with radically different, indeed mutually exclusive, goals and values, which practically guarantee that government could not succeed in solving them.*

Because of the changing nature of the emerging social problems of the day the need for business contributions to the solution of those problems has increased. Under such circumstances the social contract is bound to undergo change. Under the revised contract business has to assume more responsibility than it had before in dealing with problems in the non-economic arena. The new social contract that emerged from this debate found its expression both in terms of written legislation and unwritten custom, precedents and articulated social approvals or disapprovals. (Steiner and Steiner, 1991).

Buchholz (1986) provided a picture of the old and the new contract between business and society (Figure 1). He suggested that in the old contract the basic mission of business centred around economic growth i.e to produce goods and services at a profit and thus make maximum contribution to society, whereas the new contract is based on the premise that instead of fostering social progress, 'the single minded pursuits of economic growth' led to some serious side effects. The side effects resulted in such social problems as deterioration of physical environment, unsafe working conditions, exposure to toxic chemicals and discrimination against some groups of people. The responsibility of business in the new contract has, therefore, been concerned with contributing to the solution of these social problems. This, however, does not invalidate the old contract; rather it adds to it some new social elements. Under the new contract, business has an obligation for both economic and social impact and therefore, it has to work for both economic and social betterment. Figure 2.1 shows the structure of the old and the new social contracts in terms of their outputs and inputs.



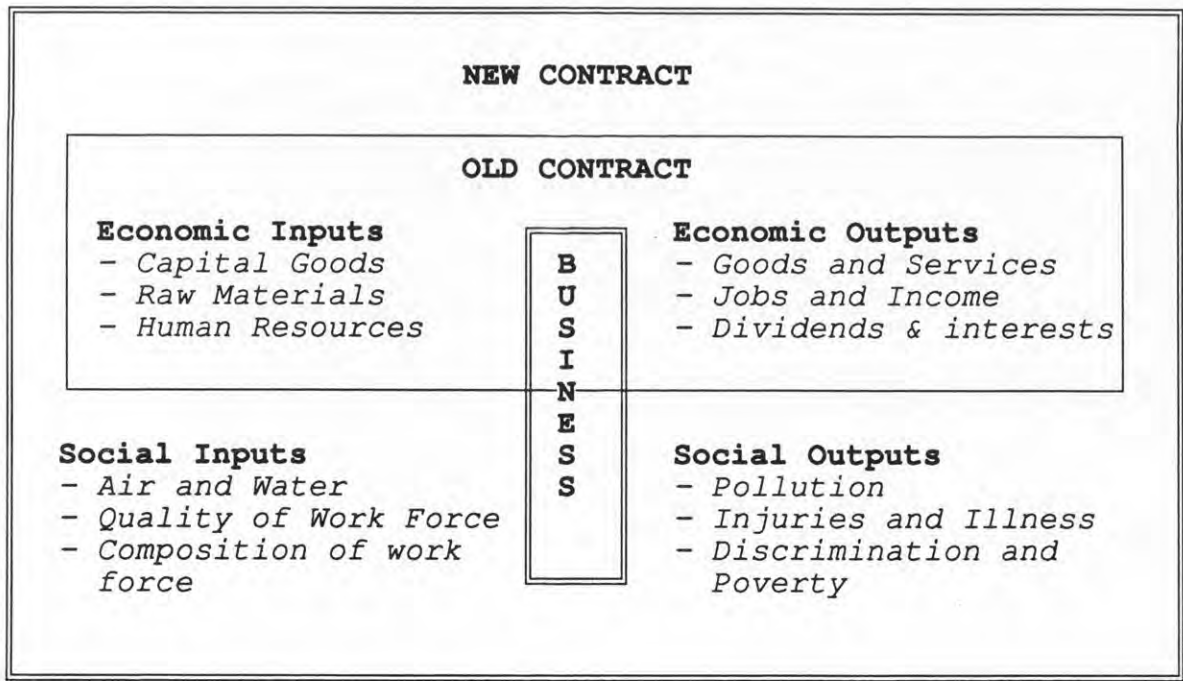
2.2.3: Social contract in different Environments

Social contract between business and society serves the following three primary purposes (Collins, 1988: 119):

- 1. it defines a moral ideal that is rationally acceptable to both parties
- 2. it imposes obligations based on both parties' uncoerced consent to the contract, and
- 3. it establishes a justification for intervention when the contract is violated.

Figure 2.1

The Contract Between Business and Society



Source: Buchholz, R. A. (1986), "Business Environment and Public Policy: Implications for Management and Strategy Formulation, Prentice Hall, Englewood Cliffs, N.J., P. 24.

The varying nature of social contract in the context of such as those that exist in Australia and Bangladesh, can be explained in the light of the above mentioned purposes.

*Firstly*, the situation regarding the moral ideals acceptable to both parties is not the same in all societies. In a society such as Australia, acceptable moral ideals between business and society are determined on the basis of the socioeconomic, cultural and political, and regulatory situation. The question is resolved on the basis of justice and fairness implemented through societal approvals and legislative procedures. This is reflected in the attitudes and actions of business and society in Australia. Moral ideals are protected by mutual understanding between the two parties. In a society like Bangladesh, there has been little agreement between society and business as to generally accepted moral ideals. Business has historically been engaged in activities detrimental to the interests of society (Bhattacharjee, 1984; Ali, 1984; Ahmed, 1981). Society has overlooked the immoral activities of business partly for the sake of development and partly because there was no legal remedy to be developed via the political system, for the system was historically dictatorial and corrupt in nature. Thus, the immoral activities of business gradually became acceptable to society. Enactment of laws and regulations to ensure moral behaviour on the part of business failed in most cases as the regulations could not be made effective due to a lack of the required implementation mechanism and corrupt administration.

*Secondly*, the content of a social contract that dictates the basis of a relationship between business and society as well as the role of the two parties in maintaining and

updating that relationship may not be the same in all societies at all times. Changes in the structure and nature of the contract become inevitable when both parties feel that a change is necessary for both of their interests and with both of their consents. The rewriting of this contract that the western world has experienced reflect the ongoing social change. The revised contract, for example has called for the assumption of more responsibility by business through the process of deregulation and self regulation leading to a decrease in government intervention. In Australia, for example, since mid eighties there has been a consensus in the society to let market force play its normal role under least government intervention. As a result a number of steps were taken in favour of deregulation and voluntary codes of conduct were followed in some sections of business including advertising and credit industry. However, there has been a considerable departure from that position in recent times. The social contract is now being rewritten again in order to re-introduce regulation (Goldring, Maher and McKeough, 1993)

The change that the old Soviet Union and other socialist countries have recently been witnessing is, perhaps, an excellent example of how a changing social contract can greatly influence the relationship between society and business. According to the previous social contract, Soviet business and society generally accepted that vigorous government intervention in economic activities would better serve society's needs even at the cost of the firm's profitability. Under the old social contract the firm's operations came under extreme social regulation in which overall societal welfare had preference over individual well-being. The obvious result was the increasing ineffectiveness of Soviet firms. Such excessive control over a firm's operation can never bring real

welfare to the society in the long run because "at some point accumulated controls can break the camel's back " (Ansoff, 1984). This is exactly what happened in the Soviet Union and in other Socialistic societies where the firm became so ineffective that instead of serving the society it rather became a burden on the society in terms of productivity and efficiency. Therefore, the rewriting of the social contract became inevitable in those societies and has resulted in a painful redefinition of business as having both economic and social responsibilities. The revised social contract which is now underway in these societies will imply that the duties, obligation and responsibility between business and society are based on the self interests of both parties.

The situation with regard to a social contract is also different in developing societies where society may want business to be responsive to societal needs but not to the same extent as in the Western or developed World. This means that the generally agreed social contract is that business will not go beyond a certain level in response to societal expectations in the developing countries even if there is a pressure to do so. This may ultimately hamper the interests of society. The interests of societies in the underdeveloped countries are linked more with the production of goods and services for economic growth is still a primary concern in the developing economies. Since, the firm has a very important role to play in achieving overall economic growth, the continuous growth of the firm needs to be supported and nourished by society, and as a result such societies are ready to tolerate the negative by-products of this growth for a limited period of time. The benefits arise because the firm not only generates wealth for its own growth but also serves the society in many ways which include (a) generating goods and services as well as the purchasing power (b) supporting expansion of social infra-

structure and providing return to the investors, and (c) creating jobs within the firm, in the supplier's firm and also in the public sector (Ansoff, 1984).

The production and distribution of material goods and services is thus given priority in a society characterised by poverty and hunger (Teoh and Thong, 1984). The social responsibility of business in these societies follows a classical pattern in which the most appropriate way of being socially responsible for business is to produce goods and services efficiently so as to provide maximum welfare to the society.

It follows that the nature and character of a social contract is different in the different environments of developing and developed nations because the expectations of society of business and the role of business in serving society's needs have been different, and are characterised by variations in the socioeconomic, cultural and political dimensions (Steiner and Steiner, 1994). While commenting on the reality of the situation prevailing in a developing society, Khan (1985: 91) noted,

*.....the relevance of social responsibility to the problem and aim of a developing society..... is viewed differently. There is a view.....that holds that matters such as social justice or the social accountability should wait until there was further economic growth and more wealth created.*

Thus, a social contract can be viewed as a basis for determining the extent and nature of business attitudes and actions in the social responsibility arena in a particular society at a particular point in time. Its specifics may change with the changing social conditions but the social contract always prevails as the source of business legitimacy (Donaldson, 1983).

A cross cultural comparison of managerial attitudes and actions in two societies characterised by varying socioeconomic, cultural and political environments and market settings can contribute to an understanding of the true nature of business response and the interaction with societal expectations.

## **2.3: THE CONCEPT OF SOCIAL RESPONSIBILITY**

### **2.3.1: Background**

There has been continuing controversy in academic circles as to the definition of social responsibility and the validity of the concept as a legitimate concern for managers and theorists. One of the main reasons for the controversy was noted by Aupperle et. al (1985) as being "the nature of the subject.....whose concepts are value laden and susceptible to particular ideological and emotional interpretation." This specific aspect of the subject has given birth to controversy and led to a wide ranging literature devoted to this issue.

Milton Friedman was one of the authors who triggered the debate three decades ago. He argued against the involvement of business in social responsibility by labelling such practice as fundamentally subversive (Friedman, 1968). One of his most controversial works was the essay titled "The Social Responsibility of Business is to Increase Its Profit", published in the New York Times Magazine in 1970. Friedman (1970) then considered the exercise of social responsibility by an executive as:

- (a) *unfair, because it constitutes taxation without representation;*
- (b) *undemocratic, because it invites governmental power in a person who has no general mandate to govern;*
- (c) *unwise, because there are no checks and balance in the broad range of governmental power thereby turned over to his discretion;*
- (d) *a violation of trust, because the executive is employed by the owners "as an agent serving the interests of his principal";*
- (e) *futile, both because the executive is unlikely to be able to anticipate the social consequences of his action and because, as he imposes costs on his stockholders, customers or employees, he is likely to loose their support and thereby loose his power.*

Friedman held the view that managers in the corporation should not exercise social responsibility in their capacity as company executives; rather their responsibility to the business would be "to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception and fraud." (Friedman, 1968: 133)

There have been numerous debates both in support of and against Friedman's arguments which have contributed to the refinement of the concept. Even now critical discussions of Friedman's work of the early seventies still continue to appear in the literature.

The basic logic of Friedman's position has been challenged by a number of authors in recent times. Mulligan (1986) argued that since point (a) is about 'imposition of taxes without representation' and is the main foundation of Friedman's thesis, if point (a) is false, "then Friedman's demonstration of subsequent conclusions almost completely collapses". To forward his argument Mulligan suggested a counter argument

under which the involvement of a business executive in social responsibility activities can be justified without hurting the interest of his employer. Opposing Friedman's basic claim, that an executive 'does not act with the counsel and participation of other stakeholders' and impose a tax on them unfairly, undemocratically, unwisely and in violation of a trust, Mulligan argued that an executive puts socially responsible action in his agenda because the actions are consistent with the missions, objectives and goals of the business. These missions, objectives and goals are designed and approved through a democratic managerial decision making process where stockholder's and in many cases employee's representatives are present". The corporate executive in this model can be contrasted with Friedman's corporate executive who does not impose unauthorised costs, or 'taxes', on anyone. On this account, "he usurps no governmental functions, violates no trusts, and runs no special risk of losing the support of the other stakeholders" Mulligan, (1986).

Two years later Shaw (1988) focused on the pros and cons of both Friedman's and Mulligan's arguments and, termed Mulligan's position as "a distinct advance over Friedman's concept of the socially responsible executive at war with profit maximising shareholders". However, he warned that "Friedman will not be dislodged until it can be shown that the social and political institutions of this nation, that is, the mechanism for determining how power and control over economic resource are distributed, are inadequate to promote the common good and social justice." Finally, Shaw argued in favour of the involvement of business in social responsibility and concluded his discussion with the following comment:



*It is a past time to ask whether corporations should be socially responsible.  
It is time now to spell out what those responsibilities are.*

Wokutch (1990) also took a similar position with regard to the involvement of a corporation in social responsibility and commented that the question as to whether business has a social responsibility had been resolved. The current concern is what those responsibilities are.

Grant (1991) also disagreed with Friedman's view that a corporate executive should operate exclusively in economic terms. He argued that profitability is only one of the several goals of an executive. Maintaining the viability of the organisation is vital for ensuring continuous and profitable return to the shareholders. In doing so, executives may need to make allowances for wider concerns of the society which may in the long run be crucial for the existence and growth of the firm itself.

However, a review of literature reveals that, both before and after Friedman's controversial paper was published in 1970, several authors expressed almost the same views to those of Friedman (Gaski, 1985; Hass, 1979; Chambarlain, 1973; Heyne, 1968; Levitt, 1958). Some of these authors contributed substantially to the clarification and extension of Friedman's view (Gaski, 1985; DeGeorge, 1982; Hass, 1979). In a recent interview with *Business and Society Review*, Friedman himself (1989) affirmed his classical position on social responsibility. He commented:

*There is a very real social responsibility, and that is to make as much money as they can subject to staying within the law and within the appropriate ethical standard..... because that will best serve consumers.  
(Friedman, 1989: 14)*

However, the strongest support for Friedman's argument can be found in Gaski's (1985) work.

*.....the view that marketing has a greater social responsibility than just satisfying customers at a profit, is an erroneous and counterproductive idea. For marketers to serve the best interests of society is not only undemocratic but dangerous as well.*

Gaski argued that the elected representatives of people in a government are responsible to taking decisions determining and furthering the interests of the people. Business executives do not qualify for the exercise of social responsibility, for they are neither empowered to do so nor do they have the required expertise to determine what the public interest is, other than satisfying customers at a profit. It is, therefore, both an undemocratic and a dangerous step for marketers. Like that of Friedman, Gaski's stand on the social responsibility issue was subject to criticism. Abratt and Sacks (1988) put forward counter arguments against Gaski's position. They argued that given the changing norms and expectations of the society the involvement of business in social responsibility was necessary not only in the interests of the public but for the survival of business itself. Based on the comments made earlier by Dawson (1969), Kotler (1972), and Feldman (1971), Abratt and Sacks (1988) further argued:

*The rationale for the development of the societal marketing concept is not only to safeguard marketing's future freedom of action but to ensure the survival of business itself in an increasingly hostile social environment.*

Similar position was taken by Samli (1992: 18). He argued:

*Not only is it here to stay, but failure of marketing as a discipline and as a social process to take its social responsibility seriously can be detrimental not only to society at large, but also to marketing itself.*

So, the involvement of business in social responsibility may be justified in terms of the self interest of the business itself. If business does not take action well in advance, public pressure is likely to seek the expression of social responsibility in the imposition of regulation upon the business (Dunstan, 1980). On the other hand, if business takes action by its own initiative, it "preserves the necessary flexibility to conduct its affairs in a constructive, efficient and adaptive manner" (Dunstan, 1980).

The views of Friedman and also of those who share his opinion on the social responsibility of business have been labelled 'Functional theory' (Sohn, 1978; Cloniger, 1985; Abratt and Sacks, 1988; Wood, 1991). In brief, Functional theory implies that the best way to ensure the greatest benefit to the society is to make sure that each functional unit in the society confines its activities to its own area of specialisation. Under this approach the responsibility of business would be to concentrate its activities on the supply of goods and services to the society at a reasonable profit. But social theorists, according to Abratt and Sacks (1988), have taken an opposite view which states that " .....the large corporation, though still primarily a private economic entity, has such vast social impact that it has become a public trust with a communal constituency." An almost similar position was taken by Kristol (1982) when he noted:

*Corporations are not merely economic mechanisms created by legal fictions - though they certainly are that too. They are also institutions rooted in real communities; they have an implicit obligations to be "good citizens" of those communities and - most important - it is in their interest to be institutions of good standing in those communities.*

The view discussed above emphasises the interdependence of and interaction between business and other units of society. This type of business responsibility which

is based on partnership rather than functional spirit was emphasised earlier by Preston and Post (1975) who termed it a "shared environment" in which business exists and operates (quoted in Wood, 1991: 696).

Wartick and Cochran (1985) reviewed the arguments of both the proponents and exponents of corporate social responsibility and were of the opinion that modern corporations have become so vast and powerful and control so much of the resources of society that they are bound by both the social contract and moral agency principles of social responsibility and should, therefore, have a responsibility beyond their economic goals. Wartick and Cochran (1985: 760) argued:

*To view the modern corporation in a strict economic sense is to ignore reality and to suggest that its responsibilities include only economic obligation is myopic*

Not only a large corporation but also a small business as Wilde (1981: 160) observed is "economically significant and has social power as well". Therefore, they should have the same social responsibility to society as those of the large corporations.

It follows from the foregoing review that two prominent but contrasting views have been widely reported in the literature. One view favours the involvement of business in social responsibility even at some cost to its economic objectives, i.e. profit maximisation, while the other regards business as a purely economic unit entirely devoted to the maximisation of profit ignoring its impact upon the society.

However, a third line of argument has also been developing based on a socioeconomic model which regards business as a sub-system of society, having both a social and an economic role (Fernstrom, 1986: 203). In this approach, business has to co-ordinate the economic and social dimensions of decisions so as to make a profit and to serve the interest of the society simultaneously in an attempt to achieve both the broader goals of profit maximisation and social welfare. In doing so the crucial point is the manner and the purpose of profit making. As Wagner (quoted in Dunstan, 1976:4) pointed out:

*No business can or should survive if it fails to operate profitably, but equally no business can survive if its manner and purpose of profit-making are considered inconsistent with the needs and standards of the societies within which it works. They should be judged not simply by the physical contribution they make through the efficient supply of goods and services, but also against the moral and social requirements of the communities they serve.*

These dual functions of business in both the economic and social arenas gave birth to a socioeconomic view. This view emerged as a result of the new challenges facing business and led to the realisation that awareness about and positive reaction to changing social demands are as important as profit consciousness. The failure of business to recognise this may affect its very existence. Sethi (1979) observed:

*An institution is allowed to exist only because it performs a useful function in society, and business's charter can be amended or revoked at any time if it fails to live up to society's expectations. Thus, if business wants to continue in existence it must respond to changes in society and do what society demands. If society wants business to respond to social values, it must do so or be threatened with extinction.*

Ken Dyton, Chairman of Dayton-Hudson Corporation in the United States (as quoted in Fernstrom, 1986), has gone one step further by commenting:

*Fundamentally, we believe business exists for only one purpose: to serve society. Profit is our reward for serving society well. It is the means and measure of our service, but it is not the end.*

### **2.3.2: Different views of corporate social responsibility**

It is clear from the above discussions that there have been a number of views expressed with regard to the social involvement of business.

Steiner (1977) in trying to position the views current in 1977, identified three distinct philosophies of business - Classical, Managerial and Socioeconomic. The classical philosophy is primarily concerned with profit maximisation under which a firm's performance is determined by its economic efficiency and growth. A firm should make as much profit as it can within the competitive market system. The managerial philosophy emphasises the importance of long term profit maximisation not only by protecting stockholder's interest but also through satisfying stakeholder's interests because stockholders are not the only party that are affected by business operations. There are numerous constituents who have economic and social 'stake' in the operation of a business. Balancing the interests of all these groups is vital for the survival of the firm. The socioeconomic philosophy stresses the importance of reacting to both social and economic forces in the community. According to this view businesses have to respond to the new demand of the society they serve in order to improve the quality of life which would, however, be economically feasible. However, Steiner (1977) suggested that the three philosophies are not sequential as each can be found today and each is being used to justify particular type of actions and thoughts.

Davis et al (1980) proposed two different models i.e. economic and socioeconomic. Within the economic model the primary emphasis is on the traditional economic role

of business while in the socioeconomic model the primary emphasis is on the broader social role. The authors suggest a widening circle of social involvement for business with three distinct levels. The inner circle represents traditional economic activities such as the need to generate employment opportunities which have some social implications. The intermediate circle is devoted to the social and ethical aspects arising out of the performance of the economic function. Finally the outer circle representing those activities that deal with helping society in solving some social problems.

Thus, the models developed by Steiner (1977) and Davis et. al (1980) are in fact suggesting three distinct philosophies of corporate social responsibility. The first refers to a classical view which emphasises that the primary responsibility of business is to serve the society through the provision of goods and services within the legal jurisdiction. The second philosophy, which is based on socioeconomic considerations, views the responsibility of business as having both a social orientation and profit potential, and the third philosophy puts business in a much wider context in that business has a broad responsibility to serve the society at large, going beyond the narrow perspective of profit maximisation.

Chrisman and Carroll (1984) noted four different views of business social responsibility. These are (1) the traditional view, (2) philanthropic view, (3) contemporary view, and (4) emerging view. The authors have examined the activities and their consequences in economic and social terms for all of the four views with the help of four diagrams.

In the traditional view the decision of managers is judged absolutely on economic grounds. For example, "if a manager makes a decision to invest in a new product line, his or her only concern is whether the new product line is profitable." (Chrisman and Carroll, 1984: 60). The activities and their consequences are confined to the economic arena only.

In the philanthropic view, the decisions of the firm are evaluated in terms of the effects of its charitable activities on society. This view emphasises that "if a firm gives monetary contributions to ...(a social activity), it is concerned that these contributions have the intended social impact and consequences" (Chrissman and Carroll, 1984: 60). Here both activities and their consequences are in the social arena.

In the contemporary view of social responsibility concern is associated with the simultaneous achievement of both economic and social objectives. The authors also argued that business people misunderstood the contemporary view of social responsibility as being counter to their profit objectives. Business has failed to recognise the fact that by combining economic and social activities it can achieve its economic objectives of profit maximisation. Quoting Carroll (1980) the authors argue that although economic and social concerns appear to be distinct in nature, there are some broad areas where economic and social concerns are consistent. There are some activities which are profitable as well as socially responsible. The social consequences of economic activities of business do also include pollution, discrimination, and unsafe products. These activities result in negative side effects which have to be eliminated by business.



The emerging view of social responsibility recognises the primacy of economic activities and at the same time emphasises the importance of addressing social consequences in determining economic strategies. It suggests that the social activities of business which have positive economic potential are those that business should develop. The authors argued that:

*When a firm engages in social activities, it must do so in a way that it receives economic advantages. The net effect is that the firm simultaneously achieves social and economic objectives (Chrissman and Carroll, 1984 :62).*

Steiner and Steiner (1988) observed two basic business ideologies e.g. the classical ideology and the modern managerial ideology. The classical ideology is based on the traditional business operation and emphasises the free-market mechanism, unhindered competition, economic growth, profit maximisation, and minimum government interference. On the other hand the modern managerial ideology is basically a modern view of the operations of business, consistent with a changing environment reflecting the changing values and expectations of society. This ideology is not complete as the process will go on with ongoing social changes. This ideology brought social responsibility into sharp focus as the societal expectations of business has shifted from economic to socioeconomic dimensions.

Steiner and Steiner (1991), noted three distinct stages in the evolution of the different stages of evolution in the social responsibility of business. These were:

1. Social responsibility in classical economic theory,
2. Social responsibility during the philanthropic period and,
3. Social responsibility in the modern era.

Social responsibility under the classical theory focused on efficient production of goods and services with the use of available resources and within the jurisdiction of law. Social responsibility during the philanthropic period was characterised by charitable activities from business leaders such as Rockefeller for social causes, and this became dominant in the late nineteenth century. The main philosophy behind philanthropy was that the surplus revenues arising out of business operations were in effect trust funds. Profit maximisation, however, remained the prime goal of business. Social responsibility in the modern era concerns improving the quality of life and is in contrast with that of the past. Another contrast noted by the authors is the degree to which social responsibility has now been institutionalised into the decision-making process in corporations.

Steiner and Steiner (1991) traced out three themes that were used in expressing the social responsibility of business during the first three decades of the twentieth century. The first theme is that managers are trustees of the various interests focused on the company. The second theme stressed the obligations of managers to balance the interests of the main constituents of a firm and the third one emphasised that people in business are responsible for service to society.

The observations made by Steiner (1977) alone, and later Steiner and Steiner together (1988, 1991, 1994) over the two decades suggest that the evolution of the concept of social responsibility reflects the changing environments within which business has to operate. The way business has perceived its social responsibility has undergone change in accordance with the changing expectations of society. This

observation is consistent that of Orpen (1987: 95) who added:

*Managers have a neutral tendency to pursue profits single mindedly, and it is only when they perceive the aim to conflict with what is expected of them by society, that they will either modify it or give it up.*

Among the three themes observed by Steiner and Steiner (1991), the concept of balancing the interests of various constituents drew considerable attention and as a result a substantial amount of literature developed during the 1980s. The concept has been labelled 'stakeholder theory'. Stakeholders are those groups who have a 'stake' in the business and without whose support a corporation cannot exist (Freeman, 1984; Alkafaji, 1989). The various constituents which comprise stakeholders include stockholders, employees, customers, governments, suppliers, creditors, unions, media, trade associations, the financial community and political groups (Steiner and Steiner, 1991; Alkafaji, 1989; Steiner, Miner and Gray, 1986; Freeman, 1984; Davis and Frederick, 1984). However, there is no specific provision as to the groups which constitute 'stakeholders' for a particular business, for the nature of a stakeholder group may vary with the size, geographical location of the firm, and the industry it represents (Steiner and Steiner, 1991). Decisions of stakeholders may affect business operations and in the same way business decisions also affect stakeholders' interests. For example, a decision of a business to dump toxic chemicals into water may affect the interests of the community in terms of a health hazard. On the other hand the decision of a community to press on the legislators to pass a law to stop pollution may affect business interests in terms of additional costs. So, participation of stakeholders in corporate affairs will ensure the interests of various groups in particular and society in general are considered in decision making. Thus, this step towards meeting societal

expectations may help to avoid social regulation.

There have been a number of recent attempts in recent times, mostly in the U.S.A., to investigate the managerial attitudes towards stakeholder theory. The results of those surveys have been mixed. A recent survey of 6,000 business managers operating at supervisory, middle and executive levels which was conducted by the American Management Association (quoted in Posner and Schmidt, 1984) revealed that business managers in the U.S.A. perceived the importance of the interests of various stake holders such as customers, employees, subordinates, co-workers and superiors to be higher than the interest of the general public, stockholders, elected public officials and government bureaucrats. Posner and Schmidt (1984) commented that the results of the above survey did not support the view that the managers were working toward the primary benefit of their stockholders. A recent survey of 171 managers at lower, middle and top levels, conducted by Alkhafaji (1989), however, revealed that the majority of the managers surveyed disagreed with the idea of representation of various stakeholder groups such as major buyers or suppliers, community leaders, and major creditors (banks, insurance companies etc) on the board of directors of the companies concerned. The study also showed that the higher the level of management, the higher the level of disagreement. Alkhafaji (1989) also quoted a Business Round Table study which rejected the political model (stakeholders) on the ground that the primary goal of a business is to supply goods and services and that business is already operating under the constraints of competition and numerous legal, social and political limitations.

It is apparent from the foregoing discussion that a number of views of corporate social responsibility have emerged during the last several decades that range from a classical, narrow view to a modern or broad sense of social responsibility. The different views or schools of thought can be grouped under the following headings:

1. Classical
2. Socioeconomic
3. Stakeholder
4. Modern, and
5. Philanthropic

Table 2.1 summarises the various views of corporate social responsibility with a short description of each. The summary views can be fitted into a two dimensional model where the horizontal dimension is concerned with scope, ranging from broad to narrow, and the second or vertical dimension focuses on perceived benefits or costs. In this model, the stakeholder view is linked with the modern view, as both tend to take a broad benefit oriented approach to social responsibility. The resulting model is shown in Figure 2.2.

**Table 2.1****Different views of corporate social responsibility**

<b>Views</b>	<b>Short description of the views.</b>	<b>Endorsing authors</b>
<b>Classical view</b>	Business is primarily an economic institution and therefore, the social responsibility of business is to maximise profit within the rules of the game. Examples include the production and distribution of economic goods and services.	<ol style="list-style-type: none"> <li>1. Friedman (1968, 1970, 1989).</li> <li>2. Gaski (1985)</li> <li>3. Hass (1979)</li> <li>4. Chamberlain (1973)</li> <li>5. Heyne (1968)</li> <li>6. Levitt (1958)</li> </ol>
<b>Socioeconomic view</b>	Business is a socioeconomic institution. Social responsibility of business includes both profit making and serving society's needs which have profit potential in the long run. Examples are training long term unemployed, prevention of urban decay.	<ol style="list-style-type: none"> <li>1. Steiner (1977)</li> <li>2. Carroll (1979)</li> <li>3. Wartic and Cochran, (1985)</li> <li>4. Fernstrom (1986)</li> <li>5. Chrisman and Carroll (1985)</li> <li>6. Steiner and Steiner (1988, 1991)</li> <li>7. Sethi (1979)</li> </ol>
<b>Philanthropic view</b>	Business has a wider responsibility to society beyond the narrow perspective of profit making. Example include community services and charitable giving.	<ol style="list-style-type: none"> <li>1. Chrisman and Carroll (1984).</li> <li>2. Steiner and Steiner (1994).</li> </ol>
<b>Stakeholders view</b>	Business is responsible not only to its shareholders but also to those who are affected by business operations and whose actions affect business operations. Examples include customers, community groups, employees and so on.	<ol style="list-style-type: none"> <li>1. Mitroff (1983)</li> <li>2. Freeman (1984)</li> <li>3. Steiner, Miner and Gray, 1986</li> <li>3. Alkhafaji (1989)</li> </ol>
<b>Modern view</b>	Corporate social responsibility includes concern for economic and social consequences of business operations in line with the changing expectations of society. The trend is more towards improving quality of life. Social responsibility has been institutionalised in the decision making process of business. Examples include concern of business for environmental pollution, discrimination, and unsafe products.	<ol style="list-style-type: none"> <li>1. Carroll (1979)</li> <li>2. Chrisman and Carroll (1984)</li> <li>3. Samli (1992)</li> <li>4. Steiner and Steiner (1994)</li> </ol>

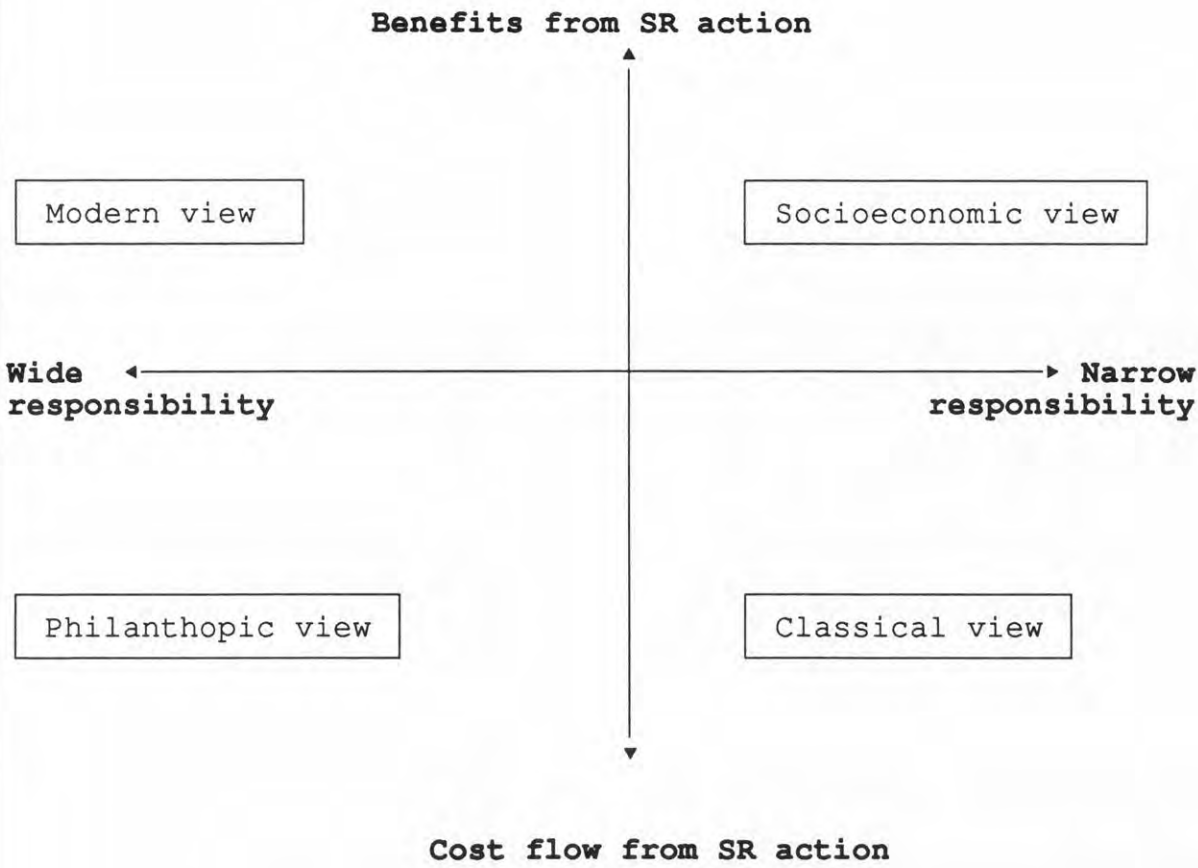


Figure 2.2: SR paradigm showing the position of different views.

The development of the above model can be justified in the sense that instead of working with a one dimensional model of SR in which the alternatives range from a narrow Friedmanist view of business to one that sees business in a social matrix and contributing to the welfare of society as a whole. This can be thought of as a one dimensional orthodox model. But in order to understand the complexity of social responsibility in modern corporate enterprise, a second dimension is needed, as managers not only make decisions that reflect their assessment of the role of the company but they need to make a judgement as to whether there will be net benefits or a net costs to the company associated with the exercise of social responsibility. In some cases it is quite clear that exercise of SR in either a narrow or wide ranging scope, may be perceived as a good thing because it provides net benefits to the company. On the other hand there is also a perception that the exercise of social responsibility while important may represent a net cost to the company.

As noted, the model suggested has two axes. The horizontal axis ranges from a narrow to a wider view of social responsibility. The right hand extreme (the positive side) represents the narrow view of social responsibility where business responsibility is perceived in the classical sense i.e in terms of supply of goods and services leading to profit maximisation within the "rules of the game" (regulation). The emphasis here is on profit maximisation in the short term. On the other hand the left (the negative side) extreme considers corporate social responsibility in a broader context, reaching beyond regulation to serve the wider expectations of society in areas such as environmental protection, community development, resource conservation and philanthropic giving.



The vertical axis has also two extremes in perceptions of the consequences of social action of business ranging from a dominance of cost concerns to a focus on the potential benefits of social involvement. The negative end of this axis is concerned with cost i.e. adopting a conservative assessment of cost of social action, where the expenditure involved in the exercise of social responsibility is the main consideration. The emphasis here is on social costs in the short term. The positive end is concerned more with the long term benefits arising from social action, and perceives the potential benefits for business to outweigh costs in the long term.

The paradigm or model proposed, thus has four distinct quadrants. Each quadrant can be broadly identified with one of the views summarised in Table 2.1. Quadrant 4 is concerned with the classical view of social responsibility in which there is no provision to look beyond a narrow view of profit maximisation as, is seen to generate a net cost to the company without any real benefit flowing from an activity.

Quadrant 1 retains a narrow view of social responsibility but accepts that adopting some degree of social responsibility will lead to net benefit to the company in terms, for example, of avoiding costly and embarrassing regulation, building good customer relationship, good supplier relationships or the politics of networking. In this context, the social responsibility can be justified even if a manager holds a narrow view. Quadrant 1 is then concerned with the socioeconomic view in which business can simultaneously perform the dual function of profit maximisation while serving social demand.

Quadrant 2 captures a wider view in which a business maintains its relationship with the broader matrix of society where there are net benefits flowing from SR action in the long run as well as in the short term. This is a modern view of social responsibility and includes the stakeholder view noted earlier.

Quadrant 3 represents a wider view of social responsibility in which business agrees to participate in the charitable activities even though this is perceived as a net cost. This impetus may come from altruistic or ethical feelings to do some good for society. This can be associated with concerned with the philanthropic view.

### **2.3.3: Social responsibility in different environments**

There has been no consensus as to which of the different views of social responsibility prevailed at different points in time. According to Mckie (1974) the classical view of social responsibility dominated in the nineteenth century while Sutton et al. (1956) commented that the managerial view had its beginning in the 1930's. Steiner (1977), however, had a different view. He argued that the economic, the managerial and the socioeconomic philosophies did not develop in strict sequential order, as each of them are found to be in use even today.

Therefore, it appears that whether a particular business should follow the classic, the managerial or the socioeconomic philosophy or a combination of two or more of these, depends on the objectives and attitudes of managers and the surrounding environmental conditions in which a business operates and takes decisions. However, attitudes, objectives and the surrounding environmental conditions may vary from firm

to firm in a particular industry or from industry to industry in a particular economy, or may vary from country to country depending on the situation prevailing in that particular country with regard to the social attitude towards and expectations of business. Tuzzolino and Armandi (1981) made an important contribution in this regard. They linked corporate social responsibility (CSR) with the need hierarchy suggested by Maslow (1943). Within the corporate framework they placed profitability of the firm against the lowest level of the Maslow's needs hierarchy i.e. the physiological need of the individual. Voluntary acceptance of responsibility was placed against the highest level of needs i.e. self actualisation (Table 2.2).

The arguments of the authors as reflected in table 3, indicate that the lower level needs of the corporation, identified with physiological needs, are satisfied in accordance with the classical economic model which postulates profitability as the basic objective of business. This is the infancy or early growth or reorganisation level of a corporation, where survival is a vital consideration and as such extensive social involvement is not expected of an organisation passing through this formative stage.

As soon as the physiological needs are satisfied a corporation may look to satisfying its safety needs. Like an individual a corporation at this stage takes necessary steps towards securing its position. The possible steps towards achieving this goal may include ensuring a stable flow of profits by managing competition in its favour. A stable dividend policy, target pay out ratio, vertical and horizontal integration, consolidation, conglomeration and merger are all some of the strategic moves that could help achieve the safety needs of a corporation.

Table 2.2

### Organisational Need Hierarchy

Need	Criteria
1. Physiological	Profitability (classical model)
2. Safety	dividend policy pay out ratio integration - vertical - horizontal conglomeration competitive position
3. Affiliative	trade association industry publications lobby groups bargaining huddling cooptation
4. Esteem	market position product leadership financial ratio and margins market share image creation price leadership
5. Self-actualisation = f(1, 2, 3, 4)	Internal (employee relations) job enrichment compensation policy pension plan work centrality goal alignment  External (community and government relations) corporate philanthropy affirmative action product reliability

**Source:** Tuzzolino, F. and Armandi, B. R. (1981), "A Need-Hierarchy Framework for Assessing Corporate Social Responsibility", Academy of Management Review, 6, P. 25

The next level of need in the hierarchy that a corporation seeks to satisfy is affiliative in nature. It stems from the concern of a corporation to have a positive relationship with other groups. As a result bargaining, huddling, co-operation become apparent. The level of affiliative need satisfaction is reflected in membership of trade associations, lobby groups and in industry publications.

The self-esteem needs of an organisation emerge after the need for acceptance by other groups has been fulfilled. The drive for a corporation to achieve a high standing relative to others is reflected in market share, patent position, price leadership and corporate image. Other criteria include financial ratios, bond ratings, total capitalisation, earnings multiple and stock betas.

Self-actualisation arises when all other needs have been successfully satisfied and the corporation looks to serve some more noble causes. The authors classified self-actualisation needs into two components. These are internal (intraorganisational) and external (inter-organisational). Internal self-actualisation needs satisfaction on the part of the organisation include job enrichment for employees, good compensation policy, pension scheme, work certainty and so on. Self-actualisation needs relating to external affairs may include concern for socially responsible actions and commitments in terms of funds allocation to alleviate social problems, pollution control, equal opportunity hiring/lending, community relations, hard-core-unemployment training and the like.

Therefore, it appears that the position taken by business concerning social responsibility varies from situation to situation depending on need satisfaction. A business seeks to exercise social responsibility after its basic objective i.e. profit maximisation is fulfilled. Since a business firm has to survive first of all, it has to endeavour to maximise profit. It can only think of involving itself in social responsibility arena as long as it has attained its physiological needs i.e. profit maximisation and only then it may have funds at its disposal for non-economic activities.

The environment in which a firm operates is also clearly a critical factor in deciding whether a firm can afford to assume social responsibility. For the firm that perceives the environment to be turbulent, in which it has to struggle hard for survival, social responsibility will obviously be the secondary consideration. Drucker's (1984) observation is relevant:

*The first "social responsibility" is then to make enough profit to cover the cost of the future. If this social responsibility is not met, no other "social responsibility" can be met. Decaying business in a decaying economy are unlikely to be good neighbours, good employers or "socially responsible" in any way. When the demand for capital grows rapidly surplus business revenues available for non-economic purposes,----- . They are almost certain to shrink.*

The need for a business to continue its operations by adjusting with the environment in which it operates is vital for its existence. However, a business has to be profitable to be able to serve the society because "if a corporation is not profitable in the long run, there is no way that it can fulfil any responsibilities to society. If the bottom line is a minus, there is no plus for society." (Business Roundtable, 1981)

From the point of view of society, Maslow's (1943) need hierarchy adopted by Tuzzolino and Armandi (1981) may also be relevant in explaining the attitudes of society towards social responsibility of business. The people of a particular society will demand business involvement in social responsibility after the physiological and security needs of the general public are met. Therefore, if we assume that the physical and security needs of the public have been relatively fulfilled in the developed countries, social needs are likely to dominate public expectation (Davis and Frederic, 1984). Conversely in the developing countries business management is more likely to

be concerned with the classical philosophy of business, as society expects business to prefer the traditional role of producing and distributing goods and services efficiently in order to fulfil the basic needs of people (Steiner and Steiner, 1994; Khan, 1985; Teoh and Thong, 1984; Hoque, 1985). Again there is a possibility that both in developed and developing countries there will be firms that have adopted any of the three philosophies or a combination of them depending on the position of the individual firm with regard to its goal, attitude and assessment of the environment in which it operates. It may also depend on the nature of product the firm in question deals in, which may require it to assume some sort of social responsibility either because of legal requirements or for the sake of firm's own interest or the firm may traditionally have strong social commitments which is reflected in its mission statement.

#### **2.4: SHOULD BUSINESS BE COMMITTED TO SOCIAL RESPONSIBILITY?: A SUMMARY OF THE ARGUMENTS**

There have been numerous arguments put forward both for and against business commitment to the concept of social responsibility (Samli, 1992; Steiner and Steiner 1991; Buchholz, 1990, 1986; Davis and Frederick, 1984; Lee, 1987; Alkhafaji, 1989; Davis, 1973). Davis (1973) is the earliest author summarising the major arguments. Steiner and Steiner (1991, 1988) summarised the arguments and noted that the arguments against social responsibility of business centred around the fundamental view that "business is most responsible when it operates efficiently to make profits....." (P. 255). The following discussion of the arguments for and against business assumption of social responsibility largely reflects the ideas generated by the these authors.

### 2.4.1: Arguments for

The most typical arguments for the business assumption of social responsibility are:

**1. Avoidance of regulation:** Involvement of business in the social responsibility arena may result in a reduction of regulation imposed upon business. If business makes special efforts to identify the areas where society expects business to contribute and then take the necessary action well in advance, the necessity for societal pressure through imposition of regulation would obviously diminish. Thus, a socially responsible business can operate more efficiently by saving the high cost of compliance with regulations and minimising its exposure to bureaucratic hassles.

**2. Long term self-interest:** Business assumption of social responsibility is necessary in the long term self interest of business itself. The proponents of this argument are of the opinion that business is no longer a mere economic institution, it is a social entity as well. Therefore, its success in the market place in the long term depends not only on how it performs its economic functions but also on how it performs in the social arena. Contribution to the economic sphere can only ensure profit maximisation in the short term. Strong community orientation and improved public image through socially responsible behaviour can lead to long term profit maximisation. Contribution to the solution of social problems thus ultimately brings preferred outcomes for business; better educated people, a clean environment, a healthy population all make better customer and employees whereas "deteriorating cities, customer dissatisfaction, employees mistrust, harsh government regulations, inflations,



rising crime level, and poverty are the components of economic stagnation, not corporate welfare" (Steiner and Steiner, 1988: 253). Thus, the long term interests of society and business are interdependent.

**3. Social expectations:** Society expects business to behave in a socially responsible way. Since a business exists and operates under the sanction of society, response to societal expectations is vital, for failure to meet social demands may lead to a withdrawal of the social franchises, thus threatening the very existence of business (Moskal, 1981). However, the nature of societal expectations and business response are determined by the terms of a social contract (explicit and implicit) and these terms may undergo change from time to time. With a change in the terms of the social contract, business behaviour has to be adjusted and if business does not conform, society will either force them by regulation or may act to discontinue the offending business. Thus, the power vested with business will be lost if business fails to use that power in support of the welfare of society (Steiner, 1988).

**4. Responsibility for power:** Business is the most powerful institution in society controlling most of society's resources. By dint of its power it exerts enormous influence on the community, market, consumers and the government. Since responsibility and power are reciprocal, business should be involved in some level of serious responsibility. Samli (1992: 5) recently commented:

"In any society, any force that has a lot of power certainly has much responsibility as well. - ..... marketing with all its acclaimed or not-so-acclaimed power, should and does have some very serious social responsibilities.

Davis and Frederick (1984: 34) noted, "If business insists on avoiding social responsibility, then its social power gradually may be taken away by other groups" and ultimately business will lose its power if it is not used in accordance with the expectations of society. Therefore, business should assume social responsibility in its own interest.

**5. Image building:** Maintaining and enhancing public image is a *sine qua non* for the success of business in a competitive environment. A favourable image helps in gaining market share, better employees, more stockholders, and reliable creditors. Since, community is highly concerned with social goals, a favourable public image can be built by pursuing those social goals valued by society. This involves an assumption of substantial social responsibility by business.

**6. Social responsibility as a competitive strategy:** Social responsibility can be an effective basis for competing in the market. Social responsibility itself can be considered as a product which can be marketed. A firm which maintains a high profile in social action can position itself as a unique organisation in the market. Those customers who do differentiate between firms who are socially responsible and who are not in taking purchase decisions, will value products of a firm with good record of social responsibility. This argument is particularly relevant in a competitive market in which social responsibility issues such as philanthropy or other type of voluntary social actions are perceived by firms as a positive means of differentiation (Johnson, 1966).

**7. Responsibility for problems that are its own creation:** Business operations have not only produced goods and services for society but have also created problems for society. Victims of questionable business practices such as industrial pollution, unsafe products, and deception in advertising and selling, are the creation of business and as such business has to take a major responsibility in correcting these problems.

**8. Moral obligation:** The social responsibility of business stems from the fact that business acts as a moral agent in society (Steiner and Steiner, 1991; French, 1984, 1979; Corlett, 1988; Rawls, 1971) and as such like other members of society, should act responsibly towards maintaining the moral system and preserving the interests of other members of society (Davis and Frederick, 1984). Wokutch (1990: 59) commented:

*.....corporations should undertake certain activities to benefit society or stakeholders of the organisation regardless of the effect on the bottom line, whether in the short run or the long run. Ethical arguments for CSR activities derive from the view that, just as individuals have certain moral responsibilities, so too do corporations.*

#### **2.4.2: Arguments against**

There have been several arguments against the involvement of business in social responsibility arena. Several authors have mentioned the dark side of the issue. However, the most comprehensive discussion of the arguments against the issue have been provided by Davis (1973), Davis, Frederick and Blomstorm (1980), Davis and Frederick (1984), Steiner and Steiner (1994, 1991, 1988). The most important of these arguments where a consensus seems to have been reached are presented below:

**1. Against the basic functions of business:** The most strongest argument against business assumption of social responsibility is that business is basically an economic institution directed to profit maximisation for its shareholders within a legal framework. The basic premise of this argument is that if business can perform its economic functions in an efficient way, society would be better off in terms of a supply of goods and services and the flow of income resulting from the generation of employment opportunities both of which will lead to building a social infrastructure in the long run. This argument rests on the functional theory in which every specialised institution in the society has to perform its own job to ensure maximisation of benefit to the society. Therefore, "business is most socially responsible when it attends strictly to its economic interests and leave other activities to other institutions." (Davis and Frederick, 1984).

One of the strongest proponents of treating business as a purely economic institution directed to profit maximisation is Milton Friedman (1989, 1971, 1970, 1968, 1962) who argued that as a paid employee of the shareholders, the manager of a private enterprise is supposed to protect the interests of his employers by making as much profit as possible for them. Allocations of any funds by a manager to social involvement without the approval of the shareholders, results in 'taxation without representation'. Besides, inclusion of social cost in the price of product may result in distortion of the allocative mechanism of the market as the price of a the product does not then reflect the relative cost of producing it. This may jeopardise the competitive position of the firm (Steiner and Steiner, 1991).

**2. Social involvement costs money:** Social responsibility activities involve costs which must be borne by someone. On the surface it would seem that business is bearing these cost but in actual practice the costs of social involvement are being transferred to society by way of increased prices. This extra taxation on society could have been avoided had business been engaged in its usual task of producing goods and services at a profit.

**3. Lack of skills in social involvement:** Business lacks the required skills to tackle social problems. Business executives are trained to work in the economic arena and their mentality is set towards fulfilment of economic objectives of their firms. They are economic in their outlook, which makes them philosophically and emotionally unfit to look beyond the narrow perspective of profit maximisation. It follows that society may be worse off if business people are asked to assume social responsibility.

**4. Social involvement Weakens freedom:** The involvement of business may result in a weakening of freedom in our society. According to this argument social involvement ultimately results in an acceptance of a socialist view which emphasises that political mechanisms rather than market mechanisms are the appropriate way to allocate scarce resources to alternative uses. Under this system, a manager of a business organisation would be regarded as a public servant as he/she is involved in both social and political functions. This practice as Steiner and Steiner (1991: 131) noted "would constitute a dangerous fusion of political and economic power which ought properly be kept separate.". Finally those subscribing to the above view are of opinion that freedom does not work in an isolation. Economic and political freedom are so closely related

that attack on any one can threaten the operation of the other. Hence diversion of funds for social causes by business may lead to a weakening of the total freedom by threatening economic freedom.

**5. Makes business more powerful:** Asking business to assume social responsibility would add more power to the existing power it now holds. This argument refers to a balancing of power amongst the various institutions in society. Concentration of power in a single institution may threaten the viability of free society. Business is already so powerful in the economic arena that it controls most of society's resources and its power base is highly felt in almost all the spheres of society including markets, education and in government. The proponents of this view, therefore, argue that business should not be made more powerful through allowing it to assume social responsibility.

**6. Inability to make moral choice:** It has been argued that social responsibility is actually a moral choice and only a person can make a decision on moral choice. Since a corporation is a legal structure, it is not possible for an organisation, such as a corporation to assume social responsibility. Davis and Frederick (1984) has described "corporate social responsibility" as a "smoke screen" used by a corporation to push its own point of view, which helps in minimising the criticism of its one sided solution to social problems. This makes the public confused as to who is being socially responsible and who is not.

**7. Social responsibility is a government task:** Finally, it has been argued by some of the conservative advocates of social responsibility that social responsibility is a government function. Business has no responsibility towards an issue which has been historically vested with the government. More specifically, the subscribers to this view assert that the government is composed of peoples representatives, whose primary responsibilities are to protect the interests of their electorate and clearly social responsibility comes under the jurisdiction of government.

## **2.5: TOWARDS A DEFINITION OF SOCIAL RESPONSIBILITY**

Defining social responsibility is not an easy task. As a consequences of the controversies reported earlier, there has not been any emergent consensus as to the definition of social responsibility in business. It means different things to different people, different things in different environments and different things at different times. Votaw (1973: 11-12) has commented:

*It means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others the meaning transmitted is that of 'responsible for,' in a casual mode; many simply equate it with 'charitable contributions'; some take it to mean 'socially conscious' or 'aware; many of those who embrace it most fervently see it as a mere synonym for 'legitimacy' in the context of 'belonging or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessman at large."*

Thus the nature and extent of the definition has always been influenced by the attitude of business and the environment in which business operates. In an environment where society does not put pressure on business to look beyond its traditional role, the definitions given by Friedman (1968, 1970 and 1989) and others (Gaski, 1985; Hass, 1979; Chambarlain, 1973; Heyne, 1968, Levitt, 1958) supporting his conservative

position on social responsibility, would be appropriate. Under this classical view social responsibility is defined in a fashion which confines the sole objectives of business to maximising profit within the legal framework.

Steiner and Steiner (1991) summarised this view in the following way:

*A business is acting in a socially responsible fashion if it strives to utilise the resources at its disposal as efficiently as possible in producing the goods and services that society wants at prices consumers are willing to pay. If this is done well .....profits are maximised more or less continuously and firms carry out their major responsibilities to society (Steiner and Steiner, 1991: 119).*

But in a situation where business is under much pressure to act in a way that goes well beyond the narrow view i.e profit maximisation, a broader definition applies. The pressure may come from the imposition of new legislation. Definition of social responsibility given by various authors from this point of view include the following:

*The concept of social responsibility involves decisions, actions and outcomes regarding the issues, the stake holders and the society at large (Amba-Rao, 1993: 555).*

*It means that a private corporation has responsibilities to society that go beyond the production of goods and services at a profit ..... that a corporation had a broader constituency to serve than that of stockholders alone (Buchholz, 1990: 5)*

*.....the performance(or non-performance) of activities by a private enterprise without the expectation of direct economic gain or loss, for the purpose of improving the social well-being of the community or one of its constituent groups (Dilley, 1974: 26)*

*The intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the letter may be defined" (Andrew, 1971:120 )*

*Obligations to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, 1953: 6)*



Some authors have gone one step further in describing social responsibility in terms of business obligations beyond economic and legal requirements. They defined the term as,

*.....the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm..... social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirements of the law, because this is what any good citizen would do. A profit maximising firm under the rules of classical economics would do as much. Social responsibility goes one step further. It is a firm's acceptance of a social obligation beyond the requirements of the law. (Davis, 1973: 312-313)*

Commenting on the definitions of this type Steiner and Steiner (1988: 249) said, "Fundamentally these definition say that actions taken by a business that in some degree help society to achieve one or more of its objectives, are socially responsible." Others, however, have taken a mid position between profit maximisation and social involvement in defining the social responsibility of business. Dunstan (1980: 12), for example, defined the concept as:

*the obligation of the company, beyond the requirements of the law ,to take into practical consideration in its decision making, as well as profits, the social consequences of its decisions and actions. This phase 'as well as profits 'is crucial as this places the definition midway between the two extreme viewpoints on the meaning of social responsibility (Dunston, 1980).*

The above definition emphasises the need for a balancing of the economic and social objectives of business. This practice is being increasingly followed by business (Melrose-Woodman and Kverndal, 1976; Van Over and Barone, 1975). Sawyer (1985) has also emphasised this concept. Under this philosophy 'total performance' and not 'profit' in its traditional sense is the criteria of successful operation of business. Profit, in this context, can be interpreted as the fund which is surplus after meeting all

commitments including those following from the social responsibility of business (Steiner and Steiner, 1991; Sawyer, 1979, 1985; Webley, 1972). The other commitments may include inter alia the obligation for social responsibility. Total performance means that a business places a proper emphasis and priority on the various aspects of operations that are considered necessary in order to achieve the optimum balance between the demands from various constituencies such as the customers, suppliers, employees, the community and the environment. (Alkhafaji, 1989; Freeman, 1984; Webley, 1972). In this context, business executives such as David Rockefeller suggested that social costs and benefits must be increasingly incorporated in calculations of profitability (Humphrey, 1980).

In order to balance the interests of the various groups mentioned above, business has always to review the situation to find the most appropriate way to serve the interests of all its stakeholders so as to survive and grow in a competitive environment. The definition of social responsibility is thus likely to change with changes in the business environment in which business operates and takes decisions. This environment includes social, legal, economic, political, and technological dimensions and so on. Perceptions and actions taken by business are affected by environmental change as the change exert a great influence on the activities of business. The social environment of business in the West, for example has undergone such a profound change in recent times that a manager has to spend considerable time in dealing with issues beyond narrow economic and technical considerations; these include addressing social concerns, complying with new legislation, meeting with various interest groups. Important components of social problems such as changing values, individualism, ethics, equality

are all changing from time to time. The internal environment of business which is comprised of employees, managers, owners, and board of directors-all reflect different attitudes and goals. Each of these elements in the external and internal environment contribute greatly to shaping the attitudes of managers towards social responsibility.

Definitions provided by Sethi (1979), Carroll (1979), Frederick (1986), Wood (1991) are appropriate:

*Social responsibility implies bringing corporate behaviour up to a level where it is in congruence with currently prevailing social norms, values and performance expectations. (Sethi, 1979)*

*The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time (Carroll, 1979: 30)*

*"The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes." (Wood, 1991: 695)*

*The fundamental idea of corporate Social responsibility is that business corporations have an obligation to work for social betterment.(Frederick, 1986: 4)*

The above discussion was concerned with the types of definitions of social responsibility that would be suitable for different business situations. The discussion, however, has not focused on the nature of a definition of social responsibility of business in a cross-cultural context. Such a context brings in various other considerations such as differing attitudes and environments surrounding the concept. Such a definition needs to incorporate the notion of the varying nature of corporate responsibility resulting from differing degrees of social demand.

For the purpose of this thesis, the social responsibility of business is defined as follows:

*Social responsibility in business refers to a set of attitudes and actions on the part of managers that are consistent with the nature of social demands in the particular environment in which the business operates.*

The definition is based on a number of concepts such as attitude, action, social demand and environment. An elaboration of these concepts is provided in the following section:

**Attitudes:** Attitude is the main focus of the definition as the present study centres around managerial attitudes. The term "attitude" has been derived from the Latin word "Aptus" meaning "fitness" or "adaptedness" (Mowen, 1987: 201; Khan, 1985; 54). Although the term was originally used to mean a body's physical attitudes determining the kind of actions a person would engage in, it has later been broadened to mean a person's mental position (Wilkie, 1986). This trend is evident in Allport's (1935) classical definition of attitude. He observed:

*Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way.*

Since Allport's times social psychologist have contributed greatly to the concept and measurement of attitude. This work has resulted in numerous definitions. Although those definitions apparently look different, a careful examination reveals that many of them differ only in words and follow a limited number of common patterns. Five patterns have been identified which are more or less common to most definitions of

attitude. These are:

1. *An attitude is a tendency or predisposition to respond to a specific stimuli in a specific manner. (Silverman, 1974).*
2. *Attitudes are enduring organisations of feelings, beliefs, and behaviour towards other persons, groups, ideas, and objects (Baron and Byrne, 1977; Kiesler and munson, 1975).*
3. *Attitudes are learned tendency to perceive and act consistently in a feverously or unfavourable manner concerning a given object or idea (Fishbein and Ajzen, 1975)*
4. *Attitude means the stands the individual upholds or cherishes about objects, issues, persons, groups or institutions (Sheriff, Sheriff, and Nebergall, 1965).*
5. *Attitudes are learned disposition and relatively enduring organisation of beliefs about an object or situation disposing a person towards some favoured response (Rokeach, 1968).*

Berkowitz (1972) classified the various definitions of attitudes into three schools of thought. According to one school, attitude is an "evaluative feeling reaction" which is expressed in terms of favourableness or unfavourableness towards a phenomenon. Another school views attitude as readiness to respond to an attitude object in a particular way. This school tends to relate attitude to behaviour. The third school emphasises that attitude is composed of three interrelated elements-cognitive, affective and conative. The 'Cognitive' component refers to a person's thoughts, ideas and beliefs while 'affective' refers to the person's feeling (liking or disliking) and finally the 'conative' element denotes a person's action (behaviour) towards an attitude object or issue.

It appears from the above discussion that attitudes have the following characteristics in common:

1. Attitudes are expressed in terms of favourableness or unfavourableness.
2. Attitudes are of evaluative nature.
3. Attitudes have belief, feeling and behavioural elements.
4. Attitudes are expressed in relation to objects, persons, ideas, concepts or issues.

This study is concerned with the attitudes managers hold about social responsibility as a concept or issue. Since managers as individuals express their beliefs and feelings about such issues in a favourable and unfavourable manner which in turn influences action, the attitude component in our definition of social responsibility reflects all the above common features of an attitude.

**Actions:** The second component of our definition of social responsibility is action. The action element has been added because of the fact that attitude itself does not mean anything if it is not translated into action. Besides, action is the actual behaviour constituting the final stage in the hierarchy of attitude. The nature of the attitudes formed in the minds of managers concerning social responsibility issues will dictate the kinds of action that will follow with regard to the four elements of the marketing mix as well as in other areas. Managerial attitudes and their resultant behaviour in form of action with regard to a wide range of issues have been the subject matter of numerous studies in recent times. These studies used the theories developed by social psychologists in an attempt to find guidelines for business decision makers in understanding the relationship between what people feel or believe and what they actually do.

**Social demand:** Social demand is the third element in the definition of social responsibility. Social demand, stemming from a social contract between society and business, is an important element of social responsibility. The nature and extent of socially responsible attitudes and actions are directly linked with the social demands that a business faces in a particular society in a particular point in time. Managerial

attitudes towards social responsibility have, therefore, followed varying patterns in different societies at different point in time. This has ranged from a classical outlook (emphasis on economic performance) to an ecological outlook (emphasis on social welfare).

**Environment:** Environment is the final and the most important component in the definition of social responsibility. Environment exerts great influence on managerial attitude towards social responsibility and on the consequent managerial actions. Environment in the context of this definition includes broad as well as specific environmental factors. There are some factors which business can control and the others which are beyond its control. External uncontrollable environmental factors such as those arising from economic, legal, political and cultural environmental influence managerial perception and behaviour. Managers operating under a hostile environment, for example, may have different patterns of perceptions and behaviour concerning social responsibility. Managerial attitudes and decisions are continuously influenced and shaped by the nature of the environment with which the firm is surrounded.

## **2.6: SOCIAL RESPONSIBILITY AND PROFITABILITY**

The question of whether there is any relationship between a firm's social responsibility and its profitability led to lively debate amongst academics and researchers dating from the 1960's (Cochran and Wood, 1984). Does social responsibility pay off ?, Can a firm that exercises social responsibility make profits higher than those who do not?. Are socially responsible firms good investment risks?.

These are some of the typical questions raised in the literature.

There have been a number of contrasting views expressed about the possible relationship between a firm's social responsibility and its financial performance. McGuire, Sundgren and Schneeweis (1988) reported three different views on this point. The first is that firms "face a trade-off between social responsibility and financial performance". This view is based on the argument that socially responsible firms are economically in a more disadvantageous position than those who are less responsible as a result of the cost incurred by the former for their socially responsible actions. (Aupperle, Carroll and Hatfield, 1985; Ullmann, 1985; Vance, 1975). The second view, which is in sharp contrast with the first, is that a firm may benefit from being socially responsible as it leads to increased morale of employees and improved productivity (Moskowitz, 1972; Parket and Eilbirt, 1975). The third view is based on the argument that the cost of social responsibility is high but is offset by the reduction in other firm costs such as legal expenses, workman's compensation costs, product replacement costs and the like.

There have been several attempts in the literature to investigate the relationship that exists between social responsibility and the economic performance of the firm. But no consensus has emerged largely due to the use of varying economic measures and methodologies in the different investigations. A recent review of seven earlier works by Arlow and Gannon (1982: 240), for example, revealed that "economic performance is not directly linked, in either positive or negative fashion, to social responsiveness".



Ullmann (1985) summarised the findings of 12 studies as showing no clear tendency. A mixture of positive, negative and no correlation outcomes were observed. The findings as to the relationship between social responsibility and financial performance ranged then from no correlation to various significant positive or negative, linear and sometimes curvilinear relationships (Lee, 1987, Ullmann, 1985, Cottrill, 1990). Table 2.3 summarises the findings of the major studies concerned with the issue and indicate that there have been positive correlation in ten cases, negative correlation in one case and no correlation in four cases.

Although most of the findings reported in Table 2.3 suggest that the correlation between profitability and financial performance is positive, it would not be wise to conclude that the tendency is towards positive relationship because of differences in the methodologies applied in those studies, the use of "poor experiments, unfortunate use of proxies, inappropriate mathematics or controls, and so forth" (Cottrill, 1990).

**Table 2.3**

**Results of leading studies investigating the nature of correlation between corporate social responsibility and financial performance**

Name of authors	Year of study	Nature of correlation
Bradgon and Marlin	1972	Positive
Moskowitz	1972	Positive
Parket and Eilbirt	1975	Positive
Bowman and Haire	1975	Positive
Fogler and Nutt	1975	No correlation
Vance	1975	Negative
Sturdivant and Ginter	1977	Positive
Spicer	1978	Positive
Alexander and Buchholz	1978	No correlation
Chen and Metcalf	1980	No correlation
Kedia and Kuntz	1981	No correlation
Peters and Waterman	1982	Positive
Cochran and Wood	1984	Positive
Aupperle, Carroll and Hatfield	1985	Negative
McGuire, Sundgren and Schneeweis	1988	Positive

## **2.7: EMPIRICAL STUDIES OF SOCIAL RESPONSIBILITY IN BUSINESS**

There have been a number of attempts to empirically investigate many aspects of social responsibility in business . Many of the studies that examined the attitudes of business managers towards social responsibility, provide some important insights into aspects of the concept of social responsibility . The literature relating to empirical investigations into the attitudes of managers towards social responsibility of business is summarised here under the two headings of single country based studies, and comparative studies.

### 2.7.1: Single country survey

Most of the studies of managerial attitudes towards social responsibility of business have been conducted in a single country. Martin and Lodge (1975) reported the findings of a survey reflecting the attitudes of respondents of which over 75% were managers. Of these 76 percent predicted that the socioeconomic ideology would dominate in 1985. Both set of beliefs for economic and social aspect were defined for the respondents. Socioeconomic ideology refers to the model which views business as a sub-system of society which necessitates satisfying both economic and social relationship with business.

Eilbirt and Parket (1973) observed that corporate social responsibility activity varies according to the size of the business organisation. Larger firms were found to be more involved in social responsibility than their smaller counterparts. Similar findings about the impact of firm size on the social involvement emerged in other studies (Buehler and Shetty, 1976; Holmes, 1976, Human Resource Network, 1975). Size was also found to be a major factor in the reporting of knowledge companies' socially responsible actions in an empirical investigation conducted by Dierkes and Coppock, (1973). Similar findings emerged in the empirical investigation conducted by Lerner and Fryxell (1988). They observed that , " the link to size is stronger in terms of social disclosure and supports the notion that larger, more visible organisations may be more sensitive to public demand for information regarding their activities.

Van Over and Barone (1975) empirically investigated the attitudes of 1000 Chief Executive Officers in the United States towards several issues central to the two

opposing schools of thought i.e the classical view of profit ethics and the modern view of social ethics of business. The results showed that the majority of the respondents were in favour of a business assumption of social responsibility which goes beyond profit maximisation. They found that 91 percent of the executives surveyed rejected the view that corporate giving and philanthropy are not in the best interest of the shareholders. The larger corporations were found to be more committed to financial assistance to the recipients than smaller corporations. Over 90 percent of the respondents supported the view that corporations were responsible for informing consumers of their products and services, and 94.5 percent were in favour of stricter regulation for protecting consumers against misleading and deceptive advertising. The study also suggested that the executives were motivated by their personal values and by a christian ethic in solving social problems. Of those surveyed 51.3 percent rejected the view that profit maximisation is the best means of serving the broader interest of society.

Webley (1975) found favourable attitudes towards social responsibility among the managers surveyed. In this study 90% of the 180 British Chief Executives agreed that the firm had obligations beyond the pursuits of profit, 50% rejected the view that "profit is the purpose of business and it is Society's task to protect those adversely affected", while 80% agreed with the statement that 'neglecting the interests of the employees , customers , suppliers , creditors, government and the community acts against the interests of Shareholders".

Holmes (1976) found favourable responses from a majority of business executives over three different time periods - 1970 , 1975 and 1980 (anticipated) to the statement that " in addition to making a profit, business should help to solve social problems whether or not business helped to create those problems- even if there is probably no short-run or long- run profit potential". The responses were found favourable for both the opinion of the executives themselves towards the statement as well as the philosophy of the firms they represented.

Holmes (1977), investigated the social activities of 500 Fortune corporations in the U.S.A. and found an increasing interest among the managers in an involvement of the responding firms in the social arena. The three most important areas the respondents chose from fourteen different areas were assistance to charities and similar programs, assistance to education and recruitment, and development of ethnic minorities. The findings also suggested that social activities vary significantly by industry, as each industry had a unique emphasis on issues of corporate social responsibility. Manufacturing industry, for example, was more concerned with charitable causes and educational programs while mining companies were especially interested in pollution control and conservation.

Ostlund (1977), surveyed Fortune 500 executives in the U.S.A. regarding the attitudes of top and operating managers towards a number of issues including (1) the arguments for and against business assumption of corporate social responsibility (2) the social responsibility areas in order of priority (3) specific areas of social responsibility.

The results revealed that the attitudes of both samples were in favour of the involvement of business in the social responsibility arena. Out of ten pro social responsibility statements, statistically significant differences between the perceptions of the two groups were found in case of only two statements. The differences were in favour of operating managers. The two statements were, (1) "Corporate social action programs create a favourable public image for the corporation" and, (2) "Business has the necessary money and talent to engage in social action programs". However, these differences between the two management groups were described as largely a function of relatively little variance, or difference of opinion, within the two top management groups.

In the case of arguments against business involvement in social responsibility it was revealed that although there were significant differences between the mean scores of the two management groups for five of ten statements, both groups were within the unimportant range excepting one statement for which the average score of both management groups entered the "very unimportant argument" of the scale. The statement was "If society wants to get corporations involved in solving its ill, the government should use tax incentives or subsidies to make it happen."

The results, therefore, suggests that there is a general consensus among the managers at both levels that corporate social responsibility involvement is a continuing and valid concern of business.

The areas of social responsibility, in order of priority, as perceived by managers of the two samples, were equal opportunity hiring and promotion followed by pollution /environmental impact and employee safety. The reason for giving priority to these issues, as observed by the author, was attributable to the regulations that require business to be responsive to these issues. These positive responses on the part of business is indicative of the fact that business is facing legal obligation in their internal (equal opportunity hiring and promotion) as well as in external environment (pollution).

Regarding managerial attitude towards specific areas of corporate social responsibility, the study showed that both groups adopted a "middle-of-the road" (i.e. in between the two extremes- strongly disagree to strongly agree) posture for all the statements examined under the ten different headings, equal opportunity hiring and promotion, pollution control, employee safety, natural resource conservation, corporate law and order, consumerism, foreign investments, minority procurement, investment in human resources, and inhumane weapon production. The statements representing consumerism issues were centred on two basic concerns i.e. power imbalance between buyers and manufacturers and inadequacy of information for consumers. The specific statements were, (1) Recent consumer legislation has tipped the scales too far against the manufacturer, (2) There still exists many consumerism areas where legislation is needed, (3) Consumers seldom have adequate available information in making their purchase. The results indicate that unlike consumer activist organisations, managers are less prone to take polar positions for these issues. The attitudes for all three questions reflect a distinct "middle-of-the road posture.

Yap and Sin (1981) surveyed 397 Malaysian companies in order to assess the causes, nature and extent of their involvement in socially responsible activities in Malaysia. The results revealed that only 12 percent of the respondents supported the classical view that the only responsibility of business is to produce abundant goods and services guided by the profit motives whereas almost half of the respondents (49 percent) favoured an active concern for the social impact of their economic activities. A good number (39%) of companies expressed their intention to play an active social role as a major institution in the society. Thirteen years later (1993) this same commitment is seen in the corporate response to a national statement of vision for the year 2020.

As regards the nature and extent of involvement of companies in socially responsible activities, the study revealed that greater attention was paid to the areas having potential impact on company profitability. This is evident from the highest emphasis being placed on human resources (employee's welfare) followed by product/service to consumers. Aspects such as community involvement received least attention simply because those do not have a strong relationship with profitability. A comparatively higher importance attached to physical environment is attributable to the legal requirements which are considered to be an important factor for inducing social awareness of business.

Stevens (1984) surveyed 448 business executives and 349 business students in an attempt to examine the possibility that the future executives (business students) would tend to have higher level of social responsibility and personal business ethics than the



current business executives. The argument for such a proposition was that business students might represent a new generation of values as they are now being exposed to formal courses having ethical contents in them.

The respondents were asked to indicate their opinion on seventeen items of which ten were related to business ethics and six were about social responsibility and one was common. The results indicated that business executives were more ethical than future executives in personal ethics as in nine out of ten cases statistically significant differences were in favour of business executives. However, in the social responsibility arena, statistically significant differences were found in four of the seven items where future executives scored higher than the present executives.

Teoh and Thong (1984) conducted a survey of 100 companies operating in Malaysia. The results showed that the size and national origin of ownership of firms were the most important factors affecting the extent of their social commitments. Smaller firms were reportedly less inclined to consider social responsibility beyond classical economic pursuits than were the larger policy based companies. Companies having a predominantly Malaysian ownership were found to more prepared to be involved in social commitments than those with foreign ownership, especially from the U.S.A. and Britain.

Ford and McLaughlin (1984) studied the comparative positions of top corporate executives and an external stakeholder group (business school deans) in the U.S.A. regarding their perceptions of corporate social responsibility. The study specifically

investigated as to whether there was any significant difference between the two groups with regard to their attitudes towards the 22 widely held arguments for and against the business assumption of social responsibility; the priority given to socially responsible activities and the intensity of commitment to 15 activities commonly related to the practice of social responsibility.

The results showed that there was not much difference between the two groups as far as the arguments for the social responsibility of business is concerned. The majority of the respondents of both groups agreed with 9 of the 11 statements for social responsibility. The two cases where significant differences emerged were, "The idea of social responsibility is needed to balance corporate power and discourage irresponsible behaviour" and "Since business have such a substantial amount of society's managerial and financial resources, they should be expected to solve social problems." In both the cases, the deans were more likely to agree than the CEOs. On the other hand statistically significant differences between the level of disagreement of the two groups were observed in 5 of the 11 statements against corporate acceptance of social responsibility. More CEOs showed their disagreement with these statements against social responsibility than did the business deans.

An examination of the intensity of commitment to 15 activities commonly associated with social responsibility showed that there were statistically significant differences between the two groups in twelve out of fifteen items. The deans perceived a substantially lesser degree of corporate support for socially responsible activities than did the CEOs.

The conclusion emerging suggests that both groups agreed on the leading arguments for practicing social responsibility with the exception of perceptions of the costs involved and the ability to make good decisions in socially responsible practice.

Fillios (1986) referred to another survey of 500 firms conducted at Stanford Business School in which the respondents were asked " Should business take an aggressive role in solving social problems?". the study showed that 20% of the respondents reported that their firms had made direct commitments of their resources to social action projects while 50% favoured a heavier involvement of business in solving social problems. A comparatively low percentage supported the classical philosophy as only 25% believed that business can be socially responsible through making profit, paying taxes and supplying jobs. However, only 5% opposed the notion that business should involve in solving social problems.

Zahra and LaTour (1987) studied the relationship between the specific corporate social responsibility (CSR) dimensions and select criteria of organisational effectiveness (OE) dimensions. Factor analysis produces 8 CSR and 3 OE dimensions. Based on the size of the eigenvalues underlying these factors the authors argued that the most important facet of CSR as perceived by the respondents were "need for government regulation of business" followed by "obligations to public". Religious awareness emerged as the least important factor. But a canonical correlation analysis indicated that corporate obligations to its public and philanthropy were correlated with the firm's entrepreneurial vitalities and with satisfying public needs. The study also revealed that "respondents who de-emphasise government regulation, need for corporate philanthropy

and religious awareness tend to de-emphasise "satisfying the needs of public" as a measure of OE".

Spencer and Butler (1987) investigated the decision criteria used in judgements of social responsibility. The authors used Carroll's (1979) four dimensional model of social performance as a theoretical framework and included economic, legal, ethical and discretionary responsibilities. The authors tried to ascertain whether respondents considered all four components of Carroll's construct or emphasised the first two dimensions i.e. economic and legal obligations as a part of a firm's social responsibility as suggested by Friedman (1970). The results showed that the respondents viewed social responsibility of a firm beyond its economic behaviour i.e making profit. This was evidenced by the least importance being attached to the economic criteria in judging a firm's social responsibility. The moral and ethical behaviour of a firm was considered as the most important criteria in rating its social responsibility obligations followed by legal and discretionary behaviour.

Teoh and Shiu (1990) conducted a survey of 200 Australian Investment companies to uncover their attitudes towards corporate social responsibility in the context of investment decisions. The findings indicated that the respondents generally had a favourable attitude towards corporate social responsibility but that their perceived importance of social responsibility information (SRI) was rated less important than financial information in making investment decisions by institutional investor.

Kraft and Hage ( 1990 ) examined why some firms pay more attention to social responsibility than others. Several hypotheses were tested with the help of the data originally collected by Child (1972) from 82 companies within six different industries.

The results suggest that organisation size and profitability are dominant characteristics in determining a firm's emphasis on community services. It was found that "large profitable firms tends to use community service activities as a way to maintain assets and to gain prestige for longer term gains in assets-----." In generalising their finding the authors referred to the limitation of the results by referring to another recent study (Keats, and Hitt, 1988) which revealed that size might be overstated and that the use of causal modelling might uncover more complex associations between strategy, structure and size.

Serwinek (1992), examined the effects of demographic characteristics on the ethical perceptions of 132 respondents from service industry. A number of demographic variables including age and education were considered. The findings suggested that age emerged as the most significant predictor of ethical behaviour. Respondents older in age were found to be more conservative than the younger ones in their ethical attitudes.

As regards the effects of educational differences, it was revealed that education was not a strong determinant of the ethical perception of respondents as it did not arise as a significant independent variable in any of the equations.

### 2.7.2: CROSS CULTURAL/NATIONAL STUDIES

There have been few studies of the comparative situation with regard to the social responsibility of business across different cultures or nations.

In a comparative study of the attitudes of British and Indian managers Khan and Atkinson (1987) found close similarities between the attitudes of two groups towards a range of social responsibility issues and concepts . They observed that nearly 98% of Indian and 94% of British executives surveyed agreed that social responsibility was relevant to business. Comparatively less but a majority of both British (54%) and Indian (75)% respondents agreed that " social goals were very essential as well as profit goals".

In another comparative study of the attitudes of the United States and South African managers towards a number of social responsibility issues, Orpen (1987) found significantly more favourable attitudes among United States managers towards social responsibility than among the South African managers. In the case of all ten pro social responsibility statements examined, the United States managers agreed with higher percentage than the South African managers. However, the difference was statistically significant in the case of only 3 of the 10 statements, which were:

1. *Involvement by business in improving its community's quality of life will also improve long-run profitability.*
2. *Society expects business to help solve social problems as well as to produce goods and services efficiently.*
3. *Since business have such a substantial amount of society's managerial and financial resources they should be expected to solve social problems.*

In the case of arguments against social responsibility, South African managers were more favourable than their American counterparts. The difference was again significant for 3 out of 8 statements. Those three statements were:

1. *A business which ignores social responsibility can obtain a competitive advantage over a business that does not.*
2. *If social programmed add to business costs it will make business uncompetitive especially in the international area related to the classical role of business in the society i.e. profit orientation and,*
3. *Business leaders are trained to manage economic institutions and not to work effectively on social problems.*

To sum up, the South African managers hold a more classical view of the social responsibility of business than their American counterparts whereas the American managers are more inclined to modern view of social responsibility i.e beyond narrow view of profit maximisation.

Ali (1993) investigated the attitudes of 218 CEOs in clothing and food industries in Australian And Bangladesh with regard to their attitudes towards corporate social responsibility towards twenty five widely discussed arguments both for and against business assumption of Corporate social responsibility.

The results indicated that although in some cases statistically significant differences were found to exist in the attitudes of the managers of the two countries surveyed, the general conclusion is that the attitudes of business with regard to corporate social responsibility in both the countries were quite similar despite their socio-cultural and political differences.

The effect of country/culture on managerial attitude towards social responsibility and ethics were explored in a number of cross-cultural studies. Many of the studies revealed country/culture as a very important variable in explaining the differences in ethical beliefs, attitudes and values of managers (England, 1975, McClelland, 1961). In several other studies, however, differences in the managerial perception of ethics were insignificant across countries or cultures (Abratt, Nel and Higgs, 1992; Tsalikis and Nwachakwu, 1989; Izraeli, 1988; Lee, 1981).

The effects of industry type on social responsibility have been examined in a number of studies with mixed results. Some revealed industry type as a factor affecting social responsibility and response process of firms (Cottrill, 1990, Aupperle, 1984) while others did not find any relationship between these two variables (Post, 1977; Murry, 1976; Ackerman, 1975)

### **2.7.3: SUMMARY**

It appears from the above review of the empirical work on various aspects of social responsibility that managers generally hold favourable attitudes towards business involvement in the social responsibility arena, reflected in the increasing number of corporate managers accepting the relevance of social responsibility in business. In many cases managers perceived the importance of assuming of social responsibility of business as being beyond the pursuit of profit



The review also showed that an increasing number of firms are responding positively to this emerging social demand by taking actions aimed at addressing this potential new marketing opportunity. This can be regarded as a marketing opportunity for a number of reason. Firstly, as there has been some indication as to a positive relationship between profitability and social responsibility, it is represents an opportunity for business to develop the social goals of business. Secondly, a sizeable population now perceives business as a socioeconomic institution and expects business to behave in a socially responsible way. To a socially responsible firm this is a potentially attractive market segment. Thirdly social responsibility can be marketed as a differentiated product to the consumers who prefer to buy goods and services from firms who care about societal issues such as environmental protection, product safety, community involvement, resource conservation, and minority hiring.

In a number of studies, the size of the firm emerged as an important variable in determining the level of involvement and attitudes of the firm in social responsibility arena. The level of education, age and training status of the managers also reportedly have an important bearing on managerial perceptions of and actions with regard to social responsibility. Other important variables having some linkage with social responsibility are religious attitudes and attitudes towards the ability to influence a life.

Though there have been many attempts to investigate managerial attitudes towards social responsibility from various point of view, there have been few studies attempting a comprehensive empirical investigation of the problem. Almost all the studies available have been conducted in the context of the situation prevailing in the countries in the

West. Research in the context of developing countries having altogether different socioeconomic, cultural and political background and market settings from the west, has been almost absent. There is also a vacuum in the area of comparative study of managerial attitudes and actions with regard to social responsibility of business in two different environments widely varying in terms of the stages of economic development, socio-cultural and political factors and market settings. This thesis addresses those needs.

## **2.8: CONSUMERISM - A CHALLENGE TO SOCIAL RESPONSIBILITY**

### **2.8.1: Introduction**

During the last several decades there have emerged a number of issues of considerable importance in the external environment of business. Consumerism is undoubtedly one such, and has attracted considerable attention from the Government, business and the community. The growth of consumerism from the early sixties has resulted in consumers now being critical of business practices and has supported the imposition of increasing regulation on corporate sector. Business response has ranged from inaction to adaptation to this development. The level and pattern of business reaction are, however, likely to vary in different cultures and societies and reflect the overall environment in which business carries out its operations.

### **2.8.2: Definition of consumerism**

There have been a number of attempts to define consumerism ranging from a narrow to a broader point of view. Straver (1977) noted that this definition of consumerism could be developed at three different levels of operations.

**Level - 1:** At this stage the definition emphasised the rectification of an existing relationship between the buyer and the seller, by augmenting the rights of the latter over the former. Many definitions given by various authors fell into this category. (Drucker, 1969; Kotler, 1972; Buskirk and Rothe, 1970; Aaker and Day, 1982). Examples include:

*Consumerism means that the consumer looks upon the manufacturer as somebody who is interested but who really does not know what the consumers' realities are. He regards the manufacturers as somebody who has not made the effort to find out, who does not understand the world in which the consumer lives, and who expects the consumer to be able to make distinctions which the consumer is neither willing nor able to make (Drucker, 1969).*

*The organised efforts of consumers seeking redress, restitution, and remedy for dissatisfaction they have accumulated in the acquisition of their standard of living (Buskirk and Rothe, 1970).*

*Consumerism is a social movement seeking to augment the rights and powers of buyers in relation to sellers" (Kotler, 1972.).*

*Consumerism encompasses the evolving activities of government, business, independent organisations and concerned consumers to protect and enhance the rights of consumers (Aaker and Day, 1982:2).*

*Consumerism--presenting the wants and needs of consumers who seek safe, reliable, reasonably-priced products and services that meet those needs (Guthrie, 1982: 144)*

The above definitions postulate consumerism as a social force seeking a remedy for a power imbalance that may exist in the market place in favour of the seller. They refers to a gap between what consumers expect and what they actually get.

At this stage a question can be raised as to the viability of the principle, "Caveat emptor-let the buyer beware". In the process of rectifying defects in the relationship between buyer and seller state intervention was inevitable and a plethora of consumer legislation was enacted in almost all industrially advanced countries including Australia. The underlying doctrines has now been changed to "Caveat venditor" meaning seller beware. However, the situation has not changed in developing countries where the doctrine of 'buyer beware' is still in operation, because of the presence of seller's market in which buyers have very limited choice in the market place.

**Level - 2:** At this level consumerism was no longer confined to the individual buyer and seller; instead it is expanded to include a social dimension involving an examination of the interdependency between the buyer -seller links and the societal system (Straver, 1977).

With the increase of practices such as abuse of power in the market place, deception in advertising, environmental pollution, marketing of unsafe and defective products, social concern continued to grow resulting in increasing scrutiny of business activities by the public. Besides, fundamental change in the basic values throughout the society, caused people to raise questions about the relationship between the business and the community (Layton and Holmes, 1974).

**Level - 3:** This phase is concerned with relating consumerism to the political arena. Consumerism was termed "a bandaid on the malignancy of capitalism" (quoted in Layton and Holmes, 1974). It was also predicted that consumerism was gradually leading towards an anti-industrialist movement (Bloom and Greyser, 1981). There were attempts to use consumerism as a political platform to change the capitalist system towards a marxist framework (Straver, 1977).

In the present discussion the focus will be on the first two levels of consumerism, for the third level in effect has lost much of its relevance as a result of recent developments leading to change of the socialist economy towards a market economy in the former Soviet Union and in other East European countries.

For the purpose of this study consumerism is defined as an organised movement in the external environment of business affecting the attitudes and actions of business in relation to consumers.

The above definition has four components which are discussed below:

### **2.8.3: Consumerism as an organised movement**

This refers to the fact that consumerism did not occur all of a sudden. It developed through a long process as did other social movements (Craig-Lees, 1991; Kaynak, 1985; Hermann, 1974; Kotler, 1972). In the initial stage consumers ventilated their grievances individually to the individual seller. Consumers started to be organised from early 1960's. The impetus for an organised consumer movement aimed at augmenting and protecting consumer rights came from the contemporary developments around consumers at the national and international level especially in the context of the developed countries. The vigorous activities of consumer activists such as Ralph Nader (Kaynak, 1985), passage of President Kennedy's four point Charter of Consumer Rights by the U.S. Congress in 1962 (Aaker and Day, 1978; Carlson and Kangun, 1988) formation of International Organisation of Consumer Union in the Hague in 1960 and publication of some works such as Rachael Carson's *Silent Spring*, Vance Pacard's *The Hidden Persuader* and *The Waste Makers*, Ralph Nader's *Unsafe At Any Speed*, are some of the examples (Hermann, 1974; Aaker and Day, 1978; Bloom and Greyser, 1981) which contributed to the development of consumer movements on an organised basis (Carlson and Kangun, 1988). Thus, consumerism as a social movement did not

emerge suddenly. Like other social movements consumerism resulted from the interaction of a number of factors that are considered essential for the birth of a social movement (Craig-Lees, 1991; Kotler, 1972). Based on Smelser's (1963) observation, Kotler (1972) identified the following six broad factors for the development of consumerism:

1. **Structural conduciveness:** Basic development in the society resulting in potent contradictions. Three things were considered relevant. Advancement of education and income which made people conscious about quality of life. Increasingly complexity of marketing and technology which made consumer choice difficult. Environmental pollution made people worried about clean air and water.
2. **Structural strain:** Discontents with economic (inflation), social (poverty, racism), ecological (Pollution, world population explosion), political factor and market system (hazardous products, commercial gimmickry)
3. **Growth of generalised belief:** A growing consensus as to the cause of social malaise. The major impetus came from critic writings, consumer legislation, Government initiatives and consumer organisations.
4. **Precipitating factors:** Acceleration of consumer discontent as a result of consumer exposure to the business practices detrimental to their interest, consumer boycott and so on.
5. **Mobilising factors:** Mobilisation of the movement with the support of the media, labour union, consumer organisations.
6. **Social control:** Improper response from the agents in the social control which gives impetus for further development of the movement. Examples include the tendency of business to resist or ignore the early consumer discontents and lack of positive response from the legislative bodies which resulted in direct actions from consumers.

Aaker and Day (1982) traced nine factors contributing to the growth of consumerism in the context of the developed countries and especially in the U.S.A.

These are:

1. **Disillusionment with the system:** Growing societal concern resulted in public scrutiny of major institutions including business. Public confidence in big business dropped significantly during 1970s and 1980s. Growing imbalance of power among various components of society is believed to have led to this situation. Marketers are identified among those whose power is resented.
2. **The performance gap:** Consumer expectations of product performance and reliability increased to a greater extent following product developments, advertising and promotions. Dissatisfaction grew as a result of increasing gap

between consumer expectation and product performance which has been evidenced by an increasing trend in consumer complaints.

3. **The consumer information gap:** Consumer information gap widened as a result of increasing complexity of products in terms of their features and functions and quantities.
4. **Antagonism toward advertising:** Many consumers are somewhat sceptical of the truthfulness and usefulness of the information provided by advertising. Some are often found to be misleading and deceptive. The other complaints against advertising which seems to have triggered specific consumerism issues are (a) Intrusiveness, (b) Irrigational (c) Stereotyped role portrayals and (d) promotion of unrealistic or insupportable expectations.
5. **Impersonal and unresponsive marketing institutions:** Consumers are frustrated because of inadequate attentions paid by the organisations to their grievances. The situation aggravated further following the complexity of organisation structure which widened the gap between the customer and the business. A customer, for example, can hardly identify the CEO (Chief executive officer) of a large corporation.
6. **Intrusions of privacy:** The privacy of the consumers are at a stake as a result of the development of data base with the use of computers and telecommunication technology. Concern over the abuse of personal information concerning finance and health records has been mounted in recent times.
7. **Declining living standards:** Standard of living of people has declined following the decreasing trend in the disposable income of most people. This has resulted in consumers being more conscious about the real value of their purchases. Furthermore the gap between the rich and the poor has widened. The poor and the homeless are no longer in the mainstream market.
8. **Special problems of the disadvantaged:** All the disadvantaged-the young, the old and the poor have become worse off than they were before. The young, for example, has been the victims of unsafe toys, hazardous products and the like and a large number of older people are helpless as a result of their low purchasing capacity.
9. **Different views of the market place:** Different groups viewed market place differently. The critics, for example, consider marketing as a means of persuading and seducing less-than willing consumers to buy while the pro-marketing view is that marketing identifies and serves consumer needs.

According to Samli (1992) all the above nine 'problem situations' led to some degree of anti-marketing sentiment that still continues.



#### **2.8.4: Growth factors**

Profound changes in environmental factors over the last three decades have exerted a strong influence on the growth of consumerism in the western world.

The change in the surrounding environment is crucial because these changes over the last three decades are responsible for the growth and development of consumerism.

Halliday, Barksdale and Perrault. (1981) observed:

.....profound changes in economic, social---conditions in the U.S.A. have altered business practices and living pattern. Rapidly increasing price, Product shortage for the first time and product recall are factors which have increased efforts at all levels of government to protect the rights of buyers in the U.S.A. Similar situation prevails in Australia.

The major environmental factors and their impact on the development of consumerism are discussed below:

#### **Socioeconomic environment**

The socioeconomic environment in which consumers live and take decisions has been undergoing considerable change. Many consumers feel that the real value of their savings is decreasing (Kotler, 1972). Thus growing value consciousness resulted in accumulation of discontents in their minds over the present economic conditions. Besides, increasing income and education of the consumer resulted in the increase of people's living standard which pushed the consumer level of expectations up and subsequently generated dissatisfaction and anxiety among consumers (Kaynak and

Wikstrom, 1985) because consumer aspirations increase at a greater pace than standard of living and causes a dissatisfaction gap (Thorelli and Thorelli, 1977). This tendency may, however, vary between developed and developing countries. Most of the consumers in the LDCs have lower levels of aspiration as compared to those in the developed countries, as their aspirations for goods and services mainly centre around first order needs (physiological needs) and "adjust their standard of living accordingly". Their aspiration level, however, changes in the situations where they are able to consider satisfying their higher order needs e.g. self actualisation needs (Kaynak and Wikstrom, 1985).

Wikstrom (1981) showed how a satisfaction gap arises between living standards and consumer aspirations with reference to both developed and developing countries.

Another factor that generated dissatisfaction in the minds of the consumer is 'market failure' which occurs when real market diverges from the conceptual norms of the perfect market (Morris, 1980). Monopoly, duopoly, oligopoly, exclusive dealing, resale price maintenance, market sharing, collusive tendering are some of the market conditions that may cause market failure. Eighteen such restrictive practices came to the notices of Australian Commonwealth Government (Taperell, Vermeesch and Harald, 1978).

Concentration of industries that contributed to the restrictive trade practices in form of monopolistic and duopolistic competition was found to be highly prevalent in Australia (Johns, 1972). Concentration in the Australian retail grocery industries has

been found to be one of the highest in the world (Brown, 1990). Two retail corporations reportedly enjoyed 30 percent of the total retail sales in Australia (Inside Retailing, 1987).

Shifts in the value system of consumers led them to question some of the fundamental relationships between the buyer and the seller. The rule, 'Caveat Emptor'-let the buyer beware, for example, had long been an accepted norm in the market place under which a buyer had sole responsibility for the goods or services they bought. The rule was simple, "Count the items, weigh or measure them and take no other words, or bite the coin if you want to know what it is made of" (Harris et al 1978). This rule was suitable for transaction in the village economies where there was near equality of power between the buyer and the seller. But the industrial civilisation destroyed the premises justifying the doctrine of caveat emptor. It was being increasingly felt in society that adequate measures should be taken to remove the imbalance of power in the market place so that the buyer and seller could bargain on equal footings. In this connection the comments made by the Australian Attorney general while presenting the Trade Practices Act, 1974 before the Parliament is worth mentioning. He said,

*In consumer transactions unfair practices are widespread. The existing law is still founded on the principle known as 'Caveat emptor' ----- It has ceased to be appropriate as a general rule. Now the marketing of goods and services is conducted on an organised basis and by trained business executive. The untrained consumer is no match for the businessman who attempts to persuade the consumers on terms and conditions suitable to the vendor. The consumer needs protection (Quoted in Goldring, and Meher, and Mckeough, 1993).*

Therefore, the need for government intervention became inevitable to provide the consumer with necessary power as the free economic system failed to ensure equal

liberty to both parties because of a wide gap between them in terms of the resources to influence each other. In the context of the U.S.A., for example, the ratio between the seller controlled resource (for information and persuading) is estimated to be 1: 5100 (Morris, 1980). Under such a situation an equal treatment of the unequals will simply perpetuate inequality and subvert liberty (Duggan, 1980).

Apart from above mentioned developments in the socioeconomic environment, consumer protests to express their discontent over abuse in the market place through store boycotts and picketing during 1970s received wide press coverage and encouraged the general consumer to voice their rights. Further more, the activities of the trade unions were extended beyond ensuring industrial justice to its members. Some developments in Australia included the green bans of the early 1970s, the establishment of Bourkes' discount store in Melbourne and Solo discount petrol (Harris, et. al. 1978: 33).

### **Political environment.**

The Changing attitudes of politicians towards societal issues which became apparent in the 1960s have had an impact on the development of consumerism. The increasing role played by the Governments in recognising consumer rights was manifested in a plethora of legislation enacted in most industrially advanced countries. The presentation of Consumer Bill of rights before the Congress by President Kennedy in 1968 set the stage. As with other developed countries Australia witnessed an increasing involvement of Government in consumer affairs. The establishment of

consumer affairs departments both at state and federal levels and enactment of Trade Practices Act in 1974 were examples.

Apart from the role played by the Governments of the respective countries in protecting consumer interests, international bodies like U.N.O. passed consumer protection guide lines in the General Assembly and asked member countries to take special measures to safeguard the interests of the consumer.

But the situation with regard to political involvement in consumerism has been quite opposite in the developing countries where government took very little or no interest in protecting consumers. There was hardly any legislation to provide protection against mounting consumer problems. Politicians were indifferent in their attitudes towards consumerism issues as they were more concerned with issues relating to meeting the basic needs of the people such as food and shelter.

### **Legal Environment**

Side by side with developments in the socio-economic and political environment, reviews have been undertaken of the legal frameworks to bring about required change. The need for this was keenly felt as the age-old legal system lost some of its effectiveness and relevance in the context of the to the newly established social norms. This is evident from the fact that a number of high level committees were formed in the U.S.A., U.K., Australia and other parts of the world to look into the matter. As a result the last half century has witnessed unprecedented attempts by the Government to

reduce social imbalance by passing laws conferring new rights on individuals exercisable against employees, producers, retailers and pillagers of the environment (Duggan, 1980). However, in most cases, legal reforms in this areas centred around correcting an imbalance of power in the market place (Aaker and Day, 1978), a process that was considered a positive step towards the development of a new doctrine called 'caveat emptor' - let the seller beware.

### **Technological Environment**

The rapid development of technology during 19th century gave birth to numerous new methods of production, distribution and marketing resulting in enhanced availability of a wide range of goods and services. This placed business in a technological race in which every business did its best to beat a rival by introducing more technologically advanced products and services than its competitors. This race is, however, endless in the sense that a change in technology is not an end in itself but a means for initiating further changes for the fulfilment of other newly emerging consumer demand (Fransman, 1986).

Under such circumstances consumer expectations increased to such an extent that they are now looking for products are beyond the technical capability of the producer. Besides, consumers feel frustrated when they do not get the level of perfection they expect from a product. The increasing complexity of technology has made it difficult for consumers to take rational decisions as they are exposed to a wide variety of complex products. As Weiss (1968) noted:

*Technology has brought unparalleled abundance and opportunity to the consumer. It has also exposed the consumer to new complexity and hazards. It has made his choice more difficult. He can not be chemist, mechanic, electrician, nutritionist , and a walking computer (very necessary when shopping for fractionated-ounce food packages) faced with almost infinite product differentiation plus contrived product virtues that are purely semantic, considerable price differentiation , the added complexities of trading stamps, the subtleties of cents-off deals, and other complications, the shopper is expected to chooser wisely under circumstances that baffle professional buyers".*

## **Physical environment**

Public concern over the deterioration of quality of life arising out of ecological imbalances within the environment became apparent since 1970s. Water and air pollution, and solid state waste emerged as the most important areas of worries (Kassarjian, 1971). Kassarjian's study revealed that 71% of the respondents surveyed singled out pollution as the most serious issue of the day.

Asbestos perhaps provides the best example of how a man made environmental problem can cause enormous sufferings to millions of people around the world. According to the U.S. Cancer Institute estimate, asbestos took the lives of 2 million Americans (Quoted in Molitor, 1982: 101). In Australia an estimated 4 thousand lives were claimed by this dangerous fibre by 1980 (Hall, 1980).

The concerns that consumers have voiced over environmental hazards have resulted in increasing consumer discontent reflected in a tendency to buy ecologically balanced products. Low phosphate detergent, and lead-free petrol are the two examples of the preference of socially conscious consumers (Henion, 1972; Kassarjian, 1971).

It is to be noted, however, that business can not always be held solely responsible

for environmental pollution. Consumers and business have a joint responsibility in maintaining a pollution free environment. Sometimes, the behaviour of the individual consumer is in contradictions with expectations from business to behave with regard to environmental pollution. While referring to the irresponsible behaviour of the consumer leading to environmental hazards Stanton et. al (1985) commented,

*We want clean air., but we won't pay to tune up our car engine. As a group we want highway beautification but as individuals , we toss litre out of the car windows and often leave picnic ground a shambles.*

In the western affluent countries the consumerism movement developed rapidly as a result of the presence of these factors-all favourable for its growth and as a social movement it is believed to have reached its maturity during the 1970's (Aaker and Day, 1978, Bloom and Greyser, 1981). This led to the institutionalisation of key consumer issues in the socio-political environments in most developed countries (Craig-Lees, 1991). It is to be noted, however, that while the major thrust of the movement has diminished, issue based consumer activism is still present as new issues emerge requiring attention of all concerned (Craig- Lees, 1991). For this reason consumerism is still considered to be a major force in the market place , and shows no significant sign of subsiding (Kaynak, 1992).

### **2.8.5 Consumerism in the developing countries**

A number of authors have noted in recent times that while the movement has reached its maturity in the developed countries, developing countries have witnessed a



very slow growth of the consumer movement and in most LDCs the movement is still in its embryonic stage (Varadarajan, Bharadwaj, and Thirunarayana, 1994, 1991; Kaynak, 1992, 1985, 1982, 1981; Kaynak, and Wikstrom, 1985). There has been very little attempt to investigate the nature and impact of consumerism in the developing world (Kaynak, 1985, 1992; Thorelli, 1981; Gaedeke and Udo-Aka, 1974). The reasons for such vacuum in the literature with regard to consumerism research in the LDCs stem from the lack of an appropriate conceptual and methodological framework (Kaynak and Wikstrom, 1985; Kaynak, 1985). There have been some attempts to develop a framework for studying consumerism in the LDCs, by identifying the differing patterns of environment (socioeconomic, regulatory and cultural) and market setting and exploring their impact on consumerism in the developing world (Thorelli, 1981; Thorelli and Sentell, 1982; Kaynak, 1981; Kaynak and Wikstrom, 1985; Kaynak 1985).

The macroeconomic factors and marketplace conditions which account for the states of consumerism in any society (Kaynak, 1985) have a differing character in the developing countries, reflected in the absence of supportive macro economic conditions. A comparative picture of the macro environmental conditions in developed and developing countries is provided in Table 2.4. The Table shows that the present state of the low level of interest of consumers and business is a natural phenomenon, explained by the different structural setting of the major macro environmental factors. These include the low level of income, presence of high inflationary trend, sellers market condition, chronic shortage of goods, low level of consumer aspiration, low level of education of consumers, wide spread business malpractices such as deceptive advertising, product piracy, adulteration of food items. Ideally these should have

provided an impetus for the growth of consumerism. But it has not happened in the LDCs. The possible reason is that consumers, business and the governments are mainly concerned with the basic needs of people (physiological and safety needs) as most people can not simply afford most of the sophisticated products and in such a case consumer information, advertising and promotion, product quality, warranty and grantee are irrelevant to most consumers. For example, the improvement of information about sophisticated product such as refrigerator is totally irrelevant to a LDC consumer as "he can neither purchase nor afford enough food to fill IT" (Kaynak, 1985: 20). Therefore, in most LDCs consumerism has been mainly concerned with the issues relating to basic products such as food, clothing, and basic medicines. This trend is also reflected in most consumer legislation enacted in these areas in many developing countries including Bangladesh (Ali, 1984).

**Table 2.4**

**A comparison of macro economic environmental conditions in developed and developing countries**

Less developed country	Developed country
1. Low standard of living	1. High standard of living
2. Low level of aspirations	2. High level of aspirations
3. Seller's market conditions exists	3. Buyer market conditions exist
4. Consumer information outreach is very low	4. Consumers engaged in constant problem solving activities
5. Lower level of expectations from products	5. Higher level of expectations from products
6. Consumers are not organised	6. Consumers are well organised
7. Consumerism is a matter of legislation and its efficient implementation	7. Consumerism is a matter of engaged public support

Source: Kaynak, E., and Wikstrom, S. (1985), "Methodological Framework for a Cross-National Comparison of Consumerism Issues in Multiple Environments", *European Journal of Marketing*, 18, p. 34.

Finally, in terms of the four recognised consumer rights-right to safety, right to choose, right to be informed, and right to be heard, unlike in the developed world where rights are fully ensured LDC consumers hardly enjoy any such right (Ali, 1984; Thorelli, 1981). The right to safety is seriously affected by the presence of imitated, adulterated and dangerous products in the LDC market due to absence of adequate legislation, low level of consumer consciousness and low purchasing capacity of consumers and shortage of supply of goods to meet the rising demands (Quddus and Ali, 1986). Right to choose is hindered by the chronic shortage of goods leading to seller's market condition compelling LDC consumers to buy almost whatever is offered to them with very little or no option to choose (Reddy and Campbell, 1994; Kaynak, 1985, 1981; Ali, 1985, 1984). Right to be informed is jeopardised due to widespread deception in advertising and promotion and emphasis on the psychological merits of the products rather than their real quality (Ali, 1985, 1984; Thorelli, 1981) and finally right to be heard is virtually non-existence in most LDCs resulting from lack of government initiative in establishing consumer affairs body to resolve consumer problems and grievances (Ali, 1984; Thorelli, 1981)

#### **2.8.6: Consumerism Life Cycle:**

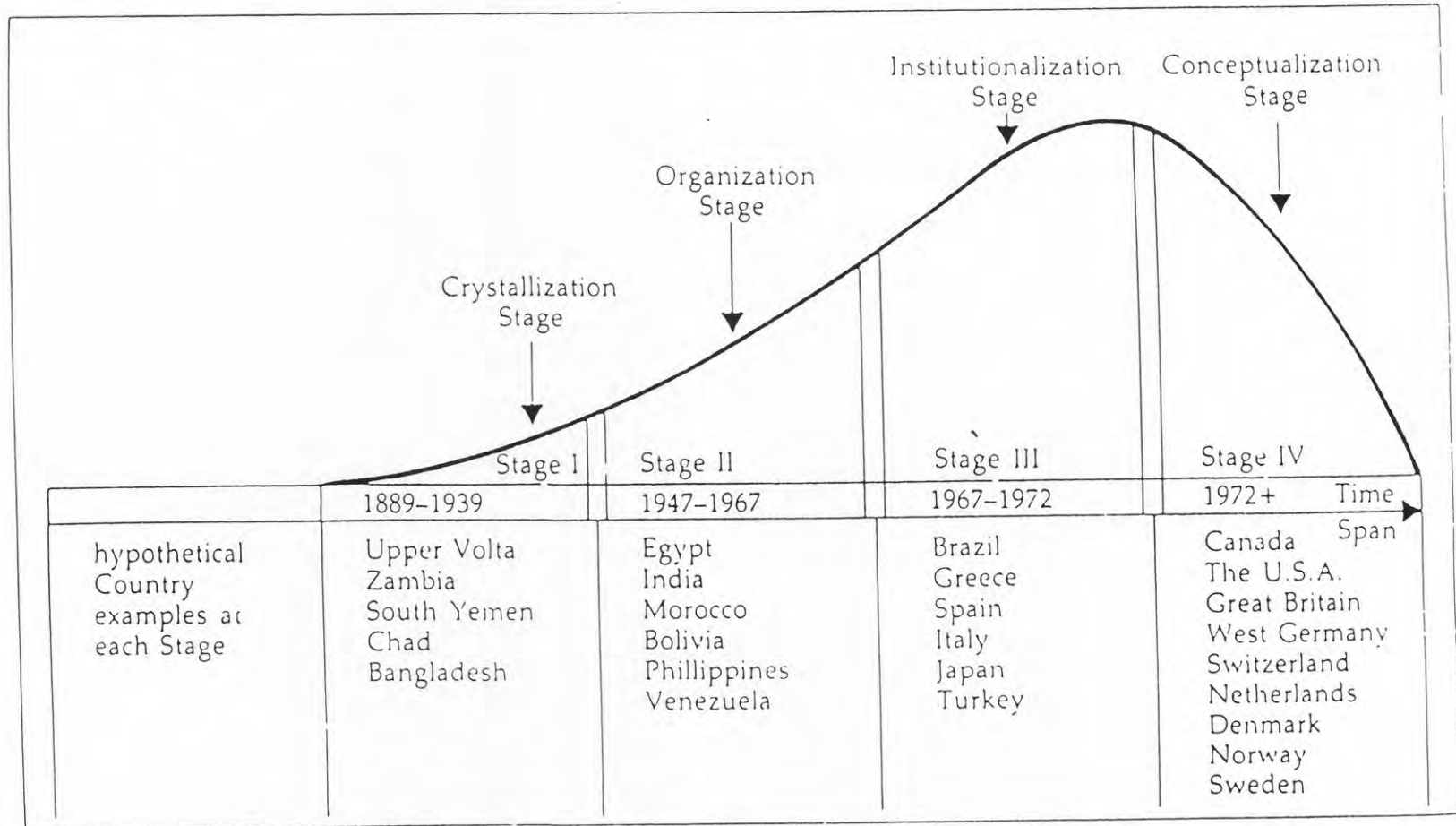
It has been suggested that consumerism follows a life cycle (Kaynak, 1992, 1985; Straver, 1977; Kaufman and Channon, 1973). Using such a model, there have been some attempts to position the different countries in terms of the growth of consumerist movement, the quantity and quality of information available to consumers, the amount of consumer protection regulation in force, degree of government intervention and

public funding of consumer protection.

Two such consumerism life cycle curves were reported in the literature and referred in a number of studies (Kaynak 1992, 1985; Varadarajan and Thirunarayana, 1990; Barker, 1987; Barksdale et. al 1982; Straver, 1977). The first one consists of four distinct phases: (1) crusading stage, (2) popular movement stage, (3) organisation/managerial stage, and (4) bureaucratic stage. A number of empirical studies confirmed Australia's position in the 'popular movement stage' (Barker, 1987; Barksdale, 1982). Popular movement stage is characterised by organised consumer movement leading to Government intervention at local and central levels. Emphasis is placed on consumer education, competition policy, trade marks policy, copyright and intellectual property.

Kaynak (1985) made a significant contribution to the concept of consumerism by proposing another life cycle curve with four distinct phases in the evolution of consumerism. Hypothetical country examples were set in each of the four stages of the cycle. Bangladesh has been located in the lowest stage (crystallisation). Kaynak described this stage as the "antitrust phase of market regulation" in which there is no evidence of organised consumer movement at national the level. The model Kaynak proposed can be seen in figure 2.3. The different stages of the model are as follows:

**Figure 2.3**  
Consumerism Life-cycle in World Markets



**Source:** Kaynak, E. and Wikstrom, S. (1985), "Methodological Framework for a Cross-National Comparison of Consumerism Issues in Multiple Environments," *European Journal of Marketing*, 19, P. 34

**Crystallisation stage:** This initial stage of consumerism basically marks the 'antitrust phase of market regulation' where the major emphasis is on regulating manufacturers to ensure competition in the market. At this point there is no evidence of an organised consumer movement at national level. However, isolated attempts by government and semi-government organisations to protect consumer rights on a 'piecemeal basis' are apparent. The countries positioned in this embryonic stage of consumerism in 1985 include Bangladesh, Zambia, South Yemen, and Chad.

**Organisation stage:** This development phase of consumerism is characterised by the beginning of an organised consumer movement led by independent and voluntary consumer organisations in order to provide a consumer voice in the legislation. The major emphasis is on consumer education programs, comparative product testing, standardisation and product quality, and information labelling. Country examples at this stage in 1985 include Egypt, India, Morocco, Bolivia, Philippines, and Venezuela.

**Institutionalisation stage:** This stage is marked by active government intervention in the market on behalf of consumers at both the local and national level. The major areas of consideration include consumer affairs, competition policy, policies on trade marks, patents, copyrights and industrial property. Countries representing this stage in 1985 include Brazil, Greece, Spain, Italy, Japan, and Turkey.

**Conceptualisation stage:** This stage is characterised by consumer involvement in almost all the critical, political, technological, social and economic macro issues. This is a critical stage in the development of consumerism at which there is a complete

consumer involvement in broader policy issues. Nine countries were stated to have reached at this stage. They are Canada, U.S.A., Great Britain, West Germany, Switzerland, Netherlands, Denmark, Norway, and Sweden.

### **2.8.7: Attitudes and action**

As noted above the development of consumerism as a social movement led to a change in the external environment of business and has put pressure on managers to evaluate their attitudes and behaviour in the light of the changing demands of society. Although in the initial stage of the development of consumerism there was a tendency among many businesses to ignore or in some cases resist the movement, they usually started to take it seriously as the mounting public demands raised the potential threat of the imposition of regulation. In western countries most consumer issues were eventually translated into regulation through a process of institutionalisation of consumerism in the socio-political systems. Numerous studies conducted throughout the world signalled a growing dissatisfaction of consumers with various aspects of business practices including product design, pricing, advertising and promotion, and distribution (Barksdale, Darden and perreault, 1976; Barksdale and Perreault, 1980; Halliday, Barksdale, and perreault, 1981; Barksdale, Arndt, Barnhill and French, 1982; Halliday, 1982; Barker, 1987; Lysonski and Zotos, 1989; Varadarajan, Bharadwaj, and Thirunarayana, 1991; Varadarajan, Bharadwaj, and Thirunarayana, 1994). Business attitudes and action over the last three decades also seem to have followed an evolutionary process. In a developed country such as Australia, the cycle of action has been completed as attitudes towards consumerism progressed through the different

stages of the Consumerism Life Cycle (CLC). The response of business in the West has been rapid as consumer issues have already been institutionalised (Craig-Lees, 1991) and business has also institutionalised it in their decision making processes (Steiner and Steiner, 1994). In this way responding to the issues that consumerism used to generate in the past, has now become a routine exercise for most businesses through compliance with regulation. In the developed world. But in the developing countries, the pace of business responses has been relatively slow and the pattern of behaviour has been different as the pressure arising from the movement is generally low. This is because in most LDCs consumer demand has centred around the basic necessities of life and also due to a greater emphasis on the satisfaction of the physiological needs of the general public. The prevalence of seller's market conditions in most LDCs has also contributed to the low response of business, as consumers in such market conditions have very little say and accept whatever is offered to them (Reddy and Campbell, 1994; Kaynak, 1985, 1982). Besides, most LDCs lack a supportive macro-economic environment which is an essential condition for consumerism activity and as such consumerism is concerned with micro issues including product safety, packaging, unit pricing, misleading advertising or labelling and product quality. In the developed countries macro issues are a prime focus of consumerism and as such pollution, poverty, welfare system, health care, tax system and anti-nuclear issues are given priorities in consumer movement (Kaynak, 1985). This is reflected in the attitudes and action of corporations in the developed world towards the solution of problems in the socio-economic, cultural, and technological areas.



### 2.8.8: Major issues in consumerism

Although consumerism touches almost every aspect of business activities, marketing has been the most prominent target, for it is the most visible and exposed organ of a business organisation . The emerging issues addressed by consumerism are, therefore, mostly related to marketing. The most important issues that captured the attention of the researchers and the academics during the last three decades are discussed here.

#### Radio and Tv commercials

Commercials have emerged as a powerful weapon in the hands of the marketer to inform and influence buying decisions of consumers. These influence on the consumer has become so pervasive that one can hardly lead a normal life in the society without having been influenced by it. This is reflected in the observation of Leo Bogart (1976):

*Every day, 4.2 billion advertising messages pour forth from 1,754 daily Newspapers, millions of others from 8,151 weeklies and 1.4 billion more each day from 4,147 magazines and Periodicals. There are 3, 895 Am and 1,136 Fm radio stations broadcasting an average of 730,000 commercials a day, and 770 TV stations broadcasting 100,000 commercial a day. Every day millions of people are confronted with 330,000 outdoors billboards, with 2,500,00 car cards and posters in buses, subway and commuter trains, with 51,300,000 direct mail pieces and leaflets, and with billions of display and promotion items.*

During the two decades since this observation, the intensity of consumer exposure to commercials has certainly increased. In view of the pervasive effects of advertising a question has been raised as to whether the money, energy and resources spent on

advertising are of any benefit to the society in general and to the consumer in particular.

The main focus has been in the area of the quality and truthfulness of the information provided in a commercial and justifiability of its target e.g. advertising to children. As regards the nature of information provided in advertising critics have referred to two specific aspects. Firstly it has been argued that in many cases the information is manipulative in nature, for it tends to influence the consumer to buy products or services that they do not actually need. Secondly most information provided in the advertising does not show a true picture of the products or services advertised. Numerous consumer attitude surveys indicate that this is the case (Varadarajan, Bharadwaj and Thirunarayana, 1991; Barker, A. T. 1987; Barksdale et al, 1982, Halliday, et al 1981).

There has been controversy over the term 'manipulation' as it can be interpreted in many different ways. Consumers argue that the advertisers should only provide objective information and then leave it entirely to the audience to decide whether they will buy it or not. Any attempts to influence the decisions of the buyer through giving subjective information may result in manipulation, for it may encourage consumers to be involved in emotional buying which may even go beyond their capabilities. The argument of the advertisers is that they have the right to influence the consumers through giving correct information.

## Advertising to children

Advertising to children has been a widely discussed issue in the literature since 1970s (Armstrong and Brucks, 1988). The controversies have mainly centred around the question as to whether children should be the target of the marketer. The possible effects of advertising on the purchase and living behaviour of children have been the subject of main concern (Armstrong and Brucks, 1988; Dunn and Barban, 1982).

The arguments against advertising have been based on the fact that children are vulnerable to advertising claims and as result of their weak perceptual and cognitive skills they are unable to evaluate objectively advertisements to make intelligent, rational and informed choice and as such are more susceptible to deception (Federal Trade Commission, 1987; Roberts, 1983; Aaker and Myers, 1975; Bank and Burnet, 1974). Besides, children are reportedly unable to distinguish between the commercial and the programs and as such in many cases children accept the commercials as the literal truth (Robertson, 1972). Young children are often so much influenced by TV commercials that they tend to recite those commercials even before they learn nursery rhymes. Since the suggestive power of most advertising is overly effective and children are easily amenable to suggestions, the commercials are uncritically accepted (Blum, 1977). The influence of TV commercials directed to children is reportedly affecting the buying behaviour of both children and adults. In most cases, being influenced by commercials, children tend to influence the buying decisions of their parents, ultimately affecting child-parent relationships and resulting in occasional conflict (Armstrong and Brucks, 1988; Federal Trade Commission, 1978; Word, 1972). A number of studies on this issue

revealed that most children are influenced by Tv advertising and asked for toys and cereals and have arguments with their parents over denial and express their anger with their mothers when requests are refused ((Atkins, 1975; Word and Wackman, 1972; Cosmos and Yannopoulos, 1981). Advertising to children has also been criticised for it may "cause children to value material things more than social interactions with other children" (Goldberg and Gorn, 1978).

The arguments put forward in favour of advertising to children noted that children constitute a large segment of market for many different products and services and therefore, business has the legitimate right to direct advertising to this potential market segment. Since there is no clear evidence about the harmful effects of advertising to children, denial of the right to advertise to children results in the rejection of the doctrine of free speech in a market economy. Besides, from the perspective of children's rights advertising is justified. Armstrong and Brucks (1988: 101) observed;

*Children have the right to receive truthful and tasteful advertising information, and advertisers constitutes censorship and would diminish parents' rights to determine what information their children receive.*

It has also been argued that advertising to children, especially television commercials, has some positive aspects including an increase in knowledge of nutrition from food advertising (Television Information Office, 1986), socialisation as consumers at an early age through exposure to market place behaviour (Boddewyn, 1984), and education about social standards (Children's Advertising Review Unit, 1983).

The controversial nature of the issue has been reflected in a study conducted by

Word (1972) which is summarised in Table 2.5.

**Table 2.5**

**The positions of consumerist groups and businesses on children and advertising.**

<b><i>The issues.</i></b>	<b><i>Corporations are perceived as believing.</i></b>	<b><i>Consumerists groups are perceived as believing.</i></b>
<b>1.</b> Advertising's influence on children.	<p><b>1(a).</b> There is nothing wrong with attempting to influence children to buy or attempt to influence their parents to buy, advertised products.</p> <p><b>1(b).</b> Children are rarely influenced by advertising anyhow.</p>	<p><b>1(a)</b> Advertising to children is morally wrong.</p> <p><b>1(b).</b> Advertising exerts great influence on children, who lack sophistication to objectively evaluate commercial messages.</p>
<b>2.</b> Advertising techniques	<b>2.</b> If advertising is not judged as misleading by Government regulatory agencies, it may be broadcast.	<b>2.</b> Standard for evaluating advertising techniques are scaled to adult judgement; children cannot fairly evaluate commercial messages.
<b>3.</b> Ethics of Advertising to children.	<p><b>3(a).</b> Children are consumers; they represent an important market segment. Selling to children is necessary to maximise profit.</p> <p><b>3(b).</b> Advertising to children supports the mass media.</p>	<b>3.</b> Advertising to children is inherently distasteful and unethical.

Source: Word, S. (1972), "Children and Promotion: New Consumer Battleground.", Marketing Science Institute, Cambridge, Mass.

Several alternatives have been proposed to overcome the problems associated with advertising to children. Armstrong and Brucks (1988) summarised those alternatives. These are discussed below:

- 1. Preparing children to deal with television advertising:** The argument here is to educate children so that they can understand the true nature of advertising

including identifying selling intentions, understanding differences between advertising and other programs, and recognising persuasive advertising techniques. It is to be noted that such education may have some limitations as revealed by a number of studies which found that prior learned knowledge is not of much help in evaluating commercials (Brucks, Armstrong and Goldberg, 1988; Roedder, 1981).

2. **Encouraging parental involvement:** The idea is that parent should come forward in making their children understand advertising in a better way which is likely to guide children to think about and compare advertising claims and research shows that parents are involved in such practices (Wiman, 1983). The problem concerned with the parental guidance is that in most occasions adult and children programs do not coincide and even during shared viewing parental assistance is rare (Roberts, 1983).
3. **Advertiser Efforts:** It has been widely argued that advertisers and agencies should initiate efforts to make advertising easily understandable to children by making it simple, straightforward and suitable for special needs of children. It should emphasise relevant product information and separate it from irrelevant information (Roedder, 1981).
4. **Self regulation:** It has been suggested that in order to avoid controversy over advertising to children the advertising industry should initiate well coordinated, effective and well funded self regulatory programs and develop codes and

guidelines, research and education programs. The industry should also advise individual advertisers and agencies in preparing advertisements suitable to children.

5. **Public regulation:** Critics have strong argued for legislative and regulatory action in order to severely restrict or eliminate advertising to children. The proposed actions include disclosures, submission of all advertisements for children for pre-screening, and restricting advertising techniques and commercial times. It has also been suggested that regulators and advertising industry should jointly run an advertising program to educate children about advertising and rational consumption behaviour.

Finally Armstrong and Brucks (1988) observed that none of the above alternatives would be ideal for overcoming the problems of advertising to children and proposed a 'partnership' program in which all factions have to work together in a constructive way towards the best interest of children. The authors referred to a number of developed countries such as the U.S.A., the U.K., Canada, and Sweden, where such co-operative programs are already in operation.

### **Deceptive and misleading advertising**

'Truth' in advertising has been an important issue surrounding consumerism. The most frequently mentioned criticism of advertising is that it is may often be misleading or deceptive and restrict consumer's freedom of choice (Grunert and Dedler, 1984). The

controversy arises as to what constitutes deception in advertising. It has been argued that advertising can be regarded as misleading if it "asserts or imply something that is objectively false" (Shimp and Preston, 1981). The subjective impression created in the minds of the consumer by the objective information contained in the advertising is crucial in determining whether an advertisement is misleading or not, because the behaviour of a consumer is likely to be influenced by his perception of the advertising (Grunert and Dedler, 1984).

A number of studies in the leading industrialised countries, including Australia, show that the majority of consumers surveyed perceived most advertisements as not having represented a true picture of the products advertised (Varadarajan, Bharadwaj and Thirunarayana, 1994, 1991; Barker, 1987; Barksdale, et al., 1982; Halliday, et al., 1981). Although it would not be wise to generalise the findings of the studies, they suggest that the problem exists. This issue is difficult to resolve as both consumers and advertisers have strong arguments. Most advertisers argue that they make sincere efforts to ensure every advertisement truthful and no reputable advertiser would do so, for it may affect its own interest in the long run. Hass (1983: 2) observed:

*No advertising man would therefore be so foolish as to deliberately include a lie in his statement. No medium would be so masochistic as to accept advertisements likely to mislead its readers, listeners or viewers. They know that sooner, or later, the consumer will slip away, the collective conscience will rebel, organised groups will make themselves felt, the self-regulatory bodies will exert pressure, the courts will condemn, the company will be in the jeopardy, and unemployment become even more acute. This is the only certainty.*

Advertisers further argue that consumers are the best regulators and they can compare various advertisements on the basis of the information provided and reject the advertisements which in their opinion are untrue. While this argument may sound



convincing, the question arises as to whether a consumer has the required information or is competent to identify if it contains any deceptive element especially in the case of complex products such as electronics items, medicine, chemical products and processed food. It may be difficult on the part of the consumer to identify gaps between claim and actual fact, as verification is both technically impossible and financially prohibitive (Russo, et al, 1981). Since commercial advertising is aimed at inducing action through information and persuasion with the use of powerful behavioural technique, the presence of deception in the advertisement may increase the likelihood of consumers being injured as they are supposed to respond to the advertisement unknowingly and take purchase decisions in favour of the advertised products.

For these reasons advertising has become a controversial issue attracting considerable consumer action and eventually has led the enactment of legislation regulate advertising in order to protect consumers from deceptive and misleading advertisements. In most cases advertising regulations have proved to be effective in the developed countries where the required condition prevail for their successful implementation. Whereas in most LDCs there is either a complete absence of regulation or a lack of effective implementation resulting from the absence of a required legal environment and the presence of corruption. This has led to a high incidence of deceptive and misleading advertising in the developing countries including Bangladesh (Ahmed, 1981; Ali, 1984; Bhattacharjee, 1984)

## Advertising self regulation

The issue of advertising self-regulation has generated a lively discussion in recent times (Boddewyn, 1984, 1983; La Barbera, 1980) especially as an alternative to government regulation (Gupta and Lad, 1983) and as also as a part of public policy to maintain fair advertising behaviour (Schmitter and Streeck, 1981).

The concept of self regulation developed from the principle of self discipline in which business firms are involved in self-regulation in their own interest as they are concerned about "both consumer retaliation and the threat of regulation" (Boddewyn, 1983). Government regulation or self regulation would be totally irrelevant had competition alone been effective in regulating the market. Since this has not been the case, the necessity for advertising regulation reflects that the task of regulation can not be entirely left to business as they can not be trusted. Besides, consumers do not have enough power to countervail vast business power. Business in the western world, however, has developed written industry codes of advertising ethics in order to provide an alternative to formal regulation.

The controversy seems to have centred around the question as to whether there should be absolute government regulation or self regulation or a combination of the two as both self and formal regulation has limitations. Boddewyn (1984) has presented a useful discussion of this issue in exploring the merits and demerits of regulation, and self regulation and suggested a number of ways to resolve the problems. He noted the major criticism of regulation as being ineffective, oppressive, confused, conflictual,

costly, rigid, weakly enforced and amenable to capture by its targets. On the merits of self-regulation, Boddewyn noted that self regulation is:

1. More efficient, effective and at the same time is cheaper and faster than government regulation. A business has the required knowledge and expertise in understanding and fixing problems faced by consumers with regard to advertising and can commission studies and tap experts, if necessary.
2. Self regulation leads to greater moral obligation of businesses as the self impose rules are developed and executed by themselves or their peers and as such, they feel more obliged to support and advance the spirit the codes.
3. Self regulation helps reduce confliction between business and consumers through persuasion and negotiation rather than penalisation and stressing compulsion by regulation.
4. Advertising self regulation is doubled checked by the media who maintain their own self-regulatory code in terms of acceptance of advertising for publication or broadcasting/telecasting and usually take competitors comments into account and refuse to publish anything which are not consistent with their self-regulatory principles.

Self regulation has also been criticised for its obvious limitations. Boddewyn (1984) noted a number of such limitation which include:

1. Self-regulation may affect competition and innovation as a result of self-serving restraints on the part of associations.
2. Self-regulation tends to pretension on the part of business to complement government regulation as the voluntary standards are low and lack proper enforcement. The question here is "why would they accept strict voluntary code if they oppose strict mandatory rules" (European Consumer Law Group, 1983).
3. Self regulation lacks adequate promotion (consumer grievances are not actively solicited), finance and publicity (Information are not often made public).
4. In self-regulation, consumer and public interest groups are under represented as they are selected by the industry and are usually few in number.

It appears from the above discussion that neither laissez-faire nor government regulation nor self-regulation can alone ensure consumer protection with regard to advertising and promotion as each of the methods has its particular limitations. An

integrated effort has, therefor, emerged in most developed countries in which government regulatory bodies strive to control advertising behaviour in collaboration with business, recognising government regulation and self regulation as complementary to each other. In many cases public policy supported self regulation and assisted self regulatory bodies in their efforts to enforce self-regulatory practices and the court and government bodies referred to self regulatory codes as the standard practices in acceptable advertising behaviour. However, public bodies are always alert in detecting the inadequacy of self-regulatory efforts and suggesting additional regulation where necessary.

The situation is quite different in the developing countries, where self regulatory practices have not developed at all. The major emphasis has been on control through government regulation. This, may, however reflect the growth stage of consumerism in which legislation has a major role to play because of presence of sellers market conditions leading to lack of adequate competition, followed by a chronic scarcity of goods and services, as well as a low moral standard of businesses. This was reflected in the initiatives of the United Nations in urging governments to protect consumers through increasing bureaucratic efforts with very little industry participation (United Nations, 1981-84).

### **Product Safety**

Product quality and especially the safety aspects of the product, has been another important issue facing business. The growing concern over the existence of hazardous

and potentially dangerous products is a consequence of the introduction of science and technology leading to production of numerous new products, so complex and peculiar in design, package, function and operation that it has become increasingly difficult for consumers to evaluate the real quality of the products with their existing levels of awareness and technical ability. This situation calls for increasing responsibility on the part of business to ensure the safety of the products through regular monitoring of the product quality and also through providing sufficient information about the danger associated with products.

Existing literature suggests that there has been, however, a lack on the part of business to ensure the safety of products through effective quality control and the dissemination of adequate information. The severity of the problem is reflected in estimates made by the Consumer Product Safety Council in the United States in late 1980s, where product related injuries cost 29,000 lives each year (Quoted in Steiner and Steiner, 1994: 496). In addition 33 million people were injured, 50,000 killed in automobile accidents, and 1,000 people needed hospitalisation following product related injuries daily (National Highway Traffic Safety Administration, 1989). The loss to the U.S. economy is of the order of \$5.5 billion (Luthans, Hodgetts, and Thompson, 1980: 304).

Private consumer organisations have been playing a significant role in providing consumers with information relating to safety aspects of products. In Australia, for example 'Choice Magazine', the journal of the Australian Consumers' Association, has published since 1960 numerous test results on a wide range of consumer goods, from

cosmetics to automobiles. The results of a number of tests indicated that many of the products investigated were hazardous or harmful and were not as claimed by manufacturers (some of the evidence can be found in Vol. 24, no.4, 1983; vol. 25, no. 11, 1984; vol. 29, no. 2, 1988). This information helped consumers to take better informed buying decisions and business to correct the safety problems associated with products (Kotler et al 1994).

In the developed countries, manufacturers now attach increasing importance to product safety issues, as the failure on the part of a manufacturer to comply with safety regulations may result in penalties both in terms of compensation to injured persons, damage to company image and insurance expense and loss due to liability claims. In 1978, U.S. business incurred an expense of \$ 2.75 billion for product liability insurance (Quoted in Samli, 1992). This may seriously affect the profitability of a firm. Safer products may also benefit consumers, as the costs noted above will ultimately be reflected in higher prices (Dudley, Dudley and Phelps, 1987).

Samli (1992: 107-109) identified five different areas of product quality which in the long run have significant impact on individual as well as on society. These were:

1. **Design deficiency:** This refers to an inherent deficiency in the design of a product which may pose a potential threat to the safety of the users. The controversial Ford Pinto car is an example in which fire could take place after collision as the gas tank was placed close to the back fender.

2. **Defective products:** A defective product may be more dangerous than a product having a design deficiency, in the sense that the defects are not expected in the usual course of use. This causes frustration, financial loss and potential danger to the user or owner.
3. **Inadequate product research:** Inadequate product research has left many potentially dangerous product elements undetected that subsequently proved harmful to public health. Some of the problems emerged as widely discussed issues, fuelling both public anger and legal action because of their devastating effects on society. Examples include Thalidomide, and the use of cyclamates.
4. **Dangerous products:** Dangerous products may result from any of the above three areas. Some products are so dangerous and deadly that they can may cause direct physical injury to an individual. Others may have hazardous effects on society in the long run. Chernobyl nuclear disaster in the former U.S.S.R is an example which caused enormous suffering to people at the individual and societal level.
5. **Environmentally dangerous products:** The use of some products has resulted in pollution of air, water and soil and made this earth less habitable. Examples include pesticides, sulphur, Carbon monoxide and sulphur di-oxide from auto exhaust emissions.

The situation with regard to safety has improved as a result of the activities of consumer organisations, governments and businesses in most developed countries. Apart

from regulation per se, some regulatory bodies have been established to monitor safety issues and help in implementing the relevant legislation. The Consumer Product Safety Commission (CPSC) in the U.S.A. and The Bureau of Consumer Affairs in Australia, for example are entrusted with the responsibility of implementing the safety legislation. Although these and similar initiatives have led to a substantial reduction in safety problems, they have also given birth to some questions which are difficult to resolve. One such issue is that the prescribed product safety standard have resulted in extra cost and limited choice alternative for many consumers (Preston and Bloom, 1987). However, the economic rationality of safety issues i.e. cost benefit of such decisions was considered unimportant compared to the reality of political rationality (Kelman, 1981).

Safety issues have not received the same attention in the developing countries due to lack of an advanced consumer movement, inadequacy of legislation and irrelevance of such issues in the face of a shortage of goods and services. Although in some LDCs there is legislation in the area of product standards and quality, often this is not properly implemented (Ali, 1984, Thorelli, 1981, Thorelli and Sentell, 1982). In Bangladesh, for example, food legislation could not be fully implemented because of a lack of adequate staff and finance (Farouk, 1983).

### **Product labelling**

With the growing complexity of products in terms of ingredients, technicality, and method of use, consumers need adequate product information to make wise purchase



decision. The issue of product labelling emerged out of this requirement. Concern over the issue began in the early 1970s when consumerism was active (Venkatesan, Lancaster and Kendall, 1986). Major concerns have been in the area of food and nutrition and in pharmaceuticals all of what involves human health and nutrition. Besides, the need for information is necessary as deceptive practices have been found to be prevalent. A recent study in the U.S.A. found that 44 percent of the advertisements in the medical journals led physicians to prescribe drugs incorrectly (Wilkes, Doblin and Shapiro, 1992). Misleading information on food products, especially those associated with nutrition, also seem to be wide spread. The most common practices as noted by Steiner and Steiner (1994) include deceptive claims as to cholesterol content, calorie level and the serving size of food items. For example a food item claimed to be cholesterol free, may be 'rolling in fat' or an item containing peanut butter which is claimed to be cholesterol free is misleading as peanuts are a vegetable and naturally cholesterol free. Some times serving size is deliberately shown smaller to justify low calorie intake where a normal serving contains high calorie content..

It appears from the above discussion that the scope for consumer deception always remains, even if labelling laws are in force. Recent research into the food labelling situation in the United States has shown that labelling requirements need to be reviewed in order to make labelling information more useful to consumers (Brown, Kelly, and Lee, 1991; Cole and Gaeth, 1990; Moorman, 1990). In the case of food items it has been observed that nutritional information on food labels has important implications for consumer welfare as dietary choice is related to consumer health (Ippolito and Mathios,

1990). A great deal of attention has been paid to the issue of providing information in a useful format so that consumers can easily understand and use it in decision making. Research has shown that formats and nutrition reference are important factors affecting purchase likelihood of some products (Painton and Gentry, 1985; Venkatesan, Lancaster and Kendall, 1986).

The dynamic nature of product labelling necessitates regular revision in the legal framework in the developed world in an attempt to provide consumers with the necessary product information in a easily understandable and interpretable manner. Food labelling regulation in the United States, for example, was revised in 1992 to incorporate many new provisions including (1) providing information on the amount of total fat, saturated fat, cholesterol, sodium, carbohydrate, dietary fibre, and total protein contained in each serving size and (2) including reference information on labels in the form of recommended amounts for both negative and positive nutrients. In Australia product labelling emerged as an important consumer issue and led to the enactment of legislation providing preparatory purchasing information as a key to long term consumer welfare. National Food standards which set labelling requirements provide that 'the origin and contents of the good must be given, and nutrition information set out in standard form, giving the energy value in kilojoules for each serving and per 100g of the food, the protein, fat, carbohydrate, sodium and potassium levels, and other declared nutrients' (Goldring, Maher and McKeough, 1993).

Although, most issues relating to product labelling have been institutionalised through legislation in the developed countries including Australia, the issue continues

to exist as it requires revision in the regulation and management of labelling with changing circumstances.

### **2.8.9: EMPIRICAL STUDIES**

There have been numerous empirical studies examining the attitudes of consumers and businesses towards various aspects of consumerism and marketing in different parts of the world. While most of these studies were carried out in the Western world, base either on a single country or a comparison of a number of countries, there have been few empirical investigation in the developing world. A comparative study between LDCs or between developed and developing countries, has been rarely undertaken. Table 2.6 presents a summary of the major findings.

Table 2.6

A overview of empirical studies on various aspects of consumerism

Description of studies	Year	Major findings
<b>Barksdale, and Darden</b> A cross-sectional study of the U.S consumers about their attitudes towards the policies and practices of business.	1972	<ul style="list-style-type: none"> <li>* Consumers showed a high level of apprehension about certain policies of businesses and discontent over specific marketing practices.</li> <li>* Presence of imperfection in the marketing system were believed to be caused by the ineptness, carelessness, and apathy of consumers.</li> <li>* Consumers favoured greater government intervention as they believed that their problems needed more attention.</li> </ul>
<b>Barksdale, Darden and Perreault</b> A longitudinal study based on surveys conducted in 1971, 1973, and 1975, focusing on the trends in the attitudes of the U.S. consumers towards the policies and practices of businesses.	1976	<ul style="list-style-type: none"> <li>* Consumer were sceptical about business attitude towards the marketing concept.</li> <li>* Consumer confidence in product quality is deteriorating even if consumers recognise manufacturers' initiative in product design to match consumer needs.</li> <li>* Public confidence in consumerism shows rising trend.</li> <li>* Unfavourable trend in the attitude towards advertising</li> <li>* Government regulation was not perceived positively in spite of favourable perception of rising prices.</li> <li>* No marked change in the consumers discontent during 1971-1975).</li> </ul>
<b>Barksdale and Perreault</b> A longitudinal study based on five studies at two-year intervals conducted during the period 1971-1979 (a follow up of prior study by Birksdale and, Darden and Perreault, 1976).	1980	<ul style="list-style-type: none"> <li>* Consumers' cynicism about the operating philosophy of business and interest in product quality were present as they were nine years ago.</li> <li>* Unfavourable attitude towards the truthfulness of advertising continued.</li> <li>* Although most consumers recognised the positive impact of consumerism, no significant change in the attitude towards business was found.</li> <li>* Declining faith in the government regulation in the solution of consumer problems</li> <li>* Little change in the consumer responsibility as perceived by them.</li> <li>* Overall, no drastic shift in the sentiments of consumers during the 1970's.</li> </ul>

Contd.....P. 127

Table 2.6 contd.

Description of studies	Year	Major findings
<b>Halliday, Barksdale, and perreault</b> A comparative study of consumer attitudes towards consumerism and marketing in Australia and in the U.S.A.	1981	<ul style="list-style-type: none"> <li>* Overall consumer discontents level is high in both countries.</li> <li>* Australian respondents have favoured government regulation at a greater level than those of Americans.</li> <li>* Consumer movement seemed to have had greater impact in the U.S.A. than in Australia.</li> <li>* Australians perceived their marketing system as inferior to American system.</li> <li>* Consumers in both countries are sceptical about the quality of the products, and truthfulness of advertising with higher level of dissatisfaction among Americans.</li> <li>* In spite of presence of a large proportion of uncertainty in the perception of consumers about consumerism, relatively larger number of American consumers have negative attitudes towards complaint handling, role of consumerism in changing business practices, and government regulation.</li> </ul>
<b>Barksdale et al</b> A cross-national comparative study of consumers' perceptions of marketing and the operation of marketing systems in the United States, England, Australia, Norway, Israel and Canada.	1982	<ul style="list-style-type: none"> <li>* The concept of Consumerism Life Cycle was not supported by the results of the survey.</li> <li>* There were strong similarity among consumers in all the six countries with regard to high prices, inflation, product quality concerns, negative attitude towards advertising and the role of government in protecting consumers.</li> <li>* As regards operating philosophy of business, consumers in Israel had more negative views and consumers in Norway had the most positive views. In the remaining four countries consumers shared similar position.</li> <li>* Norwegians and Israelis had the most positive views on consumer responsibilities.</li> <li>* Most consumers in Australia, Canada, Israel and Norway are of opinion that manufacturers are more sensitive to consumerism issues now than they were before.</li> <li>* Attitudes towards prices and price control was fairly similar across all the six countries except Israel where it was most negative.</li> <li>* Attitudes towards government regulation were mixed. U.S. consumers appeared to be least enthusiastic about it.</li> </ul>
<b>Barker</b> A Cross-sectional study of the attitudes and perceptions of New Zealanders towards consumerism related issues.	1987	<ul style="list-style-type: none"> <li>* Consumer concerns were mostly reported in the areas including product quality, deceptive advertising, and high prices.</li> <li>* The position of New Zealand shown at the crusading stage in the Product life Cycle was not supported.</li> <li>* New Zealanders were found to hold views on many consumerism issues independent of their socioeconomic and demographic characteristics.</li> </ul>

Table 2.6 contd.

Description of studies	Year	Major findings
<p>Lysonski and Zotos</p> <p>A Cross-national study of consumer sentiments in New Zealand, England, U.S.A. and Greece.</p>	1989	<ul style="list-style-type: none"> <li>* The overall results shows high level of consumer discontents in all the four countries surveyed.</li> <li>* Advertising was more negatively viewed than any other areas surveyed and was seen as presenting unreliable, unbelievable product picture and information.</li> <li>* New Zealanders were more negative of the effectiveness of government price control measures in ensuring fair prices and lent less support for government regulation.</li> <li>* American, New Zealanders and Greeks were less interested in making a trade off less environmental pollution for higher prices or restricted product choice.</li> <li>* Consumers in all the four countries were not strong in their belief about consumer orientation of business.</li> <li>* Greek respondent expressed stronger attitudes towards consumerism than others.</li> <li>* Consumers in all the countries agreed that manufacturers are more sensitive to complaints than they were before.</li> </ul>
<p>Varadarajan, Bharadwaj, and Thirunarayana A survey of consumers' and managers' attitudes towards marketing practices, consumerism, and governmental regulations in India.</p>	1991	<ul style="list-style-type: none"> <li>* Although both managers and consumers were sceptical about the intentions of business, managers seemed to have greater confidence in the free market system.</li> <li>* Consumers expressed higher level of dissatisfaction over the product quality.</li> <li>* Majority of both consumers and managers viewed advertising with considerable scepticism.</li> <li>* Consumers were more concerned about product grantees commitments of manufacturers.</li> <li>* Majority of respondents from both groups did not recognise the role of consumer movement in changing business practices.</li> <li>* Dissatisfaction over the handling of complaints and grievances were expressed by a great majority of respondents of both groups.</li> <li>* Most consumers favoured government regulation while majority of managers preferred self-regulation.</li> <li>* A great majority of subjects from both groups agreed that the most important problem facing consumers is the high prices of consumer goods.</li> </ul>

Table 2.6 contd.

Description of studies	Year	Major findings
Varadarajan, Bharadwaj, and Thirunarayana A comparison of attitudes of marketing and on-marketing executives towards consumerism and marketing in India.	1994	<ul style="list-style-type: none"> <li>* Marketing and non-marketing executives differed significantly in their perception of business philosophy and price and price control issues.</li> <li>* Both groups of managers held similar attitudes towards product quality.</li> <li>* There were significant differences between marketing and non-marketing executives with regard to their attitudes towards Consumerism.</li> <li>* Non-marketing executives were less satisfied than the marketing executives with regard to performances of manufacturers in various areas including handling complaints, quality of repair and maintenance service, honouring warranty commitments, and integrity of sales promotion programs.</li> <li>* Non-marketing executives were more favourably inclined to government regulation and less favourably predisposed to self-regulation.</li> </ul>

### 2.8.10: Conclusion

In appears from the above empirical investigations that consumers' overall attitudes towards consumerism and marketing practices reflect a negative trend in almost all the developed countries surveyed. It is to be noted, however, that consumer sentiments have shown some sign of improvement over the last two decades. There has not been strong support for the placement of various countries in the different stages of the consumerism life cycle except in few cases. Although business reaction to consumerism issues seems to be mixed, overall attitudes do not look encouraging, as executives in both developed and developing countries have not shown a strong commitment in the area of consumerism. In the developing countries, however, business executives favoured self-regulation, and the free market economy and did not recognise the role of consumer movement in changing business practices.

## **CHAPTER 3**

### **TOWARDS A MODEL OF CORPORATE SOCIAL RESPONSIBILITY IN MANAGERIAL DECISIONS**

This chapter is devoted to developing an outline of the theoretical framework that will be used to study managerial attitudes towards the social responsibility (SR) of business in a cross cultural context. The chapter is divided into three parts. In the first part the major corporate social responsibility models (CSR) are identified and described. In the second a theoretical model reflecting a cross-cultural perspective is presented. In the third, the key variables involved in the model are described and a set of working propositions specifically concerning relationship amongst the key variables is presented. This will then be subjected to empirical testing in chapter 7 and 8.

#### **3.1: MODELS OF CORPORATE SOCIAL RESPONSIBILITY**

##### **3.1.1: Elusive concept**

It appears from the review of the literature presented in the previous chapter that while there is a general agreement among the scholars that corporate social responsibility is a useful concept, there is no clear consensus as to what constitutes social responsibility. Some theoreticians have taken a position at one extreme, equating social responsibility with the economic goals of the firm within the limit set



by the law (Gaski, 1985; Hass, 1979; Friedman, 1989, 1970, 1962; Chamberlain, 1973; Heyne, 1968; Levitt, 1958) while others are at the other extreme suggesting a degree of social responsibility reaching well beyond the legal requirements and economic interests of the firm (Samli, 1992; Wood, 1991; Steiner and Steiner, 1991; Abratt and Sacks, 1988; Chrisman and Carroll, 1984; Drucker, 1984; Carroll, 1979; Davis, 1973; Votaw, 1973; Andrew, 1971; Committee for Economic Development, 1971). Some have taken a middle view suggesting that SR has both economic and social dimensions. The argument of the proponents of the "middle view" is that social responsibility pays off in the long term, for there is perceived to be a positive relationship between a firm's acceptance of social responsibility and profitability (McGuire, Sundgren and Schneeweis, 1988; Cochran and Wood, 1984; Peters and Waterman, 1982; Spicer, 1978; Sturdivant and Ginter, 1977; Bowman and Haire, 1975).

This conflicting trend in thinking about CSR stems from the nature of the term itself. "Social responsibility" has been variously described as an "elusive concept" (Lee, 1987), a "vague and ill-defined" concept (Preston and Post, 1975), a concept with a variety of definitions (Votaw, 1973), a concept lacking theoretical integration and empirical verification (DeFillipi, 1982; Zenisek, 1979; Post, 1978; Preston, 1978), a concept lacking a dominant paradigm (Jones, 1983) and a concept susceptible to subjective and value laden judgements (Aupperle, Hatfield and Carroll, 1983, 1985). In reviewing the comments made on the nature of the subject and the

difficulty in developing valid measurements Lee (1987: 6) observed:

.....since the assessment of social responsibility is not a clear-cut process, the basic research constraint has been the difficulty in developing valid and reliable measure of the model.

In spite of all these limitations there have been a number of attempts to conceptualise corporate social responsibility through the development of theoretical models (Steiner and Steiner, 1991; Wood, 1991; Moser, 1986; Khan, 1985; Davis, Davis, Frederick and Blomstorm 1980; Carroll, 1979; Committee for Economic development, 1971). Of these models Carroll's (1979) three dimensional model of corporate social responsibility has been widely discussed in the literature and has been used as a theoretical framework in several studies (Lee, 1987; Spencer and Butler, 1987; Aupperle, 1982). The major models are summarised below:

### **3.1.2: Committe for Economic Development (1971)**

Three decades ago the Committe for Economic Development (CED) in the U.S.A. took a pioneering step that focused attitudes on the wider dimensions of social responsibility by presenting the social responsibility of business in terms of "three concentric circles.". CED (1971: 15) described the circles and their contents in the following way:

*The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic functions - product, jobs and economic growth*

*The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with*

*employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury.*

*The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. Society is beginning to turn to corporations for help with major social problems such as poverty and urban blight.*

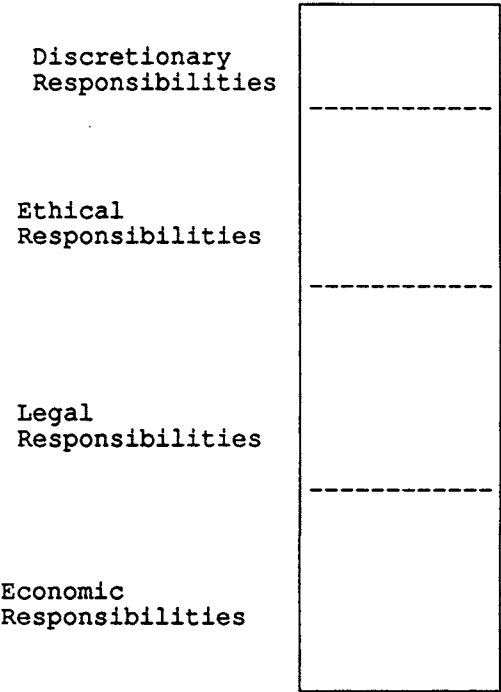
### **3.1.3: Carroll (1979)**

Carroll (1979) presented a model of social responsibility as one element in a set of three different aspects of corporate social performance. The other two elements were social issues, and a philosophy of responsiveness. He analysed the social responsibility of business in terms of four components: economic, legal, ethical and discretionary responsibilities.

Carroll described the four components of the model as not being mutually exclusive but as being integrated into a interrelated whole. They were neither cumulative nor additive. Any business responsibility or action may have economic, legal, ethical and discretionary dimensions that have to be satisfied simultaneously.

Figure 3.1

Carroll’s four dimensional model of social responsibility



**Source:** Carroll, A.B. (1979), "A Three-Dimensional Conceptual Model of Corporate Social Performance, "Academy of Management Review, 4, P.499

**Economic responsibilities:** These characterise the business institution as a basic economic unit in society and argue that the first and foremost role of business is to serve society’s needs by supplying goods and services at a profit. Carroll indicated that economic responsibility was the fundamental assumption on which other business roles could be built.

**Legal responsibilities:** He saw legal obligation as the framework within which business is expected to play its productive role in the society. Legal requirements for business include laws and regulations which are laid down by society. Business should then fulfil these legal requirements as these set the ground rules for business operations.

**Ethical responsibilities:** Carroll placed the ethical responsibilities of business over and above its legal obligations. He argued that the society expects business to discharge an additional responsibility with regard to ethical behaviour, though this is not mandatory under the rule of law.

**Discretionary responsibilities:** He defined the discretionary responsibilities of business as those which are voluntary in nature. They are neither required by law and regulations nor expected of business by society. These responsibilities are entirely left to the discretion of the business. As examples of this category, Carroll includes philanthropic activities, day care facilities for working mothers, training for the unemployed and the like.

Carroll emphasised the above four part framework as identifying the range of responsibilities society wants business to take on.

### 3.1.4: Davis, Frederick and Blomstorm (1980)

Davis, Frederick and Blomstorm (1980) presented a wider model of the social involvement of business that built on the basic ideas developed by the Committee for Economic Development (1971). Like that of the Committee for Economic Development (CED), Davis, Frederick and Blomstorm's model was presented graphically in three circles: inner, intermediate and outer. The model is presented in figure 3.2.

**Figure 3.2**

#### **Davis, Frederick and Blomstorm's model of Social responsibility**



The "inner circle" consisted of the "performance of basic economic functions" which is the most traditional form of social responsibility. These activities have some social implications in the sense that they result in the production of goods and services as well as the creation of employment opportunities.

The "intermediate circle" is concerned with the various "social and ethical issues" which emerge as a result of operation of business relating to the performance of basic economic functions e.g. prevention of pollution.

The "outer circle" is devoted to the wider expectations of society with regard to business involvement in solving social problems which have not, however, been created by business. The feeling, as the authors noted, is that business should play the role of a corporate citizen and provide assistance in overcoming some of society's problems. This societal expectation stems from the fact that business is a powerful institution in society, controls major social resources and hence has a role to play in this respect. The major areas of proposed involvement of business identified by the authors include ecology and environmental quality, consumerism, community needs, governmental relations, business charity, minority and less advantaged persons, labour relations, stockholder relations, ethical and moral issues and economic activities.

Davis, Frederick and Blomstorm (1980: 10) concluded their discussion with the following comments:

The extent of the intermediate and outer circles is represented by the -----areas of social involvement that have been proposed. -----society is proposing a significant change in the social contract between business and society. Society is asking business to engage in a broad range of activities that serve a wide area of social needs. Emphasis is shifting from mostly an economic quality of life to more a social quality of life along with economic benefit"

### **3.1.5: Khan (1985)**

Khan (1985) presented a general model of corporate social responsibility which identified the main stages and their interrelationships in the process of developing a corporate social responsibility strategy. Unlike others, Khan's model focused on corporate responsibility as a process which involved development of the concept in relation to time. His model can therefore, be considered as a dynamic model for understanding the process of SR and managerial behaviour over a period of time.

The author identified three different stages in the development of corporate social responsibility. Stage I consisted of identifying the main areas and issues in corporate social responsibility which are relevant in developing an effective and flexible response to social issues. The main areas where a corporation should extend its social responsibility activities were identified as employees, customers, shareholders, suppliers, the community and the government. This observation of the author is consistent with the stakeholder theory discussed earlier in chapter 2.

Stage II was then devoted to the concrete actions that a corporation could undertake to implement SR in practice. The actions included providing employment, education and medical facilities to employees, product improvements, customer

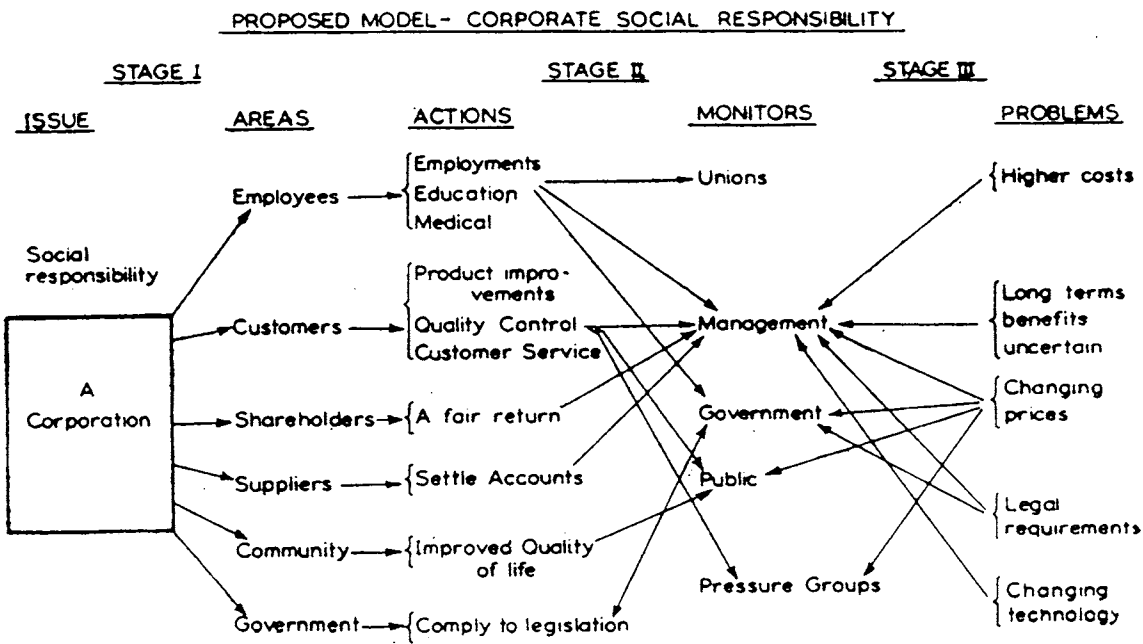


service and quality control for the customers, a fair return for the share holders, settlement of accounts for the suppliers, an improved quality of life for the community and a compliance with the relevant legislation.

Stage III was then focused on mechanisms for monitoring the social behaviour of organisations and the principal problems experienced in the process of developing a strategy for corporate social responsibility. The mechanisms by which the social behaviour of business is monitored include unions, management, the government, the public and pressure groups. His model is depicted in figure 3.1.6.

Figure 3.3

Khan’s model of Corporate social responsibility



### 3.1.6: Moser (1986)

Moser (1986) proposed an innovative framework for analysing corporate social responsibility by defining corporate social responsibility (CSR) as a function of four elements: law, intent, salient information and efficiency.

$$CSR = f (Law, Intent, Salient information, Efficiency)$$

For the purpose of this model, law referred to the rules and regulations concerning the practice and behaviour of business. Intent was defined as the organisation's "fixed or directed purpose" or motive. Salient information denoted prior knowledge about one's purpose or actions (i.e. dissemination of the information necessary to justify a decision). Efficiency was defined in terms of the behaviour of an organisation in maximising resource productivity subject to appropriate constraints.

Moser analysed the operation of this model by citing examples of three hypothetical companies. He considered three companies who were compatible in terms of location, size, market share, number of employees, profit level and the like. He assumed that all three companies disposed of waste into the same river and were equally abiding by the regulations concerning waste disposal. Moser analysed the position of the three companies with reference to a social issue i.e. a change in the waste disposal law making tighter provisions for waste disposal.

His assessment of whether a particular company was acting responsibly depended on the response of the company to the new legal requirements. For example, he assumed Company 1 decided to ignore the law by continuing its present disposal level while Company 2 decided to obey the law and adjusted its waste disposal level to the requirements of the new law and that Company 3 decided to go beyond the law, and incurred extra expenditure.

Moser judged the position of each of the three companies in the light of the four elements of his model of CSR and concluded that company 1 was not acting responsibly because it did not fulfil the criterion of obeying the law. Its intention was poor and it knew about the law but it did not act efficiently, as the criterion for judging efficiency changed with the passage of the new law.

Company 2 was an example of a perfect socially responsible company as it responded to the new law, its intention was good, it knew about the new legislation and it adjusted its efficiency level to the standards set by the new law.

Moser argued that Company 3 was an interesting case and that it was not acting responsibly, in the sense that the company did not satisfy the criteria of efficiency, as it voluntarily incurred greater expense, thus threatening its own survival. He suggested a more complex view of the situation and argued that Company 3 might be regarded as having acted in a socially responsible way if the additional expense had been incurred in the knowledge that there would be another change in the law in the near future which provided for waste disposal at the level

which his company was maintaining. The efficiency criterion for judgement would then be in favour of Company 3 for that would put the company in an advantageous position as compared to Company 1 and 2. However, the status of Company 3 would then be dependent on whether the manager acted ethically in obtaining information (salient information criterion) regarding a possible amendment of the law. If it was revealed through hard honest research, then Company 3 acted in a socially responsible way; if the manager obtained the salient information illegally e.g. bribing the legislator, the Company 3 did not behave in socially responsible fashion.

Moser (1986: 72) concluded that the model, "provides a systematic methodology for understanding complex social situations".

### **3.1.7: Wood (1991)**

Wood (1991) presented his model of corporate social responsibility in terms of three principles. These are as follows:

1. The principle of legitimacy,
2. The principle of public responsibility and
3. The principle of managerial discretion.

The author linked the principle of legitimacy to business as a social institution, the principle of public responsibility to the organisational level of business and the principle of managerial discretion to individual levels of managers.

**The principle of legitimacy:** According to this principle a business is considered to be a social institution which has been given power by society and business should then exercise that power in a way consistent with the expectations of society. Failure on the part of business to do so may result in loss of that power (Davis, 1973). In these terms the social responsibility of business stems from its obligations arising from emergence of that power. Society in turn can, if necessary, use the sanctions available to it to ensure that business discharges its obligation. The principle of legitimacy has been linked to the following three theoretical developments.

*Firstly*, the theory emphasises the interdependence of social institutions rather than their functional role. According to functional theory every specialised institution in the society carries out its own responsibilities. In that sense, business is supposed to produce goods and services for the society. Business involvement in social responsibility is justified because it operates in a shared environment and as such both society and business have reciprocal duties and responsibilities. Society sanctions the legitimacy of business and business discharges its obligations by assuming social responsibility.

*Secondly*, there is stakeholder theory which emphasises business obligations to "those groups who can affect or are affected by the achievement of an organisation's purpose" (Freeman, 1984). The groups to whom business should be broadly responsible include governments, competitors, consumer and environmental advocates, the media and others who are additional to the traditional stakeholder groups e.g. owners, customers, suppliers, employees. The stakeholder concept is

highly relevant in analysing the principle of legitimacy for the very existence of business depends on the attitudes of stakeholders. The author concluded a discussion of the legitimacy principle with the following comments.

*"If central stakeholders lose confidence in the firm's performance, legitimacy may be withdrawn as the stakeholders refuse to provide their share of reciprocal benefits. customers stop buying products, shareholders sell their stocks, employees withhold loyalty and best efforts, government halts subsidies or imposes fines or regulates, environmental advocates sue. If the firm can not compensate for lost stakeholder benefit, it becomes "illegitimate and dies." (Wood, 1991: 697).*

*Thirdly*, there is the inadequacy of Laissez-faire capitalist economic theory in the form of a utilitarian philosophy which emphasises that the maximum social well-being is ensured through the pursuit of self interest, leading to the most efficient allocation of society's resources. This theory is inadequate as a basis for a model of modern life and as a defence of total business autonomy. It does not take into account the basic question of rights and justice. Human actions and decisions are based on rational economic grounds as well as on moral grounds. (Frederick, 1986; Etzioni, 1988). Finally Wood (P. 697) referred to a number of relevant works (Aram, 1989; Hardin, 1968; Olson, 1965) which provide support in favour of business involvement in areas that go beyond the narrow perspective of self-interest.

**The principle of public responsibility:** The public responsibility of business arises from its primary and secondary involvement with society (Preston and Post, 1975). The primary responsibilities are concerned with the specialised factional role of business. These are the basics or immediate responsibilities which business has to assume as they are directly related to its interests, operations and actions. The secondary responsibilities of business are generated by its primary involvement

activity. An example cited by Wood (1991) is that the primary social responsibilities area of an auto maker may include such concerns as auto safety, air pollution; the secondary responsibilities then include broader issues such as driver education programs and public transportation policy. There is no justification for an auto maker being involved in issues such as low-income housing and adult literacy as these are in no way related to the firm's interests. However, if it is revealed that low income illiterate workers are potentially relevant to an auto maker's business, actions leading to assisting the workers with housing and education would be justified.

There are then no rigid principles as to what constitute the public responsibility of a particular firm. The nature and extent of responsibility depends on factors such as the interests, actions and operations of the firm for these dictate what social problems would be specifically relevant and how those problems should be addressed.

**The principle of managerial discretion:** The principle of managerial discretion operates at the individual managerial level. The basic premise of the principle of managerial discretion, as Wood (1991) states it, is as follows:

*Managers are moral actors. With every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes (Wood, 1991; 698).*

Unlike Carroll (1979) and Aupperle, Carroll and Hatfield (1985), who have given comparatively low weight to the discretionary responsibility of managers over other corporate social responsibilities by equating discretionary responsibility with

philanthropy, Wood (1991) has a stronger view. She emphasised the need for an adequate consideration of discretionary responsibility by managers, who are not merely abstract organisational actors but are individual human actors whose decisions and choices have great consequences. Referring to Berthoin (1990), Wood argued that "managers possess discretion, they are personally responsible for exercising it and cannot avoid this responsibility through reference to rules, policies, or procedures."

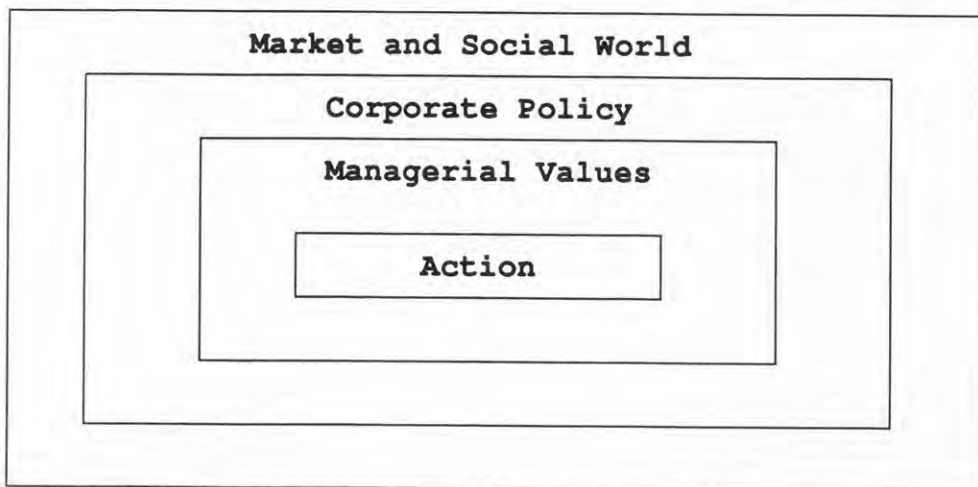
### **3.2: A MODEL OF CORPORATE SOCIAL RESPONSIBILITY IN A CROSS-CULTURAL CONTEXT.**

#### **3.2.1: The model in outline**

The theoretical model utilised in this study draws on the preceding work and centres on the interaction between thought and action on the part of senior managers. In this setting, following the work of Wood (1991), socially responsible action is seen as influenced by three broad sets of variables. The first set characterises the environment of the business including culture, legal and regulatory elements, as well as such factors as the strength of the relevant economic sectors in which the firm operates. The second set derives from the corporate context within which the manager has to make responsible choices. This set includes such factors as the broad characteristics of the business, its resources and capabilities, as well as the policy commitments and strategic choices that govern short and long term responses. The third set is concerned with the individual decision maker, and includes as well as personal background and ethical commitments, the attitudes of the decision maker



towards the general social responsibility of a manager, the perceived relevance of social movements such as consumerism, and present commitment to socially responsible initiatives in the area of marketing decisions.



The model can be seen in figure 3.4. The model suggests that the nature of the attitude held by a manager and the actions taken in the area of social responsibility are not isolated phenomena. In particular, the increasingly public discussion of the responsibilities of business has pushed many managers into forming opinions about the extent of those responsibilities that are acceptable in a specific, personal context. Not only has the public debate become more apparent over the years, but as noted earlier this debate has translated into direct regulation through the working of the consumerism movement. While few managers would be unaware of this change in the business environment, not all would be well informed as to the underlying reasons and the likelihood that regulatory pressures might continue to grow. Managerial perceptions of the social responsibilities debate and

their response in the form of appropriate action, will reflect personal values and ethical positions.

"Values" have been defined by various authors from different points of view (Rokeach, 1968; Kroeber and Kluckhohn, 1952; Mitchell, 1983). A recent review of the literature indicates that a consensus seems to have been building mainly based on Kluckhohn's work on values (Connor and Becker, 1991; Wines and Napier, 1992). Kluckhohn (1951: 389) defined values (quoted in Wines and Napier, 1992) as "a conception, explicit or implicit..... of the desirable which influences the selection from available modes, means, and ends of action" (quoted in Wines and Napier, 1992). Support for this definition of value can be found in Rokeach's definition of attitude, "a relatively enduring organisation of beliefs about an object or situation predisposing one to respond in some preferential manner" (Rokeach, 1968: 134). He described 'value' as a concept which is more basic than an attitude and often underlies an attitude (Rokeach, 1968: 124).

Moral values seem to be part of a personal value system profile (Wines and Napier, 1992) and the personal values of managers influence their perception of problems and as well as their decision making behaviour (England, 1975; Beyer, 1981). Behaviour has been described as the overt manifestation of attitudes and values (Conner and Becker, 1975). Managerial values have also been found to be associated with the strategies pursued by a corporation (Pickens, 1987; Weick, 1985; Schwartz and Davis, 1984; Guth and Tagiuri, 1965).

Looking beyond the immediate personal factors that are likely to play an important role in socially responsible choice, the relevant variables are those associated with characteristics of the business and the policies and strategies adopted by management. These include the size and history of the business, corporate culture, the nature of its markets and the intensity of competition faced, choice of competitive strategy, as well as policy initiatives such as decisions to move into international markets. Another important set of variables at this level arise from the capabilities or competences of the firm. Where markets are turbulent, and capabilities limit capacity to respond appropriately, it is possible that socially responsible initiatives will be overwhelmed by shorter term survival conditions. The interplay between strategy, capability and environment may thus also be an influencing factor (Ansoff, 1984).

Moving now to the broader market or social environment, there is a wide range of variables that are beyond the control of management but which may have a major impact on the decision to act or not act in a socially responsible fashion, either directly (e.g. regulation) or indirectly, in shaping managerial attitudes. These include the level of economic activity, demographic factors, cultural changes, legal or regulatory imperatives, and more particularly the extend of the consumer movement. These factors are likely to have a major bearing on any comparative analysis of social responsibility between two quite distinct cultures and economies - such as Australia and Bangladesh. The four sets of variables and their interrelationship are shown in figure 3.4.

### 3.2.2: The social and market environment

For the purpose of this model environment has been defined as "the totality of forces and entities that are potentially relevant to the particular agent" (Kotler, 1972). Here the environmental forces include regulatory conditions, socioeconomic and cultural situations. The specific agent on which those forces exert influence that are considered in this model are 'consumerist movement. While other collective interests such as the "green movement", or "discriminates", are also very relevant to the exploration of social responsibility, the focus here would be on consumerism per se.

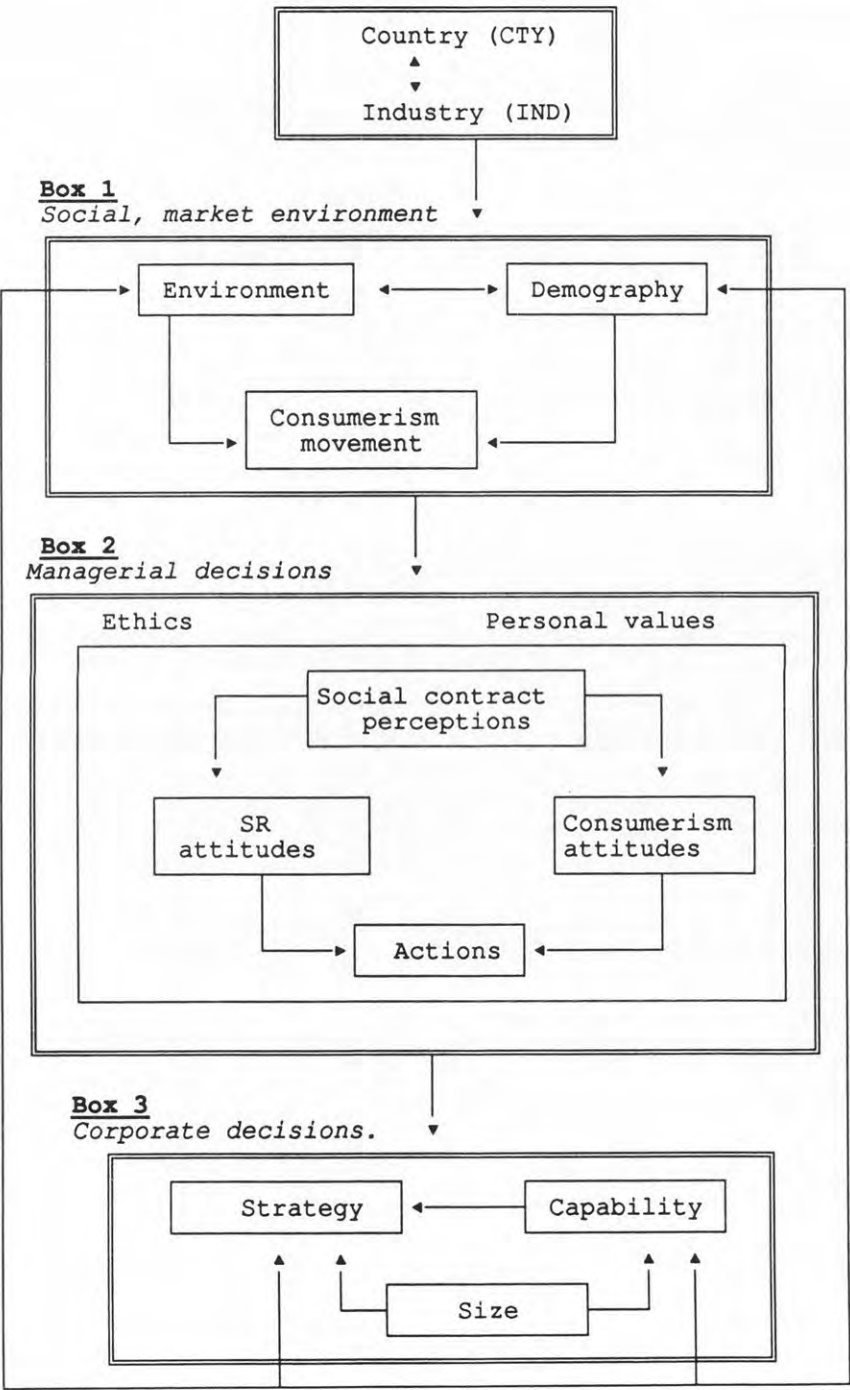
Regulatory conditions refer to the situation prevailing in a society with regard to enactment of laws and acts through a body of peoples' representatives such as parliament. Regulatory conditions may vary from society to society. In a democratic society it is most likely that a favourable situation will prevail for the imposition of regulation via social pressure. However a country which has experienced an autocratic administration for many years is likely to suffer from an unfavourable atmosphere for the enactment of social regulation. In the former case a plethora of social regulations may emerge which have a favourable impact on such areas as the consumerism movement; in the latter case there may have been very little effort directed towards the enactment of regulation, resulting in an unfavourable impact on the development of the consumerist movement. Regulatory conditions are also important considerations for the firm in formulating its strategy as well as assessing

its capability for taking action in response to social responsibility and consumerism pressures.

### **Socioeconomic conditions**

This element of the broad environment is a very important factor in shaping the growth of a consumerist movement and also in influencing corporate decisions regarding both strategy and capability. Economic conditions refer to the situation in a country with regard to such variables as per capita income, growth rate, consumption and saving, inflation, corporate or business incentives and the balance of payments. There is a potential linkage between such economic factors, the consumerist movement, and strategic decisions taken by managers. For example, in a country characterised by high sustained growth, and high per capita income, consumerism is likely to flourish and play an influential role in shaping managerial decisions.

**FIGURE 3.4: A CROSS-CULTURAL MODEL OF CORPORATE SOCIAL RESPONSIBILITY**



In a country with low productivity, low per capita income, and underdeveloped social infrastructure the linkages are either very weak or may not exist at all.

**Demographics:** The demographics of managers are important factors that influence managerial attitudes and behaviour (actions). Among the demographics that have been considered relevant are age, education, training, overseas visit, attitude towards religion, and ability to influence life (fatalism)..

### **3.2.3: Managerial and corporate decisions**

The central element of this model is found in the variables dealing with the choices of individual managers and with the company and its decisions. Three or four key variables are identified here. These are the perceptions that are held of a social contract, managerial attitudes towards social responsibility and consumerism and managerial actions in response to social responsibility and consumerism. Attitudes towards social responsibility and consumerism are related to the nature of the social contract prevailing in a particular society at a particular point in time. Since the contents of the social contract i.e. reciprocal duties, obligations and responsibilities, undergo change with change in social and business values, managerial attitude towards social responsibility and consumerism also change. This change is inevitable, for social responsibility is a substantial part of the social contract. The action (actual behaviour of managers) element has been linked with the attitude of the managers towards social responsibility and consumerism, for

"attitudes are often viewed as underlying variables which are assumed to influence or guide behaviour" (Cherry, 1973). Behaviour has, therefore, been viewed as an overt manifestation of attitudes and values (Conner and Becker, 1975). The assumption of an underlying relationship between attitudes and behaviour is based on the theory of reasoned action (Ajzen and Fishbein, 1980) and results of the prior studies which found a relationship between the attitude and behaviour of an individual (Fishbein and Ajzen, 1975; Calder and Ross, 1973).

A second set of decision related variables are concerned with the position of companies in terms of their strategy and capabilities, for both may have an important input into the attitudes managers have with regard to social responsibility, consumerism and the pattern of actions resulting from those attitudes.

#### **3.2.4: Country and industry**

Bearing on each of the three major sets of variables, the linkage between country and social responsibility has been explored in a number of cross cultural studies of various issues relating to social responsibility of business. Khan and Atkinson (1987) and Khan (1985) found very little difference between managerial perceptions of social responsibility between two countries (U.K. and India). Country emerged, however, as an important variable in a study conducted by Orpen (1987). He found comparatively more favourable attitudes towards social responsibility among American managers than amongst their South African counterparts.



The effects of industry type on social responsibility has been examined in a number of studies. Prior studies have produced mixed results. Some revealed industry type as a factor affecting perception of social responsibility and the response process of firms (Cottrill, 1990; Aupperle, 1984) while others did not find any relationship between these two variables (Post, 1977; Murry, 1976; Ackerman, 1975)

### **3.3: RESEARCH PROPOSITIONS**

The propositions presented in this section emerge from the development of the key concepts (literature review) reported in chapter 2 and the model set out in chapter 3 and specifically reflect the propositions set out in section 3.2.5. While there are many questions which could be examined, a limited set have been selected for this exploratory assessment. The most important areas to be considered include possible relationships among (1) characteristics of the broad environment, (2) managerial perception of social responsibility and consumerism, (3) commitment to action and (4) the demographics of managers. Statistical significance is assessed using ANOVA to test for industry/country effects and matrices of correlation coefficients to identify pattern in relationship. Each emerging relationship is assessed with reference to both the theoretical model and relevant background information, with the objective of building up a preliminary picture of the patterns linking variables from each of the areas of interest. This picture is then used to confirm or otherwise the relationship suggested in the theoretical model.

## **ATTITUDES AND ENVIRONMENT**

### **3.3.1: Managerial attitudes towards social responsibility and environment.**

Attitudes held by managers with regard to social responsibility and ethics are likely to be linked with the broader environment in which they operate and take decisions. A number of recent studies have investigated the effects of broader environmental factors such as country or culture on managerial perception of social responsibility. The results of these studies have been found to be mixed. Some of them found a strong relationship between country/culture and corporate social responsibility (Orpen, 1987; England, 1975, McClelland, 1961). and some found little impact of country/culture on managerial perceptions (Ali, 1993; Abratt, Nel and Higgs, 1992; Tsalikis and Nwachukwu, 1989; Izraeli, 1988; Khan, 1985). Keeping the results of these prior studies in mind it is proposed to investigate whether this data set suggests any relationship between the broader environment (country/culture) in which managers operate and their attitude towards corporate social responsibility and if so, what the nature of that relationship might be.

**P<sub>1</sub>     There is a relationship between the environment in which business operates and managerial attitudes towards the social responsibility of business.**

### **3.3.2: Managerial attitudes towards consumerism and environment.**

Consumerism as an important force in the external environment of business is perceived to have a different impact on different societies and on businesses operating in those societies. A number of authors have observed differences in the

nature, relevance and stages of the consumerism movement in various environments (Kaynak, 1985, 1981; Kaynak and Wikstorm, 1985). Numerous cross-cultural studies have investigated the pattern of attitudes towards consumerism. In most studies, attitudes were found to be almost similar across nations (Barker, 1987; Barksdale et al, 1982, Halliday, et al 1981). However, almost all these studies have focused on the comparative picture of consumer attitudes towards consumerism in the developed countries of the West. There have been a few studies on business attitudes towards some aspects of consumerism based on a single Western country (Johan, Crane and Tallhaug, 1977; Barksdale and French, 1976, 1975; Geyser and Diamond, 1974). A number of studies have also focused on the managerial attitudes towards some selected issues of consumerism in the context of a single developing country (Varadarajan, Bharadwaj, and Thirunarayana, 1991, 1994) but there have been hardly any cross-cultural investigations into differences in managerial attitudes towards consumerism in two contrasting environments. The following hypothesis is, therefore, suggested:

- P<sub>2</sub>      There is a relationship between the environment in which business operates and managerial attitudes towards consumerism.**

## **ENVIRONMENT AND ACTION**

### **3.3.3: Environment in which business operate and action taken in response to social responsibility issue.**

Characteristics of the economic, social and regulatory environment can be expected to affect the actions taken by managers in response to social responsibility

concerns. In particular the two distinct cultures of Bangladesh and Australia may lead to quite different patterns of behaviour. While there is a widespread belief among many observers as to differences of business behaviour in response to social pressure in developed and developing countries (Steiner and Steiner, 1994; Ali, 1993; Kaynak, and Wickstrom, 1984, Kaynak, 1881) there is very little empirical evidence available to test this position. It is also possible that the industry setting for the two industries concerned (food and clothing) in the two countries will have an impact on action taken in response to social responsibility concerns. While there is much more to environment than these basic indicators of culture and industry, this exploratory work will focus on these two sets of variables.

**P<sub>3</sub>: There is a relationship between the environment in which business operates and the managerial action taken in response to social responsibility issues.**

## **ATTITUDES AND ACTION**

### **3.3.4: Managerial attitudes towards social responsibility and action taken.**

The question as to whether there is any relationship between action (actual behaviour) and attitudes has been explored in a number of prior studies. The assumption of an underlying relationship between attitudes and behaviour can be based on the theory of reasoned action developed by Ajzen and Fishbein, 1980. Cherry (1973) viewed attitudes as "underlying variables which are assumed to influence or guide behaviour". Behaviour has also been viewed as an overt manifestation of attitudes and values (Conner and Becker, 1975). The relationship

between the attitude and behaviour of an individual has been confirmed in a number of other studies (Fishbein and Ajzen, 1975; Calder and Ross, 1973).

The relation between attitudes and action lies at the heart of the debate about social responsibility in any cultural setting. It is apparent from the research that the causal sequence involved is not at all clear-attitudes may influence social responsibility behaviour, but it is equally possible that appropriate behaviour may induce attitude change. The linkage, as the model suggests, is further complicated by the effect of any of a wide range of intervening variables, including corporate policy as well as individual characteristics. Some of these will be considered in later hypotheses but for the present purpose the following will suffice.

**P<sub>4</sub> There is a relationship between managerial attitudes towards social responsibility and the action taken.**

### **3.3.5: ATTITUDES, ACTIONS AND DEMOGRAPHICS**

The preceding discussions emphasised corporate variables. However, a commitment to socially responsible action may often reflect the personal background or characteristics of the managers concerned. With this in mind variables such as age, education, attitude towards religion, ability to influence the development of one's life, frequency of overseas visits, and training courses undertaken by managers, will be considered.

**Age:** Managerial attitudes may vary with the age of managers because "in general as the age of respondents increases, subjects appear to become more conservative in their ethical attitudes" (Serwinek, 1992: 560). A number of studies

on the relationship between the two variables confirm that age is a strong predictor of ethical attitudes (Serwinek, 1992; Kelly et al, 1990).

**Education:** The educational background of managers is considered an important determinant in explaining their attitude and actions towards social responsibility/ethics and consumerism. Managers with higher educational qualifications tend to have liberal attitudes which may result in pushing their organisation towards greater social orientation (Hage, 1980; Perrow, 1967). Education level is also found to be a strong determinant in moral reasoning (Rest, 1979; Rest and Thomas, 1985). Others, however, have not found educational level to be a determinant of moral reasoning (Bloom, 1976; Munhall, 1980).

**Religion:** The religious beliefs and attitudes of managers may be important factors influencing attitudes and behaviour. A number of recent studies have focused on various aspects of this issue. Safranski (1986) found a relationship between religious philosophy (Catholic vs Muslims) and differences in management values, and Kim (1988) observed differences between two sects of Buddhism with regard to their attitude towards industrialisation. Terpstra (1978) described religion as the most important single variable explaining economic development through its effect on attitudes. Terpstra and David (1985) emphasised the importance of being informed of the effects of religious belief on management/professional values.

Attitudes towards many aspects of life vary between people depending on religion teachings. According to Hindu philosophy, for example, earth centred achievement is a 'snare' and 'delusion,' whereas hard work and achievement are

highly acclaimed in Protestant Christianity (Terpstra, 1978). Islamic teachings include working hard for a living in an honest and dignified way (Hashim, 1973). That Islam recognises trade and business is evidenced from the fact that Prophet Muhammad himself was a successful businessman (Luqmani, Quraeshi and Delene, 1986).

After referring to a number of studies, Wines and Napier (1992: 835) concluded that "value reflected through religious affiliation in some cases may influence management practices". With this in mind the research will explore the two propositions:

- P<sub>5</sub>: There is a relationship between the attitudes towards social responsibility and managerial demographics.**
- P<sub>6</sub>: There is a relationship between managerial demographics and actions taken in response to social responsibility issues.**

### **3.4: EMPIRICAL EXPLORATION OF THE BROAD HYPOTHESES**

Since this study is largely exploratory in character, an initial assessment of these hypotheses will focus on an examination of the bivariate relations between the sets of variables seeking first to identify the particular or unique elements in each country that shape the observed relationship and then in the light of this understanding to draw some preliminary conclusions concerning the relationships among the key variables. It is intended in later work to consider in some depth the multivariate modelling of the relationships among all the variables.

## **CHAPTER 4**

### **METHODOLOGY**

#### **4.1: Introduction**

The data gathering and analysis procedures adopted in this study consisted of the following steps:

1.      **Designing the questionnaire**
2.      **Administration of the pilot questionnaire**
3.      **Designing the final questionnaire**
4.      **Sample selection and administration of the questionnaire**

#### **4.2      DESIGNING THE QUESTIONNAIRE**

A fully structured questionnaire was used as the study instrument to gather the necessary information. There were two versions of the questionnaire, the first version being used in a pilot survey and a second amended version being developed and used as the final survey instrument.

The objective of the pilot survey was to pre-test an early draft of the questionnaire through responses from respondents in both countries. The initial



questionnaire was lengthy and divided into seven sections. Each section began with a short description of the material covered in the section as well as instructions for completion.

*Section - A* focused on the overall attitudes of respondents towards social responsibility in a business context. The first question within this section was designed to establish the broad attitude of managers in terms of the level of importance they attached to corporate social responsibility. The question was presented in a 5 point Likert scale ranging from 1 (unimportant) to 5 (important). The second question was directed towards the nature of the corporate policy response to social responsibility issues. Five different types of policy statements were included in ascending order of intensity of company policy towards social responsibility. Some of these statements which were originally used by Khan (1985) and Khan and Atkinson (1987), were modified for the purpose of this study. The third and largest part of section-A consisted of 25 statements representing widely held views both in favour and against the involvement of business in social responsibility. In finalising the 25 items, a number of relevant prior studies were utilised. Davis (1973) stressed some of the important arguments relating to the case for and against the business assumption of social responsibility of business. Later Ostlund (1977) and Orpen (1987) incorporated many of the same arguments for and against business involvement in social responsibility in the form of structured statements in their studies aimed at measuring managerial attitudes towards social responsibility. The statements used in this section of the present questionnaire, which reflect the underlying arguments used in those studies, were, however, modified in

terms of language, style and direction to suit the present purpose. Table 4.1 presents the sources and the relevance of each of the twenty five items to the different views arising out of literature review and theoretical model.

The format used in this study is similar to that used in Ostlund (1977) and Orpen (1987). In the previous studies respondents were asked to indicate whether they agreed or disagreed with each statement. Further, the studies presented the statements for and against business involvement in social responsibility in two separate sets. In this study the statements were positively and negatively worded and were placed randomly in a single set to reduce the likelihood of a 'halo' response pattern answers. Each statement was linked to a 5 point Likert scale with 1 "strongly disagree to 5 "strongly agree" and 3 "neither agree nor disagree".

**Section - B:** This focussed on consumerism as a specific area which could be seen as a proximate cause of socially responsible initiatives. The first two questions were intended to assess the perceived impact that consumerism has had on industry as well as on individual firms. The second and major part of this section focused on the attitudes of the managers towards a number of widely discussed issues in the area of consumerism. To this end 21 statements reflecting the arguments for and against consumerism were developed. Those statements were then presented in a randomised order to minimise 'halo' effects. The statements used in this section to measure managerial attitude towards consumerism cannot be found in any single publication, as the basic ideas for the development of the arguments were largely

gathered from a literature survey of consumerism as a specific area of social responsibility.

**Table 4.1**

**Origin and theoretical position of the twenty five statements used to measure the attitudes of managers towards social responsibility of business.**

Statements	Origin	Theoretical positions
Business can avoid further regulation by adopting social responsibility programs (A3a)	Davis, (1973); Ostlund, (1977); Orpen, (1987);	Socioeconomic view
The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution. (A3b)	Davis, (1973); Davis, Frederick & Blomstrom, (1980).	Classical view
Social responsibility is an effective basis for competing in the market (A3c)	Ostlund, (1977).	Socioeconomic view
Business should realise that it is a part of the larger society and therefore, it should respond to social issues (A3d)	Freeman (1984); Alkhafaji (1989); Amba-Rao (1993); Orpen (1987)	Stakeholder view
Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs (A3e)	Friedman (1962, 1970, 1989)	Classical view
Contributing to the solution of social problems can be profitable for business (A3f)	Ostlund, 1977 Davis (1973)	Socioeconomic view
Regulation is not sufficient to ensure business behaves in a socially responsible way (A3g)	Davis (1973)	Modern view
Other social institutions have failed to solve social problems. So, business should now try (A3h)	Ostlund, (1977); Orpen, (1987)	Modern view
Business should tackle only those social problems that are created by its own actions (A3i).	Orpen, (1987)	Classical view
Social responsibility programs may be helpful in discouraging irresponsible behaviour by business (A3j)	Orpen (1987)	Modern view
Business already has a lot to do and should not take on other responsibilities (A3k)	Orpen (1987)	Classical view
Business has the necessary money and talent to engage in social action programs (A3l)	Ostlund, (1977);	Philanthropic view

Table 4.1 contd.

Statements	Origin	Link with the theoretical positions
Society expects business to help solve social problems as well as to produce goods and services (A3m)	Orpen, (1987) Holmes (1976)	Socioeconomic view
Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (A3n).	Friedman (1970); Orpen (1987)	Classical view
Corporate social action programs can help build a favourable image for a business (A3o)	Ostlund (1977)	Modern view
Business has a definite responsibility to society apart from making a profit (A3p)	Wagner (quoted in Dunstan, 1976); Buchholz (1990) Holmes (1976)	Socioeconomic view
Corporate managers need to be trained so that they can effectively contribute to society's problems (A3q).	Orpen (1987)	Modern view
A business that ignores social responsibility may have a cost advantage over a business that does not (A3r)	Orpen (1987) Davis (1973)	Classical view
It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations (A3s)	Friedman (1970)	Classical view
Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A3t)	Orpen (1970)	Classical view
Business should use its resources and talents for its own growth to ensure better service to society (A3u)	Friedman (1968, 1970)	Classical view
Society expects business to contribute to economic growth as its only concern (A3v)	Friedman (1970) Gaski (1985)	Classical view
By transferring the cost of social involvement to society, business may weaken its image with the public (A3w)	Orpen (1987)	classical view
Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off (A3x)	Friedman (1970) Gaski (1985)	Classical view
It is unwise to ask business to fix social problems created by others and which have no profit potential (A3y)	Hass (1979) Friedman (1970) Holmes (1976)	Classical view

Some of the relevant empirical studies include Varadarajan, Bharadwaj and Thirunarayana (1991); Gaski and Etzel, (1986); Harris (1983); Klein (1982); Barksdale, et al. (1982 and 1976); Halliday, et al., (1981); Greyser and Diamond, (1974).

*Section - C* was concerned with managerial beliefs about the factors which influenced the growth of consumerism. Based on a literature review, six major factors were identified i.e. social, political, technological, environmental, business decisions and institutional. A total of 43 statements were selected as possible triggering elements and classified under the above six factors. This section was, however, dropped from the final questionnaire as being of secondary importance in what turned out to be an excessively long questionnaire.

*Section - D* then explored the actions taken by managers in response to social responsibility and consumerism concerns. The items used in this section were designed to assess the nature and extent of actions managers have taken or considered. The objective was to identify a possible link between managerial attitudes towards social responsibility and corporate behaviour. A six point scale was used for each area of possible action ranging from 1 'action has already been taken', 2 'planning to take action in future ', 3 'attention should be paid to this issue', 4 'relevant but no action needed', 5 'irrelevant and no action contemplated ', and 6 'not applicable. Items relating to the decision areas where action might be taken or considered were classified under seven different headings including the four elements of the traditional marketing mix (product, price, distribution, and promotion), organisational initiatives, product piracy (reflecting specific concerns in a less developed country) and corporate social responsibility. The above seven headings were then used to assess the behavioural pattern of managers in terms of action in the areas where society would wish business to respond with greater commitment and responsibility. Action or commitment to action on the four

traditional elements of the marketing mix, as well as on the other three headings, could serve to reveal response patterns indicating whether managers were traditional in outlook, or in favour of looking beyond the classical view towards discharging their responsibilities to the society. The more the response of a firm is action oriented on any item under a particular heading the more the firm is committed to an acceptance of social responsibility relating to that item. Since there is more than one item in each of the seven groups, a firm's behaviour on a wide range of issues can be assessed. For the most part the items were developed from unstructured interviews and the literature review. Some mention of a similar approach can be found in Greyser and Diamond (1974) and in Holmes (1977).

*Section - E* focused on strategy choices made by the firms and on the perceived characteristics of the environment in which the firm operated. The information sought included background or classification data such as the industry to which the firm belonged, number of persons employed, the number of products the firms dealt in, number of new products introduced, the existence of a mission statement, use of planning and the time horizon involved, change (if any) in the corporate approach to marketing, and general trend in sales, market share and profits. There were seven items in the scale to measure whether there was any change in the approach to marketing over the past five years. The respondents were simply asked to indicate 'yes' or 'no'. This scale was adapted from Layton and Dunphy (1968). A five point scale, ranging from 'declining rapidly' to 'growing rapidly' was used to measure the level of growth of sales, market share and profit. This scale was originally used in Layton and Dunphy (1968).

A major part of this section was concerned with an assessment of the attitudes of managers towards the corporate environment (controllable and uncontrollable) in which their firms operated and the interaction among environment, strategy and capabilities (Ansoff, 1984). Questions used in the questionnaire focused on environmental turbulence, organisational flexibility (Capability), and strategy (questions D13 to D18). The environmental turbulence scale was aimed at assessing the level of environmental uncertainty in which managers were operating as those may affect perceptions of social responsibility, consumerism and willingness to take appropriate action. A 5 point Likert scale was used to measure the level of environmental turbulence, with high scales values indicating high levels of perceived environmental turbulence. Three items derived from Covin and Slevin (1989) and included in the environmental turbulence set were concerned with environmental hostility (D13a), marketing opportunities (D13b) and corporate influence on market (D13c). A similar scale from Covin and Slevin (1987) measured the flexibility of firms in responding to levels of turbulence (D14a to D14c). The higher the point in the scale the respondent selected the greater the flexibility of the firm. Three further items were included in the capability area. These were concerned with the openness of information flows (D14a), rigidity in management culture (D14b) and bureaucratic flexibility (D14c). Finally an item set was used to assess the firm's overall strategic posture (questions D15, D16a, D16b, D17, and D18). The five items were concerned with firm's innovativeness (D15), proactive orientation (D16a and D16b) and propensity to risks (D17 and D18). The scales used in the case of environmental turbulence and capability were originally developed by Khandwalla (1976/77) and the strategic scale was developed by Miller and Friesen (1982).

*Section - F* was devoted to an exploration of the key dimensions of the market offer made by the firm and covered the four traditional elements of the marketing mix i.e. product, price, distribution and promotion. Respondents were asked to provide information relating to each dimension of the offer using 5 point scales with steps arranged in the ascending order of importance with reference to the underlying concept in each item.

*Section - G* was concerned with an identification of critical success factors and required the respondents to rank 14 factors in order of importance to the firm in achieving market success. These items were adopted from Vasconcellos e Sa' and Hambrick (1989).

*Finally Section-H* was designed to provide demographic information relating to the respondents as individuals. This included sex, age, educational background, religious preference, training background, frequency of overseas visits, attitudes towards religion and fate. This section served a very important purpose in the context of the thesis. The demographic information was used to explore the possible links with managerial perception of social responsibility and consumerism issues and the resultant behaviour. Age, education, training and overseas visit status of managers and their attitudes towards religion and fate are the most important variables here.



#### **4.3: ADMINISTRATION OF THE PILOT QUESTIONNAIRE**

The pilot survey was carried out simultaneously in Sydney, Australia and Dhaka, Bangladesh in early 1992. The respondents were especially requested to make general comments on the questionnaire. In Sydney the questionnaire was initially distributed to 90 Master of Commerce students at the University of New South Wales. Students who were then working in managerial positions were asked to complete the questionnaire. From this group, 24 questionnaires were returned. A similar questionnaire was distributed to 70 business managers attending a training course at the University of Dhaka, Bangladesh. 20 questionnaires were returned showing a return rate of 28% approximately. In addition, five personal interviews were carried out in each country to see how respondents felt about the questionnaire and also to note whether they had any comments on structure, size, content and layout to identify ambiguities and to avoid questions which might have adversely affected response to a mail questionnaire. Where possible, meanings of the various questions were explored and some questions included which respondents might not have been willing to respond to while completing a mail questionnaire.

#### **4.4: DESIGNING THE FINAL QUESTIONNAIRE**

Several factors were taken into account in finalising the instrument to be used. Firstly, the comments made by participants in the pilot study were considered carefully. Areas were addressed where the respondents showed concern relating to the size of the questionnaire, wording and presentation of statements, difficulties

with the information introducing some of the sections and the perceived relevance of some of the issues. Secondly comments and suggestions given by experts and fellow researchers were also considered. Finally important inputs were received from the participants in the personal interviews, especially with regard to the length of time taken for an interview and the relevance of some of the sections.

Each section was then rewritten. Some questions and items were revised and Section C and section G were completely dropped from the final questionnaire. Section-C which was originally designed to uncover the attitude of managers towards the factors which might have influenced the growth of consumerism, was felt to be of less importance and was questioned by many participants. As a result the focus on consumerism was limited to an exploration of the relevant managerial attitudes.

Section F was also dropped on the ground that similar information was gathered from questions included elsewhere.

The items in section E under 'Advertising and promotion' were reorganised as these were identified by participants as those where either/or judgements were not possible. The respondents particularly referred to the order of arrangement of the items. In section C (Section D in the pilot questionnaire) a new area was added under the heading, 'Work Environment' aimed at identifying broader initiatives in social responsibility relating to the work force. The scale used for section C (Section D in the pilot questionnaire) was changed slightly following the suggestions of

respondents, to minimise overlapping in meaning at two points of the scales. These were the fourth (relevant and no action needed) and fifth (irrelevant and no action contemplated) and were replaced by a single label, 'the issue is not at all important'. The sixth scale label (Not applicable) was replaced by, 'irrelevant'. The 6 point scale used in the pilot questionnaire was in this way reduced to a 5 point scale in the final questionnaire; with the following labels for each point in the scale- 1, 'irrelevant', 2 'the issue is not at all important', 3 'attention should be paid to this issue' 4 'planning to take action in future' and 5 'action has already been taken'.

The scales used in question A3, in section A and in question B2 under section B, were reversed from those used in the pilot questionnaire. In the pilot questionnaire the 5 point Likert scale was used as 1 "strongly agree to 5 "strongly disagree". The new scales in these two cases were reversed as 1 'strongly disagree' to 5 'strongly agree' and 3 'neither agree nor disagree'. This change was made following feedback from the respondents of the pilot survey as to the desirability of maintaining uniformity of direction in the scales used throughout the questionnaire. As a result of this change all the scales used appeared in ascending order (strongly disagree to strongly agree) in the final survey instrument.

Throughout the questionnaire a forced choice format was followed in the construction of scales to measure the attitudes of respondents. Forced choice is a method in which a respondent is given an option to chose from a number of alternatives which on the surface seem equally attractive or unattractive (Lee, 1987; Aupperle, 1982). A forced choice format was chosen to make sure that respondents

had no chance to choose a 'no response/don't know' type of answer due to fatigue, laziness or lack of time. A forced-choice format has been found to be suitable for volatile subject matter such as that explored in a study of social responsibility (Aupperle, 1982). Kerlinger (1973) described this method as one which reduces or eliminates response bias from socially desirable items. Klein's (1982) arguments for use of this method identified the needs to avoid a biased answer arising from laziness or fatigue on the part of the respondents.

A number of drafts of the questionnaire were made incorporating the above changes before it was finally adopted. The resulting questionnaire was divided into six sections. The various sections of the final questionnaire are as follows:

**Section - A and B (Section - A and B of the pilot).**

**Section - C (Section - D of the pilot)**

**Section - D (Section E of the pilot)**

**Section - E (Section - F of the pilot)**

**Section - F (Section - H of the pilot).**

The size of the final version of the questionnaire was reduced to a considerable extent and consisted of 18 pages. A copy of the questionnaire can be found in appendix C.

To summarise the final questionnaire consisted of six sections. The sections are noted below together with a brief comment on the analytical possibilities inherent in the structure of the questionnaire.

Section A was devoted to overall managerial attitudes towards the social responsibility (SR) of business; this was linked with the action factors (section C), for there is likely to be a relationship between the attitudes managers hold and the translation of their attitudes into behaviour in terms of actions (section C). Attitude towards SR was also linked with external environmental measures such as environmental turbulence as well as with internal environmental factors (Capability and strategy) in the decision or choices made by managers (section D). SR attitudes were also likely to be related to attitudes towards consumerism (section B), for the attitudes towards the broader issue i.e. SR, may influence attitude towards a specific issue, i.e. consumerism. Managerial attitude towards SR also had a potential linkage with demographic factors such as level of education, age of managers, status of training and overseas visit and attitude towards religion and fate.

Section B which is concerned with managerial attitude towards consumerism as a specific area of social responsibility was as noted above linked in analysis with SR (section A). Attitudes towards consumerism also may influence managerial actions, for the attitude towards consumerism is likely to be reflected in the type of actions that will follow. There is a an important association between attitudes towards consumerism and the environmental factors noted above as it is possible that the environmental concept within which managers operate may have an important bearing on the attitudes they will hold about a societal issue such as consumerism. For example, attitudes towards consumerism under hostile environmental conditions may differ from the attitudes held under a benign environment. Attitudes towards consumerism may also be linked with demographic factors like religious attitudes,

attitude towards fate, age, and education.

Section C deals with the actions taken by managers in response to specific issues in social responsibility and consumerism and has potential links with attitudes towards SR and consumerism. These factors are also potentially associated with the character of the environment within which those actions are taken. For example, a manager operating in a highly regulated environment is likely to hold a more positive attitudes towards societal issues which will be manifested in their action oriented behaviour with regard to the social issues. On the other hand managers working in an environment which does not require a business to conform with the legal requirements with regard to societal issues are likely to maintain a low profile both in terms of attitudes and actions with regard to social responsibility in general and consumerism in particular. Possible linkages with demographic factors are also apparent, for the attitudes held by manager with regard to religion, for example, may determine the type of ethics related actions which would be taken. For example, a manager who perceives religion as a fundamental part of his life is likely to be greatly influenced by religious teachings with regard to ethical issues such as corporate social responsibility. This is likely to be reflected both in his attitudes towards social responsibility and choice of actions in response to that.

Section D is largely concerned with firm characteristics, performance levels and managerial perceptions of environmental factors, which are related to both an internal and an external environment. The items deal with measures of turbulence, organisational flexibility and strategy i.e. aggressiveness. The factors have an

obvious linkage with attitudes towards SR, consumerism and with the resultant actions.

Section E deals with choices made on a number of dimensions of marketing strategy.

Section F then explores a range of demographic factors such as level of age, education of managers as well as their training and overseas visit status, attitude towards religion and fate. As noted above. As noted earlier, these variables have possible links with attitude towards SR, consumerism, and action oriented behaviour.

The objectives of each section of the questionnaire and their potential association with the theoretical model presented in chapter 3, can be seen in table 4.2.

**Table 4.2**

**Objectives of the different sections of the questionnaire and their linkage to the theoretical model.**

Sections	Question numbers	Objectives	Linkage to the theoretical model
Section - A	A1 - A3y	To gather information about managerial attitudes toward social responsibility in general.	Linked with consumerism, actions, environmental and demographic factors.
Section - B	B1 - B2u	To obtain information about managerial attitude towards consumerism as a specific area of social responsibility.	Linked with SR, actions, environmental and demographic factors
Section - C	C1a - C8g	To collect data as to the actions taken in response to social responsibility in general and consumerism in particular.	Relationship with SR, consumerism, environmental and demographic factors.
Section - D	D1 - D18	To obtain information about the firm itself including the environment in which business under operates.	Relationship with SR, consumerism, and action factors.
Section - E	E1a - E8e	To gather information regarding the dimensions of the market offer the firm makes under four broad headings, e.g. product, price, distribution and promotion.	Conditioning factors. (Linked with Strategy; Questions D15-D18 in section D)
Section - F	F1 - F8	To obtain demographic background information relating to the respondents.	Linked with SR, consumerism, actions

#### **4.5: SAMPLE SELECTION AND ADMINISTRATION OF THE QUESTIONNAIRE**

The data required for this study were collected from senior managers in the food and clothing industries in Australia and Bangladesh during the second half of 1991 . As discussed above the instrument used for this study was a structured questionnaire and was developed in English language.



The selection of a representative sample from the four populations and the launching of the questionnaire in the two countries surveyed is discussed below:

#### **4.5.1 Australian Sample**

The Australian population consisted of all food and clothing manufacturers operating in Sydney. The list of manufacturers within both the industries was drawn from the 1991 edition of 'Kompass - Australia'. 'Kompass' is published in two volumes. The first volume, 'Kompass - Australia: Products and Services' lists the names of all the companies by a particular product group. Separate lists are available for the different states in Australia. The other volume of 'Kompass - Australia: Company information' lists the names of the companies in alphabetical order and contains information about a particular company including its address, the name of its chief executives, number of people it employees, categories of products or services it deals in and so on. With the help of both volumes, two separate lists or frames were prepared for the food and clothing manufacturers operating in Sydney. The total population of food and clothing manufacturers located in Sydney were found to be 124 and 143 respectively. Other published sources of population data such as The Business Who's Who of Australia, Key Business Directory of Australia and Jobson's Year Book of Australian Companies were also consulted. Of all the publications, 'Kompass' seemed to have the most comprehensive list of firms with relevant information in the detail. which was needed in drawing the sample for this study. 'Kompass' has been used as a source of population data in other similar studies in Australia and elsewhere (Khan, 1985).

In the event of administration of the questionnaire covered the entire population of manufacturers in the Sydney clothing and food industries. The decision to survey the whole population in each case was taken because of their small size. Accordingly questionnaires were mailed to the senior managers (Managing Directors or the General Managers as the case may be) of all the 267 firms (124 clothing and 143 food industries) on the 20th July , 1991. A personalised cover letter explaining the nature, objectives and importance of the study was attached to the questionnaire. In addition the first page of the questionnaire was printed on coloured paper, and the page was marked 'Confidential'. Respondents were fully assured of the fact that the information provided by them would be treated as strictly confidential and that strict procedures would be followed to ensure that no firm or business could be identified in any of the findings of the study. The letter was typed on School of Marketing letterhead and was signed by the author and his supervisor. The cover letter is provided in appendix A. The respondents were asked to complete the questionnaire as soon as possible and return it to the School of Marketing office in the reply paid envelope provided.

Follow up telephone calls were made between the 25th to 27th of July 1991 to all the companies, to identify cases where the letter was not delivered as a result of a change in address or wrong address or mis-delivery. At this stage 21 such cases were found, most of which resulted from change in address. A fresh set of questionnaire were re-mailed to these companies.

The initial response came quickly. The first five completed questionnaire were received within five days (25th of July) of mailing and thereafter the rate of return followed a tapering trend. The rate slowed down to two to three to one a day until the last questionnaire was received on the 10th of September, 1991. At that point a total of 91 questionnaire had been returned showing a return rate of 34% of which 81 were useable. The percentage of returns from the clothing industry was slightly higher (36%) than that from the food industry (30%).

Many of the responding companies sent copies of their mission statements and other relevant papers to show their specific program and commitments in the social responsibility arena. Many responding firms asked for a summary of the findings of the study.

Since the return rate of the questionnaires in the first round was not satisfactory in comparison with that of similar investigations reported in the literature, it was decided to make a second request to the firms who did not respond. To that end a list of all the potential respondents were made from the information gathered from all respondents while making follow up telephone calls after mailing the questionnaire in the first round. The firms who showed interest in the survey but did not eventually return the questionnaire were considered as potential respondents for the second round. A new cover letter was designed to remind the potential respondents of the objectives and importance of the survey, and to renew a request to complete the fresh copy of the questionnaire attached with the letter. Prospective respondents were reassured of maintaining confidentiality for their answers by

mentioning in the letter the name of the persons by whom the responses would be seen. A copy of the second cover letter can be seen in Appendix B. Questionnaires were mailed to the senior managers of 114 firms ( 54 clothing and 60 food industries ). Follow up telephone calls then were made to all the respondents to confirm the receipt of the questionnaire by the prospective respondents and to remind them of the importance of their participation in the study. A good number of companies expressed their willingness to complete the questionnaire. The overall response rate in the second round was good with a total of 24 questionnaires returned, of which 21 were useable.

With the completion of second round the total number of questionnaire returned stood at 115 of which 102 were useable .The overall rate of return was 43.07% approximately. The rates of returns for each industries were 45.16% (50 questionnaires) and 41.25% (52 questionnaires) for clothing and food respectively. Of the 13 unusable questionnaires 7 were grossly incomplete, 4 were returned almost blank and the remaining 2 were accompanied by letters expressing an inability to participate in the survey. Those who expressed their inability to participate in the survey provided some reasons for their non-responses. The most common reasons given for non-response were:

1. lack of time to complete the questionnaire.
2. Lack of adequate staff.
3. Absence of financial incentives for participation.
3. Confidential nature of the information sought.
4. The size of the company was too small to participate in the survey.

5. Difficulty of completing the number of questionnaires sent by various market research companies.
6. Closing down the business soon.
7. Lack of interest in the topic of the survey.
8. Possible leakage of information to competitors.

#### **4.5.2 Bangladesh sample**

The sample area in Bangladesh consisted of the Dhaka city metropolitan area. The argument for the selection of Dhaka as the area of study was that it is the largest city of Bangladesh having highest concentration of the two industries under study. In this sense Dhaka can be regarded as a Sydney equivalent in the context of Bangladesh. The population for the survey comprised all firms in the clothing and food industries located in the Dhaka metropolitan area. Three separate lists of the targeted industries were used to draw the samples for this study.

The administration of the questionnaire and supervision of collection of data from both the industries in Bangladesh were done by a panel of 11 members under the leadership of Professor M. A. Quddus of the Department of Marketing at the University of Dhaka. The ten investigators were selected from a group of students who were then completing their M.Com course in the Department of Marketing at the University of Dhaka. The members of the panel were trained in survey research, as all of them had completed their marketing research subject as well as compulsory internship programs. The team members contributed significantly to boosting the

response rate by pursuing the whole program of data collection in a number of ways which included:

- (1) Personally carrying questionnaires to and collecting the completed ones from the responding firms.
- (2) Rushing to the responding companies for clarification of any question in the questionnaire or any other query.
- (3) Completing the questionnaire in a face to face situation with the respondents who tried to avoid participation in the survey under any plea.
- (4) Making follow up telephone calls to the respondents in an attempt to remind him/her in completing questionnaires.
- (5) Personally assuring the respondents of maintenance of confidentiality of the information provided and
- (6) Personally explaining the significance of the survey to the industry in general and the individual firm in particular.

The special effort in collecting data from the respondents through the survey panel was undertaken in the case of Bangladesh in order to avoid an anticipated poor rate of return. The anticipated poor rate of response was as a result of the experience of the author in the field of survey research in Bangladesh, where many business managers are reluctant to complete a survey instrument because of:

- (1) Conservative attitude of managers
- (2) lack of research culture in the organisation.
- (3) Low intensity of market research.
- (4) General scepticism.
- (5) Tendency towards strict preservation of trade secrets.
- (6) Underestimating the importance of marketing research and
- (7) Low familiarity with the topic such as the present one.

## **Food Industry**

The list of food manufacturers was prepared from the "Directory of Selected Industries" published by the Directorate of Industries, Government of Bangladesh and yielded a total of 126 food manufacturers. A broad classification of the food industries by products, included bread and biscuits, sugar and related products, chocolate and lozenge, milk, ice cream and sweetmeat.

Considering the small size of the population it was decided to survey the whole population and accordingly questionnaires along with the cover letter containing information regarding the back ground and importance of the survey, were personally delivered to all the 126 firms. Personal telephone calls were made to the chief executives of all the firms to see whether the questionnaires ultimately reached them. Of these 26 cases were found where questionnaires did not reach the respondents. Fresh questionnaires were delivered by the team members immediately to those firms. A total of 54 questionnaires were received in the first round, recording a return rate of 43%. Telephone calls were made to all the firms failing to return completed questionnaires to know whether they were still interested to participate in the survey. Accordingly, the same questionnaire was personally delivered to 36 firms who were identified to be potential respondents. As a result 11 questionnaires were completed and later collected by our team members recording a return rate of 31%. Of those 11 completed questionnaires 7 were completed as a result of the special initiatives of our team member who called on the respondents who wanted not to complete the questionnaires on the plea of lack of time. Thus the

total number of completed questionnaires from food industries in Bangladesh stood at 65 showing a return rate of 52%. Of the 65 questionnaires returned 5 were not useable, for they were grossly incomplete and as such a total of 60 questionnaires were finally used from food industries for analysis in this study.

### **Clothing Industries**

In order to ensure representation of the whole clothing industry under study, we decided to take two separate samples from garment and non-garment manufacturers within the clothing industry. The non-garment industries included textile, hosiery, and cotton spinning. Garment manufacturing industries included manufacturers of all ready made garments.

A list of the population of non-garment manufacturers was prepared from the "Directory of Industries" published by the Directorate of Industries, Government of Bangladesh. The directory listed a total of 113 firms located in Dhaka metropolitan area. The other list used for the clothing industry was the list of 666 members of Bangladesh Garments Manufacturers and Exporters Association. A sample of 220 (33%) firms was drawn following a systematic random sampling method. Questionnaires were personally delivered to 333 firms (113 non-garments and 220 garments manufacturers). Telephone calls were made to check as to whether there was any CEO who ultimately did not receive questionnaire. As a result 39 such cases were found and questionnaires were re-delivered to all of them. A total of 35 (30.97%) and 94 (42.72%) questionnaires were completed and were then collected



by the investigators from non-garment and garment industries respectively within the clothing industry. In order to boost the rate of return a second attempt was made by delivering 45 and 80 questionnaires to the non-garment and garment section respectively. Re-delivered questionnaires were directed to those firms who showed an interest in the survey when contacted through telephone and or a personal visit. As a result 12 and 39 questionnaires were received in the second round from non-garment and garment manufacturers respectively. Of the 12 and 39 questionnaires collected from the non-garment and garment industries respectively, 8 and 15 of them respectively were completed in front of the investigators who were called in to clarifying some of the questions in order to save the time of the respondents. With those, the total number of completed questionnaires returned stood at 47 and 133 for garments and non-garments industries respectively. Thus, the total number of completed questionnaires received from the clothing industry stood at 180 recording a return rate of 54.05%. However, a total of 22 questionnaires were unusable as most of them were grossly incomplete, full of over writing, more than one answer in several parts of the questionnaire or not at all completed. Thus a total of 158 questionnaires from clothing industry were deemed useable for final analysis.

The total number of questionnaires used in the analysis stood at 218 for Bangladesh and 102 for Australia. Therefore, the effective response rates were 38.2% and 47.49% for the Australian and Bangladesh samples respectively. These were deemed acceptable in the light of the response rates reported in other similar studies in this field (For example, Khan, 1985: 32.5% and 10%; Holmes, 1976; 34%; Eilbert and Parket, 1973: 24%; and Teoh and Shiu, 1990: 22%).

Table 4.3 summarises the distribution of responses for both Australian and Bangladeshi samples.

**Table 4.3**

Distribution of responses from Australian and Bangladesh samples broken down by food and clothing industries..

Particulars	Distribution of responses					
	Australia			Bangladesh		
	Clothing	Food	Total	Clothing	Food	Total
Questionnaire mailed/delivered	124	143	267	333	126	459
Questionnaire returned/collected	56 (45.16)	59 (41.25)	115 (43.07)	180 (54.05)	65 (51.58)	245 (53.37)
Questionnaire not useable	06 (4.83)	07 (4.89)	13 (4.86)	22 (6.6)	05 (3.96)	27 (5.88)
Questionnaire included in the analysis.	50 (40.32)	52 (36.36)	102 (38.20)	158 (47.44)	60 (47.61)	218 (47.49)

\* Figures in the parentheses represent percentage of questionnaires.

## **CHAPTER 5**

### **BANGLADESH AND AUSTRALIA: A COMPARATIVE PICTURE**

#### **5.1: Introduction**

This chapter provides a comparative picture of Australia and Bangladesh on a range of dimensions. The main purpose is to shed light on the observed relationships between the sets of variables which have been used in this comparative study. Since the two countries - Australia and Bangladesh which have been surveyed for this study are divergent in nature, they are likely to have more dissimilarities than similarities. These dissimilarities need to be kept in mind while evaluating the significance of differences in response to the variables included in the data set analysed subsequently.

The comparison will involve the following dimensions:

- 5.2: Climatic conditions**
- 5.3: Stages of development**
- 5.4: Market structure**
- 5.5: Government regulation**
- 5.6: Religious belief**
- 5.7: Social structure**
- 5.8: A description of the industries under study**
- 5.9: Culture, business practices and values**

## 5.2. Climatic condition

Australia and Bangladesh have both similarities and dissimilarities in terms of climatic conditions. Both countries have mild winters and hot summers. Australia has several climatic zones such as the arid and semiarid interior, the monsoonal North, the subhumid and humid East whereas in Bangladesh climatic conditions such as temperature, rainfall and humidity vary little across the country.

The Australian climate is generally characterised by warmth, low rainfall, clear skies and sunshine, a moderate temperature and mild winter in most parts of the country. The climatic conditions, however, vary from region to region. For example, the monsoonal north has a hot, humid and tropical climate in the summer. Annual average rainfall is above 60 inches. The interior, and the western and central southern regions have low rainfall and high temperature. The south western highlands are characterised by snowfall with temperatures which often fall below freezing in winter. Tasmania has a typical middle latitude climate with cold winters and a warm summer. Annual rainfall is over 40 inches.

Bangladesh is a delta which is crisscrossed by four large rivers and is fenced by the Bay of Bengal in the south. It has a tropical climate governed by the monsoon. Summer is usually hot and humid and is accompanied by heavy rainfall. Temperature varies between 49.6°F and 56.2°F in the winter and between 77.9°F and 78.9°F in the summer. The annual rainfall fluctuates from 50 inches in the west to 100 inches in the north east and to 200 inches in the submontane region. Heavy

rainfall often leads to flood. Usually much of the country remains under water for almost half of the year.

Bangladesh is well known as a country of natural disasters such as tropical cyclones, floods, droughts, and storms. During the last two decades over two dozen devastating cyclones and storms have lashed the coastal belts and off shore islands in Bangladesh resulting in mass destruction of millions of human lives, cattle, housing, standing crops, business establishments and agricultural implements. At the time of writing, Bangladesh had been hit by another cyclone causing enormous damage to lives and property.

### **5.3: Stages of development**

Bangladesh and Australia fall at two extremes in terms of stages of development. Bangladesh, being one of the poorest countries of the world in terms of Socioeconomic indicators, is labelled as one of the least developed nations, whereas Australia is considered to be in the mass consumption stage of development and can be termed as a developed country. Australia is a member of the OECD and it has been ranked as the 6th most powerful nation in the world (Kurian, 1991: 286).

In terms of stages of economic growth Bangladesh is entangled in the poverty trap. Her economy is characterised by low saving, low investment, low productivity and low income, chronic unfavourable balance of payment and high dependence on foreign aid for the implementation of development plans. It has been

ranked as the 56th strongest economic power and it does very poorly (141st) in terms of the physical quality of life index. On the other hand the position of Australia is far above Bangladesh according to these criteria.

It appears from Table 5.3, which presents a comparative position of Australia and Bangladesh on the major socioeconomic indicators, that Australia scores very high on almost all these socioeconomic indicators. However, there is a similarity between the two economies in terms of their high dependence on primary goods for export earnings and comparatively low level of contribution of manufacturing sectors to GDP. Currently manufacturing sectors contribute 12 percent and 16.6 percent to GDP in Bangladesh (Statistical Yearbook of Bangladesh, 1989: 7) and Australia (The Europa World Year Book, 1992: 389) respectively. Agricultural products contribute to 90 percent (Encyclopedia of the Third World: 148) and 37 percent (The Europa World Year Book, 1992: 389) of export earnings in Australia and Bangladesh respectively.

**Table 5.3**

**Comparative scores of Bangladesh and Australia on socioeconomic scales.**

Socio-economic indicators	Scores	
	Australia	Bangladesh
1. Percapita GNP (in US\$)	11,910	160
2. Annual rate of inflation	8.2	11.2
3. Percapita consumption expenditure (US\$)	6,260	150
4. GDP annual growth rate	3.1	3.7
5. Balance of trade (million US\$).	-4,169	-186
6. Television (persons per set)	3.2	340
7. Population with dwellings	67.3%	16.9%
8. Passenger car (per 1,000 persons)	470.46	.08
9. Population per physician	552	6,169
10. Percapita public health expenditure (US\$)	350	.04
11. Rate of literacy	100%	33%
12. Telephone (persons per receiver)	1.8	763
13. Life expectancy (in years)	76.02	56
14. Per capita educational expenditure (US\$)	691	3
15. Physical quality of life	100	43
16. Death rate (crude)	7	17
17. Population density (per sq. mile)	2.1	1,894
18. Civil rights index	100	4.2
19. Infant mortality rate (per 1000).	9.8	135

**Sources:**

1. Kurian, G.T. (1991), "The New Book of World Rankings.", Facts on File Inc., New York.
2. Statistical Pocket Book of Bangladesh, 1990, Bangladesh Bureau of Statistics.
3. Social indicators- 1992, Australian Bureau of Statistics.
4. Year Book Australia, 1992, Australian Bureau of Statistics, No.75.

#### **5.4. Market structure**

As far as market structure is concerned Australia and Bangladesh represent the typical marketing systems operating in DCs and LDCs respectively. The

dissimilarities between the two countries are, therefore, obvious. The most striking dissimilarity exists in the form of market. Almost the entire market in Australia is covered by a single market system i.e. formal market in which all the modern approaches of marketing are applied including network marketing, telemarketing, modern sales and marketing technology, advertising and promotion. Whereas like any other LDCs, dualism results in a large sector of marketing in Bangladesh operating, under informal market conditions. The vast rural areas in which about 85 percent of the population live are covered by informal marketing where signs of modern marketing can rarely be seen. In the rural areas consumers are served mostly by the traditional village markets where the only widely used promotional device is personal selling and canvassing. Because of the very low level of access to modern media like television particularly in rural areas, the only medium which is used by the advertisers is radio. Print media have a very low appeal because of the high rate of illiteracy among the rural masses. Marketing in urban areas is more formal, however, it is not comparable with that of Australia in terms of application of modern technology and methods. Another basic contrast between the marketing systems of the two countries which is also the reflection of the stages of development, is that Australia is a buyer's market while Bangladesh is a seller's market (Reddy and Campbell, 1994: Kaynak, 1981). There is an abundant supply of goods and services in the Australian market. Since consumers in a buyer's market have enormous influence on the market, survival of a business in the Australian market largely depends on how effectively it can satisfy the needs of the buyers. Intense competition, strict regulation and high consumer awareness of their rights in Australia have led to the application and practice of marketing concept by most



marketeers in Australia.

On the other hand Bangladesh has historically been a seller's paradise. Its economy is entangled in a poverty trap. Most of the consumers have low purchasing capacity. Lack of competition and chronic scarcity of goods and services in Bangladesh market has made it possible for the sellers to sell almost whatever they produce. However, there are exceptions to this trend especially in those industries which are mostly export oriented. Garment industries and some food industries fall under this category where customer orientation is now emerging as a result of high competition and international market orientation. Table 5.4.1 presents a comparative picture of market conditions in both countries.

**Table 5.4.1**

**Comparative market conditions in Australia and Bangladesh.**

Particulars	Status	
	Australia	Bangladesh
1. Nature of market development	Matured and saturated	growing
2. Nature of marketing	Mass	Limited
3. Share of formal market	Very large	Very limited
4. Nature of commodity supply	Abundant	Scarce
5. Market conditions	Buyer's market	Seller's market
6. Options available to marketing managers	Extensive	Limited
7. Application of advanced technology in marketing	Very high	Limited
8. Level of innovativeness.	Fairly high	Very low

## 5.5 : Business regulation

In the sphere of business regulation Australia and Bangladesh differ in many respects. Table 5.5.1 summarises the position of Australia and Bangladesh with regard to regulation and organisation.

As one of the developed countries of the world Australia shares with other advanced countries a tradition of strict business regulation. The wide ranging regulation on business in Australia emerged via strong social movements including consumerism, environmentalism, the green movement and strong trade unionism. These movements have resulted in enormous pressure for government intervention in the market place to regulate business operations in an attempt to protect consumer interests. The seventies and eighties witnessed a plethora of legislation at both state and federal levels. The most important ones include the Trade Practices Act, Fair Trading Act and Consumer Protection Act. A trend of deregulation, however, has begun to emerge since 1985 when both government and business emphasised its necessity for full operation of market forces . However, the inadequacy of market forces has also necessitated the legal control of some economic forces. A large number of government agencies including the Ministry of Consumer Affair and Trade Practices Commissions have been established at both state and federal levels in order to protect consumer interest and to regulate the activities of commercial corporations. Grabosky and Braithwaite (1986) have identified 101 such agencies in Australia. There has been a recent tendency among Australian businesses to develop a voluntary code of conduct. Advertising industries have already introduced self

regulatory practices and in 1985 the Trade Practices Commission issued a compendium of self-regulatory arrangements which came to the Commission's notice during its recent survey on self-regulation (Goldring, Maher and McKeough, 1993).

The situation in Bangladesh with regard to the regulatory environment significantly differs from that in Australia. Unlike Australia there has been hardly any organised pressure upon the government via social movements for the enactment of legislation to regulate business activities. The process of business regulation has, therefore, been relatively slow in Bangladesh. Although there have been some isolated attempts to regulate business since the mid 50s, serious attempts have only been underway since the 1980s. Recent attempt to regulate business can be attributed to the active role played by the various social and non-government organisations, including consumer associations, in pressing the government to enact legislation to protect consumers. Recent legislation which has appealed to the consuming public include the Drug Control Ordinance of 1982 and Baby Food Marketing (regulation) Ordinance of 1986, Tobacco Products Marketing (Regulation) Ordinance, 1988, and the Weight and Measure Act, 1982. Consumers, however, are not receiving the full benefits of these legislation because of undue interference in their fuller implementation by vested interests including those whose interests would have been hurt should the legislation be implemented properly (Hassan, 1992; Bhattacharjee, 1984; Ali, 1987).

**Table 5.5.1****Position of Australia and Bangladesh with regard to regulation and organisation**

Particulars	Status	
	Australia	Bangladesh
1. Number of business regulation	Numerous	A few
2. Government initiative in business regulation.	High	Low
3. Public attitude towards business regulation	Favourable	Unfavourable
4. Degree of enforcement of business legislation	High	Low
5. Amendment in business regulation	Frequent	Rare
6. Consciousness about consumer rights	Very High	Low
7. Self regulatory practices among businesses	Fairly present	Rare
8. Demand for deregulation	Fairly high	Absent
9. Number of consumer organisations	Many	A few
10. Awareness about regulation	Very high	Low
11. Consumer complaining trend	High	Low
12. Consciousness about consumer rights	Very high	Very low

## 5.6: Religious belief

The religious environments of the two countries are in sharp contrast. A large majority (86.6%) of the population in Bangladesh is Muslim (Statistical Yearbook of Bangladesh, 1989: 4) while the Australian population is predominantly Christians with 63.9 percent of the population describing themselves as Christians (Year Book Australia, 1992). It is interesting to note, however, that there is a significant difference between the population of the two countries in terms of belief and practice of religion. A recent empirical study on Islam in Bangladesh revealed a high

level of observance of Islamic religious practices in more than 50 percent of the people who believe in Islam. A statistically significant association was also found between religious belief and practices among the Muslims in Bangladesh (Banu, 1992). Australia, however, is experiencing a decline in some aspects of religiosity (Hickman, 1977; Wilson, 1979). The decreasing interest in religion in Australia might have resulted in an increasing number of people having no religious affiliation. This segment has increased to 25% (including those who mention nothing about their religious affiliation) in recent times (Year book Australia, 1992). The decreasing trend in the belief and practice of religion is also evident from the fact that 43% of the population in Australia have "disavowed being described as religious" (Cross, 1988). The rise of an organised humanist and rationalist movement in Australia that provides "a constructive alternative to the logical and dogmatic creed", might have encouraged some form of irreligion in Australia (Black and Glasner, 1983). The humanist view which is different from that of traditional religious view is based on the assumption that human problems can be solved by themselves rather than by a supernatural power. In a recent review of Australian theology Jensen (1985) observed that religious faith has declined considerably and has led to the present generation in Australia growing up without having any significant belief Christianity (Jensen, 1985).

Therefore, it appears that the nature of religious belief and practice are different in Bangladesh and Australia. It is quite likely that a society characterised by religious fundamentalism may generate religious belief in a way which is different from that of a society where religion is perceived to be a matter of personal belief.

In a multicultural society like Australia, for example, religious tolerance is obviously high among its people. As a part of the modern western world Australia is now exposed to norms, values and ideas which have changed the attitudes of its people towards religion. In Australia religion is now perceived in a broader sense. Religious belief is gradually being replaced by moral conviction and community truth by universal truth (Cross, 1988). Thus, in Australia the ethics of most people are mainly influenced by modernity rather than religion. Whereas in Bangladesh religion is still a major force in shaping the moral and work ethics of the people (Banu, 1992). The society in Bangladesh is still very sensitive to religious issues. Bangladeshis usually show very quick reactions to any criticism of their religion (Razzaque, 1990). Irreligiosity is subject to public anger and criticism. In a recent incident in Bangladesh, for example, a renowned Professor was bitterly criticised by public and the press for his lecture in favour of atheism in a seminar and the issue was even raised in the Parliament for discussions (The Daily Inquilab, 26 October, 1992, The Weekly Sugandha, 31 October, 1992). Violent reaction to 'Satanic Verses' throughout the muslim communities including Bangladesh or the recent communal riots in the different countries of the Indian sub-continent including Bangladesh following the destruction of a mosque in India, is a recent example of high sensitivity of people to religious issues. However, it is interesting to note that though the sentiments of the riot resulted in violence among the Indian communities overseas including England where a number of religious centres were destroyed, there has been no significant sign of violence in the same communities living in Australia. These differences in the attitudes of those communities living in Australia, is a reflection of the peaceful religious environment in Australia, which is in sharp

contrast with that of their counterparts in the Indian sub-continent and elsewhere.

It can be concluded then that difference in the attitudes of the people with regard to religion may influence how they will behave when they actually take actions and make decisions. Again there might be some differences between the attitudes and behaviour a religious believer and a secularist. Differences in behaviour may be reflected in various activities and actions in which they are involved including social responsibility which is likely to be handled by secularist on the one hand and by religious believers on the other (Black and Glasner, 1983: 185)

### **5.7: Social structure**

The social structure of the two countries varies significantly. This is because the norms, values, beliefs, attitudes and behaviour of the people brought up in different cultures follow different patterns (McClelland, 1961; England, 1975). Australia is one of the most urbanised nations of the World where 60 percent of the population live in the metropolitan areas (Thompson, 1992). There has been a wide spread belief that Australian society is largely egalitarian in structure (Western, 1991). Australia has been variously described as a classless society or a paradise of working class or a completely middle-class society. (Connell and Irving, 1992). Australian development which has been linked with its highly urbanised orientation has gone through two stages - mercantile and corporate. The mercantile stage is characterised by export of primary products and import of manufactured goods while corporate stage marked the development of Australian capitalism. However, unlike western

societies industrial urbanisation in Australia was less extensive (Mullins, 1988). Modern Australian social structure is now changing in such a direction in recent times that some serious questions have arisen as to the future of egalitarianism in Australian Society (Mackay, 1993). This is evident from the redistribution of household income over the past two decades which shows that the middle class has shrunk from 65 to 40 percent where as the upper class has increased from 15 to 30 percent and the lower class has increased from 20 to 30 percent. The top 30 percent are now controlling 55 percent of household income and the bottom 30 percent controls a mere 10 percent. Thus, it seems that Australia now has a new class structure where the upper and lower class are dominant with a large gap in income levels. The future of the traditional middle class is under threat resulting in an end to egalitarianism in Australia. With this changing social structure, as Mackay (1993) commented, there will be obvious change in the marketing strategy of business.

*Gradually, attitudes would change under the influence of an emerging class system. We would see more emphasis on market segmentation by class as marketing communication strategies evolved to reflect the different values of the different social strata and a much greater differentiation between media outlets to facilitate such strategies (Mackay 1993:17).*

The social structure in Bangladesh is, however, different from that of Australia. Bangladesh society is dominated by a lower class comprising one third of population living below poverty line (Hossain and Sen, 1992; Hossain, 1988, 1984) including 48 percent who are landless (Bangladesh: new vision). This class has a very low standard of living in terms of calorie intake, housing, use of clothing, health and sanitation (Hossain and Sen 1992). The upper class is highly limited to a small fraction of people mainly comprising high ranking government officials,



professionals, large industrialists and big landlords. This elite group is the most powerful class in the society and has substantial influence on the economy, the politics and the administration of the country. They have an income above US\$ 3500 per annum as against the national per capita GNP of US\$ 150. They enjoy a high standard of living, mainly live in the rich urban areas, use high quality especially imported goods (Farouk, 1982; Siddiqui, Qadir, Alamgir, and Huq, 1990)). They are also prone to conspicuous consumption (Mujeri, Aalauddin and Tisdell, 1993). They are the most powerful class in the society. The traditional middle class comprise medium business people, middle cadre service holders in government/semi government/private firms, retired professionals and owner of medium sized land holdings. The standard of living of this class is moderate. They mostly buy locally produced goods and have medium ranged income. This class constitute a majority of market in Bangladesh. They are often described as the opportunists and who try to change their status by collaborating with the government machineries and sometimes take advantage of political change. It is evident from the fact that a vast majority of the urban rich climbed to their present position from their middle class status by masterminding the two major political changes i.e the partition of India in 1947 and the division of Pakistan in 1971 and subsequently became wealthy by taking advantage of the vacuum which include taking over the abandoned property and industrial enterprises (Farouk, 1982; Siddiqui, Qadir, Alamgir, and Huq, 1990). The lower middle class consists of petty government employees and industrial and land labours, small farmers including share croppers, small business people such as the owners of corner shops, hawkers and peddlers. Because of their low level of income they mainly look for meeting physiological needs and as such are the largest buyer

of basic items like food, cheap clothing and accommodation. They live both in the rural and urban areas. Apart from the social structure there is a major contrast between the two countries on a wide range of social phenomenon in terms of attitude, beliefs and behaviour.

A comparison of the various social phenomena of the two countries reveals that the attitudes of Australian people have evolved alongside its democratic tradition of peoples representation in governments, a free and fair press, freedom of speech, equal rights of man and woman. This has resulted in the modern lifestyle of people including a progressive outlook, adaptation to change, collective attitudes (unionism) and religious tolerance. In contrast the attitudes and behaviour of people in Bangladesh have centred around autocratic administration characterised by suppressed press and publications, lack of freedom of speech, male dominance and a restricted right to vote. These have resulted in a society characterised by conservative attitudes, religious fundamentalism, fatalism, resistance to change and individualistic attitudes towards organisation. The situation has, however, begun to change following the establishment of a democratic government in the early 1990s. If the present trend continues, a change in social structure is expected to occur in the long term.

Table 5.7.1 and 5.7.2 summarise the comparative position of Australia and Bangladesh with regard to social conditions.

Table 5.7.1

Comparative position of Australia and Bangladesh with regard to social conditions

Particulars	Status	
	Australia	Bangladesh
1. Form of political administration	Democracy	Plutocracy
2. Press and publicity	Free	Restricted
4. Overall mentality of people	Progressive	Conservative
5. Development of unionism	Very high	Low
6. Attitude towards organisation	Collective	Individualistic
7. Attitude towards change.	Adaptable	Resistant to change.

Table 5.7.2

Comparative position of Australia and Bangladesh with regard to social attitudes

Particulars	Status	
	Australia	Bangladesh
1. Particulars social concern.	Both economic growth and social good.	Mainly economic growth.
2. Need satisfaction category	Mainly psycho-logical needs	Mainly physio-logical needs
3. Level of consumer aspirations	High	low
4. Demand for societal adaptation of business.	High	Low
5. Demand for social audit	Very high	low
6. Demand for deregulation	Positive	Negative

5.8: A description of the industries under study

As mentioned earlier the thesis focuses on the clothing and food industries in Australia and Bangladesh. A general discussion on the comparative picture of the two industries would provide an insight into the present position of the industries in

the two countries surveyed.

### **5.8.1: Bangladesh clothing industry**

Clothing industries in Bangladesh include garments and non-garment industries. Although modern garments manufacturing and marketing is of recent origin in Bangladesh, about 150 years ago, it had a world wide reputation for manufacture and export of cotton textiles especially 'Maslin'. 'Maslin' which had been considered to be the finest cloth of that time was exported to various parts of the World including England and Portugal (Laure, 1993; Titumir, 1992; Farouk, 1983, 1982). The first garment factory in the then East Pakistan (now Bangladesh) was set up in 1960 and there were only 4 garment manufacturers in Bangladesh before its independence in 1971 (Titumir, 1992). Until recently garments manufactured in Bangladesh used to be marketed locally. Bangladeshi garments started entering international market when the U.S.A., E.E.C. and Scandinavian countries started importing 50 to 60 percent of their total demand from the developing countries. Very cheap labour costs resulting from mass unemployment especially among women was the major factor for the growth of present export based garments industries in Bangladesh (Hossain and Brar, 1988). Besides, because of cheap labour cost many multinational firms from the garment importing countries have invested in collaborative projects with Bangladeshi entrepreneurs. Thus a major portion of production, supply of input materials and export of garments are now being managed and controlled by the multinational firms especially of American and Korean origin. Expansion of garments manufacturing in Bangladesh can be attributed to the fact

that the industrially advanced nations have witnessed a decline in this industry (Torre, 1986) and also because the U.S.A., Korea, Taiwan and Hong Kong are now loosing ground as a result of increased cost and trade restrictions (Moody and Wheeler, 1987).

The garment manufacturing industry has expanded in such a fast rate in recent times that over the past decade the number of manufacturing firms has increased from 40 in 1980 (Hossain and Brar, 1988) to 1228 in 1992 (Titumir, 1992).

Bangladesh is currently witnessing a tremendous growth in the garment industries. The industry currently employs about 690,000 people (Titumir, 1992) and its share in total export has increased from less than 1 percent to over 40 percent in 1990 (Hossain and Sen, 1992). Yearly export earnings from garments have increased from US\$ 130 million in 1986 to over US\$ 1 billion in early nineties (Bowring, 1991: 12). Table 5.8.1 presents a picture of the contribution of garment sector in the economy of Bangladesh.

**Table 5.8.1**

**Contribution of garment sector in the economy of Bangladesh**

Items	Contributions
Export earnings (billion US\$).	1.1
Total employment ('000)	690
Foreign exchange earnings (million US\$).	337.5
Growth of fixed assets (million US\$).	631.25
Total tax realised (million US\$).	51.25
Income from allied sectors (million US\$).	137.5

Source: Titumir, R.M. (1992); "Weekly Bichitra", Dhaka, 16 October, p. 31.

### 5.8.2: Bangladesh Food Industry

The Bangladesh food industry is mainly characterised by traditional production and marketing approach. Large number of food items are processed through indigenous methods. Food items sold in the local market are mostly non-branded. Production and marketing of branded food products on a mass scale is of recent origin. Most of the firms are small and medium sized. There are some large firms too. Most of the small and some of the medium sized firms are labour intensive and use primitive technology involving human hands. Modern production technology is used in the large firms producing/processing such items as bread and biscuits, milk, tea, beverages, jam, jelly, honey, edible oil etc. These branded items are marketed mostly in the urban areas where about 24.3 percent of country's 110.3 million population live (Statistical Pocket Book of Bangladesh 1990: 61). In recent times Bangladesh has entered international market with her processed food which mainly comprise frozen food such as shrimps and prawns, froglegs, fishmaws, shark fins and tails and other fresh/chilled fish. The total production and exportable surplus of these items have recently stood at 7278,100 metric tons and 77,100 metric tons respectively (Exportable from Bangladesh, 1992: 30). During 1990-1991 the total export earning from this sector stood at US\$ 148.8 million (Exportable from Bangladesh, 1992: 28). During 1990-91, Bangladesh also exported tea of US\$ 50.00 million worth (Bangladesh Export Statistics, 1990-91: 6). Table 5.8.2 shows production position of various food products in Bangladesh during the period, 1986-1991. The table indicates that the beverage industry experienced tremendous growth in terms of production in the last five years when its production increased six times

during the period (1987-1991) followed by the sugar industry where production was doubled during the same period. All other items recorded increased in their production during the period excepting shrimps and froglegs which shows sudden drop in the early 1990s.

**Table 5.8.2**

**Production of leading food products in Bangladesh during the period, 1986-1991.**

Name of items	Value in million US\$				
	1986-87	1987-88	1988-89	1989-90	1990-91
Bread and biscuits	3.63	4.77	4.54	4.59	-
Flour	8.59	10.05	10.72	10.93	10.88
Beverages (soft drink)	3.94	4.37	15.76	25.99	22.78
Edible oil (soybean oil)	9.78	10.55	13.13	16.18	18.15
Sugar	72.04	75.32	55.13	112.82	165.00
Shrimp, and frog legs.	12.84	22.39	25.59	38.89	3.06

Source: 1992 Statistical Year Book of Bangladesh, Bangladesh Bureau of statistics

### **5.8.3: Australian food industry**

Australia has an established tradition of food processing. Its vast areas of agricultural land and varying climatic conditions ranging from tropical to cool, make it possible to produce many types of food. An abundance of high quality agricultural raw materials and sophisticated infrastructure led to the rapid expansion of the food processing industry in Australia. the food industry is one of the largest and most efficient industries in Australia.. It contributes to 20 percent of the manufacturing

sales and 16 percent of the manufacturing employment. The industry supply above 90 percent of the total national demand (Australia's Processed Food industry, 1991). The industry is equally efficient and successful in exporting processed food especially to the Asian countries. Its export performance has been excellent since 1980's when its export figure was doubled. Australia is currently exporting over \$2 billion worth of processed food annually (Australia's Processed Food Industry, 1991).

Table 5.8.3 shows total export of Australia's leading processed food items during the period 1985-91 (in million \$).

**Table 5.8.3**

**Total export of Australia's leading processed food items during the period 1985-91 (in million \$).**

Year	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
Items						
Sea food	450	532	608	456	518	531
Confectionary	26	39	49	56	63	71
Pet food	19	42	51	72	72	102
Meat Products	60	72	58	67	67	45
Cheese	165	164	183	183	191	207
Cereal and Bakery	49	42	64	93	91	83
Vegetable Products	6	8	13	13	12	23
Fruit products	154	219	215	208	176	219
Total	923	11,18	1,241	1,148	1,190	1,280

Source: Based on information provided in "Australia's Processed Food Industries.", Department of Industry, Technology & Commerce, 1991, P. 21-34.



Australian food production has increased greatly in recent years. During the period 1988-89 total turnover of Australian food and beverage industries stood at \$30.086 billion (Australian Processed Food and Beverage Industry, 1991). During the period 1989-90 the value of production were over \$30 billion (Australia's Processed Food Industry, 1991). Australia has a world wide reputation for production of quality food.

#### **5.8.4: Australian clothing industry**

Most industrially advanced nations are net importers of clothing while most developing nations are the net exporter of them. Australia is not an exception to this rule (Lloyd, 1990). Australia uses only 5 percent and 10 percent of her annual production of wool and cotton respectively in making final textile products locally. As a group, textile and clothing has been experiencing decline in terms of value added since the 1970's. Currently the industry contributes 7 percent of the manufacturing value added and employs 10 percent of the manufacturing work force. The industry which had been highly protected, enjoyed tariff protection equivalent to 80 percent added to prices of some imported clothes in early Eighties (Neales, 1992). Federal Government policy on the industry started changing since 1986 when the government announced its industry restructuring policy to reduce tariff protection to a substantial level and removal of quota restrictions in order to make the industry competitive with other clothing manufacturing countries. According to the latest industry statement of March, 1991 protective tariffs on imported goods will be gradually slashed throughout the nineties and by the year 2000 it will be reduced to

15 to 25 percent level and import quotas will be totally lifted by 1993 (Federal Government March 1991 Industry Policy Statement as quoted in Neales, 1992). The frequent change in ground rules coupled with recession has resulted in an adverse effect on the industry which was heavily dependent on protection. The last five years have witnessed closure of 50 factories, 19 percent decline in gross production value and loss of 22,000 jobs in 1990 (Australian Bureau of Statistics, 1990).

Table 5.8.4 below shows economic performance of the industries during the period (1983-1988). The table shows that during 1983-88 the turnover and value added both increased by over 50 percent. The industry employs a workforce of 150,500. The employment figure was almost stationary between 1983-88. The import figure rose rapidly during 1983-88 recording an increase of over 70 percent. Between 1983 and 1989 export increased by 120 percent. Currently export is valued at around \$200 million annual. The production of most textile and clothing items declined or was stationary. The highest decline was recorded in shirt and jeans group.

**Table 5.8.4**

**Economic performance of the textile and clothing industries during the period (1983-1988).**

Items	period	1983/84	1984/85	1985/86	1986/87	1987/88
Turnover (\$m)		5573.4	6213.3	n.a.	7533.0	5430.6
Value added (\$m)		2442.4	2681.7	n.a.	3509.0	3756.9
Investment (\$m)		n.a.	124.0	191.0	233.0	308.0
Employment ('000)		116.8	119.3	116.5	116.1	115.5
Export (\$m)		656.1	850.0	1191.5	1355.2	1636.5

Source: Based on Annual Report, 1988-89, Textile Clothing and Footwear Development Authority. p. 2

## **5.9 : Culture, business practices and values**

The most striking differences are in the area of culture and social structure. The cultural context is important in understanding differences between two groups of people in attitude and behaviour. However, in order to analyse attitudes and behaviour in different cultural settings, an acceptable definition of culture is necessary.

Culture is a term which has, however, been notoriously difficult to define (Wines and Napier, 1992). One of the classical definitions was given by Taylor (1891). By culture he meant "that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society". Kroeber and Kluckhohn (1952) made a vigorous attempt to define culture by generating over one hundred different definitions in order to develop one suitable for use in social science research. their final definition was:

*Patterns, explicit or implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups.....the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of further action." (Kroeber and Kluckhohn, 1952: 357).*

Hofstede's (1980a, 1980b, 1981, 1983, 1984, 1985; 1994) research into cultural differences among nations from the perspective of management, has been extensively referred to in cross cultural management research in recent times. His position on cultural differences is reflected in the following paragraph:

*Culture is the collective programming of the mind which distinguishes the members of one group or society from those of another. Culture is reflected in the meanings people attach to various aspects of life; their way of looking at the world and their role in it; in their values ..... Culture, although basically resident in people's minds, become crystallised in the institutions and tangible products of a society ..... Management within a society is very much constrained by its cultural context, because it is impossible to coordinate the actions of people without a deep understanding of their values, beliefs, and expressions.*

The management practices in different countries can be analysed in the light of the above framework. Management thinking, attitudes and practices differ across countries because of the differences in the value system of managers. England's (1978, 1975) research into managerial values in five countries including Australia and India, indicates that both Australian and Indian managers have a high degree of moralistic orientation. This implies that managers in the two countries attach high importance to ethical considerations which in turn results in channelling their managerial behaviour towards actions and decisions which are judged to be 'right' (England, 1975). Australian managers also have a high level of humanistic orientation, which is consistent with the importance they attach to honour, loyalty, trust, tolerance and compassion. On the other hand Indian managers place a high

value on obedience, loyalty and trust all of which are compatible with their organisational compliance orientation (Davis and Rasool, 1988). Both Australian and Indian managers scored low on pragmatic values. These findings of England (1975) and Davis, and Rasool (1988) are reflected in the situation now prevailing in Australia and Bangladesh with regard to the general attitudes, beliefs and behaviour of managers. As a country within Indian Sub-continent, Bangladeshi managers are supposed to share many of the values of Indian managers. In some cases, however, there has been some differences because of the fact that in her 23 years of history, Bangladesh has gone through a number of changes in its economic and political policy which resulted in the change in management style of its major industries.

In the initial stage Bangladesh adopted the socialistic economic policy under which the major industries were nationalised and brought under absolute state control and at a stage about 85 percent of the means of production came under public sector. The main objective was to "shape industrial policy more in accordance with social rather than private profitability" in order to develop a countervailing power to private monopoly (Reza, Rashed and Alam, 1987). Accordingly, the management of the nationalised industries was placed under eleven public corporations. Since there was a dearth of qualified managers experienced in managing the giant corporations especially because of removal of Non-Bengalee employees for political reasons, the vacuum was quickly filled by bureaucrats, less experienced employees, and inexperienced political personnel. The obvious result was chaos, confusion, mismanagement and excessive bureaucracy which crippled the administration of the nationalised sector. Production came down to a low level,

scarcity of essential commodities were keenly felt in all the areas of consumption. The firms under almost all the nationalised corporations became most ineffective in terms of profitability, productivity, growth, marketing and employment generation. Initially private sector was confined to small enterprises because of investment ceiling of TK. 2.5 million (US\$ 62,000) in private sectors. However, the ceiling was refixed at TK 30 million in 1974 and in 1975 it was raised to TK 100 million. Since then a series of change was made to the industrial policy until the ceiling was totally withdrawn in order to create a favourable atmosphere of the unhindered expansion of private sector. The current policy indicates that Bangladesh is now heading towards establishing a free market economy although there is still a big role played by the public sector (Habibullah, 1988). Apparently, Bangladesh is now experiencing a mixed economy where both public and private sector do exist with a decreasing emphasis placed on public sector. However, if the present trend of strengthening private sector through disinvesting public sector industries along with encouragement of establishment of industries in the private sector, continues the whole industrial climate will change in favour of private sector in future. In the face of the waves of changes in the industrial climate of Bangladesh over the past two decades, there has been obvious effect on the development of management profession and practices.

The simultaneous presence of public and private sectors in the economy has led to the emergence of two distinct managerial patterns and practices. Obviously the management style has undergone changes in recent times especially in the private sectors. After reviewing the relevant studies conducted by Habibullah (1974), Ahmad (1974) and Sobhan and Ahmed (1986), Razzaque (1991) commented that

Bangladeshi managers who usually prefer authoritarian type of leadership, tend to equate authoritarianism with professional management. Consultative management involving subordinate's participation in decision making is rarely practiced or encouraged. This trend is more prevalent in the public sector where administration is more bureaucratic in nature. Managers usually prefer "closed door policy" and are serious about rules and protocols.

Razzaque (1991), further observed that the private sector has a comparatively more progressive attitude towards management and therefore their management style reflects more openness or flexibility. Mutual trust and comparatively simpler procedures are adopted at different levels of managerial decisions. Managers in the private sector are mostly result based in their attitudes and behaviour.

The rapid development of the garment industry in Bangladesh in recent times can be linked with the policy of the government towards strengthening the private sector. The industry has grown as a result of the extremely liberal trade policy. Almost 100 percent of the garment industry in Bangladesh is privately owned and managed. The number of firms has increased from 40 in 1983 (Hossain and Brar, 1988) to 1,228 in 1992 (Titumir, 1992). Currently, the industry is the largest foreign exchange earner (1.5 billion in 1992) of a country which desperately needs huge foreign exchange for the implementation of its development plans. Because of its export orientation, the industry has witnessed a change in its management and marketing orientation. The attitudes of the managers are internationalised, for they have to meet the varying demand of the various customers from many different

nations. The managers are well aware of the international regulatory environment with regard to quality, price, promotion and distribution of their products. The situation relating to industrial relations in the industry is very healthy. Though formal unionism is yet to be organised for and by the employees and workers, a great majority of whom are women, they prefer the government to determine their wages (Hossain and Brar, 1988).

As regards moralistic attitudes and behaviour of the managers in Bangladesh it has been observed that misuse of power and position is a common practice. Using subordinates for personal and household tasks, office facilities for personal use are among the most frequently practiced immoral behaviour of the managers which are prevalent both in public and private sectors. Bribing public officials for issuing of permits/licence, project approval and so on is also widespread (Hoque, 1985, Razzaque, 1991).

A careful review of managerial practices concerning ethical and moral standard of managers in Bangladesh, reveals that many managers are involved in unethical practices like tax evasion, bribing and marketing malpractices such as counterfeiting and adulteration of products, unnecessary hoardings, black marketing, use of defective weights and measures, deceptive advertising and charging exorbitant price. (Hasan, 1992; Quddus and Ali, 1986; Hoque, 1985; Ali, 1985, 1984; Ahmed, 1981; Zawad and Ahmed, 1985; Farouk, 1982).

The situation in Australia with regard to cultural and managerial practices and



values is in many respects a contrast with those of Bangladesh. As a result of the strict regulatory environment, Australian business has historically been committed to the standards both in the areas of production and marketing of goods and services including their promotion and distribution. Since Australia has been under the market economy, unlike Bangladesh, its basic economic structure reflects the basic laws of the capitalist economic systems and obviously the private sector has been the strongest sector of the economy. Therefore the attitudes and behaviour of managers were largely influenced by the competitive marketing systems operating under the 'rules of the game in Australia. Besides, the high level of honesty prevailing in Australian society has an impact on its judicial system, law enforcing mechanism, political system and public administration.

**Table 5.8.5**

**Position of Australia and Bangladesh with regard to business practices.**

Particulars	Status	
	Australia	Bangladesh
1. Product quality	Highly maintained	Fairly maintained
2. Deception/misleading advertising	Highly regulated	Not at all regulated.
3. Product piracy	Rare	Highly prevalent
4. Adulteration	Almost absent	Highly prevalent
5. Self regulatory trend among business.	Moderately high	Almost absent
6. Product safety measures	Obligatory	Voluntary
7. Written code of business ethics.	Fairly present	Almost absent.
8. Complaint handling	Extensive	Rare
9. Open dating practices	Obligatory for all	Obligatory for a few
10. Charitable/philanthropic activities	High	Very limited
11. Compliance with regulations	Highly prevalent	Rare
12. Environmental protection	Obligatory	Voluntary
13. Warranty and guarantee commitments.	Widely met	Rarely met

Unlike Bangladesh the principles of justice, honesty and morality and equity have been institutionalised in Australian society and have been reflected in the operation and management of the major institutions including business. There is a highly positive attitude towards abiding by the laws and rules in the society as everyone is treated equally and nobody is above the law. Obviously, the above environmental factors have exerted an influence on Australian business and as such the attitudes and action of business reflect the above norms and values of society. Strict regulation and a high level of consumer awareness about their rights and the continuous vigilance of the business regulatory agencies and private consumer organisation over business practices have made Australian market almost free from malpractices such as counterfeiting, adulteration, deception in advertising and promotion, charging exorbitant prices. However, some isolated incidents which are often reported in the media and brought to the notice of the concerned agencies, are found to be resolved in the light of the existing legal framework.

#### **5.10: Conclusion**

To sum up, the above comparison of Australia and Bangladesh on a number of dimensions reveals that Australia and Bangladesh have more dissimilarities than similarities. This is, however, quite expected, as the two countries represent two divergent environments in terms of cultural, social, economic and legal positions. Although most of the contrasts have resulted from the stage of development the two countries are in, the most unique contrast that has come out of this comparison is in the physical environment. This needs to be emphasised here as it may be critically

important in explaining the results to be presented study to be presented in the later chapters of this thesis.

Although the climatic conditions of the two countries have some similarities such as mild winter and clear sky in most parts of the year, they pose a major contrast in the way the nature treats the two nations. While Australia is traditionally known as a country characterised by a benign physical environment having some minor incidents of natural calamities like earthquake, cyclones and storms, Bangladesh has historically been well known as an unfortunate nation caught in the hostility of the nature. Natural catastrophes such as cyclones, floods, draughts, storms and epidemics are regular phenomena in Bangladesh. In the last two decades over two dozen cyclones and storms have hit Bangladesh, causing enormous destruction to human lives and property including standing crops. This special element in the physical environment has put Bangladesh in sharp contrast to Australia where natural calamities are never as severe as in Bangladesh.

These regular natural calamities in Bangladesh resulted in devastating effects on the whole nation- its economy, people, business, politics and life styles. This has brought about change in the attitudes of society as well as its social institutions, including business. It has made life in Bangladesh more challenging than it is in Australia. The response of the international community has been great. The Government, business community, Non-government Organisations (NGOs) including private consumer organisations, philanthropic and social organisations are all involved in the process of management of a national crisis. The private business

sector has always showed a positive attitude towards this social responsibility which has been reflected in their huge assistance in both cash and in kind. Their attitudes and commitments to such social issue has been intensified following the recent government policy of strengthening the private sector by reducing the size of government owned industries.

There has been another social factor which led Bangladeshi business to have a greater feeling towards their commitments in the social responsibility arena. In contrast to Australia, governments in Bangladesh have historically suffered from chronic financial difficulties in financing development projects. Therefore, Bangladesh has not been able to run a social welfare policy like that of Australia. Besides, there are few private philanthropic organisations in Bangladesh to help distressed humanity. However, recently some NGOs (non government organisations) are taking an active part in this respect. But still the major responsibility lies with the private business community, who has the resources and technical capability to extend a helping hand in overcoming the vast social problems facing Bangladesh.

Finally the two countries differ significantly in the regulatory environment. Business activities in Australia are vigorously regulated by a plethora of legislation. In addition, a number of private consumer organisations are also working towards making consumers aware of business practices and emerging issues related to consumer protection and are lobbying with government for the protection of consumer interests leading to enactments of new legislation. Consumerism has, in fact, been institutionalised in Australia and most business operations are subject to

existing legal norms. In Bangladesh the regulatory environment is almost the opposite to that in Australia. Although there is some legislation, most of which was enacted in the eighties, little has been fully implemented. There are hardly any regulatory agencies at government level. Business activities are, therefore, largely unregulated. The activities of the private consumer organisations, are, however, becoming visible in recent times. They have started to mobilise public opinion by holding seminars and symposia in the various regions of the country involving government officials, business people, general public, legal practitioners and teachers (Consumer Voice, March, 1992; April, 1992; December, 1991; April, 1990). They are also publishing reports of their surveys on various areas relating to consumer interests (Consumer Voice, January, 1992; October, 1991; CAB Annual Report, 1990).

## **CHAPTER 6**

### **ENVIRONMENT AS A MODERATING VARIABLE**

#### **6.0: INTRODUCTION**

This chapter explores the impact of macro environmental variables on managerial perceptions of corporate social responsibility and behaviour.

The literature review highlighted the potential importance of the macro environment as a variable moderating both perception and behaviour in regard to social responsibility. In particular the level of economic development was identified as a major environmental factor.

In this chapter, the relevance of macro environment is explored in terms of two major variables - country and industry. The two countries involved, Australia and Bangladesh, are very different in both level of economic development and in terms of culture. The two industries clothing and textile and food are also different, often in terms of regulatory structure, and in exposure to external or international market forces. The industry effects can be found in both Australia and Bangladesh. Using these two macro environmental variables, this chapter focuses on four environments, identifying significant differences in attitudes and behaviour that can

be linked to these variables. Differences were found, but so too were important similarities.

### 6.1: PERCEIVED IMPORTANCE OF OVERALL SR ISSUE

The ANOVA reported in Table 6.1 shows that there is a significant country difference in the perception of managers as to the importance of corporate social responsibility. It suggests that Bangladeshi managers perceived social responsibility (SR) to be more important than did their Australian counterparts.

**Table 6.1**

**Significant differences and interactions in the overall managerial attitudes towards Corporate Social Responsibility using two way ANOVA.**

Variables	Source of variation	Sig.*	Interaction	Sig.*
Perceived importance of corporate social responsibility (A1)	Country (B)	.000	Country x industry	NS

- Note:**
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicates which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at a 5 percent level ( $P < .05$ ).

However, it is interesting to note that the mean values for Australian and Bangladeshi managers were 4.10 and 4.37 respectively (on a 5 point scale where 1 represents unimportant and 5 represents very important) implying that managers in both countries perceive social responsibility issues to be important for their businesses (Table 6.2).

**Table 6.2**

**Mean scores of Australian and Bangladeshi managers with regard to the perceived importance of corporate social responsibility in general.**

Variable	Statement	Mean score	
		Australia	Bangladesh
A1	Overall importance of social responsibility	4.10	4.37

This suggests that corporate social responsibility is accepted irrespective of the country or culture in which managers operate. This result corroborates the findings of another comparative study of attitudes of British and Indian managers towards social responsibility of business (Khan, 1985). This study found similarly a very high level of acceptance of corporate social responsibility amongst British and Indian managers. The possibility that culture may have very little or no significant impact on managerial perceptions of social responsibility and ethical beliefs of managers is also supported by other studies (Abratt, Nel and Higgs, 1992; Tsalikis and Nwachukwu, 1989; Izraeli, 1988; Khan, 1985; Khan and Atkinson, 1987).

**6.2: COMPANY POLICY ON CORPORATE SOCIAL RESPONSIBILITY**

As regards company policy towards social responsibility, the ANOVA comparison presented in Table 6.3 shows that there is a significant difference between the two countries.



**Table 6.3**

Significant differences and interactions regarding company policy towards Social Responsibility using a two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Company policy on social responsibility (A2)	Country (A)	.00	Country x industry	.00

Note: 1. Results obtained from a sample ANOVA applied to each item separately.

2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
3. NS denotes 'not significant'.
4. \* denotes significant at a 5 percent level ( $P < .05$ )

It is apparent from the mean values presented in the following table that Australian managers have a more positive attitude towards the formation of specific policy on social responsibility.

**Table 6.4**

Mean scores of Australian and Bangladeshi managers with regard to the policy on social responsibility.

Variable	Statement	Mean score	
		Australia	Bangladesh
A2	Company policy on social responsibility	2.91	2.29

Note: Mean value based on 5 point scale as follows:

1. Not considered the issue
2. We have considered the issue but have not formulated specific policy statement.
3. We have specific policy statements on particular aspects of social responsibility.
4. We have a broad statement on social responsibility appearing as part of other policy statement.
5. We have a general company wide policy statement on social responsibility that applies to all areas of our business.

It follows from this result that although Australian managers place a slightly lower importance on social responsibility issues, they are more likely to have

established specific policy on social responsibility. This may be due to a strong regulatory environment in Australia which requires businesses to have a clear- cut policy on many social responsibility issues such as environmental protection, product safety, information and nutrition labelling.

The ANOVA also suggests a significant country-by-industry interaction in the extent to which company policy reflects SR. Among Australian respondents managers in the food industries have a more favourable tendency towards implementing specific policy on social responsibility in contrast to Bangladesh where managers in the clothing industry showed a somewhat stronger tendency towards a specific policy on social issues. The group mean scores can be found in Table 6.5.

**Table 6.5**

**Group mean values (A2)**

Industry Country	Clothing	Food
Australia	2.60	3.21
Bangladesh	2.31	2.23

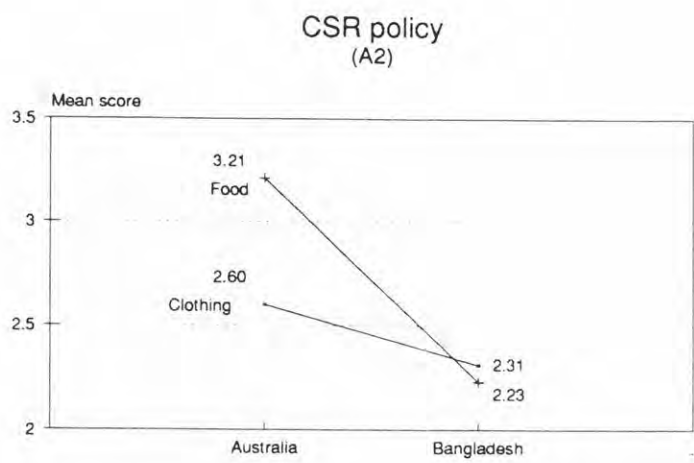
The interaction is understandable in the context of the situations in the Australian food and Bangladeshi clothing industries. Food is one of the most highly regulated sectors in Australia. A specific policy on social responsibility is thus largely a reflection of the strict regulatory environment. All food manufacturers must have a definite policy on a wide range of issues in the production, distribution, pricing and promotion of their food products as required by relevant laws at both Federal and State levels. There are numerous specific areas where labelling of

ingredients, nutrition, safety, expiry date, date of manufacture and packaging are compulsory for all food manufacturers. The highly competitive environment in the industry may also be an important factor for the development of specific policy on societal issues.

In contrast, in Bangladesh there is no strict regulation in the food industry. This is probably because marketing of branded food items is only in its introductory or early growth stage. Export of food items is also growing slowly. Since strict regulation at this stage could harm the development of this industry, societal expectations seem to have centred around the classical responsibility of this industry which includes production and distribution of food items at a profit.

The comparatively higher implementation of social responsibility among Bangladeshi subjects in the clothing industry is also linked with the legal provisions they have to comply with while exporting garments to the West. Since the bulk of Bangladesh made garments are marketed internationally, the attitudes of most firms are influenced by the regulatory environments of their target markets rather than that of their home country. The interaction is graphically presented in Figure 6.1.

Figure 6.1



6.3: ATTITUDES TOWARDS CORPORATE SOCIAL RESPONSIBILITY

Twenty five statements were included in the survey instrument. An ANOVA for each statement separately revealed that country had a significant effect on managerial perceptions of corporate social responsibility in thirteen statements or items. In nine cases, however, managers in the two countries did not have significant differences in their perceptions of the social responsibility issues. Industry had a significant effect in two items and Country-by-industry interactions were found in two items (A3j and A3x).

6.3.1: General areas of agreement

As mentioned earlier both groups of managers held similar attitudes towards social responsibility (SR) in nine items. The relevant mean values can be seen in

table 6.6 and the results of ANOVA can be found in Table 6.7. The results relating to the relevant statements are as follows:

**A3a:** The mean attitude scores for this statement which is concerned with the idea that "business can avoid further regulation by adopting social responsibility programs" were 3.32 and 3.22 for Australia and Bangladesh respectively. This shows that both groups of managers generally agreed with the assumption of social responsibility as a proactive measure to avoid the imposition of regulation on their business. This also reflects anti-regulation sentiments and preference for self regulatory practices irrespective of the differences in the environment in which they operate. An alternative view of the data shows an agreement by 54.9% of Australian and 53.2% of Bangladeshi managers with the argument, confirming their generally proactive positions with regard to avoiding future regulation. Although less definitive, this finding corroborates the result of another study (Ostlund, 1977, 1979/80) who found a similar level of agreement among the top and operating managers of the Fortune 500 firms in the United States. This result is also supported by another study conducted by Ford and McLaughlin (1984) which revealed 71% of the CEO'S agreeing with a similar statement. This finding also lends some support to Khan's (1985) work where anti-regulatory sentiments towards social responsibility were found among 85 percent of British and 80 percent of Indian managers.

**A3b:** This statement reads "the increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution". The mean score of 3.79 for both samples indicates that managers in

both countries generally agree that there is a potentially important feedback dynamic in the exercise of social responsibility by business. This may reflect a concern that once a particular social problem has been fixed by business, society may be encouraged to ask business to fix more and more problems of that nature which in turn may lead to an endless process. This may put heavy pressure on business for involvement in more and more non-economic areas and cause it to deviate from its basic economic objectives. Moreover, at a particular point social demands may go beyond the capability of business and thus jeopardise its primary functions. Agreement with the item by a large majority of managers both in Australia (76.5 percent) and in Bangladesh (77.1 percent) indicates that managers working in these two divergent environments have a high degree of consensus as to the link between involvement and expectation.

**Table 6.6**

**Mean attitude scores and distribution of managers according to their response category regarding attitudes towards social responsibility in Australia and Bangladesh**

Statements	Australia				Bangladesh			
	Mean	% agreeing	% uncertain	% disagreeing	Mean	% agreeing	% uncertain	% disagreeing
Business can avoid further regulation by adopting social responsibility programs (A3a).	3.32	54.9	18.6	26.5	3.22	53.2	14.7	32.1
The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution (A3b).	3.79	76.5	16.6	6.9	3.79	77.1	15.6	7.3
Social responsibility is an effective basis for competing in the market (A3c).	3.22	50.0	18.6	31.4	3.58	65.5	18.8	16.1
Business should realise that it is a part of a larger society and therefore it should respond to social issues (A3d).	3.87	81.4	12.7	5.9	4.16	92.2	6.0	1.8

**Contd.....P. 234**

**Table 6.6 contd.**

Statements	Australia				Bangladesh			
	Mean	% agree-ing	% uncer-tain	% dis-greeing	Mean	% agreeing	% uncer-tain	% dis-agreeing
Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs (A3e)	2.53	20.6	17.6	61.8	2.62	24.3	23.4	52.3
Contributing to the solution of social problems can be profitable for business (A3f)	3.33	20.5	26.5	53.0	3.59	65.2	20.6	14.2
Regulation is not sufficient to ensure business behaves in a socially responsible way (A3g).	3.42	60.8	14.7	24.5	3.67	70.2	17.9	11.9
Other social institutions have failed to solve social problems. So, business should now try (A3h).	2.65	15.7	38.3	46.0	2.92	24.3	46.3	29.4
Business should tackle only those social problems that are created by its own actions (A3i)	3.01	43.1	12.7	44.2	3.09	45.9	12.8	41.3
Social responsibility programs may be helpful in discouraging irresponsible behaviour by business (A3j)	3.65	10.7	15.8	73.5	3.78	75.7	11.9	12.4

**Contd.....P. 235**



**Table 6.6 contd.**

Statements	Australia				Bangladesh			
	Mean	% agree-ing	% uncer-tain	% dis-greeing	Mean	% agreeing	% uncer-tain	% dis-agreeing
Business already has a lot to do and should not take on other responsibilities (A3k)	2.51	16.6	24.6	58.8	2.43	17.0	16.5	66.5
Business has the necessary money and talent to engage in social action programs (A3l)	2.53	13.7	39.2	47.1	3.50	61.5	20.2	18.3
Society expects business to help solve social problems as well as to produce goods and services (A3m)	3.26	50.9	22.6	26.5	3.87	76.6	17.5	5.9
Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (A3n)	2.85	31.4	18.6	50.0	3.31	52.8	22.0	25.2
Corporate social action programs can help build favourable image for a business (A30)	4.0	88.2	9.8	2.0	3.90	82.6	9.6	7.8

**Contd.....P. 236**

**Table 6.6 contd.**

Statements	Australia				Bangladesh			
	Mean	% agree-ing	% uncer-tain	% dis-greeing	Mean	% agreeing	% uncer-tain	% dis-agreeing
Business has a definite responsibility to society apart from making a profit (A3p)	3.78	76.5	14.7	8.8	4.04	84.4	12.4	3.2
Corporate managers need to be trained so that they can effectively contribute to solving society's problems. (A3q).	3.19	45.1	28.4	26.5	3.71	69.8	16.5	13.7
A business that ignores social responsibility may have a cost advantage over a business that does not. (A3r)	3.21	50.0	21.6	28.4	3.05	41.13	21.1	37.6
It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations. (A3s)	2.84	25.5	32.4	42.1	2.63	21.1	26.6	52.3
Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business. (A3t)	3.31	49.0	25.5	25.5	3.22	50.0	18.8	31.2

**Contd.....P. 237**

**Table 6.6 contd.**

Statements	Australia				Bangladesh			
	Mean	% agree-ing	% uncer-tain	% dis-greeing	Mean	% agreeing	% uncer-tain	% dis-agreeing
Business should use its resource and talents for its own growth to ensure better service to society (A3u).	3.55	63.7	20.6	15.7	3.82	74.8	15.1	10.1
Society expects business to contribute to economic growth as its only concern. (A3v)	2.62	19.6	24.5	55.9	2.87	29.4	27.2	43.5
By transferring the cost of social involvement to society, business may weaken its image with the public. (A3w)	2.95	26.4	40.2	33.4	2.79	32.1	19.2	48.7
Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off (A3x).	2.47	18.6	15.7	65.7	2.68	23.4	27.5	49.1
It is unwise to ask business to fix social problems created by others and which have no profit potential (A3y)	2.85	28.4	27.5	44.1	3.05	37.1	27.1	35.8

**Table 6.7**

Significant differences and interactions in the managerial attitudes towards Corporate Social Responsibility

Variables	Source of variation	Sig.*	Interaction	Sig.*
Social responsibility is an effective basis for competing in the market (A3c)	Country (B) Industry (F)	.00 .00	-	NS
Business should realise that it is a part of a larger society and therefore it should respond to social issues. (A3d).	Country (B) Industry (F)	.00 .03	-	NS
Contributing to the solution of social problems can be profitable for business.(A3f).	Country (B)	.01	-	NS
Regulation is not sufficient to ensure business behaves in a socially responsible way.(A3g).	Country (B)	.04	-	NS
Other social institutions have failed to solve social problems. So, business should now try.(A3h).	Country (B) Industry (F)	.00 .01	-	NS
Social responsibility programs may be helpful in discouraging irresponsible behaviour by business.(A3j).	-	-	Country x Industry	.00
Business has the necessary money and talent to engage in social action programs. (A3l)	Country (B)	.00	-	NS

Contd.....P. 239

Table 6.7 contd.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Society expects business to help solve social problems as well as to produce goods and services (A3m)	Country (B)	.00	-	NS
Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests. (A3n).	Country (B)	.00	-	NS
Corporate social action programs can help build a favourable image for a business (A3o)	Industry (F)	.00	-	NS
Business has a definite responsibility to society apart from making a profit (A3p)	Country (B)	.00	-	NS
Corporate managers need to be trained so that they can effectively contribute to solving society's problems (A3q)	Country (B)	.00	-	NS
Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A3t)	Industry (C)	.00	-	NS
Business should use its resources and talents for its own growth to ensure better service to the society.(A3u).	Country (B)	.01	-	NS
Society expects business to contribute to economic growth as its only concern.(A3v).	Country (B)	.02	-	NS
Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off. (A3x).	Country (B)	.05	Country x Industry.	.04

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicates which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at a 5 percent level ( $P < .05$ ).

A3e: This statement which defines Social responsibility as accepting the 'rules of the game' is based on the argument that "Social regulation has already put

a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs". It is apparent from the mean scores of 2.53 and 2.62 for Australia and Bangladesh respectively that the attitudes of managers tend to disagree with this proposition. The percentage score, however, suggests that a majority of managers in both countries (61.8 percent in Australia and 52.3 percent in Bangladesh) have rejected the above position, thus indicating their support for the broader view of social responsibility reaching beyond regulation. Almost similar findings emerge with regard to item A3i which states that "It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations". The strong similarity among the attitudes of managers in the two countries with regard to the above two arguments, in fact, suggests that business people look beyond regulation in their perception of social responsibility irrespective of their socio-cultural and political differences. This finding, runs counter to the theory that in most cases the social responsibility of business is confined to a narrow perspective in the developing countries because of comparatively low societal pressure on business (Daniel et al., 1979; Negandhi and Prasad, 1971).

**A3i:** The argument put forward under this variable is that "business should tackle only those social problems that are created by its own actions". This statement relates to the traditional assessment of a firm's extent of responsibility to society. It appears from the mean value which is just above 3 in both cases, that the firms in both countries tend to agree with the above conservative view. However, the percentage of agreement on this issue are 43.1 and 45.9 for Australia and

Bangladesh respectively. This shows that a slight majority of managers in Australia and in Bangladesh perceive social responsibility in a less restrictive sense i.e going beyond the solution of those problems that result from their own operations, such as control of pollution.

The findings with regard to the above issue can be linked with the findings of a similar item, i.e. "It is unwise to ask business to fix social problems created by others and which have no profit potential" (A3y). The mean agreement scores on this statement are 2.85 for Australia and 3.05 for Bangladesh, which does not show strong agreement on this issue. This is also reflected in the agreement scores of the respondents which are 28.4% and 37.1% for Australia and Bangladesh respectively. The percentage of managers disagreeing with this statement is 44.1% and 35.8% for Australia and Bangladesh respectively. It is interesting to note that 27% of managers of both groups are uncertain as they neither agree nor disagree with this issue. The conclusion that may be drawn from this result is that although the attitudes of managers in both countries are divided as to whether or not they should strive to attend to a social problem with no financial incentives in it, they have a slight tendency to agree that they should so act. This highlights a transitional stage in their attitudes from a narrow profit orientation to the broader arena of SR. In terms of the basic model (Figure 2.2, chapter 2) they lie between the classical and socioeconomic view.

The above results, however, contradict the findings of Orpen (1987) who observes a significant difference between the attitudes of American and South

African managers with regard to a similar argument which read "business is responsible for making a profit and helping to solve just those social problems it has created". The percentage scores supporting the view were, however, low for both groups (18 percent and 25 percent for America and South Africa respectively), which is similar to the present study.

**A3k:** This statement, "business already has a lot to do and should not take on other responsibilities", refers to a classical position concerned with the excuse for avoiding social responsibility on the plea that business is overburdened with its traditional functions and, therefore, should not take extra responsibility. Managers in both countries tend to dismiss this view as is evident from the mean values of 2.5 and 2.4 respectively for Australia and Bangladesh. This trend is also reflected in the majority of managers (58.8% in Australia and 66.5% in Bangladesh) disagreeing with this view in both countries. The results, therefore, suggest that most managers in the two countries have a consensus towards assuming extra responsibility such as SR.

**A3r:** This statement, "a business that ignores social responsibility may have a cost advantage over a business that does not", drew the attention of a number of researchers in the past as it captures a vital issue relating to the possible effects of cost of SR on the performance of business in the competitive sense. The mean attitude scores of both groups (3.2 for Australia and 3.05 for Bangladesh) apparently suggest that managers in the two countries tend to accept the fact that the cost of social responsibility puts a firm in a disadvantageous position in comparison with a



firm avoiding this cost by ignoring SR. The alternative view of the data indicates that a large proportion of managers in both countries (50% percent 41% in Bangladeshi) tend to agree with the statement (Table 6.6). However, disagreement of 37% Bangladeshi managers as against 28 percent of Australian managers with 21 percent remaining uncertain in both groups, perhaps reflects a diversified opinion among both groups with a slight tendency to agree. This finding is, however, inconsistent with the results of another study which found a clear statistically significant difference between two groups of managers in two different countries characterised by different external environments i.e. the U.S.A. and South Africa (Orpen, 1987).

**A3w:** This statement is concerned with the view that "by transferring the cost of social involvement to society, business may weaken its image with the public". The argument behind this statement is that the cost of social responsibility is ultimately borne by society by way of increased price and deteriorating quality. Therefore, in the end, social involvement tends to damage the image of business. Mean values of 2.95 for Australia and 2.79 for Bangladesh suggest that they have a tendency towards disagreement with the statement. This is supported by the percentage scores of managers in the two countries. The percentage scores of managers agreeing with the view stand at 26.4 for Australia and 32.1 for Bangladesh. A number of managers in both countries are uncertain in their attitudes, which is reflected in 40% of managers in Australia and 19.3% in Bangladesh neither agreeing nor disagreeing with the above argument. However, the tendency towards disagreement is perhaps due to the fact that business in both countries are now

operating in a competitive marketing environment in which there is a limited possibility of transfer of the cost of social involvement to the buyer in the form of price increases.

The above discussion shows that there are some areas of social responsibility where managers in both countries seem to have arrived at a consensus. This finding is in line with other studies, where the broader environments (nationality/cultural) in which managers conduct their business were found to have no significant impact on their perception of social responsibility and ethics (Ali, 1993; Abratt, Nel and Higgs, 1992; Tsalikis and Nwachukwu, 1989; Izraeli, 1988; Khan, 1985; Khan and Atkinson, 1987). It is to be noted that the areas of agreement range over a number of issues in SR. There is broad acceptance of the need to extend social responsibility beyond the narrow confines of the classical factors, and that there are benefits to business from acting in this way. There is a shared concern as to the dynamic interaction between business involvement and social expectations. There is also a narrow agreement between the two group of managers that acceptance of social responsibility may bring cost disadvantages. Although there is broad agreement on these issues it is also evident from the frequency distribution of the specific responses that many managers hold opposing opinions. In terms of the model summarised in Figure 2.2 (chapter 2), managers will be found whose views fit into any one of the four quadrants. This diversity of opinion is an important element in regulating and social policy concerning business behaviour and is common to both distinctive environments.

### 6.3.2: Significantly different items

There are thirteen items where significant differences were found between Australian and Bangladeshi managers with regard to their attitudes towards social responsibility. The mean values and percentage scores for these items are presented in Table 6.6 while the results of ANOVA are presented in Table 6.7.

**A3c:** A significant national difference in favour of Bangladesh with regard to the idea that "social responsibility is an effective basis for competing in the market" is reflected in the mean values of 3.22 and 3.58 for Australia and Bangladesh respectively. This is also supported by the agreement of the majority of Bangladeshi managers (65.5 percent) as compared to their Australian (50 percent) counterparts. Although both groups have marginally favourable attitudes towards this view, the reason for the greater level of agreement by Bangladeshi respondents may stem from the fact that Bangladeshi respondents who mostly comprise managers working in the garment sector, focus on Western markets. Since those markets are highly competitive and regulated, socially responsible behaviour as reflected in product quality, safety, and labelling and environmental friendliness can be considered as important factors for success in those markets. Therefore, managers perceive social responsibility as contributing to differentiation in target markets. Further, in local markets a socially responsible action such as philanthropy can be a useful basis of competition. Since in Bangladesh there is a wider scope for charitable giving in the context of mass poverty and the financial incapability of government, a firm can use

its good record of charitable performance as a competitive strategy. This finding seems to be consistent with the observation of Filios (1986) who commented:

*There is reasonable empirical evidence relating a firm's voluntary social actions at least in some areas, to increases in demand and demand in elasticity for its products. In general we may infer (given the existing evidence) that voluntary actions regarding externalities are translatable into increased receptivity for a firm in its product markets.*

A3d: This statement which is concerned with the argument "Business should realise that it is a part of the larger society and therefore, it should respond to social issues", has been agreed with to a greater extent by Bangladeshi managers reflected in their higher mean score (4.16) as compared to that of the Australians (3.87). This significant difference between the two samples in favour of Bangladesh can again be attributed to differences in the broader environment in which managers operate their business. The special circumstances prevailing in Bangladesh may have generated a greater eagerness on the part of businesses to express their solidarity with society and to respond to societal needs, especially during the regular natural disasters that warrant special responsibility and commitment. A social orientation in the thinking of business has also resulted from the absence of welfare facilities provided by the government. The financial incapability of the government is mainly responsible for the absence of a social security scheme in Bangladesh. Therefore, some organisations should take responsibility of supporting distressed humanity. Since the private business sector is the most powerful institution in Bangladesh, controlling the bulk of society's resources, it should assume some reciprocal responsibilities. The extra responsibility felt by business in Bangladesh is reflected in the greater level of agreement with the above mentioned statement and is consistent with the moral

agency theory endorsed by Rawls (1971) and Manning (1984) which states that a business acts as a moral agent in the society and has a responsibility to society just as an individual has some moral responsibility. These attitudes of business are also consistent with the stakeholder theory under which business is responsible not only to stockholders but also to various stakeholder groups including the community (Freeman, 1984, Alkhafaji, 1989). The position of the vast majority of the Bangladeshi firms (92.2%) who endorsed the above argument falls into quadrant 2 and 3 in the basic model, with many falling into the philanthropic section in quadrant 3. This is consistent with the finding emerging from an examination of the areas of agreement earlier in this chapter.

**A3f:** The significant difference between the attitudes of the two groups in favour of Bangladesh with regard to the statement "Contributing to the solution of social problems can be profitable for business", is conceivable in the context of the long term profit objectives of Bangladeshi firms. As mentioned above, a business that contributes to the solution of social problems, such as helping distressed humanity, would create a good image for that business in the society which would be eventually profitable for business. This belief is consistent with a number of studies which have found a positive relationship between social involvement and profitability of a firm (McGuire, Sundgren and Schneeweis, 1988; Freeman and Gilbert, 1987; Cochran and Wood, 1984). In two similar studies Ostlund (1977, 1979) found a lower level of support of managers for the above argument.

**A3g:** This statement is based on the argument that social responsibility can not be defined in terms of regulation as it goes beyond the requirements of law because social responsibility comprises many voluntary activities. A significant difference in the managerial attitudes towards this issue in favour of Bangladesh again reflects the current situation in Bangladesh. Firstly the amount of regulation now in force in Bangladesh is so scanty that it can not ensure that business behaves in a socially responsible manner. Secondly it is very hard to implement a regulation in a developing society such as Bangladesh as a result of the presence of bureaucratic and political influence and wide spread corruption in its implementation. Thirdly Bangladeshi business has to go beyond regulation through voluntary activities in serving society considering the special needs of society during emergency periods. These special circumstances may be reflected in their greater level of favourable attitudes towards the statement, "regulation is not sufficient to ensure business behaves in a socially responsible way". The comparatively lower level of favourable attitudes among Australian managers towards the proposition is a reflection of the fact that regulation ensures the socially responsible action of corporations to a greater extent in Australia. This result supports the philanthropic view of social responsibility noted earlier and is based on the premise that business often considers charitable giving not only out of cost considerations but on other non-economic considerations such as humanitarian needs.

**A3h:** A greater level of agreement on the part of Bangladeshi managers towards the argument, "other social institutions have failed to solve social problems. So, business should now try", is evidenced from the mean values (2.65 for Australia

and 2.92 for Bangladesh) and stems from a different situation experienced by Bangladeshi business managers. As mentioned earlier, other institutions such as the government, religious and philanthropic organisation have not been able to solve all the social problems due mainly to lack of adequate funds and also because of their multifarious number and frequency of occurrence. It is quite usual for business to feel a drive to help as business has the financial ability to contribute to the solution of that problems. A small segment of Australian managers feel positively about playing a role in this respect, reflected in only 15% of managers agreeing and 46% disagreeing with the above statement. These figures support the view that in Australia it is considered to be a responsibility of public bodies and philanthropic organisation rather than business organisations. This is evidenced from the high level of involvement in social issues by government and other philanthropic organisations such as the Department of Social Security, St.Vincent De Paul Society, Salvation Army, and the Smith Family towards solution of social problems such as alleviating poverty by providing unemployment benefits, health care support, child allowances and other benefits. In Bangladesh, government has hardly any such welfare programs. The activities of the philanthropic organisations are also highly inadequate. The wealthy business community has, therefore, something to do in this respect. This is reflected in 29.4% of managers in Bangladesh agreeing with the statement. However, the level of agreement in both Australia and Bangladesh is low, suggesting that the argument generally lacks appeals with managers as a justification for socially responsible action.

Similar findings have resulted from a comparative study of managerial attitudes of U.S. and South African managers carried out by Orpen (1987). The study found that an equally small number of managers both in the U.S.A. (30.3%) and in South Africa (25.1%) agreed to a similar argument. Besides, comparatively low level of agreement on the part of Australian managers is consistent with the finding of two surveys conducted in the United States by Ostlund (1977, 1979).

**A3I:** "Business has the necessary money and talent to engage in social action programs". A significant difference of attitudes between the attitudes of two samples in favour of Bangladesh towards this argument is apparent from the higher mean scores of 3.50 for Bangladesh as against 2.53 for Australia. Bangladeshi managers expressed much greater amount of support for this issue as is evident from 61.5% of managers in Bangladesh agreeing with the statement as against 13.7% of that of Australian. This contrasting position of the two groups of managers on the financial and intellectual ability of business is attributable to the societal expectations and public welfare culture in a developing country such as Bangladesh. Business is from many points of view the most powerful institution in contemporary Bangladesh in terms of resources, and influence on society, including politics and the economy. Private sector business has become even more powerful in recent times following a pragmatic decision of government to transfer most of its public enterprises to private ownership. Therefore, business has a big role to play in the social arena, especially given the very low financial capability of government to contribute to the solution of social problems. On the other hand the very low level of agreement with the above view by Australian managers stems from the fact that



corporate power in Australia is regulated by law and law also ensures the social responsibility of business. Besides, business pays an adequate amount of tax which is used by government in the solution of many social problems such as unemployment. Business, therefore, does not feel so strongly about social involvement with its resources and talents.

The low level of agreement with the above argument in a developed country like Australia has been supported by the findings of two studies in the U.S.A. during 1970s (Ostlund, 1977, 1979/80).

A3m: "Society expects business to help solve social problems as well as to produce goods and services". This item which put business in a socioeconomic role by arguing that society wants business to simultaneously perform the traditional function of producing goods and services at a profit and to perform the modern function of solving social problems. A significant difference between the two samples in favour of Bangladesh on the above issue is evident from the higher mean attitude scores of Bangladeshi managers (3.87) as against Australian managers (3.26). The difference in attitudes of the two groups is also reflected in the 50.9% of Australian respondents who agreed with the view as against 76.6% percent of Bangladeshis. The greater expectation of society for business behaving in a socioeconomic fashion in Bangladesh has been noted earlier and arises because society in Bangladesh wants business to go beyond the narrow perspective of profit to a greater extent as the other institutions including the government do not have sufficient capability to solve the mounting social problems. This finding apparently

runs counter to the view that in the developing countries business is perceived more as an economic institution directed towards producing goods and services, for economic growth and development is the main concern in that society. This result is supported by the finding of another comparative study of Indian and British managers conducted by Khan (1985). The results suggested that 75% of Indian managers considered it very essential for firms to pursue social goals as well as profit as against 54 percent of their British counterparts.

**A3n:** A significant difference exists between the attitudes of the two groups with regard to this classical statement with Bangladeshi managers being more likely to agree with the statement than Australian managers. The statement which reads "business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests", is consistent with the theory that business managers operating in an underdeveloped country perceive social responsibility mainly in economic terms as societal expectations centre around fulfilment of the basic economic demands to which business is traditionally committed in those societies. This finding is consistent with the observation made by Tuzzolino and Armandi (1981). They compared corporate social responsibility with the Maslow's need hierarchy placing the classical view of SR against the physiological needs and the modern view against the self actualisation needs of an individual. The authors then argued that like an individual a corporation moves to satisfy higher order needs after its economic objectives are fulfilled (vide Table 2.2, chapter 2). Since society in a developing country emphasises the fulfilment of the physiological needs of its people (Steiner and Steiner, 1994; Ali, 1993; Teoh and

Thong, 1984; Hoque, 1984) thus fitting the classical form of social responsibility of a business, a majority (52 percent) of Bangladeshi firms perceived the above mentioned statement more favourably than their Australian counterparts (31 percent). A comparatively low level of agreement with the above statement by managers operating in Australia is supported by the result of a similar study which revealed a lower level agreement among American (38%) managers with a similar statement (Orpen, 1987).

The apparent paradox in the replies in A3m and A3n partially reflects the diversity of views that exists amongst Bangladesh managers and, may also stem from a view that while business is indeed primarily an economic institution, and as such should preferably serve its own interests in a country like Bangladesh where broader issues of social responsibility also demand attention. This means that the commitment to the broader arena of social responsibility by business as noted in the case of items like A3m does not necessarily mean that business has gone beyond its primary focus on the narrow view of SR as its involvement in wider areas may stem from a philanthropic view based on theological metaphor where charity is a means of deriving benefits through the satisfaction of compulsory religious requirements.

The above findings can be linked with the results from a similar statement (A3u) also based on the classical view of SR. The statement A3u which reads, "business should use its resources and talents for its own growth to ensure better service to society", has been agreed to by a greater number of Bangladeshi respondents (74.8%) than Australian managers (63.7% percent). An examination of

the mean attitude scores of the two countries surveyed reveals a significant difference between managers of the two countries. A comparatively high mean score of 3.81 for Bangladesh as against 3.54 for Australia suggests that business in Bangladesh prefers to view social responsibility in a narrow sense and places more emphasis on their own economic interest as a means of serving society. This finding in a narrow sense is consistent with the argument put forward by Friedman and his followers but when seen in the broader setting of the range of responses points to the limited relevance of the more extreme Friedmanist or classical position, matters are not as clear cut as Friedman would have us believe and especially in the context of a developing nation subject to the extreme vagaries of nature.

**A3p:** "Business has a definite responsibility to society apart from making a profit". This statement relates to the socioeconomic view of SR under which business is supposed to look beyond its profit making objectives to take into consideration the various social issues even if they may not be profitable in the short term. Although a significant difference between the mean scores of managers representing the two countries emerges, both the groups have over two third of the respondents agreeing with this statement (84% for Bangladesh and 76% for Australia). This result can be linked with the high involvement already noted of Bangladeshi business in the solution of social problems. Since garment manufacturers represent more than half of the respondents in this survey and they are the most successful and wealthy business sector of Bangladesh noted especially for a high export orientation, and involved in directly funding various social projects, the commitments to broader social concern is understandable.

**A3q:** This statement is concerned with the view, "Corporate managers need to be trained so that they can effectively contribute to society's problems", and is based on the argument that corporate managers may find it difficult to solve social problems as they are trained and educated primarily to manage economic activities. A significant difference between the two samples in favour of Bangladesh can be linked with the highly positive attitudes which Bangladeshi respondents expressed towards most arguments in favour of business involvement in social responsibility. Those positive attitudes imply that managers should support the issue of training that may be needed to translate attitudes into action. This is reflected in their higher mean scores (3.71) as compared to that of Australian managers (3.19). Since Bangladeshi managers are required to be involved in the process of meeting national crisis by helping distressed humanity during regular natural calamities and other occasions of social need such as epidemic, famine and the like, they need special training so that they can do the job in the most efficient and effective way. A comparatively large number of Bangladeshi managers (69.8%) hold a more positive attitude than their Australian counterparts (45.1%) towards the training issue.

**A3x:** ANOVA shows a significant difference between the two groups of managers with regard to their attitudes towards the statement, "Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off". A mean value of below 3 (2.47 for Australia and 2.86 for Bangladesh) for both groups of respondents suggests that both Australian and Bangladeshi managers tend to dismiss the argument which is evident from the fact that only 18.6% of Australian and 23.4% of Bangladeshi managers agreed with the

statement. Again it is understandable from the disagreement of 49% Bangladeshi managers as against 65.7% of Australian managers that Bangladeshi managers are less likely to disagree with the statement. Higher level of disapproval of the statement by Australian managers can be linked with the higher level of social orientation of Australian firms which is understandable from the fact that many of them have been institutionalised in the implementation of regulation and business in most developed countries including Australia virtually have no choice but to comply with the legal norms. Besides, it is also necessary for firms to behave in a socially responsible way for competitive reasons.

Disapproval of the argument by a large percentage of Bangladeshi managers (49%) also show their tendency to accept the idea that business assumption of social responsibility make society better off. However, the probable reason for relatively small percentage of Bangladeshi managers' disagreement or in other words a relatively larger number of managers' agreement with the statement reflects their inherent belief in the classical view of social responsibility with a commitment to work for the betterment of society under special circumstances. This apparently paradoxical position of managers in an underdeveloped socioeconomic structure such as Bangladesh, is quite usual as society is likely to expects to see business mostly as an economic institution contributing to the economic growth and thereby generating income for people and developing social infrastructure but business has to go beyond its usual jurisdiction because of the special circumstances arising from natural disaster such as flood, cyclone, famine which demand immediate response of private

business sector being the most powerful institution in Bangladesh society in terms of resources.

It is evident from the above discussion that in the case of these thirteen items there are significant differences between Australian and Bangladeshi managers with regard to their attitudes towards the social responsibility of Business. These national differences of attitudes indicate that differences in the boarder environment in which managers operate their business may have an important impact on managerial thinking in the area of corporate social responsibility. This finding corroborates the result of a number of similar studies finding significant differences in managerial perception across nations/cultures (Orpen, 1987, England, 1975, McClelland, 1962). It is interesting to note that although managers operating in a developing country such as Bangladesh have a tendency to report more favourable attitudes towards the business assumption of social responsibility, they also at the same time endorse a view consistent with Friedman's position. Their willingness to go beyond this position reflects the structure and dynamics of a society confronted with major challenges to the well being of its people and a government with a limited ability to act. The nature of social responsibility in this way is also consistent with the religious commitment of many managers. In terms of the basic model, many (but far from all) Bangladeshi managers tend to fall into the third quadrant concerned with a philanthropic view. Further support for this view flows from a more detailed consideration of the characteristic of the Bangladeshi economy and society. Although Bangladesh possesses all the common characteristics of an underdeveloped economy as shown in table 5.3 in chapter 5, it does have some special characteristics such as

climate and social welfare provisions which distinguish it from other countries in the developing world. These features have contributed to the development of a specific environment in Bangladesh in which the major institutions are operating and interacting. As one of the most powerful institutions in Bangladesh society, the attitudes and behaviour of business have been largely influenced by these environmental factors. As a consequence, it is possible that the attitudes and behaviour of business in Bangladesh society will reflect the specific characteristics of that society while at the same time accepting the view that Friedman has proposed. Business in Bangladesh thus seems likely to adopt a favourable attitude towards the generalised concept of social responsibility from a more philanthropic point of view overriding acceptance of the narrow view expressed by Friedman. This philanthropic point of view has been observed by a number of authors in recent times (Carroll, 1979; Wood, 1991; Khan, 1985, Steiner and Steiner, 1994). This attitude may result from both rationalist and purely philanthropic view. For managers holding a rationalist view of the broader concept of social responsibility, the impetus comes from the perceived long term benefits of social involvement such as profit making. This interpretation of the situation is supported by a number of studies finding a positive relationship between social responsibility and the profitability of a business firm (McGuire, Sundgren and Schneeweis, 1988; Freeman and Gilbert, 1987; Cochran and Wood, 1984). The rationalistic view may also arise from strong religious beliefs on the part of individual managers which are reflected in attitudes towards social responsibility. For example, the holy Quran imposes a compulsory provision for all muslims to give away a certain portion of their surplus income to



the poor. The Quran also provides that payment of 'Zakat'<sup>1</sup> for the pleasure of God will result in the increase of the paid amount to several times (Quoted in Ahmed, 1993). The wealthy muslims, therefore, believes that failure to pay "jaka" on their part may result in God being displeased which may in turn cause harm to their wealth and life. Since a large number of the Bangladeshi respondents (86.6%) were muslims and a majority of them (64.4%) consider religion as fundamental part of their lives, the favourable attitude towards the broader concept of SR may have arisen from their rational thinking based on acceptance of the above theological position. Here the perceived benefit of social responsibility is God's blessing. Finally, there are some managers who have taken the decisions to attend to social problems from a purely altruistic or philanthropic point of view even if their primary objectives fits the bottom line of corporate social responsibility, simply because they think that they must do it from ethical point of view. In a sense their ethical commitments serves as an input to the short or long term profit maximisation, and is accepted as such.

The data suggesting the above discussion, can be regarded as an important evidence in favour of the underlying theoretical model which suggests a linkage between environmental factors and the attitudes and behaviour of managers. The hypothesis emerging from the model that significant differences in the environments in which managers operate is likely to affect attitudes towards social responsibility of business, is supported.

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<sup>1</sup> "Zakat" is an Arabic word meaning donation or charity. It is one of the five compulsory obligations of the muslims under which they have to pay 2.5 percent of their surplus income as charity per annum.

### 6.3.3: Interactions

Significant country by industry interactions in the attitudes towards social responsibility were observed for variables **A3j** and **A3x**. The results are as follows:

Statement **A3j** was concerned with the argument "Social responsibility programs may be helpful in discouraging irresponsible behaviour by business". The group mean values indicate that Australian managers operating in food industries were more likely to agree than managers in the clothing industry, while among Bangladeshi respondents the reverse was true. The group means for items A3j are as presented in Table 6.8.

**Table 6.8**

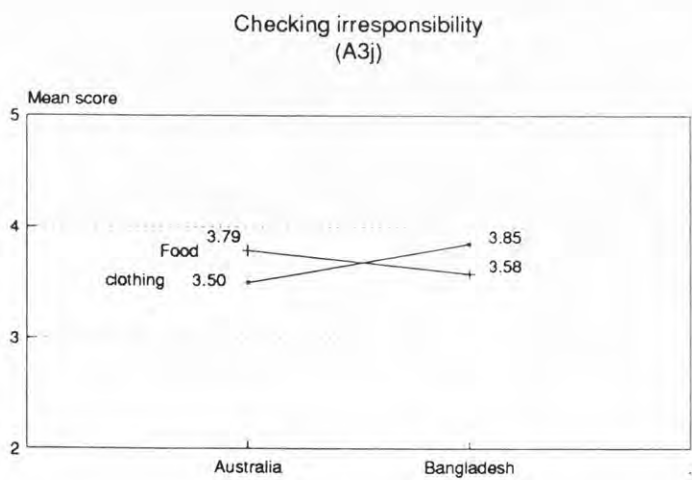
Group mean for variable (A3j)

Industry Country	Clothing	Food
<b>Australia</b>	3.50	3.79
<b>Bangladesh</b>	3.85	3.58

This interaction can be explained with reference to the peculiarity of the situations prevailing in the clothing and food industries in two countries. In Australia, for example, managers in the food industry are confronted with a plethora of legislation which is costly and cumbersome. Favourable attitudes of managers towards socially responsible actions might reflect their beliefs that such action may

be effective in putting a control on irresponsible behaviour and thus discourage further legislation. On the other hand the concern of the clothing industry in Bangladesh may be due to the fact that unlike the food industry managers operating in this industry have to look beyond Bangladesh as they target international markets. Since the marketing of clothing items and garments is subject to regulation in most overseas markets, managers pay serious attention to the need to be socially responsible by complying with regulatory provisions concerning safety, texture, washing etc. Those firms that fail to comply will affect the external image of the industry. Social programs that reduce this likelihood may thus lessen the chance of further regulation being imposed. The interaction is graphically presented in Figure 6.2.

Figure 6.2



A3x was concerned with the argument "asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off". A significant interaction in this variable suggests that managers in the

Australian clothing industry are more likely to agree than managers in the food industry. In Bangladesh, managers in food industries were more likely to agree with the proposition. The group means for this particular variable are shown in Table 6.9.

**Table 6.9**

**Group mean values for variable A3x**

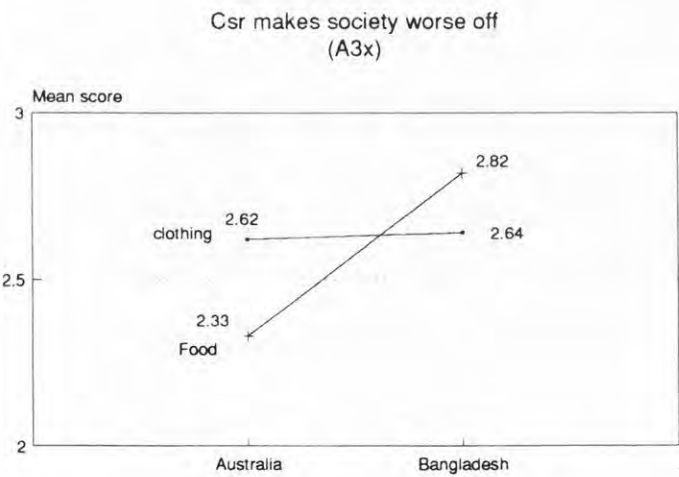
<i>Industry Country</i>	Clothing	Food
Australia	2.62	2.33
Bangladesh	2.64	2.82

The clothing industry managers in Australia that agreed with the view may reflect the situation in the Australian clothing industry which in 1992 was passing through a critical stage in the face of intense competition from imported clothing and garments. Comparatively higher costs of production and marketing have largely contributed to the crisis. The assumption of social responsibility would involve further cost on the part of firms which are already under threat and may be seen as likely to throw many firms out of business. This will ultimately cost society in terms of lost jobs, lost productivity and lost growth and thus will lead to society being worse off.

On the other hand the reason for managers in the food industry in Bangladesh being more likely to agree may reflect the fact that the marketing of branded food items is just growing in Bangladesh. Most of the firms are small and medium sized. Exports of some selected food items have just begun. The market is

largely limited to home use only. Incurring a large cost on account of social involvement may have adverse effects on this growing industrial sector. In a poor country such as Bangladesh the food industry supplies vital food items for the general population. Increases in the price of food items because of the costs of social involvement may bar a large number of customers from buying food items. This may have adverse effects on the growth of food companies especially small firms in terms of lost market and lost revenue. In effect, society will be worse off as more and more people would be unemployed and less number of people would afford to buy food items. The interaction can be graphically presented as follows:

Figure 6.3



6.3.4: Industry effects:

ANOVA reported significant industry effects on the managerial thinking of

social responsibility in the case of five items (see Table 6.7). The items are as follows:

1. Social responsibility is an effective basis for competing in the market (A3c)
2. Business should realise that it is a part of the larger society and therefore it should respond to social issues (A3f)
3. Other social institutions have failed to solve social problems. So, business should now try (A3h)
4. Corporate social action programs can help build a favourable image for a business (A3o)
5. Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A3t)

In the case of all of the above items excepting A3t, managers in the food industry were more likely to agree than those in the clothing industry. These arguments reflect a willingness of business to be involve in social responsibility arising out of solidarity feeling of business with the broader society which is also potentially beneficial for business in terms of competitiveness and image building. Higher level of commitment to these issues amongst managers in the food industry may have stemmed from the sensitivity of food related social issues to consumer interests as it involves human safety and health. Food industry take social issues more seriously as good record can quickly build good image and competitive advantage, a bad performance can also destroy it very quickly. Greater solidarity with society and an eagerness to participate in the solution of social problems amongst manager in the food industry is perhaps linked with the easing of public pressure on the industry in order to avoid further regulation as it has been the target of strict regulation and control because of the priority placed on it and also because it is related to public policy.

Strong industry effects in favour of clothing industry on the managerial perception of the argument, "social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business", is linked with the size of business within clothing industry. In both countries there are small sized firms and because of their small scale operation, they are highly cost conscious as their survival in the market largely depend on the cost involved in business. Since social responsibility is a costly venture, such marginal firms are likely to avoid involvement in such practices.

#### **6.4: COMMITMENT TO CONSUMERISM**

This section seeks to explore the impact of macro environmental factors on managerial perceptions of consumerism as a specific area of social concern. The possibility of these broad environmental factors impacting perceptions of consumerism has arisen from the literature review and the subsequent development of the theoretical model presented in figure 3.4 in chapter 3. The comparative analysis of the specific environmental factors also suggests differences in managerial thinking about consumerism in the two divergent environments offered by Australia and Bangladesh.

It is to be noted that where necessary the results relating to consumerism reported in this section will be interpreted with the help of consumerism life cycle (CLC) originally developed by Kaynak, (1985). References will also be made to the other slightly modified version of the Kaynak model (Barker, 1987). CLC as

developed by Kaynak identifies four distinct stages in the evolution of consumerism activity. Every stage is illustrated by a number of likely countries. Since a brief summary of the introduction of the four stages is likely to help understand the discussion in this section, it is provided below:

**Crystallisation stage:** This stage is the initial or embryonic stage of consumerism where the emphasis is on regulation to ensure competition. At this point there is no existence of organised consumer movement at national level. However, isolated attempts by government and semi-government organisations to protect consumer rights on a 'piecemeal basis' are apparent. The probable countries positioned in this stage in 1985 include Bangladesh, Zambia, South Yemen, and Chad.

**Organisation stage:** This is a development phase of consumerism characterised by the beginning of an organised consumer movement led by independent and voluntary consumer organisations in order to provide a consumer voice in the legislation. The major emphasis is on consumer education programs, comparative product testing, standardisation and product quality, and information labelling. Country examples at this stage in 1985 include Egypt, India, Morocco, Bolivia, Philippines, and Venezuela.

**Institutionalisation stage:** This stage is marked by an active government intervention in the market on behalf of consumer at both local and national level. The major areas of consideration include consumer affairs, competition policy,



policies on trade marks, patents, copyrights and industrial property. Countries representing this stage in 1985 include Brazil, Greece, Spain, Italy, Japan, and Turkey.

**Conceptualisation stage:** This stage is characterised by consumer involvement in almost all the critical, political, technological, social and economic macro issues. This is a critical stage in the development of consumerism at which there is a complete consumer involvement in broader policy issues. Nine countries were stated to have reached at this stage. They are Canada, The U.S.A., Great Britain, West Germany, Switzerland, Netherlands, Denmark, Norway, and Sweden.

It is to be noted, however, that the various countries have been positioned in the different stages of CLC based on the situation prevailing at the time of writing in a particular country with regard to its degree of performance in various areas including enactment and implementation of consumer legislation, performance of voluntary consumer organisation and public consumer agencies, public funding on consumer education program and consumer awareness about their rights. Since these criteria are subject to change over time depending on the surrounding environmental forces of a particular country, the position of a country may change from one stage to another. A country may even partially come back to stage I (crystallisation stage) after it has completed the whole cycle, as happened in the case of Sweden during 1980,s when it witnessed extensive state intervention in consumer protection (Kaynak, 1985).

It is understood from the discussion presented in chapter 5 that there has been some change in the macro environmental factors influencing the process of evolution of consumerism in Bangladesh. Some recent initiatives by government, including the decision to strengthen the public sector by providing adequate incentives and privatising a major portion of public sector industries, have led to a substantial change in the level of industrial productivity and in product standards. A huge export oriented garment sector has emerged with an annual export earnings of over one billion dollars. Bangladesh has a Central Testing Laboratory to test the marketability of products and an Standard Institute to regulate product standard and quality. Legislation has been introduced including the historic drug Control Ordinance of 1982 restricting production and marketing of over 1700 drugs and medicines, Pure Food Ordinance, 1959, Essential commodities Price and Distribution Order, 1970, Baby Food Marketing (regulation) Ordinance of 1986, Tobacco Products Marketing (Regulation) Ordinance, 1988, and the Weight and Measure Act, 1982 and are currently in operation in Bangladesh. Besides, the recent active role of consumer organisations in lobbying government to take measures in protecting consumer rights, organising seminars, symposia, conferences and public meetings involving legislators, politicians, public servants, academics and business people at grass root level may have generated some awareness among consumers about their rights. So, it is quite likely that during the last decade since Kaynak developed the CLC, Bangladesh may have either reached the peak of stage I or has started the beginning of stage II marking the growth of consumerism.

The position of Australia at an advanced stage of CLC is also understandable from the institutionalisation of consumerism in the socio-cultural environment through the implementation of legislation. The active role of government in consumer protection is evident in the existence of consumer affairs Department at both Federal and State levels. There is a plethora of consumer legislation including the Trade Practices Act of 1974 providing adequate protection of consumer interests in all major areas of commercial transactions. The Trade Practices Commission is also in operation at the Federal level to strengthen competition in the market and to protect and promote consumer interest by strengthening their position relative to producers and distributors. The voluntary consumer organisations are also actively involved in the process of consumer protection. Australian Federation of Consumer Organisations (AFCO) is also involved in the discussion and attraction of public attention in consumer issues. Although Kaynak (1985) did not position Australia in the CLC, it is clear from the above discussion of consumer protection environment in Australia that in terms of the criteria set in Kaynak's model its position should be either at the peak of stage III (institutionalisation phase) or in the beginning of Stage IV (bureaucratic phase). This assessment of the position of Australia in an advanced stage of the CLC has been confirmed by a number of empirical studies (Barksdale, et. al. 1982; Barker, 1987).

The following discussion of results concerning impact of consumerism on the overall industry and individual business unit level as well as managerial commitments to consumerism in a wide range of issues are likely to provide

empirical evidence with regard to the positions of Bangladesh and Australia in the Consumerism Life Cycle.

#### 6.4.1: Perceived Importance of Overall Consumerism Issue.

In this section the impact of consumerism issues has been examined both on an overall industry and the individual business unit level in the two countries. The ANOVA suggested that there were significant perceptual differences between managers of the two countries both at the industry (B1a) and individual unit level (B1b). The results can be seen in Table 6.10. The interpretation of the results is broadly consistent with Kaynak's model of consumerism in the developing countries.

**Table 6.10**

Significant differences and interactions in the perceived impact of consumerism on the industry as well as on the business unit using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Perceived impact of consumerism on the industry as a whole (B1a)	Country (A) Industry (F)	.00 .00	-	NS
Perceived impact of consumerism on the business unit (B1b)	Country (A) Industry (F)	.00 .00	- -	NS NS

- Note:**
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicates which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at a 5 percent level ( $P < .05$ ).

In both cases Australian managers perceived the impact of the growth of consumerism to be at a higher level than that of their Bangladeshi counterparts. This is evident from the mean values of perceived impact of consumerism presented in

Table 6.11. The table shows that mean scores for perceived impact of consumerism are above 3 for Australian managers at both industry and business unit levels whereas the mean scores for Bangladeshi managers are both below 2. These differences reflect the stages of the consumerism movement in the two countries surveyed.

Australian consumerism has now reached maturity and is currently at the "popular movement" stage (Barker, 1987) leading to Government intervention at local and central levels. Consumer education, competition policy, policy on trade marks, copyright and industrial property have all received considerable attention. So, the above mean score provide evidence that in terms of the Kaynak model Australia should be positioned in stage III (institutionalisation phase). The pervasive effect of this movement is felt by business as various issues relating to consumer protection have been institutionalised in the legal framework at both Commonwealth and State levels. This was reflected in the high level impact felt by business managers in Australia.

Mean values of slightly below 2 for Bangladesh (Table 6.4.2) show that business perceive the impact of consumerism at a level which is slightly above the minimum level indicating that the movement is advancing towards a developmental stage in Bangladesh. This, finding is consistent with Kaynak model taking into consideration the evolutionary framework on which the model is originally based.

Significant differences in the perceived impact of consumerism were also apparent between the two industries. Managers in the food industry felt a much higher level of impact at both industry and individual business unit. The impact of the consumer movement has been relatively high in food industries as this industry has been the common target of consumer activists, legislators and consumer researchers. This is reflected in the plethora of legislation enacted in food related areas.

**Table 6.11**

**Mean scores of perceived impact of consumerism on industry and individual business unit.**

Statements	Mean scores	
	Australia	Bangladesh
Perceived impact of consumerism on the industry as a whole (B1a)	3.19	1.87
Perceived impact of consumerism on the business unit (B1b)	3.01	1.80

## **6.5: MANAGERIAL ATTITUDES TOWARDS CONSUMERISM**

A general similarity among the managers of the two countries with regard to their attitudes towards consumerism exists in the case of eight items. A significant difference between the attitudes of the two groups are apparent in ten items. Significant industry differences are reported in three cases. Interactions are found to exist in six cases. However, in the case of a number of items in the general agreement areas there are similarities among managers of both countries in terms of their diversified opinion. Besides, in a number of items managers were uncertain in their opinion. This trend seem to be higher in the case of general statement and lower in the case of items dealing with a specific issue of consumerism which

perhaps points to the fact that managers have difficulties in generalisation in the areas where they have general or limited interests. For example, the highest proportion of managers in both countries (52% as against 41% in Bangladesh) were uncertain in their commitment to item B2r emphasising a general area stating "Consumerism results in conflict situation with the consumers". Uncertainty expressed by the lowest number of managers (2% as against 6% percent in Bangladesh) in a specific area involve the issue of product safety which runs "Product safety is a genuine issue that needs due attention from manufacturer" (B2h).

#### **6.5.1: General areas of agreement**

As noted above there are nine items where managers in both Australia and Bangladesh agreed in their attitudes towards consumerism. The mean scores of the individual items can be seen in Table 6.12 and the results of ANOVA can be seen in Table 6.13. The results relating to the relevant statements are as follows:

**B2b:** This statement that "a firm may benefit from being responsive to consumerism" has recorded high level of agreement from both samples of managers. This is reflected in a mean value of over 3.9 for both groups and agreement by a large majority of Australian (88%) and Bangladeshi managers (78%). Agreement as to the perceived benefits from responding to consumerism in both groups of managers can be interpreted in the light of current situation with regard to consumerism in the two countries surveyed. Benefits from consumerism as perceived by Australian managers may stem from the strict regulatory environment in which

business operates. Since consumerism has now been institutionalised in western society, including Australia, through legislation, a firm's compliance with regulation can help to ensure it meets its obligations to consumers. Thus a company that has responded to consumerism is not likely to face hostility from its customers, government or consumer activists and can ultimately be gainer in terms of cost savings and customer support. A customer oriented company is also likely to have some competitive advantages in a competitive environment such as Australia. A possible reason for Bangladeshi business being convinced of the benefits of responding to consumerism might flow from the fact that consumerism may help to create a healthy marketing environment by creating awareness among the consumers about marketing malpractices such as product piracy, adulterated products and deceptive pricing and advertising. Responding to consumerism will result in enactment of regulations to clean up these problems and thus create a favourable atmosphere for business to market their own brands.

**B2d:** "Consumer organisations render valuable services to the consumer". This statement which is about the positive role played by consumer organisations, was approved by 53.9 percent of Australian and 51.4 percent of Bangladeshi managers. The fairly high level of support by both group is also reflected in the mean scores of 3.43 and 3.36 for Australia and Bangladesh respectively. Some agreement of managers of the two countries with regard to their recognition of the contribution of consumer organisations towards consumer welfare is understandable from the universal role played by such organisations irrespective of the countries in which they operate.



**Table 6.12**

**Mean attitude scores and distribution of managers according to their response category regarding attitude towards consumerism in Australia and Bangladesh**

Statements	Australia				Bangladesh			
	Mean	% Agreeing	% Uncertain	% Disagreeing	Mean	% Agreeing	% Uncertain	% Disagreeing
Consumerism is really pro-business (B2a)	2.68	23.5	30.4	46.1	3.83	71.5	20.6	7.9
A firm may benefit from being responsive to consumerism (B2b)	3.94	88.2	6.9	4.9	3.92	78.0	16.5	5.5
What is good for the consumer is good for business (B2c)	3.60	60.8	29.4	9.8	4.12	82.1	10.5	7.4
Consumer organisations render valuable services to the consumer (B2d).	3.43	53.9	33.3	12.8	3.36	51.4	29.4	19.2
Public consumer agencies are doing a worthwhile job for the consumer (B2e).	3.16	36.3	44.1	19.6	3.01	31.2	39.5	29.3
Consumerism leads to open dialogue with consumers (B2f)	3.15	41.2	32.4	26.4	3.60	67.0	22.5	10.5
Government regulation if properly enforced can yield better results than industry self regulation (B2g)	2.82	30.4	27.5	42.1	3.46	58.3	22.5	19.2

Contd... P. 276

Table 6.12 contd.

Statements	Australia				Bangladesh			
	Mean	% agreeing	% Uncertain	% dis-agreeing	Mean	% Agreeing	% uncertain	% dis-agreeing
Product safety is a genuine issue that needs due attention from the manufacturer (B2h)	4.41	2.0	2.0	96.0	4.31	91.2	6.0	2.8
Most advertisements are self regulated by the industry and therefore they should be free from formal regulation (B2i)	3.05	41.2	19.6	39.2	3.19	48.6	17.9	33.5
Advertising and promotion directed to children should be thoroughly regulated (Bej)	3.85	75.5	11.8	12.7	4.33	87.6	10.1	2.3
Information and nutrition labelling are essential aids to the consumer. (B2k)	4.08	85.3	9.8	4.9	4.22	95.8	3.3	.9
Consumerism will fade away (B2l)	2.00	2.9	12.7	84.4	2.43	7.8	32.6	59.6
Consumerism is created by politicians and consumer advocates (B2m).	2.82	30.4	22.6	47.00	3.06	30.8	39.0	30.2
What is good for business is good for consumers (B2n)	2.64	19.6	26.5	53.9	2.58	28.4	20.2	51.4
Consumerism leads to over regulation that may restrict free choice on the part of the consumers (B2o).	3.10	35.2	37.3	27.5	3.05	35.4	33.9	30.7

Contd.....P. 277

Table 6.12 contd.

Statements	Australia				Bangladesh			
	Mean	% Agreeing	% Uncertain	% Disagreeing	Mean	% Agreeing	% uncertain	% disagreeing
Consumerism is acceptable but the adversary situation created by consumer associations is embarrassing (B2p)	3.25	39.2	43.1	17.7	3.55	55.5	34.4	10.1
Consumer agencies are bureaucratic, counter productive and costly (B2q)	3.56	56.8	34.4	8.8	3.39	48.5	37.2	14.3
Consumerism results in conflict situation with the consumers (B2r)	3.07	25.5	52.0	22.5	3.26	41.7	40.4	17.9
Self regulation can ensure greater consumer welfare than formal regulation (B2s)	3.13	37.3	33.3	29.4	3.59	60.5	26.2	13.3
Information and nutrition labelling push prices up (B2t)	2.86	35.3	15.7	49.0	3.00	38.1	22.5	39.4
Charging higher prices in time of emergency is justified (B2u).	2.97	40.2	23.5	36.3	2.27	22.1	11.8	66.1

\* Mean attitudes of managers are computed based on 5 point scale where 1 represented strongly disagree to 5 represented strongly agree.

**Table 6.13**

**Significant differences and interactions in the managerial attitudes towards Consumerism issues using two way ANOVA.**

Variables	Source of variation	Sig.*	Interaction	Sig.*
Consumerism is really pro-business (B2a).	Country (B)	.000	Country x Industry	.005
What is good for the consumer is good for business (B2c).	Country (B)	.000	-	NS
Consumerism leads to open dialogue with consumers (B2f).	Country (B)	.000	-	NS
Government regulation if properly enforced can yield better results than industry self regulation (B2g).	Country (B) Industry (C)	.000 .010	-	NS
Product safety is a genuine issue that needs due attention from the manufacturer. (B2h).	Industry (F)	.003	-	NS
Most advertisements are self regulated, by the industry and therefore, they should be free from formal regulation (B2i).	Industry (F)	.007	-	NS
Advertising and promotion directed to children should be thoroughly regulated (B2j).	Country (B)	.000	Country x Industry	.000

Contd.....P. 279

Table 6.13 contd.

Variables	Source of variation	Sig*	Interaction	Sig*
Information and nutrition labelling are essential aids to the consumer (B2k).	Country Industry	NS NS	Country x Industry	.032
Consumerism will fade away (B2l)	Country (B)	.000	-	NS
What is good for business is good for consumers (B2n)	Industry (C)	.008	Country x Industry	.008
Consumerism is acceptable but the adversary situation created by consumer associations is embarrassing. (B2p)	Country (B)	.006	-	NS
Consumer agencies are bureaucratic, counter productive and costly (B2q).	Country (A)	.046	-	NS
Consumerism results in conflict situation with the consumers. (B2r).	Country Industry	NS NS	Country x Industry	.001
Self regulation can ensure greater consumer welfare than formal regulation (B2s).	Country (B)	.000	-	NS
Charging higher prices in the time of scarcity is justified (B2u).	Country (A)	.000	-	NS

- Note:**
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicates which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at a 5 percent level ( $P < .05$ ).

The above finding can be linked with the finding of a similar item which read "public consumer agencies are doing a worthwhile job for the consumer" (B2e). Mean attitude scores of 3.16 for Australia and 3.01 for Bangladesh indicate that managers both in Australia and in Bangladesh have a similar pattern of attitudes towards the usefulness of public consumer agencies. An alternative view of the data suggests that both countries over 30% of respondents agreed to the view while 19%

in Australia and 29% in Bangladesh disagreed and 44% in Australia and 39% of managers in Bangladesh were uncertain.

The above results suggest a diversified opinion as to the role of public consumer agencies in both countries. This may reflect the lack of clear understanding of managers in both countries as to the functions of public consumer agencies perhaps because of their bureaucratic nature.

**B2i:** "Most advertisements are self-regulated by the industry and therefore they should be free from formal regulation". A weak consensus about this statement between two groups of managers is reflected in the mean values of 3.05 and 3.19 for Australia and Bangladesh respectively. Another view of the data reflected in the percentage scores of managers indicates that 41% of Australian and 48% of Bangladeshi managers agreed with the argument while 39% of Australian and 33% of Bangladeshi managers disagreed with the view. A small group of managers in both groups (19 % in Australia and 17% in Bangladesh) were uncertain. The results suggest that managers vary considerably in their position on the issue. This diversified pattern of opinion of both groups can be linked with the changing regulatory environment in both countries. Australia, for example, has experienced a deregulatory environment since mid Eighties which led to the emergence of self-regulatory practices especially in the advertising industry. This has, however, been changed into a strong regulatory condition again. The situation in Bangladesh was also volatile. Bangladesh experienced a wave of change towards economic liberalisation from the socialistic approach of vigorous state control. The process of

transferring major industrial enterprises to private ownership to allow for the fuller operation of market forces under minimum government interference, has already begun. The industries under study, especially the garment sector, received greater attention because of its strong export orientation. Thus, the volatile nature of regulatory trends in both countries may be reflected in the diffused nature of responses with regard to self regulatory practices.

**B2m:** "Consumerism is created by politicians and consumer advocates". Both groups of managers were ambivalent about their position with regard to this issue. This is reflected in their mean attitude scores (2.82 for Australia against 3.06 for Bangladesh). The differences in opinion as to whether consumerism is a creation of vested interests is also evident in the alternative view of the data which show that although, a considerable number of Australian (47%) and Bangladeshi (30.3%) agreed to the item, a fairly large number from the two groups disagreed (30.4% for Australia and 30.8% for Bangladesh) to it. Besides, a considerable number of respondents in Australia (22%) and in Bangladesh (39%) were uncertain. The results, therefore, suggest that managers in both cultures had scattered opinion as to whether consumerism is a natural phenomenon or a creation of the vested interests such as politicians and consumer activists. This pattern of attitudes may be attributed to the controversial nature of the argument which made it difficult for managers to take a definite position on the issue.

**B2n:** A greater level of agreement existed between the two groups of managers with regard to their disapproval of the classical view that, "what is good

for business is good for consumers". The disagreement is reflected in both mean attitudes and the percentage of managers disagreeing with the argument. The mean attitudes are below 3.0 for both groups and the disagreement of over 50 percent of managers in both countries indicate that managers may have similar positive views about consumer orientation in their attitudes despite economic, socio-cultural, and political differences surrounding their business operation.

**B2o:** "consumerism leads to over regulation that may restrict free choice on the part of consumers." Any similarity between the two groups of managers would seem to centre around the uncertainty of their position on this argument capturing a vital criticism of consumerism. The indecisiveness of both groups of respondents on the issue is also reflected in the percentage of managers agreeing and disagreeing with this view. The data shows that over 35 percent of managers of both countries agreed whereas 27 percent of Australian and 30 percent of Bangladeshi managers disagreed with the view. Scepticism on this issue resulting from the divided opinion on the argument as to whether consumerism leads to limits on consumer choice through the imposition of legal restrictions on marketing of a number of products, leads also to the conclusion that business managers operating even in the two divergent environment where consumerism have differing appeal were unsure about the impact of regulation on choice. This may simply result from a degree of parochialism on the part of managers of small to medium sized enterprises.

**B2r:** "Consumerism results in conflict situations with the consumers." An agreement between the two groups of managers about this view follow a pattern of



response in which both groups are likely to be divided as to whether consumerism generates conflict in the relationship of business with its customers. The mean attitude scores of 3.07 for Australia and 3.26 for Bangladesh just support this proposition. Alternatively, it is also reflected in a large number of managers in both Australia (52%) and in Bangladesh (41%) showing uncertainty about their beliefs on the above issue. A possible interpretation of this divided opinion can be linked with the nature of the statement itself. It is perhaps because the respondents did not understand the meaning of such a subjective argument or lacked direct experience of such conflict.

**B2t:** "information and nutrition labelling push prices up". Respondents in both groups again show their indecisiveness on this important item reflecting a criticism of the product labelling requirements established through consumerism, involving costs on the part of the manufacturer leading often to price increase to the detriment of consumers. Mean values of 2.86 and 3.00 for Australian and Bangladeshi managers perhaps points to divided opinion on the issue. The diversified opinion is also reflected in the distribution of responses of both groups which are spread over the scale. A number of managers from both groups agreed with the argument (35% for Australia and 38% for Australia) that information and nutrition labelling result in price increase and at the same time a somewhat larger number of respondents from both countries disagreed with the same item (49% for Australia and 39% for Bangladesh). Besides, 15% of managers in Australia and 22% managers in Bangladesh are uncertain on the item. The results perhaps suggest that an

appreciation of the impact of consumerism in general and the labelling issue in particular has been less wide spread in both countries.

### **6.5.2: Significantly different items**

As noted earlier ANOVA revealed significant country differences in managerial attitudes towards consumerism in twelve cases or items. The mean values of the individual items appear in Table 6.5.2. The results of the twelve items are discussed below:

**B2a:** This item is concerned with the argument "Consumerism is really pro-business". It appears from the mean scores (2.68 for Australia and 3.83 for Bangladesh) that Bangladeshi managers are much more likely to agree with the argument than their Australian counterparts. An alternative view of the data shows that 71.5 percent of Bangladeshi managers agreed with the item as against 23.5 percent of Australian managers. It is to be noted, however, that double the number (30.4%) of Australian managers were uncertain than Bangladeshi managers (20%) in their evaluation of this argument. The highly pro-consumerism commitment of Bangladeshi managers can be linked with the vigorous programmes undertaken by consumer organisations and government in Bangladesh which include organising seminars, symposiums and discussion meetings at every district levels focusing on various consumer related issues such as product piracy, adulteration, product safety, profiteering, consumer laws, pricing, consumer rights and, competitiveness in the market. These meetings are being addressed by consumer activists, physicians,

politicians, business people, academics, journalists and government officials and largely attended by the people of various walks of life. Consumer organisations are also holding meetings with the representatives of business community to find solutions to consumer problems through dialogue with the help of concerned government departments. Business has also come forward to co-operate with the initiatives because as noted earlier the growth of consumerism can have some favourable impact on business as the increase of awareness of consumers will result in the cleaning up of problem areas such as product piracy, adulteration and unfair competition, shoddy and defective goods from markets, leading to rising of demand for genuine goods and services. Consumerism is also regarded as a pro-business phenomenon for the export oriented garment industry, as the consumer movement has helped the development of quality and safer products which are vital for survival in the international market. The comparatively small number of Australian managers' agreeing with the proposition, "consumerism is really pro-business" is attributable to the fact that consumerism which has been institutionalised in Australia, has been expensive for business in terms of cost of complying with regulations imposed through consumerism legislation. Therefore, consumerism has been considered to be rather anti-business at a time when Australian companies, especially those in the clothing industry are not doing well in competition with the imported products which are produced elsewhere either under lesser or no impact of consumerism.

It is to be noted that 40 percent of Australian managers were undecided as to whether consumerism does any favour to business. This section of business seem to have hesitated to take a polar position on such a straightforward argument,

"consumerism is really pro-business". The uncertainty in their response might stem from realisation that consumerism has both pro and anti-business elements in it. In Australia, consumerism helped business by dealing with difficulties arising out of the activities of dishonest business people and identified the definite obligation. Business has responded with specific plans and programs complying with the regulations. Consumerism has also provided an opportunity for business by creating a consumerism conscious market segment. A number of businesses have "marketed consumerism" by capitalising on the consumerism conscious customers. The adverse effects of consumerism on business have been seen in costly and cumbersome regulation which has placed many business decisions under the influence of a bureaucratic cycle.

**B2c:** "what is good for the consumer is good for business". This statement captures the idea of marketing concept emphasising customer orientation. The results of ANOVA show that there is a significant difference between the managers of the two countries in favour of Bangladesh which is evident from the mean attitudes score of 4.12 for Bangladesh as against 3.60 for Australia. An alternative view of data relating to the percentage of managers agreeing with the above issue also show that Bangladeshi managers (82.2%) are more likely to endorse the idea capturing customer orientation of business than their Australian counterparts (60.8%). These higher commitments of Bangladeshi managers towards the concept is explainable from the growing trend of consumerism in contemporary Bangladesh which may have led businesses to pay adequate attention to consumer satisfaction in order to avoid further regulation and consumer unrest. Besides, in the highly export oriented

garments sector in Bangladesh consumer orientation is obvious because of competitiveness in the international market.

**B2f:** ANOVA shows a significant difference between the attitudes of managers of the two countries with regard to the argument that "consumerism leads to open dialogue with consumers." Mean attitude scores of 3.15 for Australia and 3.60 for Bangladesh shows that Bangladeshi managers have a greater level of agreement with the item than Australian managers. This trend is also supported by the percentage of managers agreeing with the statement (67% for Bangladesh against 41% for Australia). An interpretation of a higher level of acceptance by Bangladeshi managers is that consumerism is in its growth stage in Bangladesh and is characterised by a wide range of activities of consumer organisations and government on various consumer issues. This opens up ways to resolve various consumer related issues through discussion and co-operation rather than antagonism. This obviously involves dialogue among the various parties involved in consumer protection including business, consumer organisation, consumer activist and the government. In Australia most consumer issues which are now being considered in Bangladesh, have been resolved at an earlier stage of the consumerism cycle and by now all major issues such as deception in marketing, product safety, product labelling, weights and measures, guarantee and warranty, and product piracy, have been institutionalised through the implementation of regulation. As such consumerism as a social movement is largely over, but consumer activism is still being carried out by special interest groups on various issues relating to consumer interest (Craig-Lees, 1991).

**B2g:** "Government regulation if properly enforced can yield better results than industry self regulation". ANOVA reported a significant difference between managers of the two countries. A higher mean value for Bangladeshi managers (3.46) over their Australian counterparts (2.82) show that the former group is more likely to favourably perceive the issue. This result is also apparent in the 58% of managers in Bangladesh agreeing with the view as against 30.4% of Australia. The higher level of approval of the item by Bangladeshi managers is understandable from the fact that in a developing country like Bangladesh there are multifarious consumer problems which can not be tackled solely by adopting self regulatory practices. Such schemes are highly unlikely to be successful in a developing country like Bangladesh where self initiative is rarely practiced by managers perhaps because of lack of farsightedness in their commitment and their failure to understand the long term benefits of their action. The only alternative is regulation under the strict supervision of government which is more likely to work. This finding can be broadly linked with the Kaynak model which emphasised a growing appearance of consumer organisations and ground work for consumer legislation at the growth stage (Organisation stage) of the CLC into which Bangladesh currently fits. A highly positive attitudes of a great majority of managers in Bangladesh in favour of the effectiveness of legislation over self regulation perhaps suggest that managerial commitment is strong even at this stage which may reflects managers' perception of the positive role of legislation in creating a favourable atmosphere for healthy business practices in Bangladesh and in this sense, then this result may go a little ahead of Kaynak's assumption of early consumer legislation phase at this stage of the CLC.

A smaller number of Australian managers' approving this argument is attributed to the prevalence of self regulation in a number of industries. Most businesses prefer self regulation because of the flexibility offered and also because such an approach is less expensive than government regulation and may therefore be beneficial for business in the long run.

**B2j:** Attitudes of managers with regard to the statement, "advertising and promotion directed to children should be thoroughly regulated" recorded significant differences between the two countries. This is seen in the mean attitude values of the two groups (3.85 for Australia and 4.33 for Bangladesh) of managers as well as by the percentage of managers of both countries (87.6% for Australia against 75.5% for Bangladesh) agreeing with the statement. In terms of both criteria Bangladeshi managers perceived the idea more favourably than Australian manager, agreeing that targeting children should be subject to regulation by law. It appears from the percentage of managers agreeing with the above argument that although there is a significant difference between the two groups of managers, both groups have large number of managers who agree with the view supporting regulation against advertising targeting children. Comparatively higher level of agreement by Bangladeshi respondents can be linked with the easy regulatory environment in the field of advertising. As most advertisements in Bangladesh are not regulated, they are run in the media without even minimum checks and controls and as such most advertisers have a tendency to resort to deceptive and misleading advertising especially in advertising to children where there is absolutely no control.

**B2i:** The statement, "consumerism will fade away", reflects a controversial position as to whether consumer is a fad or it is here to stay. ANOVA reported a significant difference between the attitudes of the two groups of managers. A higher mean attitude score of 2.42 for Bangladesh as against 2.0 for Australia indicates that Australian managers were more likely to disagree with the anti-consumerism sentiment. This is also supported by disagreement of a greater number of Australian managers (84.3%) with that statement in comparison with their Bangladeshi counterparts (59.6%). Although a majority of managers of both countries rejected the idea, the data suggest that a much higher percentage of Australian managers think that consumerism will continue to stay. There are several reasons for Australian managers to think in this way. Firstly, consumerism has already been institutionalised in the socio-political system in the Western world including Australia (Craig-Lee, 1991). Therefore, to an Australian business, consumerism is a part of their day-to-day affairs. Secondly, although consumerism is institutionalised, issue based consumer activism is very much alive and is expected to continue in a consumer society such as Australia. Thirdly, the Australian Federation of Consumer organisations (AFCO) including the Australian Consumer Association is still actively involved in dealing with any potential consumer issues. Therefore, the Australian business community can not afford to ignore consumerism. The reason for a majority of Bangladeshi managers' disagreement with the argument that "consumerism will fade away" is also clear as consumerism as a movement, is at a growth stage in Bangladesh and is expected to be stronger in future, this is understandable from the increasingly active role played by consumer organisations and an increasing trend towards the imposition of consumer regulation by



government. So, there is no reason for Bangladeshi business to think that consumerism will fade away in near future. This is consistent with the Kaynak model that consumerism is an evolutionary process which is expected to grow and complete the whole cycle and that consumerism shows no sign of subsiding (Kaynak, Kucukemiroglu and Odabasi, 1992).

**B2p:** "Consumerism is acceptable but the adversary situation created by consumer associations is embarrassing". A higher mean attitude score of Bangladeshi managers (3.55) on this statement suggests that they are more likely to agree with the view emphasising the acceptance of consumerism and rejection of consumer organisation than are Australian managers (3.25). An alternative view of the data shows a higher proportion of Bangladeshi managers agree with the item (55.5% in Bangladesh as against 39.1% in Australia).

One possible interpretation of the Bangladeshi managers' higher perception of the acceptance of consumerism and disliking for consumer organisation can be linked with the positive contribution consumerism can make to the business by creating a healthy environment for business through the elimination of questionable business practices. Besides, the support for consumerism may also stem from the realisation that a positive commitment to consumerism may lead to avoidance of further regulation.

Australian managers' lower level of agreement with the item reflects their acceptance of the role of consumer organisations (both public and in private) as they

know that they have become a part of Australian society and Australian business has taken the interaction between business and consumer organisations in a partnership spirit as the matter has now become a part of their routine work as most of the norms are now institutionalised. Hence Australian business has no alternative but to accept consumerism as well as consumer organisations and special interest groups which are now well accepted in the Australian society.

**B2q:** "consumer agencies are often bureaucratic, counterproductive and costly". ANOVA shows a significant difference in the attitudes of the two groups of managers with regard to this item which captures a major criticism of consumer organisations. Australian managers are more likely to support the criticism than are their Bangladeshi counterparts. This is reflected in the larger percent of Australian managers' (56.8% for Australia and 48.6% Bangladesh) agreeing with the view. The higher level of Australian managers' dissatisfaction with the consumer agencies may stem from the high priority given to consumer problems in small claim and other tribunals. These issues are perceived to be costly in the sense that settlement costs money and the process is considered bureaucratic as settlement of disputes takes an unnecessarily long time and may finally be regarded as counterproductive, for it diverts some attention of business from its core areas of activities to an uneconomic area.

**B2s:** "Self regulation can ensure greater consumer welfare than formal regulation". Bangladeshi managers reported a higher level of agreement with the proposition than their Australian counterparts. This is evident from the higher mean

attitude values of Bangladeshi respondents (3.13 for Australia and 3.59 for Bangladesh). The percentage score of agreement also show that in Bangladesh a larger number of managers (60.5%) do agree with the effectiveness of self regulation over government regulation than Australian managers (37.1%). The greater level of enthusiasm among Bangladeshi managers about self regulation is reflected in the increasing level of consciousness among business to take proactive self-regulatory actions in the face of anticipated regulation in many areas of business operations which are expected to involve further costs on the growing business sector in Bangladesh.

**B2u:** "charging high prices in time of scarcity is justified". Although ANOVA shows a significant difference between the two countries with regard to justification of charging high prices in time of emergency, the mean values (2.97 for Australia against 2.26 for Bangladesh) suggest that the difference is a matter of degree as both groups tend to disagree with the position. The trend is even more clear from the number of managers agreeing with the view (40.2% in Australia as against 22.1% in Bangladesh). Agreement by a larger number of managers in Australia can be linked with the competitive marketing environment in Australia in which shortage of supply of products such as garments and food may often lead to an increase in price which is consistent with the law of demand and supply in a capitalist economy such as Australia.

### 6.5.3: Interactions

Significant country by industry interactions with regard to attitudes towards consumerism were found for five items (B2a, B2j, B2k, B2n, B2r). Possible interpretations of these interactions are provided below:

**Consumerism is pro-business (B2a):** It appears from the group mean values that among Bangladeshi subjects, managers in the food industry were more likely to endorse consumerism than those of clothing industries and the trend is quite opposite in Australia where managers in the food industry were less likely to endorse consumerism as pro-business. The group mean scores are presented in Table 6.14:

**Table 6.14**

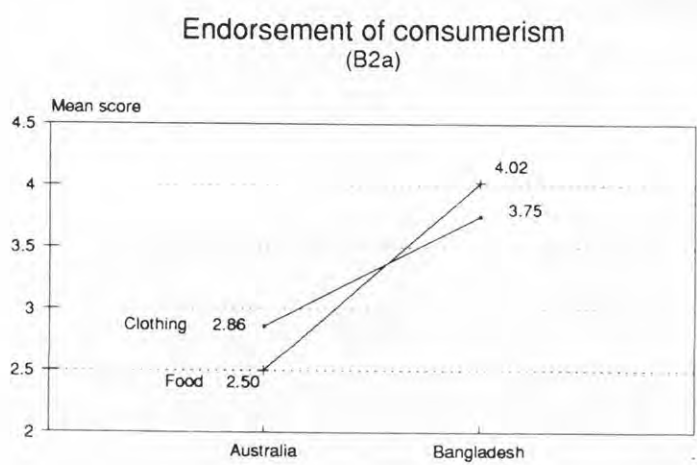
Group mean values for variable B2a

Industry	Clothing	Food
Country		
Australia	2.86	2.50
Bangladesh	3.75	4.02

A possible explanation of this interaction can be found in the current situation facing the clothing industry in Australia. The clothing industry is currently experiencing tough competition from imported clothing. Success in the market largely depends on a properly understanding of the sentiments of the buyers. Therefore, managers perceive consumerism as a pro-business force in society as it may help in identifying the best way of serving customers. The reasons for

Bangladeshi managers in food industry perceiving consumerism as a pro-business force may be due to the fact that in the end consumerism addresses many uncompetitive and illegal activities such as product piracy and adulteration and will make food marketing more effective. The interaction can be graphically presented as follows:

Figure 6.4



**Advertising and promotion directed to children should be thoroughly regulated (B2j):** The mean scores presented in Table 6.15 clearly indicate that in Australia managers in the clothing industry are likely to accept the idea of regulating advertising to children where as in Bangladesh managers representing food sector showed more favourable attitude towards the issue. The higher level of approval by managers in the clothing industry in Australia perhaps reflects their consciousness of the possible effects of unethical practices in terms of legal consequences and injury to consumer confidence in the face of a highly competitive and strong regulatory

environment in the industry. In Bangladesh the food manufacturers’ higher level of approval may stem from their fear of further regulation on the industry especially in the face of recent enactment of some regulation in the area of child health such as Baby Food Marketing regulation.

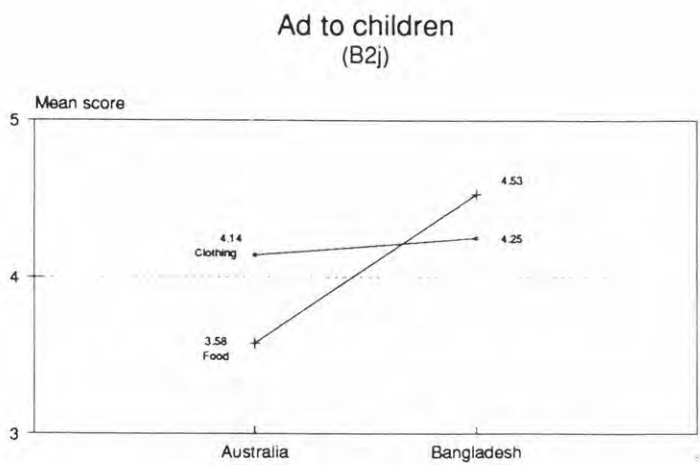
**Table 6.15**

**Group mean values for variable B2j**

Industry	Clothing	Food
Country		
Australia	4.14	3.58
Bangladesh	4.25	4.53

It also appears from the above table that the difference between the perception of managers is greater in food industry in favour of Bangladesh than it is in the clothing industry. This difference may simply reflect the fact that Australia food industry is already regulated and as such the incidence of questionable advertising to children is rarely seen in the Australian media whereas in Bangladesh this practice is wide spread as advertising to children is almost unregulated. The interaction can be graphically presented in Figure 6.5.

Figure 6.5



**Information and nutrition labelling are essential aids to the consumer**

**(B2k):** The group mean (Table 6.16) values suggest that in Australia clothing industry managers support the issue of information labelling slightly more than do managers in the food industry whereas in Bangladesh there is virtually no difference between the managers in the two industries. Clearly the issue is important to both industries in both countries. However, the greater level of acceptance of the usefulness of labelling by the Australian clothing industry is understandable from the existence of strict labelling regulations with regard to safety, use, washing and texture. The difference of perception between the two countries is wider in the food industries than it is in clothing.

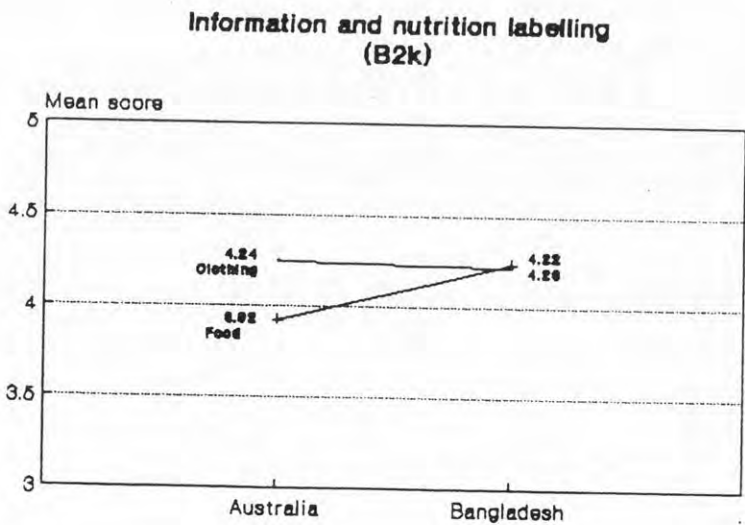
Table 6.16

Group mean values for variable B2k

Country	Industry	Clothing	Food
Australia		4.24	3.92
Bangladesh		4.22	4.23

The interaction is be graphically presented in Figure 6.6.

Figure 6.6



**What is good for business is good for consumers (B2n):**

As noted earlier, managers in both countries tend to disagree with the proposition. It is interesting that Bangladeshi food manufacturers are less likely than others to agree - perhaps reflecting a wider awareness of their role in society.



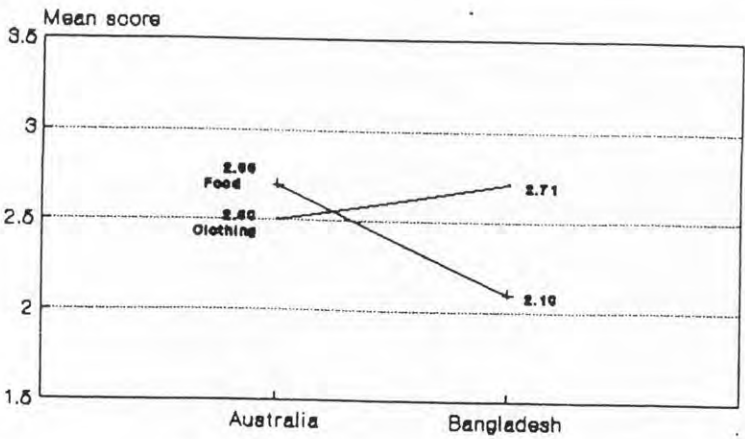
Table 6.17

Group mean values for variable B2n

Industry	Clothing	Food
Country		
Australia	2.50	2.69
Bangladesh	2.71	2.10

The interaction can be graphically presented as follows:

Figure 6.7  
Business orientation  
(B2n)



Consumerism results in conflict situation with the consumers.

(B2r): A comparatively higher level of agreement with the above argument in the Australian clothing industry can be linked to the issue based consumer activism which often concerns clothing items probably because of existence of huge imported garments which might have some problems associated with safety and standards. Bangladesh food industry may also find some conflicting elements in consumerism because of its excessive activities.

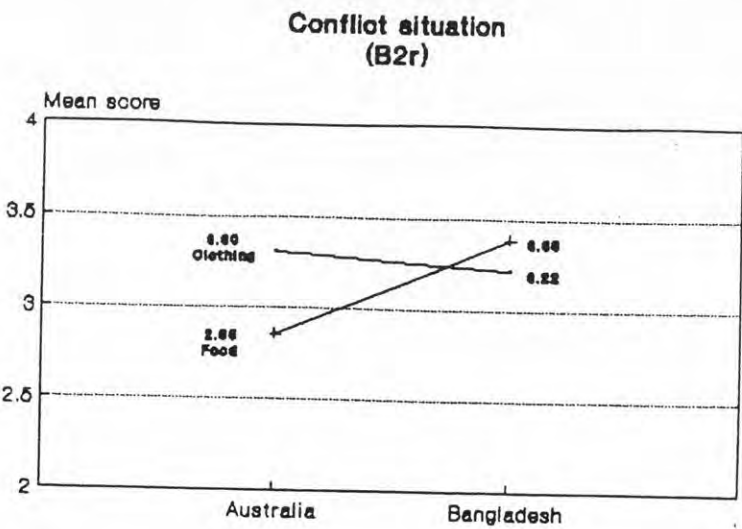
Table 6.18

Group mean values for variable B2r

Industry	Clothing	Food
Country		
Australia	3.30	2.85
Bangladesh	3.22	3.38

Finally, the comparatively wide difference in the perception of managers with regard to the above issue in the food industries may be attributed to the possibility that consumerism often creates an embarrassing situation for the food industries in the growth stage of development in Bangladesh. This is perhaps due to high sensitivity of consumers to any issue relating to production and marketing of food items in Bangladesh as unlike Australia food is a an important element of socio-political unrest in a developing country such as Bangladesh. The interaction can be graphically presented as follows:

Figure 6.8



#### 6.5.4: Industry effects

ANOVA confirmed significant industry effects in the case of five items relating to the managerial perception of corporate social responsibility. These are as follows:

1. Government regulation if properly enforced can yield better results than industry self regulation (B2g).
2. Product safety is a genuine issue that needs due attention from the manufacturer (B2h).
3. Most advertisements are self regulated by the industry and therefore, they should be free from formal regulation (B2i).
4. What is good for business is good for consumers (B2n)

Of the above four items significant industry effects were in favour of food industry in the case of item B2h and B2i. These two items are concerned with the arguments supporting the genuineness of product safety issue and keeping advertising free from regulation as they are self regulated. The higher level of acceptance of safety issue by the managers in the food industry may stem from the high consciousness of food manufacturers as safety of food items need to be adequately maintained in order to sustain a good image of the company. Higher level of attitude towards the argument leading to unregulated advertisement is also understandable from the self consciousness of food manufacturers in designing the advertising in a way that reflect fairness and truthfulness not only for mere self regulation but also for competitive reason.

The industry effects in favour of clothing industry is reflected in the attitudes of managers with regard to items B2g and B2n which are concerned with the positive outcome of government regulation vis-a-vis self regulation and traditional outlook of business (what is good for business is good for consumers). The possible interpretation of higher level of acceptance of government regulation may be linked with the international involvement of clothing industry in both countries. Bangladesh is involved in export while Australia is involved mostly in importation of garments. As in every country there are regulations reflecting government policy on export and import, their proper implementation would definitely yield better results than industry self regulation as the latter is very difficult to implement in such a situation.

Relatively high level of acceptance of the traditional approach to consumers amongst clothing manufacturers may simply reflect the fact that clothing manufacturers have taken a narrow view of consumerism as they think that if business can be successful in the market, the consumers will be better off in terms of employment and productivity. In other words it may be that food industry is more sensitive to consumer needs than the clothing industry as the clothing industry is strongly price driven in both countries.

## **7. ATTITUDE TOWARDS CONSUMERISM: AN ALTERNATIVE APPROACH:**

It appears from the above results that in some areas of consumerism there are significant differences between the two groups of managers and in other situations managers from both groups hold similar positions. However, it has been observed

that in some cases, managers in both the countries have diversified opinion on the issue. Firstly, it is possible that the statements are of such a nature that it is difficult to give a precise opinion. Secondly, the respondents may not have taken the statement seriously as it is irrelevant to their business. Thirdly, it may simply reflect a lack of understanding of the issues underlying the consumerism forces in both countries. To gain a deeper understanding of the attitudes expressed by managers, and to identify possible areas of commonality, a factor analysis was completed for the managers in each of the two countries. Items that loaded significantly on a factor were then grouped together, and country differences explored with the Bangladeshi analysis taken as the base for each comparison.

Factor analysis with varimax rotation on the twenty one consumerism items for the Bangladeshi managers produced 9 factors representing 6.19 percent of the total variance explained (Table 6.19). The rotated factor matrix can be seen in Table 6.20. The mean scores of the consumerism items of both countries were then plotted for each item having a significant factor loading on each factor. The items within each factor were presented in descending order of factor loadings. A description of the eight factors are provided below:

**1. Positive role of consumerism:** Factor 1 comprises items concerned with the perception of consumerism in a positive seer organisation - private and public and welcoming reasonable regulation for consumer protection.

**2. Consumerism is beneficial:** Factor 2 is concerned with the arguments showing the potential benefits of consumerism reflected in a recognition of value of consumer orientation, possible gain from being supportive to consumerism and consideration of consumerism as a favourable force for business.

**3. Existence of consumerism:** This factor captures the ideas leading to the demise of consumerism on the ground that it is not a natural phenomenon.

**4. Consumerism detrimental to consumers:** Factor 4 is based on the negative aspect of consumerism as it is perceived to be a conflicting force and one restricting free choice.

**5. Undesirability of consumer organisation:** The underlying meaning of this factor is reflected in the unacceptability of consumer organisation for their embarrassing, bureaucratic and unproductive role in the society.

**6. Information labelling lifts price:** Factor 6 captures the demerits of nutrition labelling as it costs money to the consumer by way of increased price of products.

**7. Worth of information labelling:** Factor 7 is based on an argument leading to the justification of information labelling as it is of assistance to consumers.

**8. Excellence of self regulation:** This factor refers to the superiority of self regulation over formal regulation.

**Table 6.19**

**Eigen value analysis**

Factors	Eigenvalue	% of total variance explained
1	3.31	15.8
2	2.43	11.6
3	1.63	7.8
4	1.36	6.5
5	1.29	6.2
6	1.20	5.8
7	1.13	5.4
8	1.04	5.00
		<b>Total: 63.9</b>

Figure 6.9 shows the line graph based on the mean values of both groups of managers. It is apparent from the chart that in principle in factor 1 and factor 2, there are differences and in factor 3, 4 and 5 the differences are fairly small and again in factor 7 there are some differences. Since the first two factors are the dominant ones, a comparison of the position of the two groups of managers in these two factors will be relevant in understanding the perceptions of consumerism in the two divergent environments of Australia and Bangladesh. In factor 1 which is concerned with the positive aspects of consumerism, Bangladeshi managers are more likely to accept these aspects of consumerism than are their Australian counterparts.

**Table 6.20**

**Varimax rotated loadings for 7 factors concerning managerial attitude towards consumerism in Bangladesh**

Variables.	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
B2a	.006	.498	.361	-.228	-.327	.110	.162	.131
B2b	.271	.485	-.164	-.474	-.244	.035	-.111	.244
B2c	.006	<b>.710*</b>	.193	.242	-.111	.060	<b>.042*</b>	.121
B2d	<b>.766*</b>	-.115	-.077	-.130	-.117	.077	-.200	.128
B2e	<b>.792</b>	-.144	-.080	-.146	-.030	.072	-.052	.029
B2f	<b>.692*</b>	.018	-.329	.014	.185	-.014	-.085	-.068
B2g	.468	.049	.160	.157	-.222	-.259	.247	-.399
B2h	-.203	.441	.414	-.162	.130	-.094	-.143	-.174
B2i	.416	.146	.226	-.163	.246	.372	-.202	-.262
B2j	-.231	<b>.668*</b>	.088	.012	.207	.063	.158	.057
B2k	-.133	.187	.075	-.102	.199	-.092	<b>.805*</b>	.008
B2l	-.072	-.130	<b>.684*</b>	.015	.132	.231	.126	.144
B2m	-.131	.189	<b>.677*</b>	.1967	-.060	-.049	.073	-.000
B2n	.360	-.481	.184	.011	-.166	-.197	-.155	.310
B2o	-.119	-.087	.140	<b>.716*</b>	.076	-.220	-.017	.067
B2p	-.094	.103	.145	.079	<b>.757*</b>	-.153	.069	.074
B2q	-.168	-.011	.152	.148	<b>.527*</b>	.392	.113	.110
B2r	-.051	.217	-.049	<b>.733*</b>	.057	.301	-.062	.126
B2s	.044	.105	.096	.129	.101	-.055	.062	<b>.799*</b>
B2t	.100	.064	.108	-.004	-.090	<b>.808*</b>	-.034	-.043
AB2u	.009	<b>-.536*</b>	.172	.131	-.223	.182	<b>.507*</b>	.091

\* Items with factor loading of 0.5 or above which are retained for analysis.



Figure 6.9

Line chart showing a comparative picture of mean scores of Australian and Bangladeshi managers with regard to their attitude towards consumerism issues based on factor loadings (in descending order) from Bangladeshi data sets.

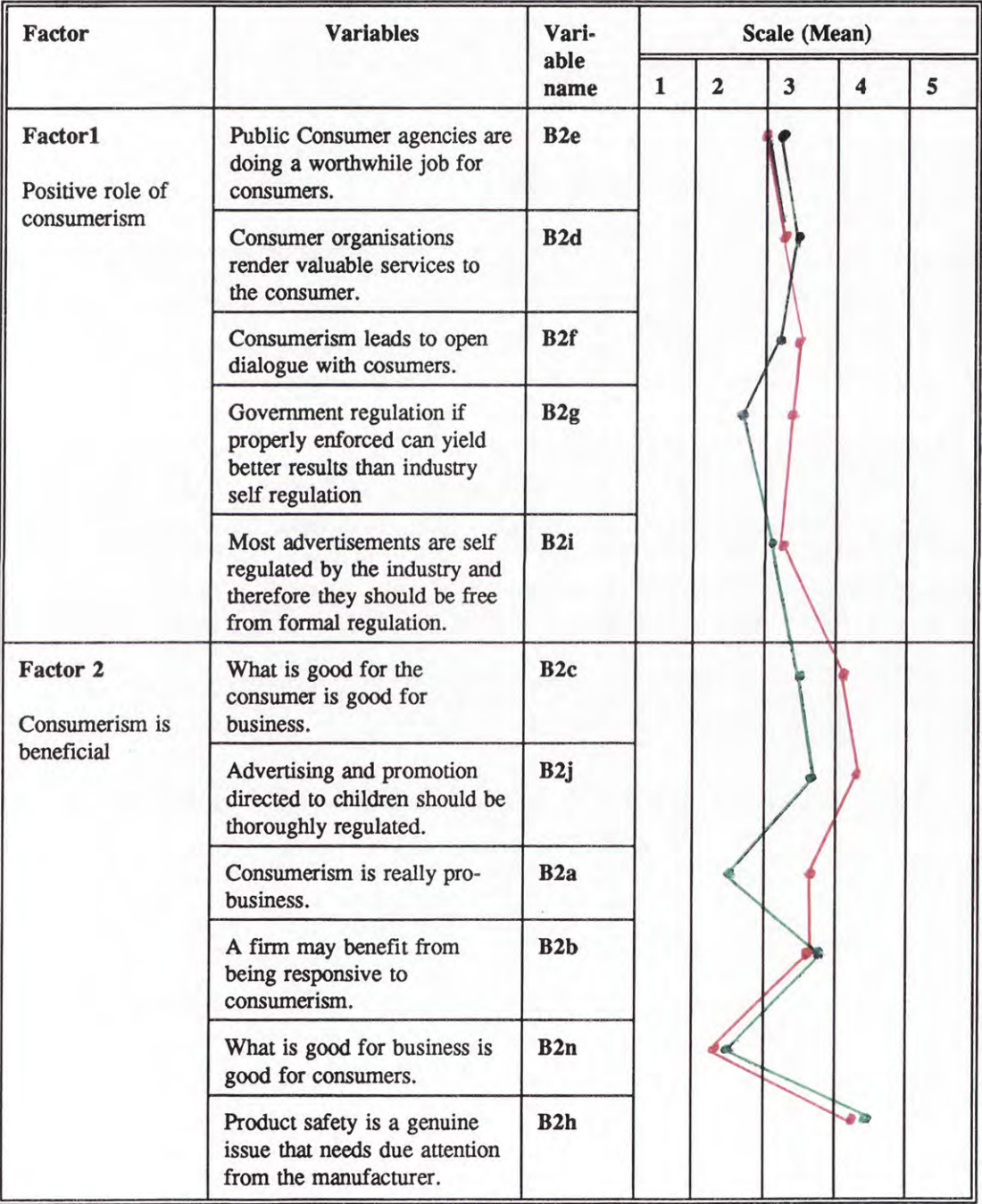
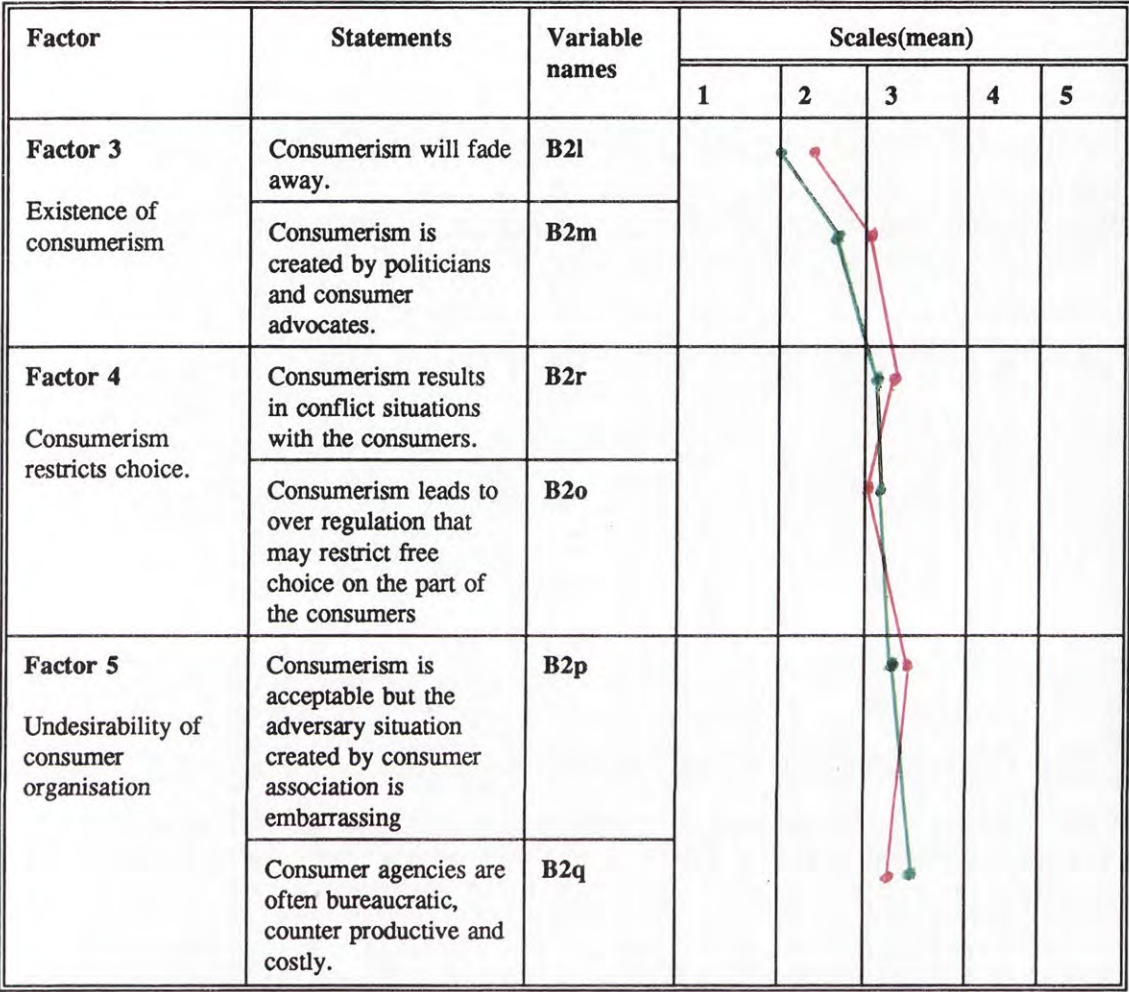
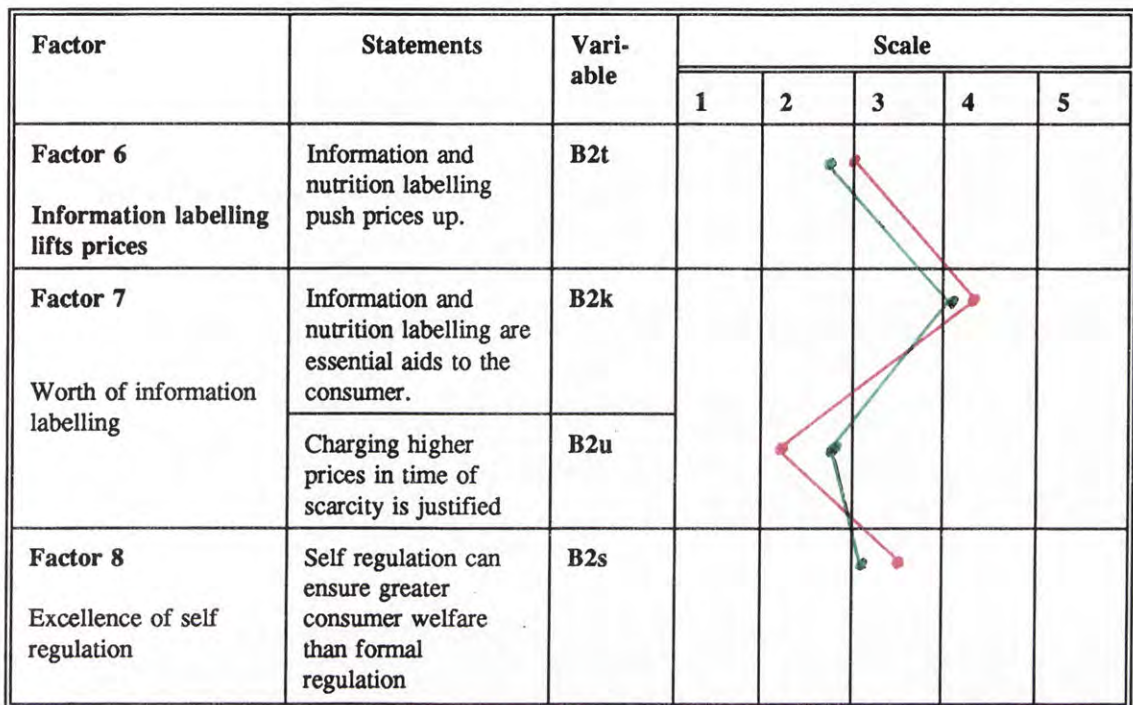


Figure 6.9 contd.




Contd.....P. 309

Figure 6.9 contd.



Note: The curve is based on mean values derived from a 5 point scale where 1 represents strongly disagree to 5 represents strongly agree.

Australia: 

Bangladesh: 

This is understandable from the growing nature of consumerism in a developing country like Bangladesh where consumerism is likely to play a constructive role in maintaining a congenial business environment by creating consumer awareness, help in maintaining a reasonable code of conduct for businesses and eliminating questionable business practices. Comparatively less interest of Australian managers in factor 1 may be attributed to the fact that consumerism has reached its maturity in Australia and that most of the major issues



have been institutionalised through the implementation of regulation becoming a part of day to day business.

In the same way in factor 2 which is concerned with the potential benefits of consumerism. The line chart indicates that the significant differences in the perception of benefit concern such areas as consumer orientation, restricting advertising to children and recognising pro-business elements in consumerism. Bangladeshi managers seem to hold a more favourable view of these issue than the Australian managers. This is probably because Bangladeshi businesses are more likely to benefit from this inevitable force in the society which has to be taken into account in the self interest of business. It not only reduces the likelihood of further costly and cumbersome regulation but also can help development of a healthy competitive environment for the genuine firms. Comparatively less concern about the issue among Australian businesses is understandable from the fact that they have already come through the early growth stage of consumerism life cycle that the Bangladeshi businesses are now passing through. Australian businesses are now complying with the requirements resulting from the subsequent development of consumerism through the different stages of its life cycle and therefore, the question of potential benefit from responding to consumerism has become comparatively less relevant for Australian businesses.

It is interesting to note that in some cases such as **B2b** which reads "a firm may benefit from being responsive to consumerism"., both groups of managers have arrived at a general agreement which is reflected in the mean attitude score of 3.9

for both Australian and Bangladeshi managers. Again a similar opinion on item B2n indicates that both groups of managers have rejected the idea (mean value of below 3 for both groups) that "what is good for business is good for consumerism" reflecting a commitment to consumer orientation.

In the case of factors 3, 4, and 5 which are concerned with the negative aspects of consumerism, there is not much difference between the two groups of managers with regard to their perception excepting in factor 5. Factor 5 which is

based on argument supporting consumerism but not consumer association or the consumer bureaucracy. Bangladeshi respondents are more likely to agree with the statement than their Australian counterpart. This reaction to consumer organisation may be linked with the recent vigorous activities organised by the Consumers Association of Bangladesh (CAB). These activities which are aimed at enhancing consumer awareness about various issues relating to consumer interests may have resulted in increasing resistance leading to embarrassment for many businesses.

Australian managers are more likely to agree with another item within factor 5 (B2q) concerned with the bureaucratic, expensive and unproductiveness of consumer agencies. This can be linked with the bureaucratic phase of consumerism life cycle in a developed country such as Australia as suggested by Kaynak (1985). Since most consumerism issues have been implemented through regulation, it has become expensive to comply with the regulations. The counter productiveness of consumerism results from the involvement of time and energy for non-business

purposes. The comparatively low level of agreement in Bangladesh reflects the earlier growth stage of consumerism life cycle which is characterised by the development of voluntary consumer organisation and emphasis on consumer education, product testing and labelling are apparent (Kaynak, 1985). In this stage little bureaucratic involvement can be found and the cost of settlement of disputes is also negligible because of small number of incidence of disputes which are mostly met through mutual understanding rather than through legal procedures.

Although the chart (Figure 6.9) shows no marked differences between the attitudes of the two groups across factor 3 and 4 which are concerned with the validity of consumerism and the negative outcome of consumerism including creation of a conflict situation and restricting consumers free choice, ANOVA identified a significant difference in the case of a vital argument on consumerism within the framework of factor 3. The issue is whether consumerism is simply a fad or a phenomenon which is here to stay. It is evident from the mean values of below 2 for both groups that Australian and Bangladeshi managers are opposed to the view that consumerism will fade away in future. The chart shows that Australian managers are more likely to dismiss the idea than their Bangladeshi counterparts. This position of Australian managers may reflect the earlier observation concerning the different stages of development of consumerism life cycle in Australia and Bangladesh. In Australia consumerism has been permanently institutionalised in the socio-political framework through the creation of appropriate legal structure and showed commitment of the major political parties. Issue based consumer activism has now become an on going process where consumer Under these circumstances, it

is not surprising that the demise of consumerism in Australia is seen as unlikely. In Bangladesh Consumerism is at an early stage of growth and it will some years for consumerism in Bangladesh to reach the institutionalisation stage. The attitudes of Bangladeshi business towards the longevity of consumerism is consistent with the stage of the consumerism life cycle suggested by Kaynak (1985).

Managers of both countries seem to be in general agreement with the items included in factor 6, 7 and 8 except for an item in factor 7 which is stated as "charging high prices in time of emergency is justified". The chart shows that although Australian managers are more likely to agree, neither group supported the view. In a competitive environment such as Australia, an occasional shortage in the supply of goods may lead to price increases which are consistent with the operation of market forces. In such a situation charging higher prices may be justified. In Bangladesh, price increases are a very sensitive issue, given the low purchasing capacity of the general masses. Any attempt to increase price, may result in public protest and occasional violence and may even lead to the fall of government. This is reflected in the existence of a rationing system of distribution for essential item in the urban areas of Bangladesh. A number of public regulatory bodies are also operating to implement legislation relating to marketing of essential commodities under which a price list is to be displayed in every shops.

The above discussion suggested that Bangladeshi managers are more advanced than their Australian counterparts in terms of their acceptance of consumerism. This pattern of attitudes amongst Bangladeshi managers seems to be a

consequence of the stage of development of the consumerism life cycle as suggested by Kaynak (1985). As mentioned earlier the position of a country in the consumerism life cycle may change depending on the performance of a country on a number of criteria such as amount of consumer legislation, level of performance of consumer organisation and public consumer agencies and amount of public involvement in consumer education program. The foregoing results on a number of issues clearly indicate that Bangladeshi business perceived the impact of consumerism at a level (above 1.8 in a scale of 5 where 1 represents not at all and 5 represents very much) which supports the proposition that the current consumer movement in Bangladesh is perhaps at the top of crystallisation stage or at the beginning of growth stage. While a number of prior studies have either found limited (Varadarajan, and Thirunarayana, 1991; Varadarajan, Bharadwaj and Thirunarayana, 1990, 1994) or no empirical evidence (Barker, 1987; Barksdale, et. al, 1982) to support CLC, the results of the present study provided some empirical support in favour of the basic assumption underlying Kaynak's model which positioned various countries in the different stages of CLC on a hypothetical basis. As supported by the data, a slightly more advanced position of Bangladesh than Kaynak assumed about a decade ago, seems to be justified in the context of the evolutionary process of the growth of consumerism. This points to an indication as to the possible extension of the CLC suggested by Kaynak (1985) in order to incorporate a "take off stage" in between the crystallisation and organisation stage in order to accommodate a country such as Bangladesh which, as suggested by the data of this study, neither fits into stage I nor in stage II. This "take off stage" is likely to be characterised by a rising trend in the consumer movement triggered by



consumer organisation, increasing trend in the government intervention in business and increasing acceptance of consumerism by business community and appreciating the positive role of consumerism. This change may have stemmed from some recent change in the macro economic factor following the tremendous growth of export oriented garment industry during the last decade leading to substantial increase in the foreign currency reserve of the country. This has resulted in the improvement of socio-economic infrastructure of the country in terms of growth and employment generation and income of people. This has led to an increasing trend in the consumption level of people and obviously consumerism received impetus for further growth.

The comparatively high commitment to consumerism may also result from the recognition by business in Bangladesh that since consumerism contributes to the healthy development of commerce and industry in the country by eliminating unscrupulous practices including adulteration, product piracy, pyramid selling, deceptive and misleading advertising, price and quality claims, it is likely to be beneficial to business in the long run. Besides, consumerism activities are likely to generate consumer awareness of the various aspects of goods and services leading to a "consumerism conscious" market segment that can be successfully served by well planned business strategies. Furthermore, as consumerism progresses through successive stages, the likelihood of consumer worries translating into regulation will increase and a favourable commitment of business translating into responsive action is likely to reduce the proliferation of legislation thus reducing extra cost and

bureaucratic hassle. This is perhaps a reason why consumerism is so paramount in the minds of Bangladeshi business people.

On the other hand the consumerism life cycle has reached its maturity stage in Australia, where all the major consumerism issues have been institutionalised in the socio-political process. Consumerism has been codified into consumer laws and regulations, implemented through a number of consumer agencies and the courts of justice. In this sense consumerism has become a part and parcel of the day to day affairs of business. Therefore, managers in Australia do not feel consumerism as such a day to day concerns excepting issue based consumer activism which is likely to continue (Craig-Lees, 1991). Businesses in the western world have also institutionalised consumer concern into their decision making processes (Steiner and Steiner, 1994). Therefore, in terms of the Kaynak model Australia, can be positioned in stage III (institutionalisation phase) with a tendency to move towards a Bureaucratic phase (stage IV) as Australian businesses are now more concerned with the bureaucratic phase of consumerism where interaction between the consumer agencies and businesses is a matter of routine. Whereas Bangladeshi businesses have begun to see the growing impact of consumerism, with increasing pressures to accommodate consumer worries and grievances into their business decisions.

## **6.6: ACTION IN RESPONSE TO SOCIAL RESPONSIBILITY**

This section seeks to explore the impact of the macro environment variables of country and industry on the extent of action taken by managers in the area of social responsibility. A review of the literature provided some important insights into possible differences in business behaviour in varying environmental settings. The theoretical model presented in Chapter 3 (Figure 3.4) suggested that corporate action on social responsibility is likely to be influenced by macro environmental factors including the market and social worlds, the physical environment such as vagaries of nature, the capability of government and business, and the regulatory and social policy of government. It has also been noted that factors such as culture, philanthropy and religion can also contribute to the pattern of action taken by business. The following discussion will shed light on the pattern of marketing action over eight different areas of marketing or management decision and explore their possible interpretation in the context of the two divergent environments offered by Australia and Bangladesh. The results reported in this section are based on two way ANOVA concerning country and industry.

1.     **Product (C1a-C1n)**
2.     **Price (C2a -C2c)**
3.     **Distribution (C3a-C3c)**
4.     **Promotion and communication (C4a-C4f)**
5.     **Organisational aspect (C5a-C5e)**
6.     **Product piracy (C6a-C6c)**
7.     **Social responsibility (C7a-C7f)**
8.     **Work environment (C8a-C8g)**

### **6.6.1: Product related action**

Fourteen different options relating to action in the product area were considered under this category. ANOVA shows significant country difference in the case of nine items and industry differences in two items (see table 6.1.2). No significant interaction was found.

It appears from the mean score that out of the nine cases where significant country differences were reported, Australian companies were found to be involved in a greater commitment to action in seven cases (see Table 6.1.1). This indicates strong policy of action on the part of Australian firms in response to product related issues. Bangladesh business, however, showed a greater commitment to action on "producing environmental acceptable products" (C1j) and "discontinuing the production of products that are not environmental approved" (C1k).

Table 6.1.1

Mean score and percentage of businesses taken action relating to product.

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Maintaining product standard and quality. (C1a)	4.78	92.1	4.83	96.3
Upgrading product quality. (C1b)	4.67	90.2	4.62	93.6
Meeting industry safety standards for products. (C1c)	4.61	88.2	4.46	84.0
Sorting out defective and below standard products before they are marketed. (C1d)	4.68	92.2	4.73	92.2
Recalling questionable products from the market. (C1e)	4.20	75.5	3.56	58.2
Strict acceptance of warranty and guarantee commitments. (C1f)	4.41	83.4	3.61	56.9
Ensuring repair, refund or replacement of product where needed. (C1g)	4.64	89.2	3.51	56.9
Adequate product labelling emphasising use, safety precaution, ingredients etc of products. (C1h)	4.47	84.3	3.96	67.8
Including the opinion of consumers in designing and marketing the product. (C1i)	3.90	63.7	3.65	61.9
Producing environmental acceptable products. (C1j)	3.80	55.9	4.32	81.6
Discontinuing the production of products that are not environmental approved. (C1k)	3.01	36.3	3.61	63.8
Improving product design to ensure ease and safety of use. (C1l)	3.88	66.7	3.94	71.6
Adding significant service benefits to the product. (C1m)	3.61	57.8	2.74	34.4
Initiating a 'total quality management program. (C1n)	4.27	78.5	4.10	74.3

\* Includes firms who have already taken action and also those who are planning to take action.

The position of Bangladesh companies on this particular issue can be linked with recent initiatives taken by the government, education institutions and NGOs

including consumer organisations. Conferences, seminars, public gatherings, special training courses and symposia are being organised to educate the general public, public servants and business people to play their respective role in overcoming the environmental consequences of regular natural disaster in Bangladesh. This societal awareness might have influenced the business community to pay attention to the production of environmental acceptable products.

The reason for greater amount of action taken by the Australian business in the case of 8 items is well understandable from the point of view of the stricter regulatory requirements, continuous pressure from the various special consumer interests groups including consumer associations and the highly competitive environment facing the two industries. For example, issues such as maintenance of product standards and quality, strict commitments to guarantee and warranty, compensation for product related injury, refund and replacement of products and proper information and nutritional labelling are all institutionalised through adequate provisions in the relevant consumer protection laws; areas such as following a 'total quality management' program, the provisions of after sales service to the customers, taking consumer opinion into consideration and withdrawing questionable products from the market are all being looked into as a result of sophisticated marketing environment in Australia. In particular this is partly due to the competitive nature of Australian industry, and partly due to the drive for quality and best practices.

#### **6.6.1.1: Industry effects**

ANOVA reported in Table 6.1.2, shows significant industry effects in the case of three action items of which two are related to clothing and the rest is concerned with food industry. The clothing industry is likely to be more willing to use consumer opinion in designing and marketing product and also to ensure product safety. This probably reflects the awareness of management of the importance of safety and fashion sensitivity in clothing and garments industry. The relatively greater willingness to take action in food industry in the area of quality product policy is understandable from high consumer sensitivity to quality of food items as they may affect their health. Strict regulation of food marketing may also be an important factor for such behaviour.

**Table 6.1.2**

**Significant differences and interactions with regard to action in response to social responsibility and consumerism in relation to product using two way ANOVA.**

Variables	Source of variation	Sig.*	Interaction	Sig.*
Sorting out defective and below standard products before they are marketed(C1d)	Industry (F)	.000	-	NS
Recalling questionable products from the market (C1e)	Country (A)	.002	-	NS
Strict acceptance of warranty and guarantee commitments.(C1f)	Country (A)	.000	-	NS
Ensuring repair, refund or replacement of product where needed. (C1g)	Country (A)	.000	-	NS
Adequate product labelling emphasising use, safety precaution, ingredients etc of products.(C1h).	Country (A) Industry (C)	.000 .001	-	NS
Including the opinion of consumers in designing and marketing the products (C1i)	Country (A) Industry (C)	.031 .003	-	NS
Producing environmental acceptable products (C1j)	Country (B)	.004	-	NS
Discontinuing environmental unfriendly products (C1k)	Country (B)	.001	-	NS
Improving product design to ensure ease and safety of use (C1l).	Industry (C)	.015	-	NS
Adding significant service benefit to the products (C1m)	Country (A)	.000	-	NS
Initiating 'a total quality management' program (C1n).	Country (A)	.041	-	NS

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at 5 percent level (P <.05)



### 6.6.2: Price related action

Only one item relating to price showed significant country differences and an interaction effect. This item is concerned with company action to avoiding misleading claims of discount pricing. It is apparent from the mean value of 3.31 for Australia as against 2.70 for Bangladesh (Table 6.2.1) that Australian business has a tendency to take a greater level of action on this issue. The difference is also reflected in the percentage of firms showing action oriented behaviour (50% in Australia and 28% in Bangladesh). This difference in the level of action between the two countries is understandable from both a legal and marketing point of view. It is unlawful for a business in Australia to be involved in a practice such as misleading claims in discount pricing. Besides, given the high level of competitiveness in Australian markets, it would be damaging to the reputation of a firm to indulge in such an unethical practice. Action on this issue is also inevitable because of high consciousness of customers and the active role played by consumer organisations, interest groups and media in detecting and fighting such deceptive practices.

**Table 6.2.1**

Mean score and percentage of businesses taken action relating to Price

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Complying with the price regulation (if any) set by the Govt. (C2a)	2.86	41.2	2.82	36.3
Substantiating comparative price claims (e.g. genuine sale price).(C2b).	3.08	45.1	3.04	40.9
Avoiding misleading claims of discount pricing (C2c).	3.31	50.0	2.70	28.0

\* Includes firms who have already taken action and also those who are planning to take action.

**Table 6.2.2**

Significant differences and interactions with regard to action in response to social responsibility in relation to price using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Avoiding misleading claims of discount pricing (C2c)	Country (A)	.001	Country x Industry	.011

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at 5 percent level ( $P < .05$ )

### 6.6.2.1: Interaction

It is to be noted that a country by industry was found in the case of item C2c at the 1 percent level of significance (Table 6.2.2). It appears from the interaction, that action relating to avoiding misleading claims of discount pricing is more prevalent among Australian managers operating in clothing industry and in

Bangladesh managers in the food industry have paid more attention to this issue than those of clothing industry. The group mean values can be seen in Table 6.2.3.

**Table 6.2.3**

**Group mean values for variable C2c**

Industry Country	Clothing	Food
Australia	3.66	2.98
Bangladesh	2.61	2.92

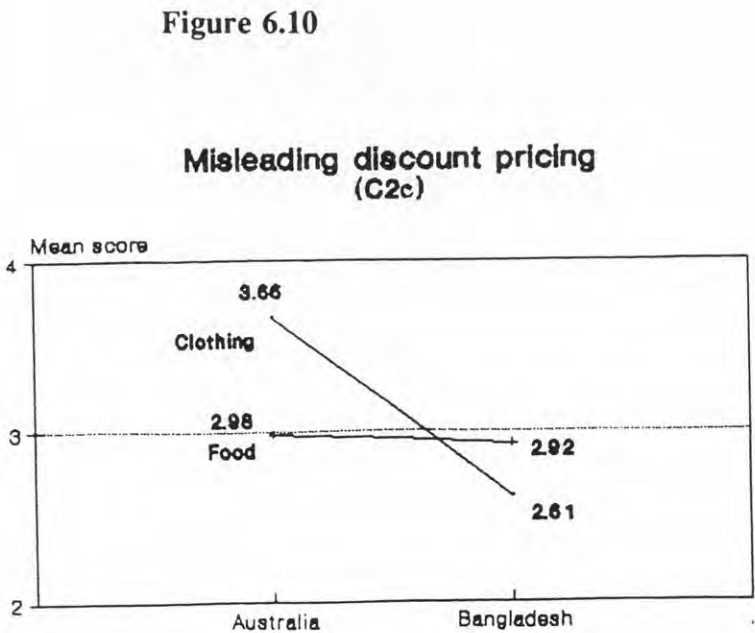
A possible explanation of this interaction is that there is a formal regulation restricting such deceptive practices on the part of a corporation in Australia. The clothing industry has been experiencing even tougher regulation and as such the behaviour of managers leading to action on the above issue is influenced by existing laws such as Trade Practices Act, 1974, Fair Trading Acts (at state level), and the Prices Surveillance Act, 1983. Furthermore, initiatives against deceptive practices concerning price are also linked with the high level of competition in the clothing industry in Australia especially relating to imported clothing and garments.

The relatively higher awareness of managers of Bangladesh as to avoidance of misleading claims in discount pricing in the food industry in Bangladesh also reflects a changing regulatory environment. The food industry witnessed more vigorous initiatives in consumer protection in terms of enactment of regulations e.g. Pure Food Ordinance, 1959 (as amended in 1966), The Breast-milk Substitute (regulation of marketing) Ordinance, 1984, Drug Control Ordinance, 1982, East

Pakistan (as adopted in Bangladesh) Control of Essential Commodities Act, 1956, East Pakistan (as adopted in Bangladesh) Essential Commodities Price and Distribution Ordinance, 1970. Since the fulfilment of physiological needs is of prime importance in Bangladesh, politics in Bangladesh centres around the price of food and as such Government initiatives have always been concerned with regulation of food pricing and distribution.

The lower level of action taken by the clothing industry in Bangladesh on this issue is attributable to the international focus of this industry. The issue of misleading discount pricing is largely irrelevant in international markets.

The interaction is graphically presented in Figure 6.10.



### **6.6.3: Distribution related action**

Significant country differences have been found in the case of two items and an interaction appears to be present in one item (Table 6.3.2). The items where significant country difference were found are discussed below:

**C3b: "encouraging distributors and retailers to include only a reasonable mark up in the selling price":** ANOVA shows that Country contributed significantly to the difference in action on the above issue. Bangladesh respondents reportedly take a higher level of action with regard to adding a reasonable mark up with the selling price. This difference is attributable to current marketing practices in Bangladesh. In the face of a chronic shortage of consumer goods, the price of essential commodities including food and clothing is regulated in Bangladesh. Under the regulation every manufacturer has to estimate the maximum retail price of a product after taking into consideration a reasonable mark up for intermediaries and then print the price on the face of the product. This action is taken in anticipation of price hike during emergency situation following shortage of supply. Under the existing law it is compulsory for every seller has to hang a price list at a convenient place of the shop.

**C3c: "Ensuring effective and quick distribution of product in times of emergency".** A significant difference in actions taken by business in the two countries on the above issue indicates that Bangladesh industries have taken more positive action towards making sure that effective distribution of products is made

during an emergency situation. This difference can be explained in the context of the frequent emergency situation arising during natural disaster such as cyclones, flood and drought and unpredicted shortage of consumer goods following delay in import and inadequate internal supply.

**Table 6.3.1**

Mean score and percentage of businesses taken action relating to Distribution

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Giving distributors and retailers more authority so they can provide quick, effective service to the consumer.(C3a)	2.98	39.2	3.17	46.4
Encouraging distributors and retailers to include only a reasonable mark up in the selling price (C3b)	2.81	33.3	3.20	47.3
Ensuring effective and quick distribution of product in times of emergency (C3c)	3.63	56.9	3.95	71.5

\* Includes firms who have already taken action and also those who are planning to take action.

**Table 6.3.2**

Significant differences and interactions with regard to action on distribution using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Giving distributors and retailers more authority so they can provide quick, effective service to the consumer (C3a)	Industry (F)	.015	Country x industry	.013
Encouraging retailers to include only a reasonable mark up in the selling price (C3b)	Country (B) Industry (F)	.005 .000	-	NS
Ensuring effective and quick distribution of product in times of emergency (C3c)	Country (B)	.034	-	NS

- Note:
- Results obtained from sample ANOVA applied to each item separately.
  - The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  - NS denotes 'not significant'.
  - \* denotes significant at 5 percent level ( $P < .05$ )

### 6.6.3.1: Industry effects

Table 6.3.2 shows industry effects concerning delegation of authority to the middlemen and encourage them for a reasonable mark up perhaps reflects the existence of a longer channel of distribution in the food industry and the perishable nature of food items. Giving more power to the middlemen may result in flexibility in their decision making leading to better customer service and adding reasonable mark up may make the price more competitive to the benefit of consumers.

### 6.6.3.2: Interaction

Interaction with regard to "giving distributors and retailers more authority so they can provide quick, effective service to the consumer" (C3a) reveals that Australian clothing industry is more concerned than the food industry with regard to the issue.

A greater emphasis on giving more power to intermediaries in the Australian clothing industry reflects the high level of competitiveness in the industry. Decentralisation of decision making in favour of intermediaries may put a manufacturer in an advantageous position as this may lead to effectiveness in marketing as well as a reduction in costs and ensure a quick and effective distribution which is so vital in a competitive marketing system.

The reason for the Bangladesh food industry being relatively more concerned with action on the above issue stems from the peculiar situation facing the food

industry and reflects the constraints under which the industry has been operating. In contrast to Australia, about 85 percent of people live in the rural areas in Bangladesh. Because of inadequate transportation and communication facilities, it is difficult for food manufacturers to reach their target market without involving a huge network of distributors and retailers. Since the intermediaries have to market the products to distant small towns, they need to have adequate and flexible authority so that they can take any action needed without consulting their principals. Further since food is a chronic deficit sector in Bangladesh, success in marketing food products relies largely on quick distribution. This is particularly relevant in an emergency situation, especially during the natural calamities, when food is a priority for every consumer. Decentralisation of power to the marketing channel members can quicken distribution and thereby bring strategic advantage to a firm. The following Table shows the group mean values:

**Table 6.3.3**

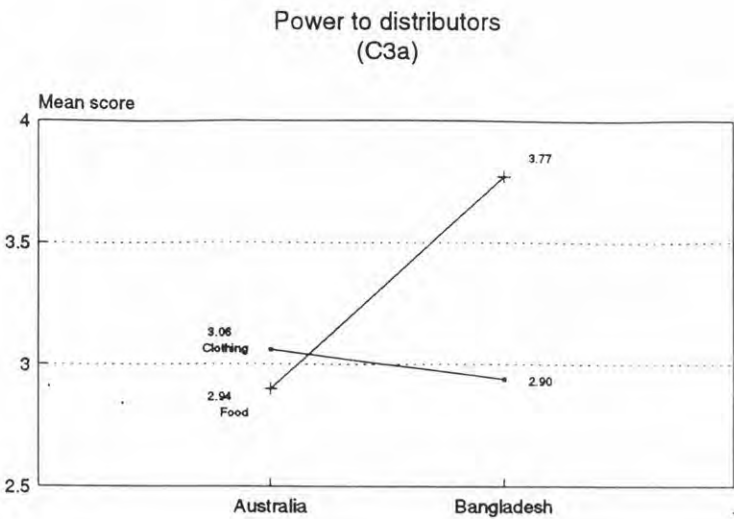
**Group mean values for variable C3a**

Industry Country	Clothing	Food
Australia	3.06	2.90
Bangladesh	2.94	3.77



The interaction can be graphically presented as follows:

Figure 6.11



6.6.4: Promotion and communication related action

Significant country differences were observed in four items (6.4.2). These were as follows:

Specific policy for checking whether there is any deceptive and /misleading element in advertising (C4a)

ANOVA shows that there is a significant difference between the level of action taken by businesses in the two countries in favour of Australia. These differences are reflected in the higher mean action score of 3.47 for Australia as against 2.66 for Bangladesh. This trend is also supported by over 50% of Australian business indicating action oriented behaviour as against 32% of Bangladesh. The

difference in action on checking deceptive elements in advertising in favour of Australian business stem from the consciousness of Australian business of the laws (such as the Trade Practices Act) regulating such practices. Besides, the fear of losing consumer confidence in a competitive marketing environment may have been a factor. The low level of action by Bangladesh businesses results from the absence of regulation and the operation of sellers market conditions under which consumers have very little say.

**Substantiating quality/price claim in ad.(C4b):** ANOVA indicates a significant country differences in relation to action oriented behaviour in favour of Australia. Mean values of the two countries support this difference (3.23 for Australia against 2.75 for Bangladesh) but the percentage figures show that although more Australian firms (45%) have taken action on the item than Bangladesh firms (33%), in the case of both groups less than half of the firms have actually taken action. However, as with C4a the difference in action between the two countries can be linked with difference in the legal provisions made in the relevant legislation to protect consumers against such practices. High level of competitiveness in the relevant industries in Australia have also led to positive action in providing support for advertising claims. This might have influenced the Australian business to take greater amount of action as compared to Bangladesh business where both legal protection and competition are comparatively at much lower level than it is in Australia.

### **Following industry code of ethics in advertising and promotion (C4c).**

Country difference on the above issue indicates that Australian business has leaned towards adopting a code of ethics set by the industry in the area of advertising and promotion. The difference is apparent both in mean values (3.57 against 3.0 for Bangladesh) and in percentage of businesses taking action in the two countries (58.8% in Australia and 45% in Bangladesh). This difference can be explained with reference to the regulatory and self regulatory environment surrounding Australian business. The industry has designed self regulatory procedures which have been followed by individual firms. This action might also stem from an understanding that self regulatory practices may be instrumental in convincing society that no further regulation would be necessary in this area as the industry itself is looking into it.

**Training of sales/service staff in good customer relations (C4f):** A significant difference reported by the ANOVA in favour of Australia is apparent in the mean values of the two countries (4.38 for Australia and 3.24 for Bangladesh). The difference is sharply demonstrated by the fact that over 80% of managers in Australia have taken action as against only 44% in Bangladesh.

A possible reason for the difference in taking action on imparting necessary training to the staff to maintain and enhance good relations with customers flow from the level of competitiveness prevailing in the two countries. This dictates the importance of the training of staff in good customer relations. A relatively high level

of competition has made the issue popular in many developed countries including Australia, with the consequence that good customer service has become a synonym for success in the market through the retention and enhancement of market share.

#### **6.6.4.1: Industry effects**

ANOVA reported in Table 6.4.2, indicates the existence of industry effects in ensuring truthfulness in advertising (C4a), and training staff in good customer relations (C4f). Food industry is likely to act more positively than the clothing industry in both cases. The maintenance of truthfulness of advertising in food industry can be linked with the strong regulatory environment as well as with the high importance attached to the reliability of advertising and promotion of food items as they are directly related to their health and safety. Staff training in good customer relations simply reflects the relevance of effective customer relations in order to survive in a highly competitive industry such as food.

This group of items is much more likely to be achieved in the more sophisticated marketing environment of Australia. Despite this, one was more frequent (although still uncommon) in Bangladesh. Company size is also likely to be a factor, and the companies involved in the study was drawn from small to medium size firms-those being the size categories found in the two industries.

**Table 6.4.1****Mean score and percentage of businesses taken action relating to Promotion and Communication**

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Specific policies for checking whether there is any deceptive/misleading element in ad. (C4a)	3.47	52.9	2.66	32.1
Substantiating quality/price claims in ad. (C4b)	3.23	45.1	2.75	33.5
Following industry code of ethics in advertising and promotion (C4c)	3.57	58.8	3.0	41.3
Providing authentic and factual comparative information in advertising (C4d)	3.57	55.9	3.22	45.4
Communicating social responsibility programs to the consumer (C4e)	2.74	27.4	2.88	34.9
Training of sales/service staff in good customer relations (C4f)	4.38	81.4	3.24	44.1

\* Includes firms who have already taken action and also those who are planning to take action.

**Table 6.4.2**

Significant differences and interactions with regard to action in response to social responsibility in relation to Promotion and Communication using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Specific policies for checking whether there is any deceptive/misleading element in ad.(C4a).	Country (A)	.000	-	NS
	Industry (F)	.038		NS
Substantiating quality/price claims in ad (C4b).	Country (A)	.027	-	NS
Following industry code of ethics in ad and promotion (C4c).	Country (A)	.011	-	NS
Training of sales/service staff in good customer relations.(C4f).	Country (A)	.000	-	NS
	Industry (F)	.025		NS

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.

### 6.6.5: Action related to organisational aspect

This section examined five items related to organisational change with regard to corporate social responsibility. Significant differences were reported in all the five items (Table 6.5.2). Bangladesh respondents have reportedly taken greater action on one of the items while Australian respondents recorded greater action on three (Table 6.5.1). The three items on which Australian firms have taken significantly greater action are concerned with handling complaints. These are as follows:

1. **Creation of a complaint handling body within the organisation (C5c):** A significant difference between the two groups of businesses in this area in favour of Australia is reflected in the higher mean values of 3.83 as against 3.38 for

Bangladesh. This is also reflected in 64% of Australian firms as against 50% in Bangladesh who have taken action on the issue. The Australian responses may arise from an increasing trend towards lodging complaints by consumers on a wide range of product and services which in turn have led to strict regulation in this area. In many cases complaints are lodged by consumers with the Consumer Affairs Department for redress. Since settlement of these complaints by a government department is embarrassing for business, establishment of a complaint handling body within an organisation has been supported with the understanding that it may help stop consumers going elsewhere and also help the management of a firm in providing important feedback regarding problems areas. Furthermore, establishment of such a department is likely to create favourable impression in the mind of the aggrieved customers about the high quality of customer service provided by a company.

**2. Involving senior manager (e.g. Chief Executive Officer) in the handling of complaints (C5d):** While Australian firms appear more likely to implement this approach, managers from both countries were positive about the idea. Certainly the involvement of senior managers in the management of complaint handling can be effective in convincing the consumer that their grievances are given due attention by the company at its highest level. However, the higher level of involvement may simply reflect the small size of companies in the two industries. It remains possible that this self regulatory action might benefit the company in the long run as a way of satisfying consumer needs as well as of avoiding further regulation.

**3. Treating effective complaint handling as a means of promoting goodwill of the firm (C5e):** The higher incidence of this action amongst Australian business in recognition of the importance of complaint handling. The reputation of a firm has often been linked with proper complaint handling, as mishandling of complaints may lead a consumer to lodge the complaint in a Government Department, resulting in legal action which may be damaging to the goodwill of the firm. On the other hand proper and timely action on complaint can satisfy an aggrieved customer and ultimately promote the good will of the firm.

The item where Bangladesh respondents recorded greater action was:

**1. Creation of a position of consumer affairs manager to monitor public issues and take appropriate company initiatives (C5a):** Although there is a significant difference between the two groups on the level of action related behaviour, it appears from the mean value that both groups are unlikely to take this action. The response of Bangladesh managers in this particular area may reflect the recent change in industrial policy in which a greater emphasis was placed on the private sector. Private sector industries have been a keen interest in public issues, especially in the continuous deterioration of the physical environment as a result of a regular natural disaster. The relatively positive attitude towards the creation of a position of consumer affairs manager to monitor public issues might stem from this.



**Table 6.5.1**

**Mean score and percentage of businesses taken action relating to organisational aspect**

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Creation of a position of consumer affairs manager to monitor public issues and take appropriate company initiatives (C5a)	2.44	19.6	2.77	33.9
Staff training in the area of corporate social responsibility (C5b)	3.08	33.3	2.80	33.0
Creation of a complaint handling body within the organisation (C5c).	3.83	64.7	3.38	50.4
Involving senior manager (e.g. Chief Executive Officer) in the handling of complaints (C5d)	4.34	78.4	3.76	59.6
Treating effective complaint handling as a means of promoting goodwill of the firm (C5e)	4.52	83.3	3.78	65.1

Table 6.5.2

Significant differences and interactions with regard to action in response to social responsibility in relation to Organisational Aspects using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Creation of a position of consumer affairs manager to monitor public issues and take appropriate company initiatives.(C5a)	Country (B) Industry (F)	.004 .000	- -	NS NS
Staff training in the area of corporate social responsibility.(C5b)	Industry (F)	.001	-	NS
Creation of a complaint handling body within the organisation.(C5c)	Country (A)	.018	-	NS
Involving senior manager's (e.g. Chief Executive Officer) in the handling of complaints. (C5d)	Country (A)	.002	-	NS
Treating effective complaint handling as a means of promoting goodwill of the firm (C5e)	Country (A)	.000	-	NS

- Note: 1. Results obtained from sample ANOVA applied to each item separately.  
 2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.  
 3. NS denotes 'not significant'.  
 4. \* denotes significant at 5 percent level ( $P < .05$ )

### 6.6.5.1: Industry effects

Significant industry effects are apparent in two items concerned with the establishment of a consumer affairs managers (C5a), and Staff training in SR (C5b). These industry effects with significantly higher level of action in food industry is understandable from relatively high incidence of consumer complaints in food marketing areas because of the sensitivity of the product itself. An organisational arrangement towards creation of a position to monitor the relevant issues and

handling them through a trained staff seem to be an effective strategic move in tackling consumer grievances in food industry.

#### **6.6.6: Product piracy related action**

Three items were considered under this heading. Significant country and industry differences and country by industry interactions were present in all three (6.6.5). The differences noted are unsurprising given the greater incentives of illegal marketing activities in Bangladesh.

#### **Launching consumer education programs so that they can identify the original brand/product (C6a)**

There was a significant industry difference with regard to this issue. While the country difference was small, with about one third of firms reporting action in this area, there were significant industry differences in the two countries. In Bangladesh, the food industry showed the highest trend of concern., while in Australia the clothing industry was more likely to act. The Bangladesh response probably reflects a concern with product piracy in the industry, for it is a common place to find brand used without authorisation, in the form of rough but misleading copies (Farouk, 1982, Ali, 1984, Quddus and Ali, 1985, Hoque, 1985). A survey identified a total of eighty four imitated products in Dhaka in 1982 (Marketing Observations, 1982). In Australia, the issue of brand identification arises in clothing, where gray markets in imported brands can play a role. Little known brands have also been imported often directly by retailers. Manufacturers are legitimately concerned to strengthen manufacture brands in the face of private label competition.

The interaction has been graphically presented in Figure 6.12.

Figure 6.12

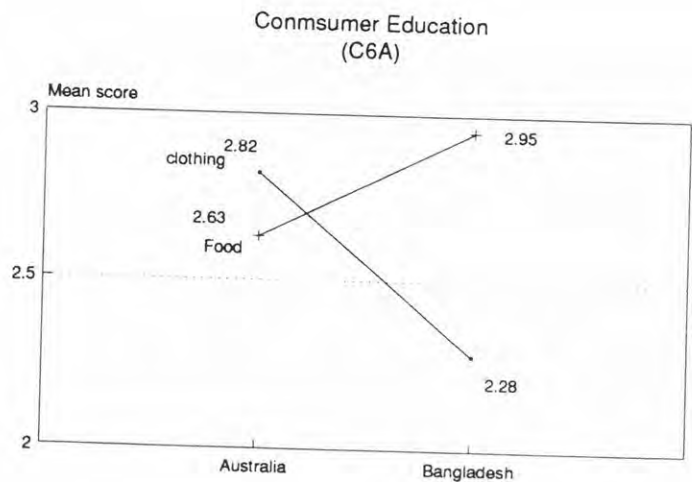


Table 6.6.1

Group mean values for variable C6a

Industry	Clothing	Food
Country		
Australia	2.82	2.63
Bangladesh	2.28	2.95

**Strengthening liaison with distributor and retailer giving them incentives to report product piracy cases (C6b).**

Significant country differences exist with regard to the above issue with over one third of Bangladesh firms taking this form of action. This again reflects the high prevalence of product piracy as a major concern among many manufacturers in Bangladesh.

The significant country by industry interaction relating to giving incentives for reporting product piracy points to the food industry in Bangladesh as the most likely to initiate action. This is in keeping with the earlier discussion as the incidence of product piracy and product adulteration. These issues are critical as the early stage of the evolution of a marketing system, especially in a situation where food shortages condition consumer responses.

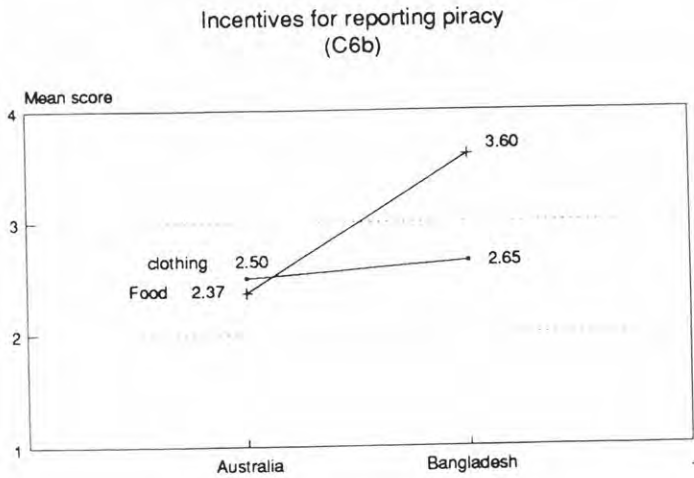
Table 6.6.2

Group mean values for variable C6b

Country	Industry	Clothing	Food
Australia		2.50	2.37
Bangladesh		2.65	3.60

The interaction can be graphically presented as follows:

Figure 6.13



### **Taking legal action against counterfeiters (C6c)**

It is apparent from the mean value below 3 for both groups of managers as noted in Table 6.6.3 that both Bangladesh and Australian managers are not very concerned to act in this regard. However, a greater proportion of managers in Bangladesh (45% against 25 for Australia) are more likely to act in this area. This may reflect the differences in the legal system of the two countries as in Bangladesh it is likely to be easier and cheaper to initiate legal action. Moreover, as noted earlier the high incidence of product piracy may also persuade Bangladesh firms to act more positively in this respect. The relatively low level of action by Australian firm may also reflect strict regulation leading to eradication of most questionable marketing practices such as product piracy.

A significant interaction showing greater level of action in clothing industry in Australia can be linked with the possible existence of imitation in relatively unknown imported clothing and garments. In Bangladesh the tendency of the food industry to act more favourably may largely reflect the high incidence of product piracy in food industry in Bangladesh as most of them are the imitation of foreign brands having high demands in the local market (Quddus and Ali, 1985).

**Table 6.6.3**

Group mean values for variable C6c

Industry Country	Clothing	Food
Australia	2.64	2.62
Bangladesh	2.70	3.70

The interaction can be graphically presented as follows;

Figure 6.14

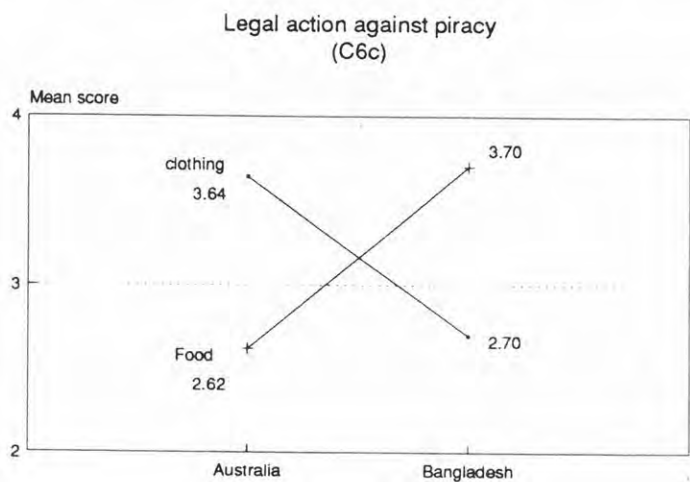


Table 6.6.4

Mean score and percentage of businesses taken action relating to Product piracy

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Launching consumer eduction programs so that they can identify the original brand/product (C6a)	2.73	32.4	2.46	29.3
Strengthening liaison with distributor and retailer giving them incentives to report product piracy cases (C6b)	2.43	21.5	2.91	38.1
Taking legal action against counterfeiters (C6c)	2.63	25.5	2.98	45.0

\* Includes firms who have already taken action and also those who are planning to take action.

Table 6.6.5

Significant differences and interactions with regard to action in response to social responsibility in relation to Product piracy using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Launching consumer education programs so that they can identify the original brand/product (C6a).	Industry (F)	.044	Country x industry	.019
Strengthening liaison with distributor and retailer giving them incentives to report product piracy (C6b)	Country (B) Industry (F)	.001 .002	Country x industry	.003
Taking legal action against counterfeiters (C6c).	Country (B) Industry (F)	.010 .001	Country x Industry	.009

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at 5 percent level ( $P < .05$ )

### 6.6.7: Social responsibility related action

This is a very important area involving corporate action in a wider range of social concerns. The six items included in this category seek to assess ethical standards in business practices, caring for the community, corporate generosity in terms of philanthropic activities, environmental protection policy in terms of pollution control and resource conservation. ANOVA identified significant differences between the two groups of businesses in all the six action items (Table 6.7.2). In every case Bangladesh firms were more likely to initiate action. The greater amount of action taken by Bangladesh business in these broader issue of social responsibility can largely be attributed to the broad environmental factors requiring Bangladesh firms to act more favourably than their Australian counterpart.



These arise from differences in the physical environment, welfare situation, financial make up of government, religiosity and regulatory environment. An examination of each of the items separately will reveal the impact of specific environmental factors on a particular action variable on this area.

**Maintaining and upgrading a written code of marketing ethics (C7a):** ANOVA indicates that there is a significant difference at the 5 percent level between the two groups of respondents with regard to their action on marketing ethics. An Australian mean score of 3.38 as against 3.53 for Bangladesh indicates that Bangladesh businesses have taken more action on the above item. An alternative view of the data show that 20 percent of Bangladesh firms have already taken action and another 34 percent is considering taking action where as in Australia 38 percent have taken action and 8 percent is planning to take action. These suggest that a total of 55.5% of Bangladesh businesses have shown action oriented behaviour as against 47 percent of their Australian counterparts (Table 6.7.1). The slightly greater amount of action taken by Bangladesh firms may largely reflect the performance of the export oriented garment industry. Since overseas buyers may often hesitate to import goods from the a developing country such as Bangladesh because of poor quality of products and services, maintaining and upgrading a written code of marketing ethics can help build favourable image for garment industry overseas.

**Providing incentives to managers to establish high ethical standards in decision making (C7b):** ANOVA confirms a significant difference between businesses in Australia and Bangladesh as to action leading to encouraging managers in ethical

decision making. Again Bangladesh managers' action on this issue is greater than Australian businesses. This is evident from Bangladesh respondents' mean action score of 3.57 as against 2.91 for Australia. This trend is also supported by the fact that 56 percent of business in Bangladesh have recorded action based behaviour as against only 28 percent of Australian companies. Bangladesh managers' greater level of action on the issue may reflect the higher level of religiosity among Bangladesh managers. This is supported by the fact that over 64 percent of Bangladesh managers perceived religion as a fundamental part of life as against only 23 percent of their Australian counterparts. This finding is also consistent with the result of another study finding a positive relationship between religious belief and ethical behaviour (McNichols and Zimmerer, 1985).

**Allocating funds for philanthropic/charitable activities (C7c):** A significant difference exists between the two groups of managers at the 1 percent level of significance regarding their action on charitable giving in favour of Bangladesh. The difference can be seen in the 77.1 percent of Bangladesh respondents' taking action on this item whereas as in Australia only 50 percent have done so. The reason for larger number of firms allocating funds for philanthropic purposes is understandable from the differing welfare climate in Bangladesh. Unlike Australia, the government in Bangladesh does not have sufficient funds to provide welfare assistance, including unemployment benefits, to its vast poor population. The private business sector and NGOs are, therefore, involved in charitable activities to a great extent. As mentioned earlier there is a theological explanation of the high involvement of Bangladesh businesses in philanthropic activities. Since the vast majority of managers in the

study are muslims, they are under an obligation to spend 2.5% of their disposable income on charity.

**Having a specific policy on community welfare(C7d):** ANOVA confirms a significant difference between the two groups of managers as to their actions where Bangladesh business shows a higher level of action concerning policies on community welfare. More than double the number of firms in Bangladesh have taken action on this issue than their Australian counterparts (62% for Bangladesh against 30% for Australia). The difference in action in favour of Bangladesh is again linked to the poor financial structure of government which renders it unable to provide sufficient support for community welfare. Business and other philanthropic organisations have to come forward to ensure community welfare by establishing educational institutions, hospitals, religious institutions. Although the consideration of Bangladesh business in their involvement in community development areas may arise out of their religious belief of getting rewards from God, there is also likely to be perceived benefits from gaining tax relief and increased customer support for good record of community involvement. This is evident from the fact that in Bangladesh a business can claim a considerable amount of tax rebate on the amount spent on charity or donations whereas in Australia although the provision does exist the amount is comparatively much lower which may be a contributing factor to the low level of action in this particular area among Australian business.

**Supporting anti-pollution legislation (C7e):** A significant difference between the two countries in favour of Bangladesh with regard to their support for legislation for

controlling pollution is evident from a higher level of action attitudes on the part of Bangladesh firms (67% for Bangladesh and 47% for Australia). This support for anti-pollution legislation may stem from the worries arising out of high pollution levels in the Bangladesh environment. Since an anti-pollution regulation will help keep environment clean, business would benefit in terms of acceptance of their products both at home and overseas. This would help improve the image of Bangladesh products which are currently perceived to be very poor.

**Specific policy on resource conservation (use of procedures that minimise wastage of natural resources) (C7f):** Again Bangladesh firms are more likely to act in this area (72% versus 56% in Australia). This difference is understandable from the fact that from the point of view of resource constraints as the problem of resource conservation is more important in Bangladesh than it is in Australia. Bangladesh has to spend the bulk of its scarce foreign earnings to import huge amount of fuels from overseas. Since fuels are very expensive in Bangladesh, resource conservation through the use of devices minimising consumption of fuel is of paramount importance to Bangladesh businesses.

**Table 6.7.1**

**Mean score and percentage of businesses taken action relating to social responsibility.**

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Maintaining and upgrading a written code of marketing ethics (C7a)	3.38	47.0	3.53	55.5
Providing incentives to managers to establish high ethical standards in decision making(C7b).	2.91	28.3	3.58	56.9
Allocating funds for philanthropic/charitable activities (C7c).	3.54	50.0	4.16	77.1
Having a specific policy on community welfare (C7d)	2.90	30.3	3.70	62.8
Supporting anti-pollution legislation (C7e)	3.52	47.1	4.09	67.4
Specific policy on resource conservation (use of procedures that minimise wastage of natural resources) (C7f)	3.75	55.9	4.09	72.0

\* Includes firms who have already taken action and also those who are planning to take action.

Table 6.7.2

Significant differences and interactions with regard to action in relation to Social responsibility using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Maintaining and upgrading a written code of marketing ethics (C7a).	Country (B) Industry (F)	.047 .000	– –	NS NS
Providing incentives to managers to establish high ethical standards in decision making (C7b).	Country (B) Industry (F)	.000 .011	– –	NS NS
Allocating funds for philanthropic/charitable activities (C7c).	Country (B)	.000	Country x Industry	.030
Having a specific policy on community welfare (C7d).	Country (B)	.000	–	NS
Supporting anti-pollution legislation (C7e).	Country (B)	.000	–	NS
Specific policy on resource conservation (use of procedures that minimise wastage of natural resources) (C7f)	Country (B) Industry (F)	.006 .042	Country x Industry	.033

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at 5 percent level ( $P < .05$ )

### 6.6.7.1: Industry effects

Significant industry differences are apparent in the action items relating to maintaining marketing ethics (C7a), reflecting ethics in managerial decision (C7b) and policy on resource conservation (C7f). In all the three wider areas of social responsibility, the food industry is more likely to act. Relatively higher level of action involving ethics in the food industry is understandable from the nature of products which require higher level of truthfulness in its production and marketing process as they are related to human consumption involving health and safety of

consumers. Greater level of action on resource conservation in food industry can be linked with the relatively high consumption of natural resources such as petroleum, electricity and natural gas at the various stages of the complex production process of food. The more willingness to act in this issue in the food industry may have arisen from the realisation that these resources are limited and a wise utilisation of these resources using a fuel saving device may be helpful in the preservation of the global environment in the long run.

#### **6.6.7.2: Interactions**

ANOVA revealed two interaction effects in the case of the following items concerned with the action relating to maintaining code of marketing ethics and conservation of resources. The are discussed below:

##### **Written code of marketing ethics (C7c):**

A possible explanation for this interaction can be found in the stricter regulatory environment in which Australian food industry operates. Numerous aspects of food including its production, distribution and marketing have been subject to vigorous regulation. A climate of self regulatory practices in the industry started to emerge as a means of avoiding the costly regulation. These self regulatory practices might have made the food industry conscious of future action on having a voluntary code of marketing ethics in the food industry.

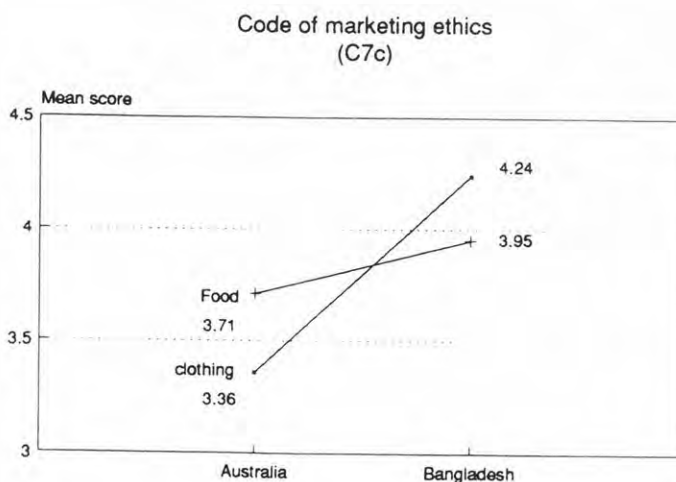
**Table 6.7.3**

Group mean values for variable C7c

Country	Industry	Clothing	Food
Australia		3.36	3.71
Bangladesh		4.24	3.95

Comparatively higher level of action on this issue by the clothing industry in Bangladesh can again be attributed to the international linkages of the industry. Garment manufacturers have to comply with a wide range of legislation in order to keep with the norms of the international market. Since a good record of self regulatory practices may attract a foreign buyer to a particular firm, code of written marketing ethics has always been a priority for most firms.

The interaction can be graphically presented as follows:

**Figure 6.15**



**Specific policy on resource conservation (C7f):** A significant country by industry interaction is apparent with regard to policy on resource conservation. It is clear from the group mean values presented in the following table that Bangladesh businesses have taken grater action on conservation of resources than their Australian counterpart. Besides, the following table suggests that although there is not much difference between the food industry in the two countries, there is a significant difference between the two countries as far as the clothing industry is concerned.

An interpretation of this interaction follows from the fact that Bangladesh business in general has to consider the issue of conservation of resources because of chronic shortage of natural resources such as petroleum, coal and iron. The high cost of importation of these natural resources led action on finding procedures leading to saving of natural resources. On the other hand comparatively less emphasis on action relating to resource conservation on the part of the Australian companies can be attributed to the abundance of natural resources in Australia. The reason for Bangladesh clothing industry's higher action on this issue is that the industry is highly mechanised requiring a large quantity of natural resources for its massive production. This is evident from the fact that Bangladesh is currently among the top ten suppliers of garments to the E.E.C., U.S.A. and Canada (Brasher, 1992). On the other hand branded food industry is a small sector in Bangladesh which is just growing and as such the level of consumption is very low. The issue of resource conservation is therefore, received less attention.

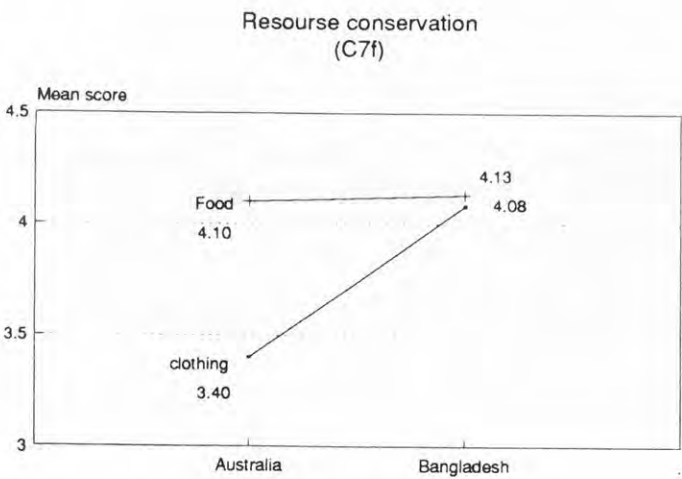
Table 6.7.4

Group mean values for variable C7f

Industry Country	Clothing	Food
Australia	3.40	4.10
Bangladesh	4.08	4.13

The graphical presentation of the interaction is as follows:

Figure 6.16



6.6.8: Work environment related action

Seven items were considered under the above. These items were concerned with various actions relating to maintenance of work environment including the use of modern technology, workers safety, health and welfare and workers participation in management. ANOVA indicated significant differences between the action of the two groups in case of two items i.e providing medical assistance to workers and

workers participation in management (Table 6.8.2). Industry difference was found in the case of one item concerning workers safety. The explanation in relation to country differences are as follows:

**Medical assistance to staff and workers (C8e):** A significant difference between the two groups of business with regard to providing medical assistance to staff and workers is established at .011 level. Bangladesh businesses have taken more action in this area (90% of Bangladesh firms, versus 76% of Australian firms). In both groups, however, the majority of firms have acted to provide some medical assistance. A relatively larger number of firms taking action in Bangladesh is probably attributable to the difference in the health care system in the two countries. Unlike Australia there is no universal health care system in Bangladesh such as Medicare under which every citizen has a free access to medical advice and treatment. Workers and staff cannot afford expensive medical service and treatments. The number of public hospitals is also limited. Besides, the health of workers and staff is comparatively poor in Bangladesh. These factors might have led a large number of firms to take adequate action on this issue. Moreover, the Factories Act provides for extending medical assistance to workers and staff in every factory in Bangladesh.

**Workers participation in management (C8g):** A significant difference between the action of two countries on the question of allowing workers to participate in management is evident from the difference in the percentage in favour of Australia (59% of Australian and 40% for Bangladesh). A possible reason for larger number

of Australian firms' decision to allow workers to participate in management can be linked with the industrial relations environment in Australia. As one of the most unionised nations Australia provides an excellent environment for workers in which their rights are highly protected. In Bangladesh there is hardly any organised and healthy unionism. Almost all labour laws are designed to protect owners' interests. The incidence of workers' participation in management is therefore, low.

**Table 6.8.1**

**Mean score and percentage of businesses taken action relating to Work environment**

Variable	Australia		Bangladesh	
	Mean	% of firms taken action	Mean	% of firms taken action
Use of modern technology (C8a)	4.33	77.5	4.38	88.5
Use of modern factory and building (C8b).	4.16	70.6	4.25	85.4
Use of modern tool and equipment (C8c).	4.25	75.5	4.42	89.4
Safety measures at work place (C8d)	4.68	88.3	4.65	90.4
Medical assistance to staff and workers (C8e)	4.33	76.5	4.65	90.8
Contribution to staff/workers welfare fund (C8f)	3.89	64.7	3.97	72.0
Workers participation in management (C8g)	3.75	59.8	3.21	40.4

Table 6.8.2

Significant differences and interactions with regard to action in response to social responsibility in relation to work environment using two way ANOVA.

Variables	Source of variation	Sig.*	Interaction	Sig.*
Use of modern technology (C8a).	Country Industry	NS NS	Country x Industry	.002
Use of modern factory and office building (C8b).	Country Industry	NS NS.	Country x Industry	.001
Use of modern tools and equipment (C8c).	Country Industry	NS NS	Country x Industry	.001
Safety measures at work place (C8d)	Industry (C)	.042	Country x Industry	.001
Medical assistance to staff and workers (C8e).	Country (B)	.011	Country x Industry	.001
Contribution to staff/ workers welfare funds (C8f).	Country Industry	NS NS	Country x Industry	.031
Workers participation in management (C8g).	Country (A)	.000	Country x Industry	.001

- Note:
1. Results obtained from sample ANOVA applied to each item separately.
  2. The letter in brackets indicate which country or industry had the higher mean score on the item in question.
  3. NS denotes 'not significant'.
  4. \* denotes significant at 5 percent level ( $P < .05$ )

#### 6.6.8.1: Industry effects

ANOVA reported industry effects in only one case involving safety measures at work place (C8d). Relatively higher action on this issue in clothing and textile industry reflects the legal requirements to comply with in this regard. This also reflect the comparatively larger size of clothing manufacturing and garment industry using sophisticated technology which require higher level of safety measure for workers and employees at work place.

6.6.8.2: Interactions

As mentioned earlier that ANOVA reported interactions in the case of all the seven items concerned with work environment.

**Use of modern technology (C8a):** It appears from the group mean value that among Australian respondents food industry has been using more modern technology than did the clothing industry and the behaviour of the firms is quite the opposite in Bangladesh where clothing industry reportedly were involved in using more technology than the food industry.

Table 6.8.3

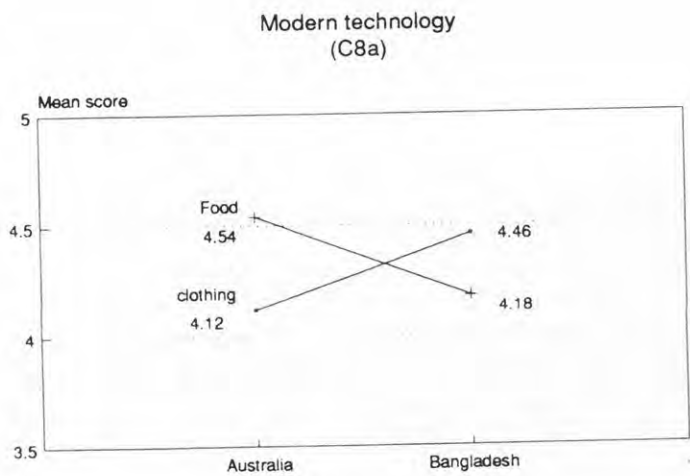
Group mean values for variable C8a

Industry Country	Clothing	Food
Australia	4.12	4.54
Bangladesh	4.46	4.18

This interaction is a reflection of the importance of food industry in Australia. Australia is a paradise of primary goods. It produces multifarious food products both for its local and export markets. Competing in such a massive market obviously involves the use of sophisticated production technology in order to achieve excellence in the quality of food products. An almost similar interpretation applies in the case of use of modern technology by the clothing industry in Bangladesh. Clothing and garment is the most valuable sector of the economy in terms of foreign

and collaborative investments, export earnings, growth rate and industrial leadership. Such a vital sector of the economy certainly needs modernisation in order to effectively compete in the international market. The interaction can be graphically presented as follows:

Figure 6.17



**Use of modern factory and office building (C8b):** The interpretation of this interaction is consistent with those of the above as the high use of modern factory and office building in food industry in Australia and clothing industry in Bangladesh is highly related to the use of modern technology.

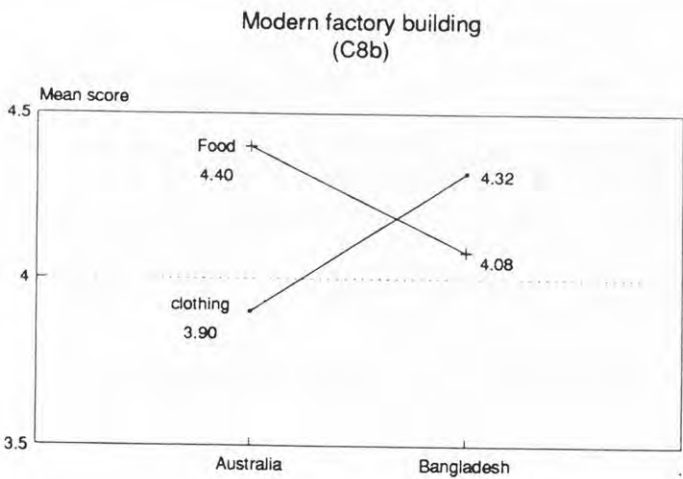
Table 6.8.4

Group mean values for variable C8b

Industry	Clothing	Food
Country		
Australia	3.90	4.40
Bangladesh	4.32	4.08

The interaction can be graphically presented as follows:

Figure 6.18



**Use of modern tools and equipment (C8c):** This significant interaction of country by industry owes the similar interpretation as that of use of modern technology because the use of modern tools and equipment is highly related to use of technology.



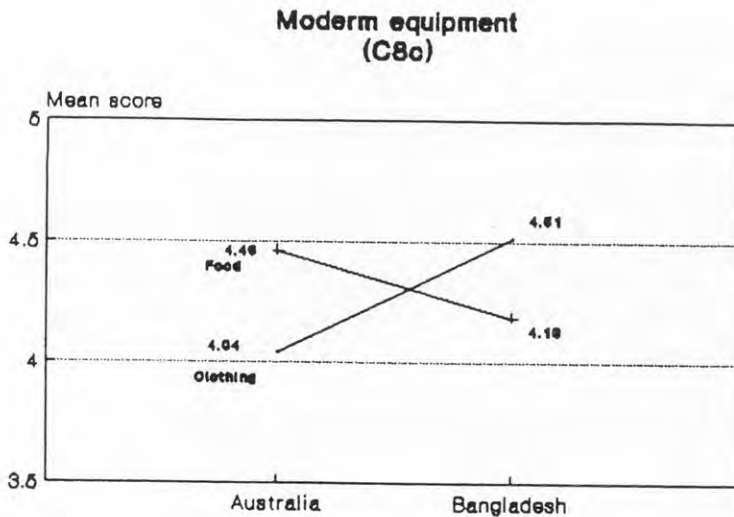
Table 6.8.5

Group mean values for variable C8c

Country	Clothing	Food
Australia	4.04	4.46
Bangladesh	4.51	4.18

The graphical presentation of the interaction is as follows:

Figure 6.19



**Safety measures at work place (C8d):** A significant country by industry interaction with regard to action related to safety measures at work place indicate that among Australian companies, those firms dealing in food products place greater emphasis on the issue concerned with Bangladesh where firms operating in the clothing industry have taken better action ensuring the safety of workers.

The interpretation of this interaction can be found in the legal requirements, the nature of business and the level of mechanisation of the industry.

**Table 6.8.6**

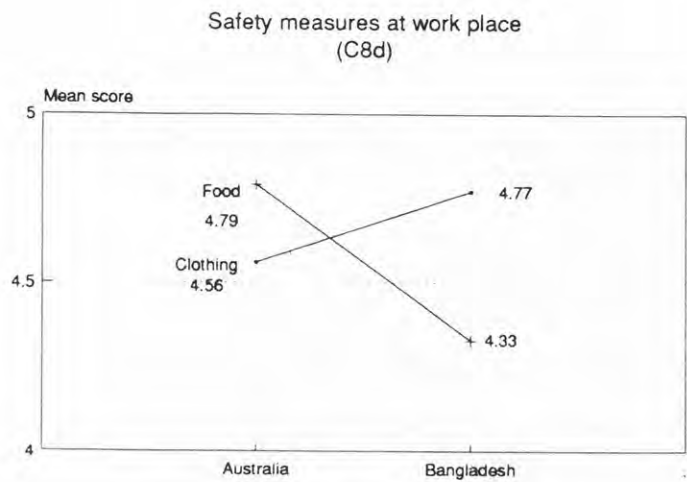
**Group mean values for variable C8d**

Industry Country	Clothing	Food
Australia	4.56	4.79
Bangladesh	4.77	4.33

The greater amount of action taken in Australian food industry regarding safety measures in the work place can, be attributed to the stricter legal provisions made in the relevant labour law towards maintenance of a safe work environment. Moreover, the highly mechanised nature of food industry in Australia has necessitated the adoption of adequate measures in the work place as the operation of highly mechanised machines by workers puts them at a greater risk than handling simple machines. However, in Bangladesh the clothing industry has reportedly taken greater amount of safety measures in the work place than that of food industry. Although the provisions of the relevant laws regarding safety measures in the work place in Bangladesh is not as extensive as it is in Australia, the regulation with regard to clothing and garment industry is strong because of the importance of the industry in the economy, the presence of foreign investment and ownership, the use of sophisticated technology and involvement of huge labour force.

The interaction can be graphically presented as follows:

Figure 6.20



**Medical assistance to staff and worker (C8e):** A significant country by industry interaction on this issue shows that Australian food industry has taken greater measures than that of clothing industry as against Bangladesh where clothing industry has taken actions which is greater than that of food industry.

The possible explanation of the interaction with regard to this welfare measures is a little different from those noted earlier in that this is a voluntary rather than a legal obligation on the part of a firm, except in cases where employees have work related injuries while on duty. Discharging this responsibility is, therefore, related to the financial performance of the industry as a whole and of individual firm in particular. Since the food industry has a comparatively good record of growth and profitability because of its potential at home and abroad, its action with regard to employees welfare has been comparatively better than that of clothing industry. Conversely in Bangladesh the performance of the clothing industry has been good

because of tremendous growth of clothing and garment industry in terms of production and profitability. The other possible reason for this action can be found in the absence of workers' union in the industry. Since the owners want to avoid unionism to ensure productivity and timely supply of garments to their foreign buyers, they are likely to be more sympathetic to workers welfare.

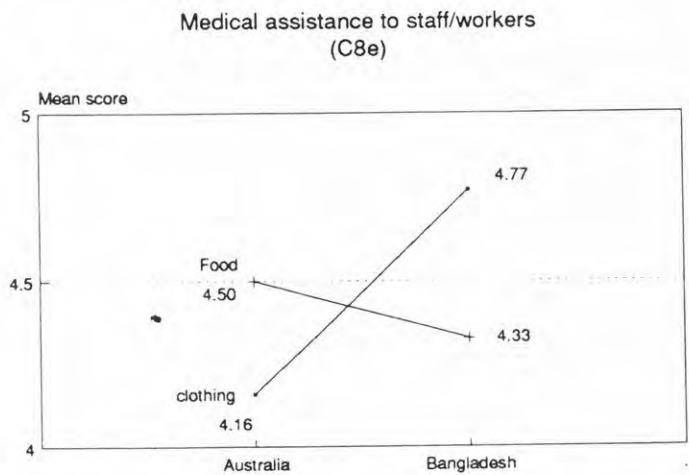
**Table 6.8.7**

**Group mean values for variable C8e**

Industry Country	Clothing	Food
Australia	4.16	4.50
Bangladesh	4.77	4.33

The interaction can be graphically presented as follows:

Figure 6.21



**Contribution to staff and workers welfare fund (C8f):** The significant country by industry interaction on this welfare issue seems to follow an almost similar pattern as that of the above (C8f).

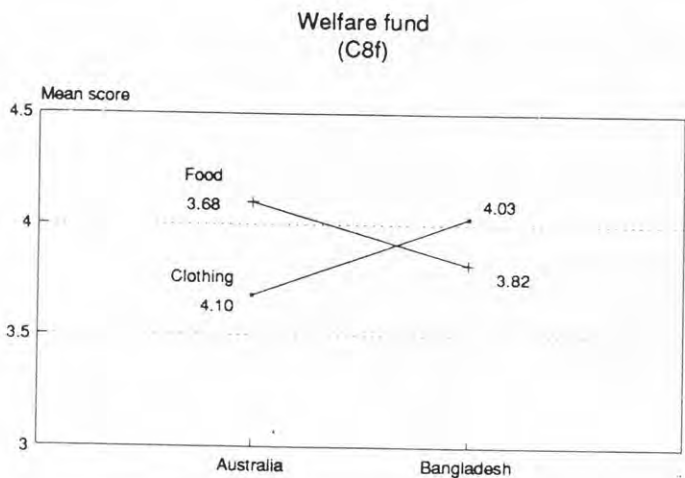
Table 6.8.8

Group mean values for variable C8f

Industry		
Country	Clothing	Food
Australia	3.68	4.10
Bangladesh	4.03	3.82

The interaction can be graphically presented as follows:

Figure 6.22



**Worker participation in management (C8g):** A significant country by industry interaction on this vital social responsibility area indicates that Australian food industry has taken more positive steps towards ensuring worker participation in the management as against Bangladesh where clothing industry has shown better performance on the issue.

Table 6.8.9

Group mean values (C8g)

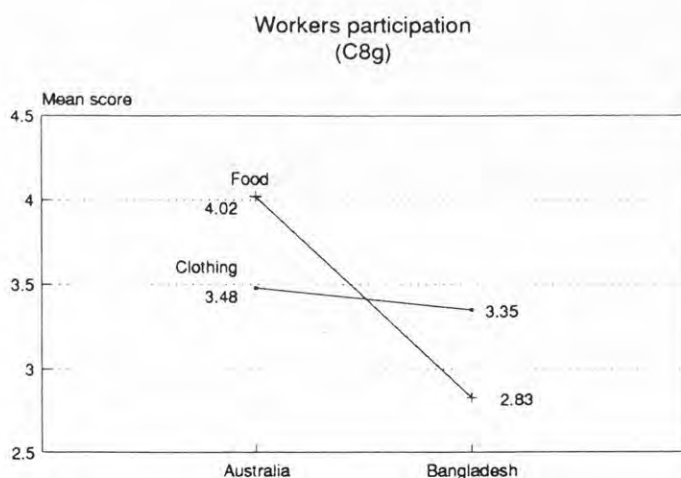
Industry	Country	
	Clothing	Food
Australia	3.48	4.02
Bangladesh	3.35	2.83

This follows from Australia’s highly unionised background. The Food industry seems to have even stronger tradition of union activities which might have

put pressure on the management to include workers representatives in aspects of the management decision. Comparatively higher mean values on this issue in clothing companies than in food in Bangladesh is also understandable from the stronger position of the workers in this industry which might have played an important role in *influencing* management to include workers representative in management. Besides, the clothing industries in Bangladesh has a tradition of workers participation in management since the early seventies when all the major clothing manufacturing companies in Bangladesh were put under state control.

The interaction can be graphically presented as follows:

**Figure 6.23**



It is to be noted that in the case of all the seven items related to work environment, interaction effects were apparent. Interestingly, interaction suggested

that the clothing industry in Bangladesh and the food industry in Australia are more likely to take higher level of action which perhaps suggest the effects of size and importance of business enterprises on the willingness to act in the areas of use of modern and sophisticated technology, caring for the internal constituents of business by contributing to their health and safety and recognising their right to participate in the management.

## **6.7 Conclusion**

In view of the above discussion of the behaviour of managers in the divergent environments of Australia and Bangladesh in eight decisive areas there is strong support for the hypothesis that macro environmental factors such as country and industry in general and regulation, religion, physical environment (climatic condition), welfare policy and social structure greatly influence managerial commitment and willingness to act. It is noteworthy that while national differences in culture, economies and heritage including the religious metaphor emerged as the most influential factor, industry did not emerge as strongly as predicted. The physical environment of a country especially the climatic condition reflected in the hostility of nature was found to be an important point in understanding the differences in corporate action in two countries in many areas, especially those associated with the broader arena of social responsibility where emergency response is vital to save human lives and property. Religious factors were found to be an important driving force for willingness to act in the areas where corporate response is viewed more as philanthropic rather than a rational decision. Tougher regulatory



requirements also emerged as a strong guiding force for managers to act positively in several areas especially in core marketing areas such as product, price, distribution and promotion areas where the specific requirements of regulation often dictate the nature and extent of marketing action in a particular society.

Other environmental variables such as competition, and customer service seem to have an impact on managerial action in areas where socially responsible behaviour is the basis of survival. Various product, price, distribution and promotion related issues came under the this specific area. Moreover, forces in the external environment of business such as consumerism markedly influenced corporate action in the area of questionable business practices such as product piracy, deceptive advertising, warranty and guarantee, product quality, safety, and product labelling.

Finally, it can be said that the broad environments offered by Australia and Bangladesh, representing two divergent environments settings, have exerted great influence on the direction and nature of corporate action in the various areas of marketing mix and beyond. The dominance of Australian business action in the four marketing mix areas probably indicates that Australian business behaviour in response to social responsibility is limited to the more tangible areas where customer satisfaction, competition and regulation have a big role to play. Strong willingness to act in the core areas also reflects the sophisticated marketing environment in Australia which can be characterised as a mass consumption society. Furthermore, action in these areas is inevitable as most social responsibility issues have been institutionalised in an advanced society such as Australia and as such action is most

areas are merely part of a routine work.

In Bangladesh corporate action has been highly prevalent mostly in public relations and in areas such as responsibility such as product piracy, social responsibility and to some extent distribution and the work environment. A relatively low level of action on the core marketing areas can be linked with the Kaynak model discussed earlier. Since consumerism in the growth stage of development in Bangladesh, business has just began to realise the positive aspect of responding to societal demand. This is reflected in a high acceptance of most issues which business is yet to initiate broad based action programs. There is little in the way of legal requirements for business to act, something which is quite expected at this stage of the consumerism life cycle where consumer legislation is about to take a formal shape. However, high action on some areas such as distribution and work environment may reflect the effects of some of the consumer legislation that is in force.

Action in the broader areas of social responsibility such as ethical issues, environmental protection, community involvement and corporate giving may simply reflect the special needs of Bangladesh society to which business usually responds by taking socially responsible action and which in many cases are influenced by theological and ethical factors rather than hard rationality. These responses often stem from purely humanitarian grounds in the face of the resource constraints of government in managing many a social problems such as poverty, unemployment and natural disasters. However, there may have some long term benefit consideration

for such corporate action in form of tax relief or special favour of government in business related interests such as getting licence or public tenders.

In terms of the underlying model, the evidence confirms proposition  $P_3$  (there is a relationship between the environment in which business operates and the managerial action taken in response to social responsibility issue). Besides, this analysis provides a suitable background to search for dimensionality and grouping of the data and also for the correlation analysis to be presented in chapter 8. It is to be noted that the industry has not appeared to be a strong intervening variable as the industry effects reported in this chapter both in terms of managerial commitment and corporate action, are not extensive. Therefore, industry as a variable will be dropped from the subsequent analysis to be presented in the next two chapters.

## CHAPTER 7

### THE DIMENSIONS OF SOCIAL RESPONSIBILITY

#### 7.1: Methodology

Factor analysis was employed in each data set to uncover underlying attitude dimensions. In order to simplify the findings, a varimax orthogonal rotation was performed on an initial factor solution. Before acceptance the emerging factors were checked against the following criteria (Zaltman and Burger, 1975: 509 and the reference therein):

1. The value of each given value is greater than 1.0
2. The factor loadings after varimax rotation are greater than 0.3
3. The variance explained by all factors is greater than 40 percent.
4. No variable has significant loading on more than one factor.

For the purpose of this study the cut off point for the factor loadings was set at 0.5 and factors with an eigenvalue greater than 1 were retained for subsequent analysis. The variance explained by all factors in each set of variables was greater than 55 percent. Each of the factors so extracted was named for ease of reference. Cares were taken to ensure that the name of each factors reflected as clearly as possible the underlying dimension in the group of variables with which a particular factor was formed. It is recognised, however, that the naming process is essentially

subjective, and so, for reference the items comprising each factor have been presented in separate tables.

Factor scores were calculated for each case and were then used in subsequent analysis to test relationship between factors in different attitudinal or behavioural sets using correlation analysis.

The SPSS "Quick cluster" procedure was used to sort respondents into meaningful groups in relation to the factors using either factor scores or responses to the specific items as the cluster variables.

## **7.2: THE VARIABLE SETS CONSIDERED**

A number of sets of variables were considered relevant for analysis in order to test the propositions arising out of the theoretical model presented in chapter 3. The following discussion is concerned with the detailed findings of the analysis conducted on each of the following sets of time.

It is to be noted that the analysis of the core variables which will be subsequently used for testing the propositions will be presented by country (Australia and Bangladesh). The possibility of significant interactions between country and industry will also be considered.

**Table 7.1****The variable set**

<b>Variable names</b>	<b>Areas of analysis</b>	<b>Types of analysis</b>
<b>A1</b>	Overall managerial attitudes towards Corporate social responsibility.	Descriptive Statistics and Anova.
<b>A2</b>	Policy position of firms regarding Corporate social responsibility.	Descriptive Statistics and Anova.
<b>A3a to A3y</b>	Managerial attitudes towards corporate social responsibility	Descriptive statistics, Factor, Analysis, ANOVA and Quick Cluster, and Correlation Analysis
<b>B1a</b>	Perceived impact of consumerism on industry	Descriptive Statistics and ANOVA.
<b>B1b</b>	Perceived impact of consumerism on business unit level	Descriptive Statistics and ANOVA
<b>B2a to B2u</b>	Managerial Attitudes towards consumerism	Descriptive statistics and ANOVA.
<b>C1a to C8g</b>	Actions in response to social responsibility and consumerism	Descriptive statistics and, ANOVA and Correlation Analysis.
<b>F2 to F5</b> <b>F7 to F8.</b>	Demographic Characteristics of Managers.	Correction Analysis

### **7.3: MANAGERIAL ATTITUDES TOWARDS SOCIAL RESPONSIBILITY**

Twenty five statements relating to the arguments for and against business involvement in social responsibility were used for analysis. Table 7.2 presents the 25 items with the wordings used in the questionnaire.

**Table 7.2**

Twenty five statements relating to corporate social responsibility

Statements
Business can void further regulation by adopting social responsibility programs (A3a).
The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution (A3b).
Social responsibility is an effective basis for competing in the market (A3c).
Business should realise that it is a part of the larger society and therefore it should respond to social issues (A3d).
Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs (A3e)
Contributing to the solution of social problems can be profitable for business (A3f)
Regulation is not sufficient to ensure business behaves in a socially responsible way (A3g).
Other social institutions have failed to solve social problems. So, business should now try (A3h).
Business should tackle only those social problems that are created by its own actions (A3i)
Social responsibility programs may be helpful in discouraging irresponsible behaviour by business (A3j)
Business already has a lot to do and should not take on other responsibilities (A3k)
Business has the necessary money and talent to engage in social action programs (A3l)
Society expects business to help solve social problems as well as to produce goods and services (A3m)

Contd.... p. 378

Table 7.2 contd.

Statements
Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (A3n)
Corporate social action programs can help build a favourable image for a business (A3o)
Business has a definite responsibility to society apart from making a profit (A3p)
Corporate managers need to be trained so that they can effectively contribute to society's problems (A3q).
A business that ignores social responsibility may have a cost advantage over a business that does not (A3r)
It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations (A3s)
Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A3t)
Business should use its resources and talents for its own growth to ensure better service to society (A3u).
Society expects business to contribute to economic growth as its only concern (A3v).
By transferring the cost of social involvement to society, business may weaken its image with the public (A3w)
Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off (A3x).
It is unwise to ask business to fix social problems created by others and which have no profit potential (A3y)

### 7.3.1: Australian situation

#### 7.3.1.1: Factor analysis

Factor analysis of this variable set with Varimax rotation extracted 7 factors which explained 64.4 percent of the total variance. Table 7.4 shows the varimax rotated matrix for all seven factors relating to managerial attitude towards social responsibility of business in Australia.



The seven factors that emerged out of the factor analysis were named as follows:

1. **Business of business is business:** Factor 1 captures the classical view that business is primarily an economic institution and that performance is measured in terms of its economic achievement.
2. **Social responsibility is beneficial to business:** Factor 2 comprise items that support the argument that social responsibility has some potential benefit for business.
3. **Social responsibility stops regulation:** Factor 3 groups items that are concerned with the popular belief that business can avoid the imposition of social regulation if business can anticipate and respond to social demands well in advance.
4. **Social responsibility costs money:** Factor 4 refers to the notion that social involvement incurs a high cost which puts a business in a disadvantageous position as compared to those who are not committed to social responsibility initiatives.
5. **Responsibility beyond regulation:** Factor 5 is based on the argument that the responsibility of business can not be confined to the issues covered by regulation. Rather social responsibility should go beyond regulation in serving

the emerging social demands.

- 6. **Business must do more:** Factor 6 is concerned with the view that business is both an economic and a social entity and as such its responsibility not only lies in producing goods and services for the society at a profit but also lies in contributing to solving social problems.
- 7. **Exercise of SR increases societal expectation:** Factor 7 relates to the concern that business involvement in the social problems may lead to even higher expectations.

Table 7.3 shows the eigenvalue analysis and Table 7.4.1 to 7.4.7 set out the factor names and the items comprising each factor.

Table 7.3

Eigenvalue analysis

Factors	Eigenvalue	Percentage of total variance explained
1	7.47	29.9
2	2.20	8.8
3	1.61	6.5
4	1.35	5.4
5	1.24	5.0
6	1.16	4.7
7	1.02	4.1
		Total: 64.4

Table 7.4

Varimax rotated loadings for 7 factors concerning managerial attitude towards social responsibility in Australia

Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
A3a	-.086	.030	<b>.760*</b>	-.022	-.014	.010	-.129
A3b	.271	-.107	.038	.085	.156	.173	<b>.691*</b>
A3c	.044	<b>.766*</b>	.113	-.058	.043	-.040	-.166
A3d	-.207	.446	<b>.625*</b>	.115	.193	.019	-.042
A3e	.412	-.307	-.483	.037	-.088	.009	-.047
A3f	-.028	<b>.767*</b>	.173	-.110	.025	-.085	-.221
A3g	-.209	.096	.041	-.107	<b>.811*</b>	.076	-.028
A3h	-.015	<b>.580*</b>	-.046	-.050	-.300	.181	.228
A3i	.415	-.143	-.008	.313	-.096	<b>-.513*</b>	-.089
A3j	-.146	<b>.509*</b>	.291	-.041	.361	.084	.052
A3k	.499	-.401	-.499	.112	-.108	.056	-.124
A3l	-.067	<b>.543*</b>	.367	-.450	.136	.158	.180
A3m	-.008	.178	.443	.025	-.208	<b>.644*</b>	-.054
A3n	<b>.714*</b>	.070	-.175	.292	-.067	.050	-.019
A3o	-.407	<b>.634*</b>	.026	.212	.350	.080	.024
A3p	-.412	.404	.364	-.159	.351	.056	.139
A3q	-.252	.460	.306	-.333	.268	.005	.208
A3r	-.039	-.023	.314	<b>.726*</b>	-.058	.215	.270
A3s	.497	-.248	-.378	.459	-.202	-.110	.068
A3t	.499	-.088	-.256	<b>.588*</b>	-.026	.015	-.058
A3u	.141	-.099	-.155	.191	.175	<b>.661*</b>	-.040
A3v	<b>.660*</b>	.048	-.173	-.053	-.096	.115	.074
A3w	.134	.013	.195	-.042	.214	.330	<b>-.696*</b>
A3x	<b>.782*</b>	-.106	.009	-.064	-.128	-.058	.065
A3y	<b>.614*</b>	-.428	-.035	.352	.070	-.122	.118

\* Items with factor loading of 0.5 or above which are retained for analysis.

**Table 7.4.1****Factor-1: Business of business is business.**

Variable name	Factor loadings	Statements
A3n	.714	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests.
A3v	.660	Society expects business to contribute to economic growth as its only concern.
A3x	.782	Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off.
A3y	.614	It is unwise to ask business to fix social problems created by others and which have no profit potential.

**Table 7.4.2****Factor-2: SR is beneficial to business.**

Variables	Factor loadings	Statements
A3c	.766	Social responsibility is an effective basis for competing in the market.
A3f	.767	Contributing to the solution of social problems can be profitable for business.
A3h	.580	Other social institutions have failed to solve social problem. So, business should now try.
A3j	.509	Social responsibility program may be helpful in discouraging irresponsible behaviour by business.
A3l	.543	Business has the necessary money and talent to engage in social action programs.
A3o	.634	Corporate social action programs can help build favourable image for a business.

**Table 7.4.3**

**Factor - 3: Wider responsibility has its own benefits**

Variables	Factor loadings	Statements
A3a	.760	Business can avoid further regulation by adopting social responsibility programs.
A3d	.625	Business should realise that it is a part of a larger society and therefore, it should respond to social issues.

**Table 7.4.4**

**Factor - 4: Social responsibility costs money.**

Variables	Factor loadings	Statements
A3r	.726	A business that ignores social responsibility may have a cost advantage over a business that does not.
A3t	.588	Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business.

**Table 7.4.5**

**Factor - 5: Responsibility beyond regulation.**

Variables	Factor loading	Statements
A3g	.811	Regulation is not sufficient to ensure business behave in a socially responsible way.

**Table 7.4.6****Factor - 6: Business must do more.**

Variables	Factor loadings	Statements
A3i	-.513	Business should tackle only those social problems that are created by its own actions.
A3m	.644	Society expects business to help solve social problems as well as to produce goods and services.
A3u	.661	Business should use its resource and talent for its own growth to ensure better service to society.

**Table 7.4.7****Factor - 7: Exercise of SR increases societal expectation.**

Variables	Factor loadings	Statements
A3b	.691	The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution.
A3w	-.696	By transferring the cost of social involvement to society business may weaken its image with the public.

It appears from the results of the above factor analysis that two dominant factors have emerged which links clearly with the two distinct underlying dimensions in the SR model.. Factor 1 represents the classical view concerned with the perception of social responsibility in terms of profit maximisation within the 'rules of the game". Factor 2 focuses on the benefits that flow to business - both in generating benefit through favourable image creation and in the avoidance of costs and harmful competition. Since these two factors are the two leading ones, this finding suggests that the two main dimensions of social responsibility depicted in the

SR paradigm shown in Chapter 2 are now empirically supported by the identification of almost similar dimensions in the factor analysis.

### 7.3.1.2: Quick cluster

The results of a "quick cluster" analysis based on four cluster solution involving the 25 items relating to managerial attitudes towards social responsibility in Australia are set out in table 7.5. An analysis of the results indicates that cluster 2 and cluster 3 are the two dominant clusters together representing 97 percent of the total respondents (99 out of 102 respondents). The other two clusters (cluster 1 and 4) have not been considered for further analysis as they are very small. An analysis of the final cluster centres reveals that cluster 2 consists of those managers with a positive view of the contribution business can make to corporate social responsibility. This cluster is, therefore, considered to comprise firms in the wider arena of social commitment of Australian business. The managers belonging to this cluster tend to have high score for example on A3j (SR discourages irresponsible behaviour), A3l (financial and intellectual ability of business), A3o (Building favourable image), A3p (responsibility apart from making profit) and A3q (training need for managers for solving social problems). Cluster 3 comprises managers committed to a classical view of social responsibility and they appear to have high score on the variables A3k (Business should not take extra responsibility), A3n (Business is basically an economic institution), A3s (Complying with regulation is enough), A3t (SR is suicidal for marginal firms) and, A3y (Unwise to be involved in non-profit areas).

**Table 7.5**

**Cluster membership in the social responsibility items in Australia**

Cluster serial	Cluster membership	Percentage
Cluster 1	2	1.96
Cluster 2	57	55.88
Cluster 3	42	41.18
Cluster 4	1	.98

It is to be noted that analysis of variance for each item was used as a rough guide to pinpoint the variables on which the difference between the clusters are most pronounced. F ratios were used to identify the leading variables in cluster identification. While nearly all variables were significant but it was useful to focus on the highest ratios to interpret the clusters.

A comparison of the two clusters with the two leading factors reveal that they are consistent. This is evident from the fact that the items with high factor loading (Table 7.4 and Table 7.4.1) which comprises factor 1 (the classical view of SR) are in common with the items (A3n and A3v, A3x, A3y) having higher standardised value representing cluster 3 (Table 7.5.1 and Table 7.5.2). Again items having high loadings (Table 7.4 and Table 7.4.2) comprising factor 2 (Benefits of SR) are the same as the items (A3c, A3f, A3h, A3j, A3l, A3o) comprising cluster 2 (broader view) in terms of higher standardised value (vide Table 7.5.1 and Table 7.5.2).



**Table 7.5.1**

**Distribution of standardised values of SR items according to the two leading clusters in Australia**

Variable	Standardised values	
	Cluster 2	Cluster 3
A3a	3.67	3.00
A3b	3.77	3.86
A3c	3.53	2.83
A3d	4.19	3.52
A3e	2.18	2.95
A3f	3.70	2.90
A3g	3.75	3.02
A3h	2.81	2.50
A3i	2.60	3.48
A3j	3.95	3.31
A3k	1.98	3.07
A3l	3.00	1.98
A3m	3.49	3.00
A3n	2.46	3.36
A3o	4.21	3.83
A3p	4.19	3.30
A3q	3.68	2.64
A3r	3.05	3.52
A3s	2.30	3.57
A3t	2.84	3.90
A3u	3.37	3.90
A3v	2.39	2.93
A3w	3.00	2.90
A3x	2.18	2.79
A3y	2.35	3.52

Table 7.5.2

Distribution of social responsibility items belonging to two dominant clusters according to their higher standardised value in Australia.

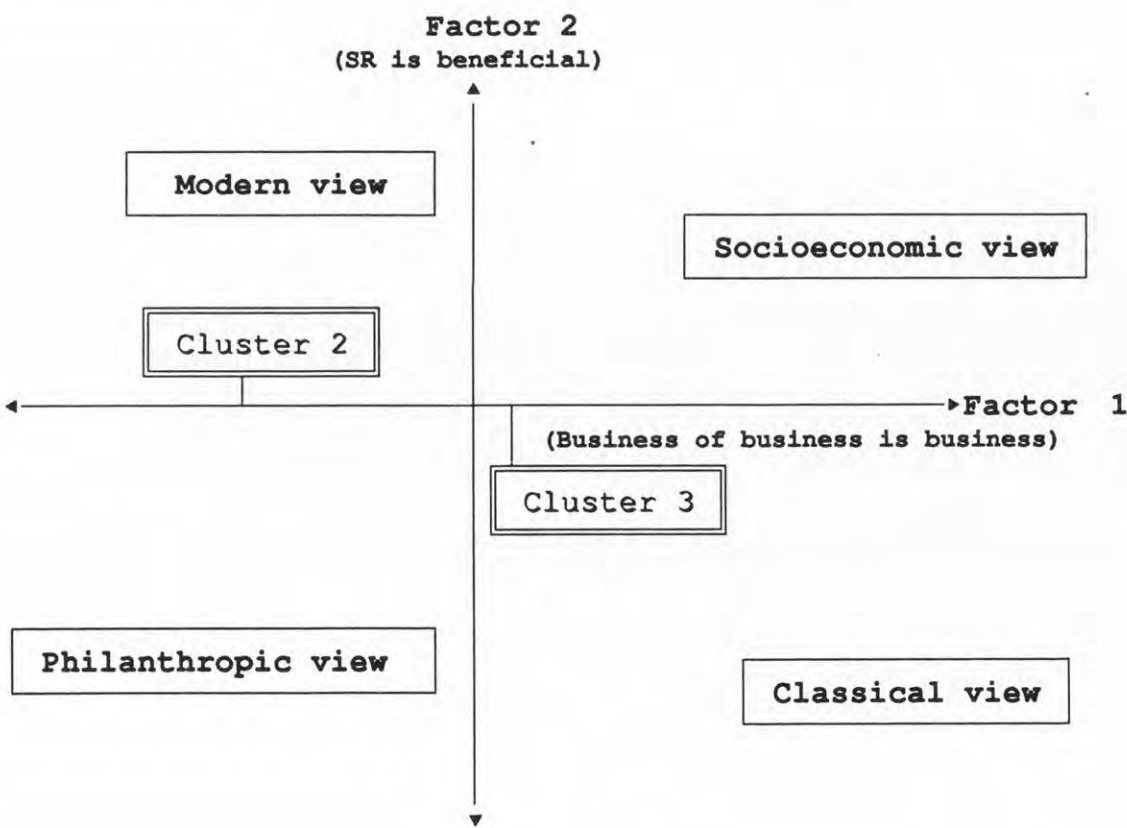
Cluster	Items	F ratio
<b>Cluster 2</b>  Broader view of SR	Social responsibility is an effective basis for competing in the market (A3c)	4.85
	Contributing to the solution of social problems can be profitable for business (A3f).	8.45
	Social responsibility programs may be helpful in discouraging irresponsible behaviour by business (A3j).	11.02
	Business has the necessary money and talent to engage in social action programs (A3l).	17.01
	Corporate social action programs can help build a favourable image for a business (A3o)	13.53
	Business has a definite responsibility to society apart from making a profit (A3p)	18.17
	Corporate managers need to be trained so that they can effectively contribute to solving society's problems (A3q)	19.35
<b>Cluster 3</b>  Classical view of Social SR	Business already has a lot to do and should not take on other responsibilities (A3k)	26.01
	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (A3n).	10.77
	It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations (A3s)	35.03
	Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A3t)	13.78
	Society expects business to contribute to economic growth as its only concern (A3v).	6.50
	Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off (A3x).	6.80
	It is unwise to ask business to fix social problems created by others and which have no profit potential (A3y)	24.03

It can, therefore, be concluded that the two leading dimensions in the managerial perception of SR in Australia (i.e. the classical and the wider views) was

supported by the factor analysis. Cluster analysis revealed the incidence of different views and confirmed the existence of two broad managerial groupings - one associated with the classical and the other with a more contemporary view of SR. The position of the two clusters within the SR paradigm is presented below:

Figure 7.1

The position of cluster 2 and cluster 3 within the two leading factors concerning SR in Australia



It is apparent from the above paradigm where horizontal axis is represented by factor 1 capturing a narrow view of SR (Business of business is business) and the vertical axis is represented by factor 2 based on a wider approach to SR (SR is beneficial), that cluster 3 can be found within the dimension of the classical view of social responsibility as this group of managers hold a narrow view of SR. Again cluster 2 has been positioned within the modern dimension of the SR paradigm as the managers comprising this group view social responsibility in a wider sense. The position of the clusters have been roughly determined on the basis of average mean values of the items consisting of each cluster.

### **7.3.2: Bangladesh situation**

#### **7.3.2.1: Factor analysis**

Factor analysis of the twenty five items on attitude towards social responsibility extracted 9 factors after varimax rotation. These factors explained 58.9% of the total variance. Table 7.7 presents eigenvalue analysis in Bangladesh. The matrices of rotated loadings is shown in Table 7.6.

The nine factors were named as follows:

1. **SR is beneficial to business:** Factor 1 is concerned with the idea that social responsibility can be useful for a business as it helps in establishing competitive advantage over its rivals which can be profitable in the long run.

2. **Business has the resources needed:** Factor 2 captures the notion that business can afford to assume social responsibility as it has both financial and intellectual ability to be involved. This may result in building a favourable image for businesses.
3. **Business of business is business:** Factor 3 refers to the popular belief that business is an economic institution and it can serve society well by looking at its own economic interests.
4. **Regulation ensures corporate social responsibility:** Factor 4 refers to the classical argument that social responsibility is determined by the rules of the games (legal requirement) and business has no obligation beyond that point.
5. **Social responsibility stops irresponsible behaviour:** Factor 5 comprise the underlying concept that social responsibility is an indirect way of checking irresponsible behaviour on the part of businesses.
6. **Social responsibility costs money:** Factor 6 refers to the cost constraint in social involvement. The argument is that the high cost of social responsibility may put a socially responsible firm in a disadvantageous position as compared to those who ignores social responsibility.
7. **Social cost transfer weakens image:** Factor 7 deals with the notion that the cost of social involvement is ultimately transferred to society in form of increased price resulting in business losing its image in the public

8. **Exercise of SR increases societal expectation:** This factor captures the argument that business involvement in social responsibility may lead to a situation in which society may expect business to fix more and more social problems.
  
9. **Business should try where others have failed:** Factor 9 is concerned with the belief that business should act where other institutions have failed to solve social problems.

Table 7.6

Varimax rotated loadings for 9 factors concerning managerial attitude towards social responsibility in Bangladesh

Variables.	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8	Factor 9
A3a	-.044	.064	-.237	-.020	.323	-.023	.179	.189	<b>.593*</b>
A3b	.045	.098	-.095	-.192	-.014	.017	.143	<b>.708*</b>	.065
A3c	<b>.640*</b>	.056	.001	.088	.142	.008	-.201	-.073	.085
A3d	<b>.625*</b>	.113	.012	-.404	-.144	-.126	-.046	.090	.065
A3e	-.095	.006	.010	<b>.809*</b>	-.014	.133	-.003	-.079	-.053
A3f	<b>.568*</b>	.097	-.275	.090	-.066	-.307	-.024	.235	.163
A3g	.414	.072	-.181	-.001	.173	-.009	.398	-.453	-.128
A3h	.240	-.081	.120	-.049	-.149	.137	-.131	-.015	<b>.750*</b>
A3i	-.030	-.404	.204	.322	.033	-.035	.470	.255	.030
A3j	.082	-.043	.082	.033	<b>.821*</b>	.055	.043	-.032	.023
A3k	-.066	-.351	.230	.411	-.402	.045	.059	-.164	.225
A3l	-.061	<b>.734*</b>	.053	.063	-.011	-.110	-.020	.212	.043
A3m	.191	<b>.686*</b>	-.002	-.011	.120	-.116	.154	-.047	.100
A3n	.059	-.125	<b>.784*</b>	-.075	.085	-.083	.067	.125	-.194
A3o	.375	<b>.551*</b>	-.014	-.150	-.063	.204	-.093	-.022	.022
A3p	.469	.198	.124	-.233	.350	.066	-.189	-.084	-.032
A3q	.483	.450	-.091	-.227	.038	.069	.013	.196	.041
A3r	.023	-.030	-.106	.206	.035	<b>.777*</b>	-.148	.088	.140
A3s	-.094	-.241	.219	.237	-.278	.494	.267	.122	-.262
A3t	-.230	.033	.058	-.244	.089	<b>.517*</b>	.417	-.090	.117
A3u	.212	.286	.278	.207	.067	.180	-.135	.445	-.058
A3v	-.170	.176	<b>.737*</b>	.090	-.010	-.077	.010	-.089	.213
A3w	-.267	.117	-.033	-.052	-.047	-.029	<b>.649*</b>	.045	-.012
A3x	-.051	-.070	.480	.427	-.274	.032	-.084	-.056	-.048
A3y	.070	-.142	.286	.186	-.446	.196	.177	-.060	-.063

\* Items with factor loading of 0.5 or above which are retained for analysis.

Table 7.7

Eigenvalue analysis in Bangladesh

Factors	Eigenvalue	% of total variance explained
1	4.02	16.1
2	2.07	8.3
3	1.64	6.6
4	1.42	5.7
5	1.33	5.3
6	1.23	4.9
7	1.13	4.5
8	1.05	4.2
9	1.03	4.1
		Total: 59.8

Table 7.7.1 to 7.7.9 set out the factor names and the items comprising each factor in Bangladesh.

Table 7.7.1

FACTOR - 1: SR is beneficial to business

Variables	Factor loadings	Statements
A3c	.640	Social responsibility is an effective basis for competing in the market.
A3d	.625	Business should realise that it is a part of a larger society and therefore it should respond to social issues.
A3f	.568	Contributing to the solution of social problems can be profitable for business.



**Table 7.7.2****FACTOR - 2: Business has the resources needed**

Variables	Factor loadings	Statements
A3l	.734	Business has the necessary money and talent to engage in social action programs.
A3m	.686	Society expects business to help solve social problems as well as to produce goods and services.
A3o	.551	Corporate Social action programs can help build favourable image for a business.

**Table 7.7.3****Factor - 3: Business of business is business**

Variables	Factor loadings	Statements
A3n	.784	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests.
A3v	.737	Society expects business to contribute to economic growth as its only concern.

**Table 7.7.4****Factor - 4: Regulation ensures corporate social responsibility.**

Variables	Factor loading	Statements
A3e	.809	Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs.

**Table 7.7.5****FACTOR - 5: Social responsibility stops irresponsible behaviour.**

Variables	Factor loading	Statements
A3j	.821	Social responsibility programs may be helpful in discouraging irresponsible behaviour by business.

**Table 7.7.6****Factor - 6: Social responsibility costs money.**

Variables	Factor loadings	Statements
A3r	.777	A business that ignores social responsibility may have a cost advantage over a business that does not.
A3t	.517	Social involvement may be suicidal for the marginal firm, for the high cost involved may throw it out of business.

**Table 7.7.7****FACTOR - 7: Social cost transfer weakens image.**

Variables	Factor loading	Statements
A3w	.649	By transferring the cost of social involvement to society business may weaken its image with the public.

**Table 7.7.8****FACTOR - 8: Exercise of SR increases expectation.**

Variables	Factor loading	Statements
A3b	.708	The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution.

**Table 7.7.9****FACTOR - 9: Social responsibility stops regulation.**

Variables	Factor loading	Statements
A3a	.593	Business can avoid further regulation by adopting social responsibility programs.
A3h	.750	Other social institutions have failed to solve social problem, so business should now try.

The above factor analysis revealed two leading dimensions representing two popular views of social responsibility. These are factor 3 and factor 1. Factor 3 captures the notion of classical view of social responsibility emphasising the traditional path of serving society through the provision of goods and services at a profit within the legal framework. Factor 1 represents the wider view of corporate social responsibility reaching beyond the narrow view of profit maximisation and the law and considers broader responsibility in the wider areas of social concerns. Emergence of the above two leading factors as it roughly did in the case of Australia, show that these are consistent with the dimensions in the basic SR paradigm developed through the review of existing literature. This empirical evidence provided by factor analysis thus suggest the validity of the dimensions of the basic model.

**7.3.2.2: Quick Cluster**

A "quick cluster" solution for Bangladesh, based on two cluster of the 25 items concerned with the managerial attitude towards social responsibility was carried out.

Out of 218 respondents 186 (85.32%) managers belonged to cluster 1 while cluster 2 had 32 managers (14.68%). The distribution of cluster membership can be seen in table 7.8. The items were grouped into the two clusters on the basis of the highest standardised value of a concerned item. The standardised values of each of the SR items can be seen in Table 7.8.1.

**Table 7.8**

**Cluster membership in the SR items in Bangladesh**

Cluster serial	Cluster membership	Percentage
Cluster 1	186	85.32
Cluster 2	32	14.67

Cluster 1 consists of managers supporting a wider view of social responsibility of business which is evident from the fact that they have higher standardised values on the SR items which are concerned with the underlying view of broader social responsibility. The items are presented in Table 7.8.1.

Table 7.8.2 shows that the items comprising cluster 2 (wider view of SR) include A3d (SR as a part of society), A3f (SR is profitable), A3g (responsibility beyond regulation), A3p (definite responsibility to society), A3q (Need for training of managers).

Table 7.8.1

Distribution of standardised values of SR items according to two clusters in Bangladesh

Variable	Standardised Values	
	Cluster 1	Cluster 2
A3a	3.29	2.84
A3b	3.83	3.53
A3c	3.72	3.78
A3d	4.22	3.75
A3e	2.48	3.40
A3f	3.70	2.87
A3g	3.69	3.50
A3h	2.96	2.65
A3i	2.91	4.09
3Aj	3.81	3.53
A3k	2.27	3.31
A3l	3.56	3.09
A3m	3.94	3.40
A3n	3.23	3.71
A3o	4.00	3.31
A3p	4.12	3.53
A3q	3.88	2.68
A3r	3.00	3.31
A3s	2.48	3.43
A3t	3.13	3.68
A3u	3.82	3.75
A3v	2.75	3.53
A3w	2.73	3.12
A3x	2.56	3.37
A3y	2.92	3.78

Cluster 2 is concerned with the classical view of social responsibility which is clear from the items in which the managers of this group have higher standardised values. These items can be seen in Table 7.8.1 under cluster 2. The items include A3n (Business is primarily an economic institution), A3v (Economic growth is the only concern of society), A3x (Business involvement in SR makes society worse off). It is to be noted that while sorting items belonging to a particular cluster F values were considered as a guide line. As almost all are significant, items with high F ratio were included for the purpose of interpretation.

It is, therefore, clear from the results of the above cluster analysis that there are two distinct clusters of managers who subscribe to the two leading views of social responsibility. These two views seems to be consistent with the two leading dimensions uncovered by the factor analysis in Bangladesh data set. Cluster 1 is consistent with factor 1 which is concerned with the wider perception of social responsibility. This is evident from the fact that all the items comprising factor 1 (e.g. A3c, A3d, A3f) can be found in cluster 1 (Table 7.8.2). Cluster 2 which is concerned with the narrow view of social responsibility is also broadly consistent with factor 3. This is supported by the fact that items A3n and A3v are present in the cluster 2 presented in Table 7.8.2. Figure 7.2 shows the position of cluster 1 and cluster 2 in the SR paradigm.

The calculation of average mean values indicates that Cluster 1 should be located along the vertical axis within the modern view of social responsibility (Quadrant 2). This seems to be justified as the managers constituting cluster 1 tend

to hold a benefit driven wider view of social responsibility. On the other hand cluster 2 should be placed along the horizontal axis within the jurisdiction of Socioeconomic view of social responsibility as the managers belonging to the cluster hold a narrow view of social responsibility but still believe that it can be beneficial to the firm.

Figure 7.2

The position of cluster 2 and cluster 3 within the two leading factors concerning SR in Bangladesh

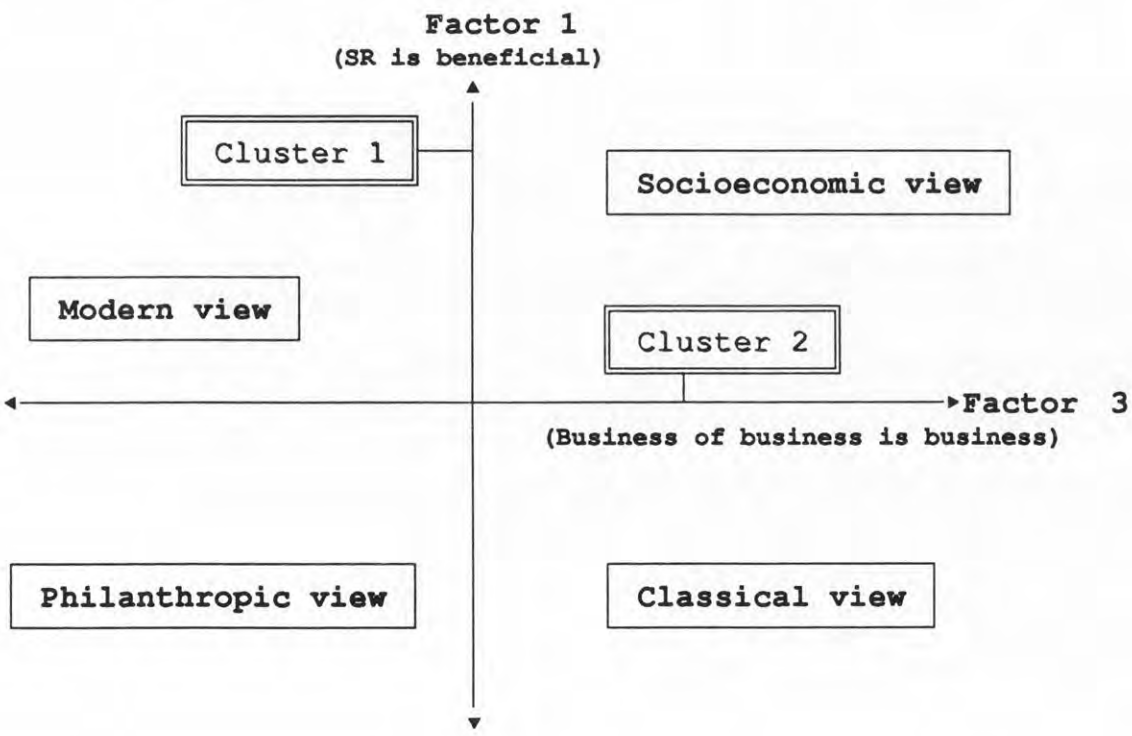


Table 7.8.2

Distribution of social responsibility items belonging to two dominant clusters according to their higher standardised value in Bangladesh.

Cluster	Statements	F ratio
<b>Cluster 1</b>  Wider view of social responsibility	Business should realise that it is a part of the larger society and therefore it should respond to social issues (A3d).	18.41
	Contributing to the solution of social problems can be profitable for business (A3f)	27.79
	Business has a definite responsibility to society apart from making a profit (A3p)	21.98
	Corporate managers need to be trained so that they can effectively contribute to solving society's problems (A3q).	54.51
<b>Cluster 2</b>  Narrow view of social responsibility	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (A3n)	7.53
	Society expects business to contribute to economic growth as its only concern (A3v).	18.0
	Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off (A3x).	23.72



## 7.4: CONCLUSION

In comparison with the Australian managers, the dominant factor in Australia (Factor 1: business of business is business) can be linked with Factor 3 in Bangladesh. Factor 2 in Australia (SR is beneficial to business) is comparable to factor 1 in Bangladesh suggesting a broader perception of the benefits to business. Thus, these two set of dominant factors representing the two distinct dimensions in the managerial perceptions of corporate social responsibility in the two countries have been considered for the purpose of validating the SR paradigm presented in chapter 2.

A comparison of the cluster analysis of the two groups of managers with regard to their attitude towards corporate social responsibility, reveals that in Australia out of four clusters two leading clusters emerged. One of the clusters is very much a classical view (cluster 3) and the other is the wider view (cluster 2). In Bangladesh two cluster solution produced clearly two clusters one of which is based of a narrow view (cluster 2) and the other is more broadly based (cluster 1). The group of managers constituting the narrow view of SR in Bangladesh (cluster 2) is comparatively small in size. However, the modern group might have adopted responsibility in the wider area of social responsibility for different reasons. One of the most important impetus for social involvement of this group of managers as noted in chapter 6, is attributed to the potential benefit in social involvement from the theological point of view where charity is a part of a religious obligation and the other reason simply stems from purely ethical point of view as the managers may

think that something ought to be done in the face of special demands of society which, however, may be beneficial for the firm in the long run by way of blessings from God, favourable public image of the firm or special favour of government in the distribution of public facilities to business such as permit and licence.

Thus, the two clusters both in Australia and in Bangladesh broadly correspond to the different positions on the basic model. In Australian situation one cluster can be identified with the classical position in quadrant 4. The second cluster corresponds to a more contemporary modern position in quadrant 2. In Bangladesh, although the cluster solution follow the similar pattern as it is in Australia, the narrow view in quadrant 1 seems to be a benefit driven group and the socially responsible group appears to be in quadrant 2 consisting of those managers who perceive a distinct benefit from participating in socially responsible action in the long term.

The cluster analysis has highlighted the diversity of opinion on social responsibility existing in two business communities in two divergent environmental settings. It is interesting to note that the socially responsible groupings in both communities are fairly substantial despite their socio-economic and political difference.

Finally it can be concluded that the proposed two dimensional model of corporate social responsibility has been empirically supported by the emergence of two basic underlying dimensions in the data in the two divergent environments

provided by Australia and Bangladesh. This has been found to be consistent with the emergence of two distinct groups of managers in both countries representing the two views of corporate social responsibility of business.

These two dimensional approach will be used as a basis of exploration of the critical linkages among factors of social commitment, corporate action and the demographic characteristics of managers in the next chapter.

## CHAPTER 8

### **MANAGERIAL DEMOGRAPHICS, ATTITUDES TOWARDS SOCIAL RESPONSIBILITY AND ACTION: SOME CRITICAL LINKAGES**

#### **8.1: Introduction:**

This chapter is concerned with an exploration of the relationships predicted by the theoretical model presented in chapter 3. As mentioned earlier this is an exploratory study and its primary focus is on identifying patterns in the data which may confirm or otherwise the relevance of the different positions which have been stated in the social responsibility debate. In particular, this chapter will focus on an exploration of the hypothesised relationships between the following variables:

1. Attitudes towards social responsibility and the actions.
2. Attitude towards social responsibility and managerial demographics.
3. Marketing action and managerial demographics.

This study advances beyond earlier studies in the sense that it has developed a model of corporate social responsibility in a cross-cultural context, identified underlying dimensions of attitudes, and explored the key relationships amongst primary groups of variables concerning managerial perceptions and marketing action, managerial perception and managerial demographics, marketing action and managerial demographics-all in the context of two divergent environment.

In order to reduce the complexity of this analysis, the individual items responses in each action set have been averaged to create an aggregated action variable for each set. The cronbach alpha coefficients for these averaged variables ranged from 0.66 to 0.86 in Australia and from 0.55 to 0.87 in Bangladesh and were deemed acceptable. The coefficients are presented in Table 8.1.

**Table 8.1**

**Cronbach alpha for the action variables**

Variables	Cronbach Alpha	
	Australia	Bangladesh
Product	0.84	0.73
Price	0.86	0.55
Distribution	0.66	0.80
Promotion and communication	0.86	0.86
Organisational aspects	0.67	0.87
Product piracy	0.80	0.83
Social responsibility	0.72	0.65
Work environment	0.83	0.76

The statistical approach adopted here and later in this chapter rests on a close examination of correlation matrices linking attitudinal factors and action variables, attitudinal factors and demographics, demographics and action variables. Since this is essentially exploratory in character, the analysis will identify significant correlations and then after considering the possibility of situation specific factors explaining the size and direction of the correlation, will derive tentative conclusions as to the likelihood and strength of the underlying link between attitudes and action, attitudes

and demographics, demographics and action in the area. The question of causation is left to future analysis.

**8.2: P<sub>4</sub>:        THERE IS A RELATIONSHIP BETWEEN ATTITUDES  
TOWARDS SOCIAL RESPONSIBILITY AND BEHAVIOUR.**

This proposition is concerned with the relationship between managerial attitudes and actions. It will be examined in the context of Australia and Bangladesh separately.

**8.2.1: Australian situation**

The correlation matrices reported in Table 8.1.1 show that there are some statistically significant relationships between the factors identified in attitudes towards social responsibility and the scales developed with regard to the action variables. Statistical significance has been set at the 5 percent level. These relationships appear to involve three different scenarios.

***Scenario 1:* Relationship between attitude factor 1 (business of business is business) and action variable 7 (Action on the broader arena of social responsibility)**

The name given to the attitude factor 1 is "business of business is business". This reflects the classical view of social responsibility endorsed by Friedman (1970); Gaski (1985) and stresses that business is primarily an economic institution whose responsibility to society is confined to the supply of goods and services at a profit.

Action variable 7 is derived from items related to specific corporate performance in a social responsibility area incorporating the broader concerns of society which go beyond the narrow perspective of profit. The action scale 7 is related to action in response to the broader social responsibility initiatives included in the "outer circle" of the model suggested by Davis, Frederick and Blomstrom (1980) presented in chapter 2 (figure 3.2).

The specific items contributing to this action variable include incentives to managers to establish high ethical standards, philanthropy, environmental concern and community welfare. The coefficient of correlation between these two variables is  $-.23$  and is significant at the  $.017$  level. The negative relationship indicates that support for the classical view of social responsibility by Australian business translates into a low commitment to taking action in broader area of corporate social responsibility. In a positive sense the correlation suggests that performance of action with respect to broader aspects of social responsibility is positively correlated with the perceptions as to the wider concept of social responsibility in Australian business.

It is interesting to note that a high score on the social responsibility factor the "business of business is business" is not significantly related to action taken in any of the core areas of the marketing mix considered as potential action variables. This suggests that while Australian management in the industries studied, is committed to the broader view of social responsibility and willing to implement this in the context of the specific action areas included in action variable 7, their sense of responsibility

does not extend beyond this to the areas of marketing mix- price, product, distribution and promotion. This apparently superficial response may stem from the close regulation of many of the core marketing decisions in Australia. As will become clear, the pattern in Bangladesh was different. Since factor 1 is a dominant factor, this relationship is in a sense a primary point relating to the managerial perception of social responsibility and action in Australia.

This finding offers limited supports to that part of the theoretical model presented in chapter 3 (Figure 3.4: Box 2) concerned with the linkage between perception of social responsibility commitments and pattern of action (behaviour).

***Scenario 2: Relationship between SR factor 2 (Social responsibility is beneficial to business) and action variable 7 (Action on the broader arena of Social responsibility)***

The social responsibility attitude factor 2 which can be linked with "Social responsibility is beneficial to business", derives from various arguments supporting business involvement in social responsibility in the interest of business itself. As already noted in scenario 1, action scale 7 includes action on such broader issues as a code of marketing ethics, community welfare, philanthropic activities, pollution control and resource conservation.

As noted in the correlation matrices reported in table 8.1.1, social responsibility factor 2 and action variable 7 have a strong positive correlation of +0.36 which is significant at the 1 percent level. This relationship suggest that Australian management takes a position in the 'modern view' representing quadrant



3 of the SR paradigm. This position of Australian business arises from benefit driven attitudes and willingness to act in the greater interest of the community. The potential benefits as factor scale 2 suggests, may arise out of competitive advantage resulting from the exercise of social responsibility, perceived profits deriving from the solution of social problems, and favourable image creation. It is interesting to note that the perceived benefits of social involvement by Australian business are not significantly correlated with any of the core areas of marketing mix such as price, product, distribution or promotion (Table 8.1.1). This again shows high interest of Australian management in the public relation areas not only because there is societal pressure to respond but also for the self interest of business. The potential interest may lie in stopping immediate institutionalisation of broader issues in the legal system well as in yielding financial benefits by serving socially conscious customers by producing, for example, environmentally acceptable products. Lack of linkage involving core areas of marketing reflects the fact that these are already institutionalised in the socio-political process through the implementation of regulation and as such exercise of those responsibilities has become a routine work for Australian management.

Table 8.1.1

Pearson correlation between the factors relating to managerial attitude towards social responsibility and actions variables in Australia.

SR Action		SR 1	SR 2	SR 3	SR 4	SR 5	SR 6	SR 7
Ac 1	r	-.039	-.044	-.067	-.106	.013	-.015	-.015
	p value	.697	.656	.502	.289	.890	.874	.876
Ac 2	r	.007	.041	.093	.071	.089	.011	.141
	P value	.941	.680	.352	.478	.373	.906	.155
Ac 3	r	-.161	.085	-.161	.020	.074	-.034	.092
	P value	.105	.392	.106	.838	.458	.730	.355
Ac 4	r	-.159	.150	.064	-.0003	.108	.036	.101
	P value	.108	.131	.523	.993	.279	.713	.309
Ac 5	r	-.091	.145	.210	.121	.133	.153	-.080
	P value	.360	.146	.034*	.224	.182	.123	.424
Ac 6	r	.043	.032	.055	.062	.166	.129	.056
	P value	.664	.745	.577	.535	.094	.195	.574
Ac 7	r	-.235	.360	.153	.015	-.006	.058	-.021
	P value	.017*	.000*	.123	.874	.946	.556	.832
Ac 8	r	-.092	.108	.044	.065	.192	-.032	.037
	P value	.356	.277	.656	.516	.053	.736	.708

Ac=Action

Ac 1=Product variable

Ac 2=Price variable

Ac 3= Distribution variable

Ac 4=Promotion variable

Ac 5=Organisational variable

Ac 6=Product piracy variable

Ac 7=Social responsibility variable

Ac 8=Work environment variable

SR=Social responsibility

SR 1=Business of business is business

SR 2=Social responsibility is beneficial to business

SR 3=Social responsibility stops regulation

SR 4=Social responsibility costs money

SR 5=Limitation of regulation

SR 6=Business must do more

SR 7=Exercise of SR increases societal expectations

r=Coefficient of correlation

P value=Observed significance level

\* denotes significant at 5 percent level

n=102

**Scenario 3: Relationship between attitude towards factor 3 (Social responsibility stops regulation) and action variable 5 (Organisational aspects)**

Social responsibility factor 3 is named as "social responsibility stops regulation". This factor is based on the popular belief that business can avoid the imposition of further regulation if it can anticipate the potential areas of social demand and take appropriate proactive action. This may be helpful in reducing costs as regulation is usually more expensive and allows less operating flexibility (Steiner and Steiner, 1994).

Action variable 5 is concerned with organisational aspects of corporate social responsibility. These consist of organised action on the part of a business in response to social demands and includes creation of a complaint handling body, appointment of consumer affairs manager and, training staff in social responsibility area.

A significant positive relationship has been found to exist between the two above variables at .034 percent level with a correlation coefficient of .21 (Table 8.1.1). This relationship suggests that a positive commitment to a proactive position towards avoiding further regulation translates into taking such organisational actions as development of complaint handling mechanism, creation of a consumer affairs manager and organising staff training in corporate social responsibility. This means that business may avoid further regulation by implementing appropriate social action programs.

It is interesting to note again that proactive commitments were not found to be related to any core area of marketing action in Australian business. It is tempting to conclude from this relationship that, in their assessment of the potential situation leading to imposition of further regulation, Australian businesses tend to take actions which are reflected in making adequate voluntary but superficial organisational arrangements such as creation of a complaint handling body, training of staff in corporate social responsiveness and involvement of senior managers in a more formal way in handling social issues.

It is apparent from the above discussion of the three scenarios arising from relationships between an SR factor and the nature of action taken in Australian business, that in all cases the relationships have been established in or easy to handle areas of action relating to ethical standards, philanthropy, environmental concern and community welfare or in broad organisational responses. Managerial perceptions of social responsibility have not been found to be associated with action in the core areas of marketing action, including the four elements of marketing mix-price, product, distribution and promotion. Although, the possibility of action by Australian business in organisational issues indicates that they are serious about social responsibility, their perception of social responsibility remains at the corporate level and does not appear to translate into marketing action. This may reflect policy limits on the scope of SR or a view that regulation has sufficiently defined SR in the core areas of marketing.

It is clear from scenario 3 that organisational action has been taken in order to avoid further regulation. The proactive actions of Australian business reflect their disapproval of costly regulation that may be imposed upon them. It is interesting to note that no relationships were found to exist between the remaining four factors with any of the action areas. Looking at the Australian data, the evidence suggests that appropriate action is likely to eventuate for managers located in the second quadrant of figure 8, with the probability of action declining for managers located in quadrant 4.

The possible interpretation of the relationship between commitment of managers to social responsibility and action in the broader arena of social responsibility is understandable from the fact that in Australia the social responsibility of business in the core marketing areas has been institutionalised through the implementation of relevant regulation and therefore, managerial attitudes towards social responsibility, as explored in chapter 2, are translated into action via the social contract which have been written in terms of legal obligation in the western world.

Furthermore, the evidence is consistent with the view that the broader concerns evidenced by management reflect a re-writing of the social contract in a number of western countries. One specific factor bringing about this rewriting of the social contract can be found in the Rio Summit and the subsequent agreement on Agenda 21 (The Global Partnership, 1993). This process of re-writing is also consistent with commitment and action in the area of social responsibility that come

within the "outer circle" as noted by the Committee of Economic development and was included in the model suggested by Davis, Frederick and Blomstrom, 1980 (Figure 3.2 in chapter 3). Another view of the data, suggested by Tuzzolino and Armandi (1981) based on Maslow's need hierarchy, is that business interest in serving the higher need of society arises after the satisfaction of its lower order needs i.e profit maximisation. An evidence in favour of this position can be seen in the results of a number of studies reported in chapter 2, confirming a positive relationship between commitment to social responsibility and profitability in the context of western business (McGuire, Sundgren and Schneeweis, 1988; Freeman and Gilbert, 1987; Cochran and Wood, 1984). This thesis confirms this position by finding a negative correlation between the SR factor, "business of business is business" and profitability scale (a 5 point scale where 1 representing profit declining rapidly and 5 representing profit growing rapidly).

### **8.2.2: Bangladesh situation**

Table 8.1.2 shows that there are a number of significant relationships between the factors of social responsibility and action variables. These relationships have been established at 5 percent level in eighteen different scenarios. The relationships are discussed below:

**Scenario 1: Relationship between SR factor 1 (social responsibility is beneficial to business) and action variable 5 (organisational aspect).**

Social responsibility factor 1 is concerned with the benefits of social involvement. The potential benefits arising out of the exercise of social responsibility include increased profitability, competitive advantage and societal solidarity. On the other, hand action factor 5 is based on the performance of various actions in an organisational context including the appointment of a consumer affairs manager, establishing a complaint handling body, training staff in corporate responsibility and involvement of senior managers in complaint handling. The relationship between the two variables were found to be statistically significant at the 1 percent level with correlation coefficient of 0.2. This positive relationship between the two variables indicates that a higher score on the perceived benefits of social involvement results in action taken in the organisational area.

It is interesting to note that factor 1 has not been found to be linked with any other action areas including the four major marketing policy areas - Product, price, distribution and promotion. This suggests that businesses operating in food and clothing industries in Bangladesh limit taking action to comparatively facile areas linking these with the benefit of social responsibility. The linkage between these two variables is well understood in the context of Bangladesh where organisational aspects are yet to be institutionalised. As noted in chapter 6 action in various organisational aspects is extensive in most cases including creation of a complaint handling body, involving senior managers in complaint handling and treating complaint handling as a mean of promoting goodwill of the firm.

Table 8.1.2

Pearson correlation between the factors relating to managerial attitude towards social responsibility and actions variables.

Action \ SR		SR 1	SR 2	SR 3	SR 4	SR 5	SR 6	SR 7	SR 8	SR 9
Ac 1	r	-.013	.108	-.067	.005	.135	.095	.084	-.074	.255
	P value	.848	.111	.325	.940	.046*	.162	.214	.271	.000*
Ac 2	r	-.068	.031	-.019	-.022	.053	-.051	.025	.108	.074
	P value	.311	.644	.774	.742	.434	.451	.712	.111	.274
Ac 3	r	.118	.109	-.103	.001	-.061	.104	-.133	.012	-.025
	P value	.082	.108	.126	.999	.366	.123	.050*	.855	.705
Ac 4	r	.017	.255	-.137	.036	-.014	.160	-.001	.000	.207
	P value	.802	.000*	.043*	.593	.836	.018*	.985	.995	.002*
Ac 5	r	.205	.258	-.028	-.048	-.067	-.038	-.126	.241	.223
	P value	.002*	.000*	.002*	.477	.325	.570	.063	.000*	.001*
Ac 6	r	.110	.017	-.076	.013	-.134	.034	-.171	.090	.239
	P value	.104	.803	.262	.844	.048*	.609	.011*	.182	.000*
Ac 7	r	.097	.032	.091	.001	.052	-.049	-.079	-.014	.080
	P value	.150	.638	.176	.981	.445	.471	.245	.832	.240
Ac 8	r	-.087	.026	-.309	-.027	.146	-.004	.174	-.006	.011
	P value	.198	.696	.000*	.691	.031*	.953	.010*	.921	.868

Ac=Action variable

Ac 1=Product variable

Ac 2=Price variable

Ac 3= Distribution variable

Ac 4=Promotion variable

Ac 5=Organisational variable

Ac 6=Product piracy variable

Ac 7=Social responsibility variable

Ac 8=Work environment variable

SR=Social responsibility

SR 1=SR is beneficial to business

SR 2=Business has the resources needed

SR 3=Business of business is business

SR 4=Regulation ensures corporate social responsibility

SR 5=Social responsibility stops regulation

SR 6=Social responsibility costs money

SR 7=Social cost transfer weakens image

SR 8=Exercise of SR increase societal expectation

SR 9=Business should try where others have failed

r=Coefficient of correlation

P value=Observed significance level

\* denotes significant at 5% level

n=218



**Scenario 2: Relationship between SR factor 2 (Business has the resource needed) and action variable 4 (Promotion and communication).**

SR factor 2, which is named, "business has the resources needed", is based on the items reflecting financial and intellectual ability to engage in the solution to social problems. Action variable 4 is about promotion and communication related actions including maintenance of authenticity, fairness and truthfulness in advertising and communication of firm's social responsibility program to the customer and imparting training to the concerned staff in good customer service.

The correlation coefficient between the two variables is 0.25 which is significant at the 1 percent level. This positive relationship is indicative of the fact that business perceptions of the required resources in social involvement are linked with action in the promotion and communicational aspect of the marketing mix. These responses perhaps reflects a view that at least some of the key resources needed are to be found in business skills in promotion; and that it makes sense for such managers to address these public concerns.

**Scenario 3: Relationship between SR factor 2 (business has the resource needed) and action variable 5 (organisational aspects).**

A relationship between the above two variables is significant at 1 percent level with a correlation coefficient of 0.26. The significant relationship between the above two indicates that action on organisational aspects such as effective complaint handling and staff training in corporate social responsibility is initiated by those firms for whom social responsibility stems from a belief that business has the resources needed. For such managers, the public perception of capability may be

linked to the public side of corporate activity including the area of promotion noted above as well as this area of organisational response.

**Scenarios 4-6:**        **Relationship between SR factor 3 (business of business is business) and action variable 4 (Promotion and communication), 5 (organisational aspect) and 8 (work environment).**

SR factor 3 represents the classical view "business of business is business. This factor reflects one of the two key dimensions of social responsibility attitudes and captures the traditional idea that business is basically an economic institution and that its social responsibility lies in the production and distribution of goods and services to society at a profit within the legal framework. As noted in chapter 6 that there has been substantial support for the items relating to this factor among Bangladeshi managers which were reflected both in the mean attitude score and the percentage of managers supporting the views.

Action variable 4 is about distribution and communication related action including specific policy on misleading advertising, complying with industry code of ethics and training staff in good customer relations. Variable 5 is about organised action in response to SR and variable 8 is concerned with work environment including use of modern technology, safety measures, contributing to staff welfare and workers participation in management. Action in this wider arena of social responsibility involve the most important internal constituent of business - workers and employee. Responsibility to this internal stake holder group is considered vital as it contribute to the growth and profitability of the firm and also reflects firm's

social responsibility image in the community.

**Scenario 4:** Significant negative relationship ( $r=-.13$ ;  $p>.05$ ) between SR factor 3 (business of business is business) and action variable 4 (promotion and communication) suggest that perception of social responsibility in the classical perspective translates into low level of action taken on promotion related items. In a positive sense perception of social commitment by Bangladeshi managers in the wider perspective, may translate into a greater level of performance on promotion such as having a policy to ensure truthfulness in advertising and communicating SR programs to the public. This relationship linking attitudes with a core marketing area, is understandable from the fact that in Bangladesh advertising deceptions and promotional gimmicks are widespread (Ahmed, 1981, Ali, 1984, Hoque, 1985) and, as such, a commitment to broader social responsibility and its linkage with the action on promotion and communication area is quite relevant. This relationship can be linked with scenario 2 showing a positive relationship between business capability and action on promotion and communication.

**Scenario 5:** It is apparent from table 8.1.2 that SR factor 3 (business of business is business) is negatively correlated with action variable 5 (organisational aspects) at the 1 percent level of significance with correlation coefficient of  $-.28$ . This relationship show that a higher score on the classical concept of limited SR is associated with a low level of action in organisational aspects. Expressed in a positive sense this relationship may imply that a commitment to the wider perspective of SR translates into action in the organisational change such as

resolving complaints by a separate body, appointment of a consumer affairs manager to monitor social issues and training staff in social areas. This relationship applies to that section of business in Bangladesh which is committed to the wider arena of social involvement and tend to treat effective complaint handling as the gesture of promoting goodwill to customers. However, this section of business is to be found mostly in export oriented firms focusing international markets. More generally, the organisational changes identified may have limited applicability in the less developed business environment such as Bangladesh.

**Scenario 6:** SR factor 3 (business of business is business) is negatively correlated with action variable 8 (work environment related behaviour). The correlation coefficient is  $-0.3$  which is significant at the 1 percent level. The significant relationship indicates that perceiving social responsibility in the classical perspective translates into low level of action taken on work related areas. In a positive sense a broader perception of social responsibility may result in higher level of action in work related areas concerning workers safety and welfare, worker participation in management and the use of modern technology and equipment. This linkage reflects recent development in work environment related action especially in the export oriented garment sector, which employs a large number of women and child workers. Since most garment manufactures target western markets, their perceptions often lie in the broader arena of social responsibility. The tendency for favourable SR attitudes in the garment industries translate into action is also attributable to a recent development. Garment workers were kept away from union activities in the greater national interest to ensure foreign exchange earnings through

uninterrupted production. This has come under threat from national union leaders and opposition parties who argue that union activities could improve workers welfare. This is supported by a study (Hossain and Brar, 1988) showing a favourable attitude towards of garment workers towards unionisation of the industry, for it would ensure among others things the working conditions. Garment manufacturers' awareness of these developments might well have led them to take action in the work environment.

***Scenario 7-9: Relationship between SR factor 5 (social responsibility stops irresponsible behaviour) and action variable 1 (product), 6 (product piracy) and 8 (work environment)***

Factor 5 consists of items contributing to the reduction of irresponsible behaviour on the part of business. Thee action variables include product related items such as the which include maintenance of product quality and standards, product safety, guarantees and warranties, product labelling, total quality management, environmentally safe and friendly products. Action variable 6 is concerned with product piracy and includes consumer education programmed, incentives for reporting product piracy and legal action against this activity. Action variable 8 is about work environment related action and has been mentioned above.

**Scenario 7:** A significant relationship between factor 5 and action variable 1 is particularly important as the association encompasses product related action which is a core area of marketing attracting enormous social concern. This positive relationship establishes a linkage between the perception of social responsibility as a means of checking irresponsible behaviour, and taking action on product related

areas; it reflects the current perception and action of a large segment of Bangladeshi business targeting international market. Their perception of socially responsible action as a means of reducing irresponsible behaviour is reflected in their action on various product related areas. This behaviour is inevitable as their target market would like to see them adopt socially responsible practices which are reflected in their actions on issues such as product quality and standard, product safety, product labelling, warranty and guarantee commitments.

**Scenario 8:** A negative correlation between SR factor 5 (SR discourages irresponsible behaviour) and action variable 6 (product piracy) shows that higher perception of social responsibility as a means of checking irresponsible behaviour on the part of a business is linked with taking lower action on product piracy issues. This finding is surprising as a positive relationship between these two variables was expected. The possible interpretation of this relationship is that the firms taking higher level of action on product piracy may have a lower level of perception about the fact that SR can discourage irresponsible behaviour. This is because of a high level of action is taken by business as a result of an exceptionally high incidence of product piracy in Bangladesh and therefore, this action does not say anything about perceptions of social responsibility, as business does it for their existence and not because they are conscious of their social responsibility.

**Scenario 9:** A significant positive relationship between SR factor 5 and action variable 8 is understandable as a as high perception of social involvement discouraging irresponsible behaviour is linked with higher action record on work

environment. As noted in earlier discussion this linkage within Bangladeshi business is quite plausible as actions on the issues of using higher technology, workers welfare, contribution to medical assistance and worker participation in management are quite common in the industries under investigation. Their performance relating to responsibility towards their employees is a part of their high responsiveness towards the society at large. This is particularly true in the case of the clothing industry which employ a vast majority of underprivileged women and minor workers..

***Scenario 10: Relationship between SR factor 6 (social responsibility costs money) and action variable 4 (promotion and communication)***

SR factor 6 is named as "social responsibility costs money". This emphasises that the cost involved in discharging social responsibility may be detrimental to the interest of the firm as it may even lead to collapse of many marginal firms. As noted earlier action variable 4 consists of promotion and communication related items including specific policy on deceptive advertising, substantiating claim in advertising, obeying an industry code of ethics and communicating SR programs to customers.

A significant positive correlation between SR factor 6 and action variable 4 is established at .018 percent level with a correlation coefficient of .16. This relationship indicates that a high cost awareness of Bangladeshi business may be translated into higher action on promotion and communication related action or it may be that high performance on promotion and communication is related to high cost awareness of social commitment for Bangladeshi respondents. The possible

interpretation of this relationship is that businesses in Bangladesh might have taken action on issues such as a policy to ensure truthfulness in advertising, following an industry advertising and promotion code and communicating SR programs to the public because of their awareness that non-action may be even more costly in the long run in terms of complying with regulation.

**Scenario 11 -13:** Relationship between SR factor 7 (social cost transfer weakens image) and action variables 3 (distribution), 6 (Product piracy), and 8 (work environment).

SR factor 7 is named "Social cost transfer weakens image". This position is based on the argument that the cost of social responsibility is ultimately transferred to the society in terms of increased price which weakens the image of business in the long term. This factor has been found to be negatively associated with action variables 3 ( $r=-.13$ ;  $p <.05$ ) and 6 ( $r=-.17$ ;  $p <.05$ ) and positively correlated with variable 8 ( $r=.17$ ;  $p<.01$ )

Action variable 3 is concerned with distribution related performance which include giving more authority to middlemen, ensuring reasonable mark up by distributors/retailers and effective distribution during emergencies. As noted earlier action variable 6 comprises product piracy related items which include consumer education, incentives for reporting product piracy and legal action and action variable 8 is about work environment related performances which include use of modern technology at work place, ensuring safety of workers, workers' participation in management and medical assistance to workers and staff.



**Scenario 11:** The significant negative relationship of SR factor 7 with action variable 3 suggests that a high awareness of business as to the possible transfer of SR cost to the public translates into a lower level of performance on distribution related actions. Possibly, the area of distribution is directly related to public price perception and thus sensitivity to the cost implication leads to the avoidance of action such as distribution where cost consequences can be substantial.

**Scenario 12:** The significant negative relationship between SR variable 7 and action variable 6 implies that a higher perception of possible cost transfer to consumers may translate into taking a lower level of action on product piracy issues.

The relationships explored in scenarios 11 and 12 are linked with the fact that a section of business in Bangladesh are conscious of the poor purchasing power of the general masses. Since the exercise of SR may cost more money to consumers in terms of price increases, action on distribution and product piracy have been considered less important as such action may cause peoples' sufferings. The question of adding cost as a result of the social involvement of business has been even more relevant in Bangladesh as food and clothing on which this study focuses are the two most basic items which are bought frequently and on which the general public spend most of their income.

**Scenario 13:** Positive relationship between SR factor 7 and action variable 8 suggest that a high score on cost transfer worries translate into a high likelihood of action on work related environment. This relationship is perhaps attributed to the

fact that respondents in the sample in Bangladesh are dominated by the export oriented clothing companies and hence the cost of work environment related actions are borne by the international community who receive good value for their money as cost of production of garments in Bangladesh are among the lowest in the world. This may be why the performance of Bangladeshi business in this particular action area is high even if their perception of the issue of cost transfer to the consumer is quite high. this may also simply reflect a view that change in the work related environment may be perceived as generally little by way of cost increase.

***Scenario 14: Relationship between SR factor 8 (exercise of SR increases expectation) and action variables 5 (organisational aspects).***

SR factor 8 is named "Social responsibility increases social expectation". This refers to the possibility that increasing interest in social responsibility may encourage society to expect more and more from business which may in turn leads to an endless chain. As noted earlier action variable 5 is concerned with the performance of social responsibility in an organised way and include complaints handled by a separate body, appointment of a consumer affairs manager and posting trained staff in handling consumer problems.

A positive correlation between SR factor 8 and action variable 5 indicates that in Bangladesh a feeling that increasing expectations arise from the increasing involvement of business in social responsibility, is related to increasing action on organisational aspects. This relationship is tenable in the sense that the social performance of business in Bangladesh is just growing and has not reached to a

level where it has gone beyond the capability of business as has started to occur in the developed world.

**Scenario 15-18:** Relationship between SR factor 9 (social responsibility stops regulation) and action variables 1 (price), action variable 4 (promotion and communication), action variable 5 (Organisational aspects) and action variable 6 (product piracy).

SR factor 9 which is named "social responsibility stops regulation" is based on the argument that if business can anticipate potential social issues and take proactive action well in advance, it is possible to avoid costly and embarrassing regulation.

Action variable 1 which consists of product related items, includes maintenance of product quality and standard, product safety, guarantee and warranty, product labelling, total quality management, environmentally safe and friendly product. Action variable 4 (promotion and communication), comprises items such as specific policy on misleading advertising, complying with industry code of ethics and training staff in good customer relations. Action variable 5 (organisational aspect) is concerned with complaints handled by a separate body, appointment of a consumer affairs manager and posting trained staff in handling consumer problems. and 6 (product piracy) is concerned with items relating to product piracy including consumer education programmed, incentives for reporting product piracy and legal action against.

**Scenario 15:** The significant relationship between SR factor 9 and action

variable 1 ( $r=.25$ ;  $p <.01$ ) suggests that a managerial perception that social responsibility stops further regulation translates into action on product related issues or product related action is related to a business belief that proactive commitment to SR can stop the possibility of further regulation. This relationship is plausible as action on a core marketing area such as product may be expected to reduce the chance of further regulation, especially as this area is one that is likely to be regulated in a country such as Bangladesh where a major emphasis is placed on the satisfaction of physiological needs of consumers.

**Scenario 16:** The significant relationship between SR factor 9 and action variable 4 ( $r=.20$ ;  $p <.01$ ) is understandable as Bangladeshi business is now facing increasing pressures from external forces such as consumer organisations leading to increased regulation of business activities. The recent imposition of regulation on the promotion of tobacco items is an example of this trend. Therefore, placing emphasis on organisational aspects such as self regulation to ensure truthfulness and authenticity of advertising before it is run in the media, may be helpful in reducing the pressure for increased regulatory control.

**Scenario 17:** The significant positive relationship between SR factor 9 and action variable 5 ( $r=.22$ ;  $p <.01$ ) dealing with organisational response reflects the situation now prevailing in Bangladesh with regard to increased social pressure flowing from the activities of consumer organisations, involving public servants, politicians, members of the parliament, academics and business people for the effective control of business malpractices. Response of business in organisational

area is likely to ease the pressure for increase control of business behaviour.

**Scenario 18:** The significant positive relationship between SR factor 9 and action variable 6 ( $r=.23$ ;  $p < .01$ ) to a contemporary issue in social responsibility in Bangladesh. The imitation of popular brands of consumer goods is so widespread that it has become very hard for a genuine manufacturer to promote and market his/her own brand (Farouk, 1982; Quddus and Ali, 1986; Hoque, 1985). Taking advantage of the huge investment made by the genuine manufacturers to promote and familiarise their products, a counterfeiters usually market their products at a lower cost and easily steal market share from the original brand. An absence of adequate regulation has been held responsible for this practices (Quddus and Ali, 1985; Farouk, 1982; Bhattacharjee, 1984). The Trademarks Act of 1940 which regulates such activities has been found to be highly dated in tackling such widespread malpractice and as such experts have asked for an immediate amendments to this act making tougher provisions including exemplary punishment for counterfeiting. Action on the product piracy issues by the business community may contribute to the minimisation of regulatory provision in this regard and thereby reduce the imposition of further cost on the already over burdened industrial sectors in Bangladesh.

### **8.2.3: Conclusion:**

The discussion of the eighteen scenarios involving managerial attitudes and action variables suggests that in Bangladesh patterns are more extensive and

complex than are those in Australia. Unlike Australia, relationships among attitudinal and action variables conditioned by environmental factors have been established both in the core marketing areas and in the important but non core areas of social action. All SR factors excepting factor 4 (regulation ensures corporate social responsibility) had significant relationships with action variables. Relationships were found to exist in product related variables as well as distribution, promotion and communication and product piracy. Relationships involving variables in the core areas of marketing suggest that in Bangladesh business commitments to social responsibility do translate into action.

It is interesting to note that no factor was found to be significantly related to the broader arena of social responsibility i.e action variable 7 which is concerned with maintaining a written code of marketing ethics, resource conservation, pollution control, community welfare and, philanthropy. This reflects a major contrast with the situation in Australia where linkage between social commitments and action in the wider areas of social concern was evident. The possible reason as noted earlier in this chapter, is that in an advanced society such as Australia the social responsibility of business in the core marketing areas has been institutionalised in the social and political process through the implementation of adequate regulation and as such standard performance in the core areas has become a part of routine work in Australian business. In a developing society such as Bangladesh, social responsibility in the core areas of marketing is yet to be institutionalised. The commitments and their resulting action on these issues are still a matter of choice of an individual business. The interest of business in fixing these problems lies either in

the potential benefits arising out of it in terms of competitive advantage, profit maximisation and image building or in the realisation of their ethical or philanthropic obligations to society. In some cases, however, regulatory provision or potential threat of imposition of regulation may lead them to exercise some amount of social responsibility. Action on product piracy, for example, has been found to be significantly related to the avoidance of further regulation in Bangladesh. Since non-action on the part of business may lead to tougher regulation affecting the interests of the whole business community, action such as educating consumers, providing incentives for the detection of product piracy cases and taking legal action against the fakers has attracted a great deal of attention of businesses in Bangladesh. An absence of significant relationship between action relating to product piracy and social commitments in Australia suggests that these issues are of less importance to business as they have been resolved through the implementation of strict regulation and social and political disapproval stemmed from high awareness of general public of this issue.

However, like Australia, there is a section of business in Bangladesh as well whose commitments to the classical position of social responsibility result in little or no action in the core as well as in the wider areas of social concern. This is reflected in the significantly negative correlation between SR factor 3 (business of business is business) action variables promotion and communication, organisational and work environment. Action variables in the core areas of marketing such as product, price, distribution were not found to be related either positively or negatively with this position. Like those of Australian business this group of firms are guided by the

classical philosophy of profit maximisation in the short term and are committed to the traditional view of social responsibility in narrow sense and thus care less about taking action in the SR action areas. This relationship is consistent with the views endorsed by Friedman (1970, 1989) and reflects the ideas contained in the inner circle of the model suggested by the Committee for Economic development in the U.S.A. in 1971 which was subsequently included in the structured model proposed by Davis, Frederick and Blomstrom (1980) and can be seen in Figure 3.2 in chapter 3. This section of business fall within the fourth quadrant of the SR paradigm (i.e. firms located in quadrant 4 are less likely to act).

The absence of a significant relationship between social commitment and action on the broader arena of social responsibility such as action variable 7 in Bangladesh suggests that these initiatives are comparatively less important to Bangladeshi businesses, as the major emphasis in the social involvement of businesses in a developing society is often confined to economic performance (Austin, 1990; Steiner and Steiner, 1994). The social responsibility of Bangladeshi business, as the above relationship suggests, is limited to the four elements of marketing mix or their immediate consequences to include the performance of such basic issues as resolving consumer complaints, ensuring truthfulness in advertising and promotion, curbing product piracy and ensuring workers safety and welfare. Therefore, the relationship has captured the moderately wide view of SR but are related to the performance of basic economic function. This refers to the contents of the "intermediate circle" of the model proposed by the Committee for Economic Development in the United States in 1971 and can be placed in the first quadrant of



the SR paradigm.

It is noteworthy that the dominant factor 1 relating to benefits of social involvement (SR factor 1) has been found to be positively associated with only action factor 5 (organisational aspects) which suggests that management perception of potential benefit arising out of social involvement manifested in taking action in the organisational aspects only. This factor which refers to a leading dimensions in the SR attitudes and is placed in the first quadrant of the SR paradigm representing the wider horizon of social commitment of business in terms of its self interest has been found to translate into a very limited action area. However, the other dimensions of broader view of SR such as factor 2 (business has the resources needed) factor 5 (SR stops irresponsible behaviour) and factor 9 (SR stops regulation) are widely linked with a number of action areas involving both core and superficial areas of concern. The managers involved in these scenarios endorsing broader SR commitments translate into action provides empirical evidence in favour of importance of quadrant 1 in the SR paradigm that Bangladeshi managers do take action in social areas of concern as there is a benefits in such activity.

In conclusion it can be said that the proposition that there is a significant relationship between managerial attitudes and action conditioned by environment has been supported in both countries. However, the results noted above suggest that although support for the proposition has been found in both groups, the relationships have followed a varying pattern in the two countries. In Australia commitment to social responsibility has been found to translate into action in the non core areas of

management decision while in Bangladesh the relationships encompassed the core marketing areas and some medium range social responsibility areas. These differences, as noted above, are mainly attributed to the differing stages of development and regulatory environments in the two countries.

In terms of the model developed by Centre for Economic Development, 1971 (subsequently adopted by Frederick and Blomstrom (1980) in their structured model) Australian managers fit in the "outer circle" is concerned with a wider range of performance option to meet broader social demands i. e. "aid with general social problems", while the position of Bangladeshi managers can be identified mostly with the "inner circle" and to some extent in the "intermediate circle". The inner circle is devoted to the "performance of basic economic functions". while the intermediate circle focuses on "social and ethical issues that arise from performance of basic economic functions. It should be noted that the placement of Australian business in the outer circle of the model in terms of their attitudes and action does not necessarily mean that all businesses fall within this category. As mentioned above the relationship in the core marketing areas was not revealed in the case of Australia as commitment to SR and their resultant behaviour have become a part of their day to day affairs. These are now implemented in the regulations and many businesses in the Western world have institutionalised their social concern in their decision making processes (Steiner and Steiner, 1994). However, in Australia, as it has been noted in chapter 6, there remains businesses who are still committed to the classical doctrine of social responsibility and define their social responsibility within the "rules of the games" and do not extend their behaviour beyond complying with the regulation.

Finally, in view of the above discussion and interpretation of various scenarios concerning the key relationships between managerial commitments and marketing actions attitude towards social responsibility and marketing action, it can be argued that there have been considerable support for the propositions with regard to significant relationship between managerial attitudes and marketing actions in both countries. The key linkages also confirmed the validity of the two SR dimensions concerned with the traditional view of economic gain in the short term and socioeconomic view of broader perceived benefits in the long term. Besides, the above results support the proposed linkages between attitudes and actions as depicted in Box 1 and 2 respectively in the cross-cultural model (Figure 3.4 in chapter 3):

In view of the foregoing discussion of the various scenarios concerning the significant relationship between managerial commitment to social responsibility and action in both Australia and Bangladesh, it can be concluded that hypothesis  $P_3$  (there is a relationship between managerial attitudes towards social responsibility and the action taken) is supported.

### **8.3: $P_3$      THERE IS A RELATIONSHIP BETWEEN ATTITUDE TOWARDS SOCIAL RESPONSIBILITY AND MANAGERIAL DEMOGRAPHICS.**

The above proposition is based on the premise that managerial commitment to social responsibility may have its origin in their personal characteristics reflecting broader values. A managers represents a business as an individual and takes decisions as an executive. His perceptions of the world around him are likely to be

influenced by his values, beliefs and prejudices. This proposition was developed on the basis of the cross-cultural model of social responsibility showing a probable linkage between managerial demographics and the social commitments of business (Figure 3.4 in chapter 3). Previous studies found a strong relationship between ethical perception of respondents and some demographic characteristics such as age (Posner and Schmidt, 1984; and Serwinek, 1992), education (Rest, 1979; Rest and Thoma, 1985), and religious belief (Safranski, 1986; Terpstra and David, 1985).

Since the linkages between attitudes and demographic characteristics of managers may follow a varying pattern in different cultural, socio-economic and political settings, the results for Australia and Bangladesh will be explored separately. Significant relationships between the variables will be examined at the conventional level of 5 percent.

It is to be noted that demographic variable 3 (Management training), 4 (overseas visit) and 5 (religious belief) and 6 (ability to influence life) have been reversed with higher value (s) corresponding to participation in training, the experience of overseas visit, strong religious belief and a strong belief in fatalism.

### **8.3.1: Australian situation**

The relationship between the two sets of variable will be examined with reference to the seven social responsibility factors and six demographic variables. Table 8.3.1 shows the correlation matrices. It appears from the Table that there are

three significant relationships existing between the attitudes of managers towards social responsibility and demographic characteristics including age, education, training, overseas visit, religious belief and ability to influence life. The relationships centre on the following scenarios. None relate to the two basic attitudinal dimensions captured by Factor 1 (scope) and Factor 2 (benefit).

**Scenario 1: Relationship between SR factor 3 (social responsibility stops regulation) and demographic factor 2 (education).**

Social responsibility factor 3 is concerned with the popular belief that proactive commitment to social responsibility can reduce the likelihood of further regulation. Demographic variable 2 relates to the level of education of managers. The correlation coefficient between the two variables is .221 and is significant at .025 level, suggesting that there is a positive link between the level of education of managers and their perception that social responsibility can avoid further regulation. Perhaps education leads to broader understanding of the causes and consequences of regulation. This relationship is linked with quadrant 2 of the SR paradigm presented in chapter 2 as it suggests that the higher the level of education of a managers, the stronger is his understanding of the links between SR and the costs of regulation. This finding is broadly consistent with the results of a number of prior studies (Rest and Thomas, 1985; Hage, 1980; Rest, 1979; Perrow, 1967) finding a positive nexus between the level of education and broader ethical perceptions.

**Scenario 2: Relationship between SR factor 4 (Social responsibility costs money) and demographic factor 4 (training).**

Social responsibility factor 4 is concerned with the managerial perception of social involvement to be a risky business as it costs money. Variable 4 refers to the training status of managers, where a higher mean indicates that a manager has been through a training program recently.

A correlation coefficient of  $-0.20$ , significant at  $.039$  level, indicates that trained managers are less likely to perceive the social involvement of business to be costly. This may simply reflect the selection process whereby managers are given access to training e.g. good managers are more likely to be selected and good managers are more likely to have a deeper understanding of the real consequences of socially responsible action. Alternatively, but perhaps less likely, the training itself may have produced the attitude outcome.

**Scenario 3: Relationship between SR factor 5 (responsibility beyond regulation) and demographic variable 5 (religious belief)**

Social responsibility factor 5 comprises items concerned with a wider view of social responsibility reaching beyond regulation and demographic factor 6 refers to religiosity with 5 point scale where 1 represents "Religion is a fundamental part of life" and 5 represents "I do not believe in any religion". This scale has also been reversed for the purpose of analysis and therefore a higher score will mean greater degree of religious belief.

The relationship between the two variables is significant at 5 percent level

and the correlation coefficient is 0.19 and indicates that the stronger is the religious belief, the more a manager is likely to perceive social responsibility as going beyond regulatory requirements. This finding is evident from a large number of Australian managers having some level of religious belief (68.86%) which might have pushed them to perceive social responsibility in wider perspective.

**Table 8.3.1**

**Pearson correlation between the factors relating to managerial attitude towards social responsibility and demographic factors in Australia.**

Demo		Demo1	Demo2	Demo3	Demo4	Demo5	Demo6
SR							
SR 1	r	.156	-.014	-.064	-.103	.011	-.011
	p value	.117	.884	.520	.302	.908	.906
SR 2	r	.031	-.095	.058	.099	.162	.098
	P value	.750	.340	.557	.321	.102	.324
SR 3	r	.043	.221*	.077	.117	.103	-.047
	P value	.667	.025	.437	.238	.302	.634
SR 4	r	.068	-.054	-.204*	-.029	.028	.141
	P value	.497	.589	.039	.767	.779	.157
SR 5	r	.008	.133	-.160	-.106	.194*	.022
	P value	.934	.182	.108	.286	.050	.825
SR 6	r	.046	.020	.135	-.081	.032	.078
	P value	.646	.841	.174	.417	.748	.431
SR 7	r	.030	.065	-.116	.033	-.019	-.139
	P value	.759	.512	.243	.739	.849	.162

Demo=Demographics

Demo 1=Age

Demo 2=Education

Demo 3=Training

Demo 4=Overseas visit

Demo 5=Religious belief

Demo 6=Ability to influence life

SR=Social responsibility

SR 1=Business of business is business

SR 2=SR is beneficial to business

SR 3=Social responsibility stops regulation

SR 4=Social responsibility costs money

SR 5=Responsibility beyond regulation

SR 6=Business must do more

SR 7=Exercise of SR increases societal expectation

r=Coefficient of correlation

P value=Observed significance level

\* denotes significant at 5 percent level

n=102

It, therefore, follows from the above linkages between demographics and perception of social responsibility that education, training and religious belief of Australian managers are linked with their perception of the different aspects of social responsibility.

Emergence of level of education of managers as an important determinant of an understanding of SR highlights the importance of education in providing the cause of SR in Australian business. A number of public commentators in Australia have pointed to the problem of under education amongst Australian managers. As this problem is addressed, the data suggests that a wider appreciation of the costs and benefits of SR may result.

The association between training of managers and understanding of costs and benefits of SR suggests that the participation of managers in management training in Australia may lead them to be less worried about the cost of social involvement.

The linkage between religious commitment and wider perception of social involvement is interesting and need interpretation. This result, although somewhat unexpected in a developed country such as Australia, is not totally irrelevant because motivation for moral action can be guided by theology (De George (1986) and in any capitalist society in general and corporation in particular the image of God urges business to be ethically responsible to society (Magill, 1992). The data from the present study also suggest that over 80 percent of Australian managers under study are Christian and 67 percent of them have some belief in religion.



Religious belief and its linkage with the commitment to the wider perspective of social responsibility in Australia, is therefore, possible. Furthermore, a number of recent studies in the context of western world found a nexus between religious values and management values (Safranski, 1986; Safranski and Kwon, 1988).

Managerial demographics such as age, overseas visit and fatalism were not found to have associations with any of the social responsible factors in Australia. Although prior studies found some linkages between age and ethical perception (Posner and Schmidt, 1984 and Serwinek, 1992), no such association was found to exist in Australian business. This result suggests that in Australia managerial commitment of social issues is linked with the acquired quality such as educational qualification and training rather than the inherent physical maturity (age) of managers. This is also confirmed by the lack of association between fate and social commitment of managers indicating that modernity reflected in the achievement based on hard work rather than simple belief in luck, matters in the perception of social obligation. Furthermore, lack of linkage involving overseas visit reveals that concrete managerial characteristics such as management training and formal education rather than superficial feature determines managerial commitment to the social arena.

To sum up, the demographic characteristics of managers reflecting modernity seem to have influenced the social commitment of managers in Australia. Relevance of the two concrete managerial skills such as formal educational qualification and management training clearly show that in an advanced society such as Australia the

personal characteristics acquired through a formal process involving practical knowledge generation broadens the understanding of managers of the broader responsibility of business. Side by side with this practical aspect of personal characteristic, the religious metaphor seem to have influenced Australian managers to be responsive to the ethical aspect of their commitment showing that theology is still a basis of ethical perception in Australian society.

### **8.3.2: Bangladesh situation**

The correlation matrices presented in table 8.3.2 suggest that there are several significant relationships between attitude towards social responsibility and the demographic variables. These are discussed below:

**Scenario 1: A positive relationship between social responsibility factor 1 (Social responsibility is beneficial to business) and demographic variable 1 (age).**

Social responsibility factor 1 is concerned with the potential benefits of social involvement including profitability, competitive advantage and, image building. Demographic variable 1 refers to age of managers.

The positive correlation indicates that older managers are more progressive than younger ones in holding a broader view of the social responsibility of business. This relationship is evident from a majority of Bangladeshi managers (about 70%) within the age bracket of 41-60 years and a majority of managers agreeing with the individual items comprising factor 1 (SR is beneficial to business). This result,

however, contradicts the finding of a previous study which observed that older people are more conservative in their ethical perception (Serwinek, 1992). A probable reason for this contradiction arises from the contemporary socioeconomic and cultural environment in which managers operate their business in Bangladesh. While the above result is justified in the light of the existing enlightened social environment of the West in which the new generation is grown up, in a developing society such as Bangladesh it is generally believed that older people are more interested in upholding their traditional beliefs such as the existence of a supernatural power as a fixer of fortunes. This is evident from a positive correlation ( $P < .01$ ) between fatalism and age among Bangladeshi respondents. Since commitment to the wider position of SR may stem from altruistic point of view as noted in chapter 6, aged managers may have a favourable attitude towards it as they are likely to have greater level of humanitarian feelings for the disadvantaged and poor masses.

**Scenario 2: Positive relationship between demographic factor 2 (level of education of managers) and Social responsibility factor 2 (Business has the resources needed),**

Social responsibility factor 2 is based on the argument that business has the necessary resources and ability to contribute to the solution of social problems. A positive correlation between the above two variables is evident in the correlation coefficient of 0.19 which is significant at the .004 level. This positive relationship shows that increasing education is related to managerial perceptions of the financial and intellectual ability of business to exercise social responsibility. More specifically

this linkage tends to suggest that the more managers are educated the more the managers perceive the strength and capability of business to be involved in social arena. This linkage is relevant to the highly positive commitment of Bangladeshi business in fixing social problems as noted in chapter 6. The data show that over 80 percent of Bangladeshi managers have tertiary or post graduate level of qualifications and over 60 percent of managers agreed with the statement that "business has the necessary money and talent to engage in social action programs". As noted earlier a similar relationship existed in Australian business where over 77 percent have tertiary level of education showing that both groups of managers are highly educated.

**Scenario 3:**      **A negative relationship between demographic factor 2 (level of education of managers) and Social responsibility factor 3 (business of business is business).**

Social responsibility factor 3 relates to the classical view of profit maximisation within the "rules of the game"

The correlation matrices noted in Table 8.3.2 show ( $r=-.23$ ;  $p<.01$ ) that the level of education of managers is negatively correlated with their acceptance of a classical view of the social responsibility of business (business of business is business). In a positive sense educated managers are likely to have a wider view of the social responsibility of business or that managerial commitment to the broader arena of SR is more prevalent among educated managers in Bangladesh. It is interesting to note that no significant correlation was found to exist involving the

classical view of social responsibility in Australia. This is probably because of comparatively less relevance of the classical view in Australian business.

**Scenario 4:**        **A positive relationship between demographic factor 2 (level of education of managers) and Social responsibility factor 9 (business should try where others failed).**

Social responsibility factor 9 captures the idea that business should involve itself in the solution of social problems as other major social institutions did not succeeded in doing so.

A Correlation coefficient of .21 (significant at 1 percent level) shows a positive correlation between the level of education of managers and their attitude towards solving social problems where others have failed to do so.

The above analysis of relationships between the level of education of managers and their perception of social responsibility suggest that the educational qualification of managers is an important demographic factor influencing managerial commitments to social responsibility among business firms in Bangladesh. The most important areas embracing such association has been found to exist in the perception of business relating to the capability of business, putting effort in SR as others have failed and the broader view of SR. This shows that in Bangladesh educational qualification of managers involve a more complex and extensive form of relationship with SR factors. The possible reason for such differences may be found in the overall relevance of the various issues of social responsibility. As already noted in chapter 6 that managerial commitment to social responsibility in Bangladesh

stemmed from both economic and philanthropic point of view largely influenced by the religious values (such as compulsory spending of 2.5% of disposable income on charity). The managers having a positive attitude towards the wider arena of social responsibility especially involving helping the distressed humanity during natural disaster, is obviously related to the level of education of managers. Unlike Australia, religious teaching is an important component of education in Bangladesh and as such an educated managers is supposed to be more aware of his obligations stemming from religious commitment and also generally an educated manager is supposed to be more enlightened and generous in understanding and behaving in the broader aspect of social issues. Besides, as mentioned above a greater number of Bangladeshi managers are found to have tertiary education than those of Australian managers which may have contributed to the more extensive relationship involving education in Bangladesh.

**Scenario 5-7:**        **Relationship between demographic factor 2 (Training status of managers) and Social responsibility (SR) factor 3 (Business of business is business), SR factor 4 (regulation ensures social responsibility) and SR factor 9 (business should try where others failed).**

Demographic factor 2 is concerned with the training status of managers and social responsibility factor 3 comprises items relating to the traditional view of social responsibility emphasising profit maximisation through supply of goods and services to society within the legal framework. SR factor 4 consists of items defining social responsibility in terms of regulation and SR factor 9 is based on the argument that business should put efforts in the social arena as other institutions have failed to do so.

As noted in Table 8.3.2, training status of managers is negatively related to SR factor 3 ( $r = -.22$ ;  $P < .01$ ) and SR factor 4 ( $r = -.14$ ;  $p < .05$ ) and positively associated with SR factor 9 ( $r = .15$ ;  $p < .05$ ). It follows from these relationships that training plays a significant role in broadening the perceptions of social responsibility involving three scenarios including wider views of SR, responsibility reaching beyond mere regulation and accepting responsibility where others failed. These associations reflect a special role of management training in broadening managerial outlook. Most formal education programs in Bangladesh seriously lack practical training component in them. Besides, there is no strong training culture in Bangladesh which may enable a person to have work experience in his/her chosen areas of future career. Therefore, most formally educated persons in Bangladesh lack practical knowledge in the beginning of their career and as such educated managers are given training in most cases. There are some specialised institutions in public sector which provide such in-service-training. A significant positive correlation between education and training status of Bangladeshi sample is an evidence of this fact. The prevalence of participation in management training by educated managers under this study in Bangladesh can, therefore, be considered very important, for such training is likely to focus on the contemporary issues surrounding businesses with special references to the needs of Bangladesh society. This may contribute to broaden their understanding of the external environment of business and affect their perception of the wider societal demand.

Table 8.3.2

Pearson correlation between the factors relating to managerial attitude towards social responsibility and Demographic factors in Bangladesh.

SR \ Demo	Demo1	Demo2	Demo3	Demo4	Demo5	Demo6
SR 1 r	.165*	-.032	.026	-.040	.074	-.186*
p value	.015	.631	.701	.549	.277	.006
SR 2 r	.077	.194*	.081	.089	-.009	.072
P value	.255	.004	.229	.186	.891	.289
SR 3 r	.082	-.232*	-.223*	-.077	-.031	-.143*
P value	.224	.001	.001	.258	.642	.034
SR 4 r	.055	-.102	-.146*	.093	.121	-.011
P value	.412	.132	.031	.167	.073	.870
SR 5 r	-.060	.081	.051	.033	-.058	.068
P value	.373	.233	.446	.621	.391	.314
SR 6 r	.014	.033	.076	.073	-.127	.010
P value	.834	.623	.260	.278	.061	.883
SR 7 r	.108	.052	.037	.115	-.059	.106
P value	.111	.438	.587	.088	.384	.118
SR 8 r	-.035	-.002	.077	.092	.102 .131	-.011
P value	.598	.970	.257	.176		.861
SR 9 r	.082	.216*	.158*	.268*	-.062	-.011
P value	.227	.001	.019	.000	.357	.861

Demo=Demographics

Demo 1=Age

Demo 2=Education

Demo 3=Training

Demo 4=Overseas visit

Demo 5=Religious belief

Demo 6=Ability to influence life

SR=Social responsibility

SR 1=SR is beneficial to business

SR 2=Business has the resources needed

SR 3=Business of business is business

SR 4=Regulation ensures corporate social responsibility

SR 5=Social responsibility stops irresponsible behaviour

SR 6=Social responsibility costs money

SR 7=Social cost transfer weakens image

SR 8=Exercise of SR increases societal expectation

SR 9=Business should try where others have failed

r=Coefficient of correlation

P value=Observed significance level

\* denotes significant at 5 percent level

n=218



**Scenario 8: Relationship between demographic factor 4 (overseas visit of managers) and Social responsibility factor 9 (business should try where others failed).**

A positive significant relationship between the above two variables is manifested in the correlation coefficient of .26 ( $p < .01$ ). This is the only significant relationship emerged between overseas visit of managers and their commitments to social responsibility. This correlation reveals that the level of incidents of overseas business trip of managers is linked with the managerial efforts in solving social problems where no one else were succeeded.

This association has high relevance in the context of the export orientation of a vast majority of business firms surveyed in Bangladesh. Most managers attach much importance to their overseas visit as it helps them better understand their buyers and market environment through exchange of views and experience with others. It is quite likely that such exposure of managers to the international communities will broaden their outlook with regard to wider responsibility to the community.

**Scenario 9-10: positive relationship between demographic factor 6 (ability to influence life) and Social responsibility (SR) factor 1 (Social responsibility is beneficial to business) and negative relationship between SR factor 3 (Business of business is business).**

Demographic variable 6 is concerned with a scale comprising the argument leading to ability to influence one's life. The 4 point scale where 1 represents 'my life is absolutely determined by horoscope and there is not

much I can do about it' to 4 representing 'I believe in scientific analysis of facts and do not think that there is anything like luck'. The scale was, however, reversed in the analysis of the data in order to make it consistent with the social responsibility scales and as such higher score will now refer to higher level of fatalism.

The above two relationships between fatalism and social commitment of managers represent conflicting findings as the first one involves a scenario showing a negative relationship between fatalism and broader view of social responsibility and the second one also indicating a negative relationship between fatalism and the classical position of SR.

While the first one is understandable from the fact that in Bangladesh fatalists are likely to be more conservative in their outlook about the world around them, they are likely to hold a narrow view of social responsibility, the second one is difficult to interpret as conservatism can not at the same time be associated with a wider view of SR. The only interpretation is that commitment to wider view of SR may result in making managers believing in luck.

**Scenario 9: Relationship between demographic factor 6 (ability to influence life) and Social responsibility (SR) factor 1 (Social responsibility is beneficial to business)**

The above association, as Table 8.3.2, shows is a negative one ( $r = -.186$ ) and significant at .006 level. This means that a high score on fatalism results in low score on perceived benefits of social responsibility. In a positive sense fatalists are more conservative in their commitments to social responsibility as they

underestimate the benefits of social involvement of business. Conversely perceptions of social involvement as a good business is linked with attitudes towards achievement based on hard work. So, it can be said from this relationship that managers believing in the scientific analysis of the impact of their activities are likely to understand the wider benefits of their social involvement.

**Scenario 10: Relationship between demographic factor 6 (Ability to influence life) and SR factor 3 (Business of business is business).**

The correlation between the two variables is  $-.14$  and is significant at 5 percent level (Table 8.3.2). This relationship shows that a higher score on fatalism translates into higher level of commitment to the classical view of social responsibility. In other words the more a manager is conservative in his ability to influence his life, the less is his commitments to the classical view of social responsibility. In a positive sense higher level of fatalism results in managerial commitment to the wider view of social responsibility.

### **8.3.3: Conclusion**

An analysis of the various scenarios showing significant relationship between the social responsibility factors and demographic variables suggest that demographic characteristics such as age, education, training, overseas visits, ability to influence life and to some extent religion tend to have a impact on social commitments of managers in Bangladesh.

The personal characteristics of managers such as age found to be associated with a number of SR factors suggest that such characteristics matter in understanding managerial commitments in Bangladesh. The relevance of age is perhaps understandable from the dominance of Bangladeshi sample by older people. The age of a manager in explaining his/her social commitment is reflected in the socio-cultural environment of Bangladesh where an aged person is generally believed to be a symbol of tradition upholding the cultural and conventional values of society reflected in his/her attitudes and behaviour in terms of humanism, religious belief, philanthropy and hospitality. Therefore, an older Bangladeshi manager has the higher likelihood of endorsing the wider view of business obligation than young managers as the attitudes of the latter are supposed to be more influenced by modernity characterised by objective outlook i.e. profit maximisation. This finding that older managers are likely to be more ethical and socially responsible than younger managers is supported by a number of prior studies (Kelly, Ferrell and Skinner, 1990; Hunt and Chonko, 1984).

Education, training and overseas trip background of managers in Bangladesh present an interesting case. It is to be noted that there are significantly positive inter-correlations between these three characteristics. Education system in Bangladesh is different from that of a western country such as Australia. As education system in any society reflects its own culture and heritage (Jeannet and Hennessey, 1984), Bangladesh is no exception to this. Education in Bangladesh involves a curriculum on religion which is compulsory for every student at the school level. Besides, there is an alternative formal educational system mostly based on fundamental Islamic

doctrine approved by the Quaran and the Sunna. These educational institutions (both public and private) including the Islamic University of Bangladesh award degrees specialised in the different areas of Islamic discipline. Apart from religion norms a student also learns some norms reflecting cultural values such as being obedient to teachers and parents, respecting superiors, looking after the parents and the poor and caring for society. A manager having such an educational background is highly likely to be influenced especially by the Islamic religious teaching such as compulsory payment of 2.5 percent of their disposable income for charity and fair dealing and reasonable profit (Luqmani, Quraeshi and Delene, 1980). This linkages between the level of education and the degree of religious belief is evident from a significant positive relationship between the two among Bangladeshi managers. It, therefore, follows from this linkages that the religious values of managers may be manifested in their commitment to wider arena of social responsibility based on both benefit consideration as well as philanthropic grounds.

Training and overseas visit which are also positively related to education is also understandable from the fact that unlike Australia there is no strong training culture in Bangladesh enabling prospective job seekers to undergo training. Most formally educated managers are required to undergo training in order to broaden their understanding not only about the basic tools of business but also about the various contemporary issues relating to business and its environment including the special demand of Bangladesh society. Since these are not covered in the formal degree programs or elsewhere in Bangladesh, training plays an important role in broadening the outlook of managers beyond the traditional approach and ultimately

push them towards wider view of social responsibility.

Overseas visit of managers which is also positively related to education and training, is an important determinant of social commitment of business. Overseas visit is particularly relevant because of the internationalisation of clothing sector in Bangladesh. Exposure of managers to overseas environments certainly enrich their knowledge and experience about marketing environment which may lead them to better understand the broader responsibility to society. The positive relationship of age, education and training with overseas visit status of managers further confirm that a manager having overseas trip background is older in age, advanced in education and experienced in training.

It is interesting to note that religious variable was found to have positive correlation ( $r=.12$ ) with SR factor 4 (regulation ensures corporate social responsibility) at .07 level and negative correlations ( $r=-.12$ ) with SR factor 6 (Social responsibility costs money) at .06 level. These relationships suggest that higher level of religious commitment translates into higher level of attitudes towards social responsibility defined within the legal framework and higher level of religious belief results in lower level of social cost concerns. Although, these relationships do not fall within the conventional level of significance at 5 percent level, still they refer to the fact that strong religiosity among Bangladeshi managers which is deeply rooted in their cultural values serve as a driving force in the development of their outlook to society. A strong positive correlation of religious belief with education suggest that a highly religious minded manager is also highly educated. This shows that

wider perception of SR by a manager is not merely the result of blind religious fundamentalism but also a reflection of conscious and educated minds in Bangladesh.

To sum up, a comparison of the impact of demographic variables on the management thinking of social responsibility issues, suggests that the relationship is more complex and extensive in Bangladesh than it is in Australia. While in Australia education, training and to some extent religious beliefs of managers emerged as the most important variables, they were simple and limited to a selected number of SR variables. In Bangladesh, however, all six demographic variables were found to have associated with a number of SR variables. Unlike Australia, all the demographic characteristic in Bangladesh were found to be interrelated .

It is interesting to note that while religious belief was found to be associated with a SR factor in Australia, no significant relationship were found to exist between these two variables in Bangladesh excepting in two cases where relationships were reported to have existed at a level slightly beyond the conventional level of significance. This shows that theological factor is not irrelevant in Australia. The other contrast with the Australian situation is that while there has been some significant linkage between the "ability to influence life" and perception of social responsibility, there has been no relationship between these two variables in Australia which indicates that in Australia fatalism is not an important determinant of SR commitments.

In view of the above discussion concerning relationship between managerial commitment to social responsibility and personal characteristics of managers in the context of the two contrasting environment-Australia and Bangladesh, it can be concluded that hypothesis  $P_5$  (there is a relationship between the attitudes towards social responsibility and managerial demographics) has been supported.

#### **8.4: $P_6$ : THERE IS A RELATIONSHIP BETWEEN MANAGERIAL DEMOGRAPHICS AND ACTION.**

The above proposition points to possible relationship between managerial demographic variables such as age, education, training, overseas visits, religious belief and fatalism and action on product, price, distribution, promotion and communication, organisational aspects, product piracy, social responsibility and work environment. The relationship between the two sets of variable will be explored for Australia and Bangladesh separately.

##### **8.4.1: Australian situation**

It appears from the correlation matrices that there are seven significant linkages between action factors and demographic variables. These linkages involve only two demographic variables-training and the overseas visit record of managers. Training appears to be a significant factor influencing product, distribution, organisation, wider social responsibility and work environment related decisions. Overseas trips are related to product and organisational decisions. Surprisingly, age



and education are not associated with any of the action variables. Religion emerged as a factor influencing managerial commitment to social responsibility but is not at all related to any of the action decisions. Fatalism is also not related. Surprisingly, no inter-correlation amongst managerial demographics is apparent (Table 8.4.1A). The significant relationships are discussed below:

**Scenarios 1: Relationship between demographic variable 3 (training status of manager) and action variable 1 (product).**

Demographic factor 3 is concerned with training status of managers (whether or not managers are trained) and action variable 1 comprises product related items which include maintenance of product quality and standard, product safety, guarantee and warranty commitments, product labelling and, producing environmentally safe and friendly products.

The correlation matrix reported in Table 8.4.1 indicates that there is a positive correlation between the two variables which is significant at .016 level. This positive relation shows that a high score on training status of managers translates into action on various product related issues. Higher performance in such a core area of marketing reflects the social consciousness of business resulting from trained managers. Training, may, therefore, be regarded as a significant determinant of socially responsible behaviour in product related areas in Australia business.

**Table 8.4.1**

**Pearson correlation between demographic factors and actions taken in Australia.**

Demo Action		Demo1	Demo2	Demo3	Demo4	Demo5	Demo6
Ac 1	r	.044	.027	.239*	.244*	-.135	-.027
	P value	.659	.782	.016	.013	.175	.787
Ac 2	r	.026	.013	-.019	-.022	.053	.138
	P value	.794	.897	.803	.800	.243	.165
Ac 3	r	.116	.065	.172	.063	.084	.163
	P value	.908	.512	.084	.525	.399	.100
Ac 4	r	-.083	-.009	.219	.006	-.072	.057
	P value	.403	.925	.027*	.948	.483	.568
Ac 5	r	.171	-.004	.314	.281*	.025	-.021
	P value	.085	.964	.001*	.004	.802	.830
Ac 6	r	.031	.069	.173	.003	-.018	-.018
	P value	.752	.491	.081	.976	.853	.855
Ac 7	r	.042	-.094	.215	.166	-.062	.153
	P value	.675	.344	.030*	.094	.532	.123
Ac 8	r	-.000	.076	.220	.193	-.035	.126
	P value	.994	.446	.026*	.052	.727	.206

Ac 1=Product variable

Ac 2=Price variable

Ac 3= Distribution variable

Ac 4=Promotion variable

Ac 5=Organisational variable

Ac 6=Product piracy variable

Ac 7=Social responsibility variable

Demo 1=Age

Demo 2=Education

Demo 3=Training

Demo 4=Overseas visit

Demo 4=Religious belief

Demo 5=Social responsibility factor 6

Demo 6=Ability to influence life

r=Coefficient of correlation

P value=Observed significance level

\* denotes significant at 5% level

n=102

**Scenario 2: Relationship between demographic variable 3 (training status of manager) and action variable 4 (promotion and communication).**

Action variable 4 is about promotion and communication related action which include maintenance of authenticity, fairness and truthfulness in advertising and communication of firm's social responsibility program to the customer and imparting training to the concerned staff in good customer relations.

The correlation coefficient of the two variables is .21 and is significant at .027 level. This relationship indicates that the training of managers is positively linked with performance in promotion and communication related areas. Since a high score on training status of a managers may result in higher level of action on this area, it suggests that trained managers are likely to have a greater level of performance on issues such as having a policy to ensure truthfulness in ad and promotion, following code of ethics in ad, policy of training staff in good customer relations and informing customers about these performances. Therefore, the performance of managers on promotion and communication areas in Australia depends in part on whether a manager is trained or not.

**Table 8.4.1a****Inter-correlation amongst demographic characteristics of Australian managers**

Demographics	Age	Education	Training	Overseas visit	Fatalism	Religious belief
Age r P value	1.00 .000					
education r P value	-.050 .612	1.00 .000				
Training r P value	-.099 .318	.167 .092	1.00 .000			
Overseas visit r P value	.146 .143	.142 .153	.004 .965	1.00 .000		
Fatalism r P value	.051 .607	-.016 .870	.083 .405	-.086 .386	1.00 .000	
Religious belief r P value	-.017 .865	-.078 .433	.038 .699	.026 .791	.123 .217	1.00 .000

**Scenarios 3: Relationship between demographic variable 3 (training status of manager) and action variable 5 (organisational aspects).**

Action variable 5 is based on the performance of organisational actions including the appointment of a consumer affairs manager, establishing a complaint handling body, and training staff in corporate responsibility, and involvement of senior managers in complaint handling.

A correlation coefficient of .314 ( $p < .001$ ) between the two variables indicates that there is a positive correlation between the training status of managers and their initiating action in organisational design responses to SR. Management training is potentially important factor in increasing managerial awareness of organisational options, and thus in enhancing organisational responses to SR concerns.

**Scenarios 4: Relationship between demographic variable 3 (training status of manager) and action variable 7 (Social responsibility).**

Social responsibility factor 7 which is related to the broader arena of social responsibility activity on the part of a manager, derives from items related to specific corporate performance in a social responsibility area incorporating broader concerns of society which go beyond the narrow perspective of profit. The specific items contributing to this action variable include incentives to managers to establish high ethical standards, philanthropy, environmental concern and community welfare.

It is apparent from correlation coefficient of +.21 which is significant at .030 level (Table 8.4.1) that there is a significant positive correlation between the state of training of managers (Demo 4) and their behaviour on the wider areas of social responsibility (Ac 7). As with the area of organisational design options, training is likely to increase awareness of the options available, and to enhance the sensitivity of managers to SR issues.

**Scenarios 5: Relationship between demographic variable 3 (training status of manager) and action variable 8 (work environment).**

A positive correlation between the above two variables ( $r=.22$ ) has been established at .026 level (table 8.4.1). This relationship suggests that a high score on training background of managers translates into a greater level of action on various components in the structuring of the work related environment for the workers and staff. Some examples of work related activities included here are the use of advanced technology in work place, providing medical assistance to workers,

ensuring safety at work place and, workers participation in management. As with the previous example, training in the Australian setting emerges as a major element shaping managerial response in the area of SR.

**Scenario 6: Relationship between demographic factor 4 (overseas visit) and action variable 1 (product), and action variable 5 (organisational aspects).**

Demographic variable 4 is concerned with whether or not managers have visited overseas in connection with trade fair/conference /seminars.

As mentioned earlier action variable 1 focuses on the performance of product related actions including maintaining product quality, strict to guarantee and warranty commitments, producing environmentally safe products, adding service benefit to products, adequate product labelling and sorting defective product before marketing.

A positive correlation between these two variables is evident in the correlation coefficient of .24 which is significant at .013 level (Table 8.4.1). This indicates that overseas visits of managers are related to business behaviour in the product area which is a core area in a core area of the marketing mix. As with exposure to training, it appears that overseas visits play an important role for Australian managers in increasing both awareness and the willingness to act in area of SR significance.

**Scenarios 7: Relationship between demographic factor 4 (overseas visit) and action variable 1 (product), and action variable 5 (organisational aspects).**

Demographic variable 4 is concerned with whether or not managers have visited overseas in connection with trade fair/conference /seminars and action variable 5 is concerned with business behaviour in relation to organisational change in the exercise of social responsibility including appointment of a consumer affairs manager, establishing a complaint handling body, and training staff in corporate social responsibility, and involvement of senior managers in complaint handling.

It is apparent from the correlation matrix presented in Table 8.4.1 that there is a significant positive correlation between the incidence of overseas trip of managers and their action on organisational aspect ( $r=.28$ ;  $P<.004$ ). As with initiative in the product decision area, overseas visit increased both awareness and willingness to act. This relationship suggests that overseas trip is a determinant of level of managerial behaviour in responding to social responsibility in an organised way.

The above discussion suggests that of the demographic variables considered only training and overseas visit appear to influence the action decisions of managers in Australia. Training plays a central role in shaping management decisions on product, promotion and communication, organisational aspect, wider social responsibility initiatives and shaping the work environment. The international experience of managers, reflected in overseas trips, emerges as a factor affecting decision outcomes in product and organisational aspects. As noted above, both training and overseas visit play an important role in expanding the mental horizon of

managers, particularly in the area of decisions related to SR concerns. It is interesting to note that demographic variables such as age, education, religious belief and ability to influence life (fatalism) are not at all related to any of the action variable. To some extent these results are not surprising as a number of prior studies found no significant relationship between age (Ruegger and King, 1992; Izraeli, 1985) and education (Posner and Schmidt, 1984; Bloom, 1976; Munhall, 1980, Serwinek, 1992) of managers and their behaviour. However, these results do not support other studies noting significant relationship between age (Kelly, Ferrell and Skinner, 1990; McCabe, Dukerich, and Dutton, 1991; Haines, Diekhoff, Lebeff, and Clark 1986; Hunt and Chonko, 1984) and education (Rest and Thomas, 1985; Hage, 1980; Rest, 1979).

The dominance of training and overseas experience of managers in influencing decision outcomes perhaps reflected the dynamic and sophisticated marketing system and the changing business environment in Australia. This creates a need for continuous adjustment of managerial knowledge to meet the changing demands of the market creating management equipped with the up to date knowledge. Important ways in which management adjusts includes participation in training and in international forums such as business conferences, trade shows and seminars. The strong international involvement of Australian business in both food and clothing industry may also be a factor for such association. It is understandable that in such a situation, physical maturity or the mere academic qualification of manager are not likely to be of much help. For the same reason, spiritual or philosophical factors such as religion and fatalism are not likely to influence



managerial decision in the social arena.

Surprisingly, unlike Bangladesh there appeared no significant inter-correlation between the personal characteristics of managers in Australia. This perhaps reflects the independent status of the personal characteristics of Australian managers in influencing managerial decisions in various action areas.

#### **8.4.2: Bangladesh situation**

It appears from the correlation matrices noted in Table 8.4.2 that there are fourteen significant linkages involving significant correlation between general characteristics of managers and action taken in response to social responsibility. Six demographic characteristics and eight action variables were considered. As before the demographic variables are age, education, training, overseas visit, fatalism and religious belief while the action variables include product, price, promotion and communication, distribution, organisational aspect, product piracy, wider social responsibility and work environment.

A brief overview of results suggest that age is not significantly related to any of the action variables. Education appears to play a central role influencing decision outcomes in product, promotion, organisation structure, broad initiatives in social responsibility and work environment. Training status of managers appears to be a significant factor in the areas of promotion, organisation and work environment. Overseas trip background of managers also seem to be an important factor

influencing product, promotion, distribution, organisation, wider social responsibility and work environment related decisions. Religious belief is not directly related to any area but fatalism emerges as a factor in promotion and work environment decisions and finally not surprisingly, unlike Australia, the demographic characteristics of Bangladeshi managers are inter-correlated (Table 8.4.2A). A brief commentary on each of the major correlation appears below:

**Scenario 1: Education and product decisions.**

Demographic variable 1 is concerned with the level of education of managers and action variable 1 comprises the performance of product related actions including maintenance of product quality, guarantee and warranty commitments, producing environmentally safe products, adding service benefits to products, adequate product labelling and eliminating defective products.

Table 8.4.2 shows that the correlation between the two variables is +.20 and is significant at the 1 percent level. This relationship points to the importance of formal qualification in managerial behaviour in a core area of marketing in Bangladesh. This linkage is understandable as socially responsible action in such a basic area may depend on an understanding of the implications of such behaviour for the firm in term of long term profit maximisation. The impact of education is enhanced by a positive relationship between education, training and overseas visits (Table 8.4.2B). It is likely that a well educated and well trained manager having a background of exposure to external world conditions, will adopt socially responsible

actions in the product area.

### **Scenario 2: Education and promotion and communication decisions.**

A significant positive correlation between the two variables shown above is evident from a correlation coefficient of  $+0.30$  ( $p < 0.01$ ). This positive relationship suggests that a high score on education translates into higher levels of action in the areas of promotion and communication. This includes avoiding deceptive/misleading advertising, substantiating quality/price claims in advertising, following code of advertising ethics, and training staff in good customer relations. This relationship is plausible as a manager is surrounded by these issues because of their high prevalence in the Bangladesh market. These issues arise from a sellers market condition in Bangladesh and in most cases are overlooked as the consumer has relatively little say. An educated manager is likely to take this into consideration as a result of a broader sense of socially responsible action. Besides, since these issues are related to ethics, the linkage may also flow from an educated manager's beliefs about ethics. Since there is a positive relationship between education level and religious belief, it is possible that a religiously minded manager in Bangladesh is likely to attempt to address these unethical issues as they are prohibited by religion.

### **Scenario 3: Education and organisational decisions.**

The correlation between these two variables is  $+0.33$  and is significant at the 1 percent level. This suggests that educated managers in the clothing and food industries in Bangladesh are likely to have higher level of organised action oriented behaviour in response to their social responsibility than those less well educated. The

action considered include treating complaint handling as a means of promoting goodwill, the handling of complaints through a separate function involving senior managers, creating a consumer affairs manager to monitor social issues. As before education appears to open up a wide understanding of the importance and impacts of socially responsible action.

#### **Scenarios 4: Education and action in areas of wider social significance.**

Action variable 7 is derived from items related to specific corporate performance in social responsibility area incorporating the broader concerns of society and which go beyond the narrow perspective of profit. The specific items contributing to this variable include incentives to managers to establish high ethical standards in their decisions, philanthropy, environmental concern and community welfare.

The study found a significant negative correlation between the two variables of  $-0.16$  with a level of significance of  $.018$  suggesting that a higher score on level of education may translate into a lower level of action in the wider areas of social concern such as environmental protection. This result is interesting in the sense that it suggests that an educated manager in Bangladesh may perceive his/her social obligation in a narrow perspective i.e in terms of the central operating decisions relating to product, promotion, and organisational issue. These may reflect a concern with issues relating to the satisfaction of the basic needs of the Bangladeshi people. This negative relationship between education level and behaviour is supported by another study indicating that individuals achieving higher level of education may

tend to behave more ethically (Kelly, Ferrell and Skinner, 1990).

**Table 8.4.2**

**Pearson correlation between demographic factors and actions taken in Bangladesh.**

Demo		Demo1	Demo2	Demo3	Demo4	Demo5	Demo6
Action							
Ac 1	r	.003	.206	.043	.205	-.054	.093
	P value	.958	.002*	.519	.002	.423	.169
Ac 2	r	-.021	.019	-.072	-.068	-.041	.054
	P value	.747	.771	.286	.315	.543	.421
Ac 3	r	.044	-.042	-.036	-.159	.061	.070
	P value	.516	.535	.596	.018	.363	.298
Ac 4	r	.059	.298	.176	.211	-.060	.134
	P value	.386	.000*	.009*	.002	.373	.048*
Ac 5	r	.065	.334	.155	.169	.095	-.002
	P value	.338	.000*	.022*	.012	.160	.976
Ac 6	r	.075	.035	-.024	.020	.112	-.024
	P value	.266	.599	.723	.769	.099	.718
Ac 7	r	.085	-.160	-.122	-.139	-.078	.022
	P value	.210	.018	.070	.040	.249	.743
Ac 8	r	-.012	.375	.184	.153	-.070	.300
	P value	.861	.000*	.006*	.023*	.303	.000*

- Ac 1=Product variable

Ac 2=Price variable

Ac 3= Distribution variable

Ac 4=Promotion variable

Ac 5=Organisational variable

Ac 6=Product piracy variable

Ac 7=Social responsibility variable

Ac 8=Work environment
- Demo 1=Age

Demo 2=Education

Demo 3=Training

Demo 4=Overseas visit

Demo 5=Religious belief

Demo 5=Ability to influence life

r=Coefficient of correlation  
P value=Observed significance level  
\* denotes significant at 5% level  
n=218

**Scenarios 5: Education and work environment.**

Action variable 8, which focuses on work environment, is related to responsible initiative with regard to internal stakeholders. The specific action items include use of modern technology in the work place, ensuring the safety of workers, worker participation in management and medical assistance to workers and staff.

The correlation coefficient between the two factor is  $+0.37$  and is significant at the 1 percent level. This area was neglected in the past largely due to a lack of understanding of the needs of internal constituents - employees and workers and a lack of understanding on the part of management of the potential contribution to productivity. Thus it appears that an educated manager is likely to perceive the importance of these internal stakeholders as the satisfied workers are a *sine qua non* for the development of the firm. This relationship probably flows from the internationalisation of Bangladeshi firms as well as international exposure of managers through conferences and trade fairs. This is evident from the significant inter-correlation between education and overseas exposure of managers in Bangladesh (Table 8.4.2a).

Table 8.4.2a

Inter-correlation amongst demographic characteristics of Bangladeshi managers

Demographics	Age	Education	Training	Overseas visit	Fatalism	Religious belief
Age r P value	1.00 .000					
education r P value	.037 .582	1.00 .000				
Training r P value	-.007 .917	.348* .000	1.00 .000			
Overseas visit r P value	.199* .003	.397* .000	.372* .000	1.00 .000		
Fatalism r P value	.212* .002	-.110 .104	-.068 .317	-.101 .135	1.00 .000	
Religion belief r P value	-.082 .224	.239* .000	.131 .052	.037 .584	.069 .308	1.00 .000

\* denotes significant at 5 percent level

**Scenarios 6: Training status of managers and promotion and communication.**

Demographic factor 3 is concerned with whether or not managers have participated in any management training. training is positively correlated with action in the area of promotion and communication. This correlation may result from training that is likely to make manager more aware of contemporary issues concerning broader societal issues and of concerns arising from the exercise of business ethics.

### **Scenarios 7: Training status of managers and work environment.**

The correlation coefficient for these two variables is +.18 and is significant at the 1 percent level. This relation suggests that a manager, having participated in management training, is more likely to be involved in initiating actions in improving the working conditions of his/her internal constituents - employees and workers.

This linkage is particularly interesting in Bangladesh where internal constituents do not usually attract adequate attention perhaps because of an underestimation of the contribution this vital force makes in the overall development of the firm. A manager experienced in management training is likely to have a broader vision of a firm's responsibility especially to its stake holders including its internal constituent. This would perhaps lead him or her to behave positively in improving work environment.

### **Scenario 8: Overseas visit and product decisions.**

A significant positive correlation between overseas visit background of managers and their product related action simply reflects the fact that a Bangladeshi manager's participation in the international business environment is likely to make him aware of the socially responsible choice made by managers at the international level with regard to product- a vital area of marketing concern.



**Scenario 9: Overseas visit and distribution.**

The negative linkage between these two variables suggest that a high score on business related overseas visits of managers translates into a lower level of action on the distribution related items - giving more authority to middlemen to ensure better services to customers, encouraging middlemen so that they add a reasonable mark up and ensuring quick and effective distribution of products during emergency periods.

Although this relationship apparently seems unexpected, a careful review of the situation prevailing in Bangladesh business suggests that the linkage is in fact attributable to the fact that international experience resulting from overseas visits may make a manager aware of the practices at the international level and since middlemen are considered as parasites in the underdeveloped marketing system in Bangladesh as they are likely to eat up profits of the manufacturers, a lower level of willingness to strengthen the position of distributors by reducing dependence on them in the local Bangladesh market, is not surprising.

**Scenario 10: Overseas visit and promotion and communication.**

The correlation coefficient between the two variables is +.21 and is significant at the 1 percent level. This relationship may reflect the possibility that overseas visit are likely to improve insights into the ethical consequences of action, as the issues are widely discussed in international forums.

### **Scenario 11: Overseas visit and social responsibility.**

There is a significant negative correlation between the overseas visits of managers and their action on wider aspects of social responsibility ( $r = -.14$ ,  $p = .040$ ).

This negative relationship may result from the special circumstances which require a Bangladeshi business to exercise extra responsibility to society, reaching beyond narrow view of profit maximisation. As noted in chapter 6, these environmental conditions include the poor financial condition of government, absence of social security and paucity of philanthropic organisation. Managerial action is thus influenced strongly by local factors and as such managers having strong local values will be likely to greater action. An overseas trip exposes a manager to a different set of norms which may make them interested more in social responsibility in the core marketing areas.

### **Scenario 12: Overseas visit and work environment.**

A correlation coefficient of 0.15 between the two variables is significant at .023 level. This positive relationship suggest that managers who visit overseas are likely to take greater environment related action, including the use of modern technology at work place, ensuring safety of workers, workers' participation in management and medical assistance to workers and staff.

This discussion of the relationship between overseas visit of manager and various action variables, suggests that the external trip background of a manager is

positively linked with three action variables (product, promotion and communication and, work environment) and negatively correlated with two action variables, namely distribution and wider social responsibility.

The negative relationships with distribution and the wider area of social responsibility are understandable as these two areas are concerned with business action which can be justified in the context of the special requirements of Bangladesh society and as such positive behaviour in this area is expected to be more prevalent among the managers staying inland at all times, rather than those visiting overseas thus becoming exposed to a general understanding of the concept of SR. Since overseas visit is likely to make a manager aware about its involvement in social arena for its own interests, action in the wider perspective become less important.

### **Scenario 13: Ability to influence life and action.**

As noted earlier demographic variable 6 is concerned with attitudes towards 'ability to influence life' based on a 4 point scale. This scale has been reversed for the purpose of analysis and in the reversed scale 1 represents 'I believe in scientific analysis of facts and do not think there is anything like luck' while 4 represents 'my life is absolutely determined by horoscope and there is not much I can do about it'.

It is apparent from Table 8.4.2 that the correlation between ability to influence life and action on promotion and communication is +.13 and is significant at 5 percent level. This positive correlation suggests that a fatalistic position towards

life correlates with a higher level of action in the promotion and communication areas. These involve truthfulness in advertising and promotion, implementing an ethical code in advertising and promotion, maintaining customer relations through trained staff and, informing customer of the societal policy of the firm. Although this relationship apparently seems unexpected, a careful examination of the fatalistic attitudes of Bangladeshi managers with regard to maintenance of truthfulness in advertising and promotion may reflect their belief in the existence of invisible power fixing their fortunes.

#### **Scenario 14: Ability to influence life (fatalism) and work environment.**

The correlation between these two variables is  $+0.30$  and is significant at the 1 percent level (Table 8.4.2). The relationship suggests that a manager's ability to influence his or her life is related to taking action with regard to work environment. This means that the trend towards fatalism translates into higher action on the work related environment which include using modern technology, safety measures at work place, medical assistance to workers and workers' participation in management. The operation of the relationship between these two variables is understandable from the fatalistic position of over 50 percent of managers surveyed in Bangladesh. Since these people have belief in the supernatural power controlling their success, their high performance on work environment might have stemmed from the belief that looking after the poor employees may result in getting favour from the super power.

### 8.4.3: Conclusion:

An analysis of the various relationships existing between the demographic and action variables in Bangladesh reveals that education, training, overseas trips and ability to influence life have emerged as the most important managerial demographics affecting the extent of socially responsible behaviour of Bangladeshi businesses across eight action areas. Age was not found to be significantly associated with any of the action variables. This finding is consistent with the results of two prior studies finding no significant impact of age on managerial behaviour (Ruegger and King, 1992; Izraeli, 1985).

Education appears to play a central role influencing decision outcomes in both core marketing areas as well as in the public relation areas involving product, promotion, organisation structure, broad initiatives in social responsibility and work environment. This finding lends supports to the results of other studies reporting education as an important determinant of social behaviour of managers (Hage, 1980; Rest, 1979).

Training appears to be a significant factor in promotion, organisation and work environment. This is understandable from the fact that training makes managers aware of the various broader social issues facing business which is reflected in their decisions on the maintenance of truthfulness in advertising and promotion, organisational aspects such as organised complaint handling and also the decisions with regard to work environment involving use of modern technology and

caring for workers and employees.

International experience of managers resulting from their overseas visits emerged as an important factor influencing all the areas of social responsibility except pricing and product piracy. This relationship perhaps stem from the formation of a favourable attitudes of mangers towards social responsibility as a result of exposure to the western business environment where social orientation of business is highly prevalent.

It is interesting to note that the religious belief of managers in Bangladesh was not found to be associated with any of the action variables. However, religious belief was found to be related to action variable 6 at .09 level of significance. Although this level of significance is above the conventional level of 5 percent considered in this study, the relationship reflects an interesting scenario in Bangladesh where over 87 percent of managers are muslims and over 64 percent mentioned religion as the fundamental part of their lives. Since every religious fundamentalist has a tendency to associate their activity with religious norms, true muslims are required to uphold the islamic virtues of truth and honesty (Jeannet and Hennessey, 1984). Thus Bangladeshi managers' religious belief may lead to some action in product piracy area involving ethical decisions.

It is surprising to note that action concerning product piracy, which is widely prevalent in Bangladesh was not significantly related to any other demographic factors. A similar pattern was found with action relating to pricing which was

expected to be correlated with some of the demographics because of the relevance of the action items such as complying with price regulation, substantiating comparative price claims and avoiding misleading claims in discount pricing in a price sensitive society such as Bangladesh. A possible explanation for non-existence of relationship in the above areas may stem from the dominance of the garment sector in the Bangladeshi sample where these issues are considered less important because of their focus on overseas markets.

A comparative analysis between Australia and Bangladesh with regard to key relationships between demographic characteristics of managers and marketing action reveals that the nature of relationship is more extensive and complex in Bangladesh than it is in Australia. In Australia only two managerial demographics i.e management training and overseas visits were associated with action variables. In Bangladesh education, training, overseas visit status, religion and fatalism emerged as the key determinants of business and behaviour and involved all action areas excepting price. It is interesting to note that, unlike Bangladesh fatalism and religious belief were not found to have any significant relationship with action.

The contrast between these two demographic characteristics and action reflects the differing marketing, regulatory, cultural and religious environments of the two countries. The dominance of management training and overseas business trip of managers in Australia may be attributed to the highly competitive and dynamic marketing and regulatory environment in which managers operate their business. Management training is vital for Australian business managers in order to survive in

a turbulent marketing environment and in this way they become familiar with the latest knowledge in the various areas including technology, competitive strategy, innovation, legal aspects of marketing and other tools used in decision making. Overseas trips in connection with trade fairs and conferences are also considered as an important component in management development. It helps managers in exchanging views with business people from different environments and thus broaden an understanding of the latest developments in the various areas of international marketing, including trade and tariff, legal aspects, international marketing strategy, collaborative efforts, export promotion and imports. These are then reflected in business behaviour in the various areas of marketing activity.

The absence of relevance of religion and fatalism in determining managerial behaviour in Australia largely reflects disinterest in these aspects of life. The present generation in Australia is reportedly growing up without having any significant belief in christianity (Jensen, 1985). This is supported by the observation that 43 percent of Australians have renounced being described as religious (Cross, 1988). The rise of the rationalist and humanist movement in Australia also led to a scientific analysis of human achievements, replacing belief in supernatural power in fixing human problems. Since managers as individuals have been affected by such an environment, the lack of significant correlation between marketing action and religious belief or fatalism is understandable.

On the other hand the linkages between religiosity and business behaviour in Bangladesh is understandable from the high prevalence of religious belief in



Bangladesh society. The religiosity is not only confined in belief but also is manifested in the practice of fundamentals of Islam. This is evident from a statistically significant relationship between islamic religious belief and practices in Bangladesh (Banu, 1992). Since the personal value system of managers are influenced by the surrounding religious environment, the association between religiosity and marketing action of managers is expected. In the same way fatalism and its linkage with marketing action in Bangladesh is also explainable from the commitment to religion. Belief in the existence of supernatural power as a fixer of problems and achievement of goals is widely prevalent in Bangladesh.

Finally, it is interesting to note that demographic variables are found to be inter-correlated in Bangladesh. The inter-correlation amongst age, overseas visit and fatalism suggests that older people tend to be more inclined to destiny and exposure to overseas environment. On the other hand inter-correlation amongst education, training, overseas trip and religion suggest that managers having higher level of education are likely to have training, overseas experience and high religiosity.

In summary, based on the discussion of the significant linkages between the demographic characteristics of managers and their decision outcome, it can be concluded that hypothesis  $P_6$  (there is a relationship between managerial demographics and actions taken in response to social responsibility issues) has been supported in the context of the two divergent environments.

## **CHAPTER 9**

### **CONCLUSIONS AND RECOMMENDATIONS**

This chapter is concerned with the conclusions and recommendations flowing from the major findings of this study. It is divided into five sections. The first section provides an overview of the major findings; the second notes contributions made to an understanding of cross-cultural managerial perceptions and action regarding social responsibility, both in general and for marketing in particular; the third section is then concerned with implications of the study, the fourth section deals with the limitation of this study; and the fifth section identifies the potential for further research in this area.

#### **9.1: AN OVERVIEW OF MAJOR FINDINGS**

##### **9.1.1: Dimensions of corporate social responsibility:**

A literature view pointed to the existence of a number of alternative views as to the nature and extent of corporate social responsibility. A careful examination of these views suggested that they ranged between two extremes. At one extreme there were views considering business as an economic institution directed towards profit making within a legal framework where social responsibility was simply to provide at a profit goods and services to society. This classical position was endorsed by

Friedman (1989, 1970, 1968) and supported and nurtured by many others (Gaski, 1985; Hass, 1979; Chamberlain, 1973; Heyne, 1968). At the other extreme there was a view that business is a part of a larger society and therefore it has a responsibility to that society reaching beyond the narrow perspective of profit making in the short term. This is the wider view of social responsibility and was endorsed by numerous authors (Steiner and Steiner, 1994; Samli, 1992; Buchholz, 1990; Abratt and Sacks, 1988; Chrisman and Carroll, 1984).

Based on this review a two dimensional model of corporate social responsibility was proposed where one dimension was concerned with scope ranging from the classical narrow view of social responsibility to a wider view of social responsibility. The second dimension was concerned with perception of cost and benefit, where at the one extreme social responsibility was seen solely in terms of net cost to the company and at the other extreme, it was seen as providing benefit rather than cost in both the short and long run.

In order to conduct an empirical test of the validity of this two dimensional model in a cross-cultural context, twenty two attitudinal social responsibility scales were factor analysed. The results showed the existence of two leading factors in managerial attitudes towards social responsibility for both Australia and Bangladesh that could be linked to the proposed model. In Australia, factor 1 (business of business is business) represented the classical narrow position of business, while factor 2 (Social responsibility is beneficial to business) picked up the hypothesised second benefit-cost dimension. In Bangladesh factor 3 (business of business is

business) captured the narrow view of social responsibility while factor 1 (social responsibility is beneficial to business) represented the benefit-cost dimension. This analysis provided empirical evidence in support of the two dimensional model of corporate social responsibility in two very different corporate environments.

In order to identify the dominant clusters of managers in the two countries with regard to perception of social responsibility a 'quick cluster' analysis of the 22 attitudinal items was used. The results showed the existence of two broad clusters of managers in the two countries, one essentially consisting of those accepting a broader view of social responsibility in which a benefit was perceived important and the other consisting of managers who took the narrow classical where SR was seen as a net cost to the business.

These two groups exist in two quite different environments in Australia and in Bangladesh, one in a developed country and the other in a underdeveloped country. It is to be noted that the first or broader cluster is larger in Bangladesh than it is in Australia. However, there is a socio-cultural explanation for this. In Bangladesh much of the social impact of business responsibility has not yet been institutionalised and as such, business commitment and action in this area stems largely from initiatives arising out of their voluntary and ethical feelings for the community. A number of environmental factors including the vagaries of nature, absence of public welfare policy, financial difficulty of government result in a greater sense of urgency and commitment of the business community to the wider arena of social responsibility. On the other hand the social responsibility of business

has been fully institutionalised in the socio-political system of Australia through the enactment of regulation and has been well accepted by business. For this reason Australian business may have shown lesser interest in the wider view of social responsibility.

It is to be noted also that the empirical evidence supporting the two dimensional model of corporate social responsibility also provides support for the basic cross-cultural model of corporate social responsibility presented in Chapter 3. This model points to the potential impact of macro factors, such as country and industry, as well as the socio-cultural, economic and marketing environment on managerial attitudes towards SR. Although the dimensional structure of the attitudes towards SR appears common to both environments, the macro factors clearly have an impact on the strength of the expressed attitudes.

#### **9.1.2: Does environment impact on Attitudes towards SR:**

The results then support the view that while the underlying attitudes are broadly similar, there are differences and these are largely due to significant differences in the two corporate environments. In most of the areas where significant differences were noted, Bangladeshi managers were found to have a greater level of acceptance of the issues. A potential explanation of this can be found in the expectations of the business community held by Bangladesh society as these relate to the most economically powerful institution in society. Moreover, given the poor financial structure of government leading to the absence of a welfare policy, the

major role of the business community in the management of vital social problems such as poverty and environmental disasters, becomes inevitable. The commitment of business in these areas also reflects some benefit driven elements as it is deeply rooted in the religious belief of managers. A vast majority of managers in Bangladesh are muslims and as such there is a compulsory religious social responsibility provided in the holy Quaran to contribute 2.5% of his/her disposable income to charity. The holy book which is believed to have contained God's own words, also hints of rewards for complying with these provisions in terms of increased wealth and of penalty for non-compliance by way of lost wealth and suffering in this world and punishment in the other part of life. This theological factor may be relevant in contributing to the greater level of commitment of Bangladeshi firms in the arena of corporate social responsibility. A further factor stimulating interest may include possible government favours in the issuing of permits and licences to concerned businesses at a later stage.

As noted earlier the lesser importance attached to social responsibility issues by Australian managers may stem from the fact that most of the issues have been institutionalised in the legal system in Australian society, and many businesses have already built them into their decision making process. In this sense, commitment to social responsibility is inherent in the day to day affairs of business.

#### 9.1.4: Does environment affect attitudes to consumerism?

ANOVA revealed differences between managers in the two countries with regard to their perception of consumerism and again Bangladeshi managers were more likely to accept most of the consumerism items. This position can be linked with the consumerism life cycle model developed by Kaynak (1985). In Kaynak's analysis in 1985 the model placed Bangladesh in the initial "crystallisation stage" of the cycle where consumerism was just at entering growth stage of development. At this point business interest in consumerism lay in its role in the elimination of many illegal activities such as product piracy, adulteration, deceptive advertising, thereby creating a healthy competitive environment for those industries which are at the growth stage of development. It is evident from the higher level of acceptance of consumerism in 1992 by Bangladeshi managers that Bangladesh has moved from the early position of nearly a decade ago. The consumerism life cycle (CLC) placed Bangladesh in stage I which was characterised by an emphasis on regulation to ensure competition. At this stage no organised consumer movement at national level can be seen. Isolated attempts by government and semi-government organisations to protect consumer rights were on a 'piecemeal basis'. The results of this study, however, show that Bangladesh has gone a little beyond stage I and probably entered the beginning of stage II (organisational stage), a point which is characterised by an organised consumer movement led by independent and voluntary consumer organisations and with a major emphasis on consumer education programmes, comparative product testing, standardisation and product quality, and information labelling.

It is evident from the acceptance of a number of arguments supporting consumerism by a large number of business managers in the two leading industries- food and clothing in Bangladesh that there has been significant change in the socio-economic and technological environment in Bangladesh since the original placement by Kaynak. In particular, recent initiatives by government, including the decision to strengthen the public sector by providing adequate incentives, and privatising a major portion of public sector industries, have led to substantial change in the level of industrial productivity and improved product standards. A large export oriented garment sector has emerged with an annual export earnings of over one billion dollars. Bangladesh has a Central Testing Laboratory to test the marketability of products and a Standards Institute to regulate product standards and quality. Legislation has been introduced and implemented, including the historic Drug Control Ordinance of 1982 restricting production and marketing of over 1700 drugs and medicines, Baby Food Marketing (regulation) Ordinance of 1986, Tobacco Products Marketing (Regulation) Ordinance, 1988, and the Weight and Measure Act, 1982. In addition, the recent active role of consumer organisations in lobbying government to take measures in protecting consumer rights, organising seminar, symposia and conference and public meetings involving legislators, politicians, public servants, academics and business people at grass root level has generated increased awareness among consumers of their rights. Much of the enthusiasm of business in regard to consumerism issues may be attributed to these developments. Ultimately consumerism may help to develop a healthy competitive market environment by eliminating questionable business practices such as product piracy, deceptive promotion and advertising, adulteration and pyramid selling.



These attitudes suggest that consumerism in Bangladesh is in a 'take off' stage of development moving from stage I to stage II. This 'take off' stage is characterised by a rising trend in the consumer movement triggered by consumer organisation, an increasing trend towards government intervention in business, and an increasing acceptance of consumerism by the business community appreciating the positive role that consumerism can play. This suggests that the Kaynak model might usefully be extended to accommodate this additional phase as it may suit the situation prevailing in many developed countries with regard to the status of consumerism.

A lower level of interest in these issues among Australian managers is understandable in that a vigorous consumerist movement over the last three decades has led to most issues becoming institutionalised in a regulatory framework so that response to these issues has become a part of the day to day affairs of Australian business. It is to be noted however, that although consumerism as a movement has matured in Australia, issue based consumerism activity is still continuing and may have contributed to the interest that Australian managers have shown in some consumerism issues.

Environment, particularly stage of development, does therefore appear to make a difference to the attitudes, although not always in a predictable fashion. Certainly the evidence does not support a simple positive association between level of development and favourable attitudes towards consumerism. The relation appears to be much more complex than this simple model would suggest.

#### **9.1.4: Does environment affect the propensity to act?**

ANOVA showed a significant impact of environmental factors such as industry and country on willingness to act in eight decision areas including product, price, communication, distribution, organisational aspects, social responsibility and work environment related action.

The results showed that Australian managers were more likely to act in the core marketing areas including product, price, distribution and promotion whereas in Bangladesh business seemed to have taken greater action in decision areas relating to the external environment of business with particular emphasis on product piracy, public relations and wider social responsibility issues such as a code of marketing ethics, environmental protection, philanthropy and community welfare and some aspects of the work related environment.

The greater level of action by Australian business in the tangible areas of social responsibility reflects the more sophisticated marketing environment in Australia characterised by tough competition, strong regulation, mass consumption level and buyers market condition. Since specific action in the various elements of the marketing mix is vital for a firm to survive in such a volatile market, the higher level of willingness of Australian firms to act in these areas is quite expected. Besides, action in the core areas on the part of Australian managers is unavoidable because of the institutionalisation of social responsibility in the regulatory environment. The relatively greater amount of action related behaviour of Bangladeshi managers in the wider arena of social responsibility including

environmental protection, community welfare, philanthropy and resource conservation may reflect the special circumstances and needs of Bangladeshi society to which business may have responded with greater willingness to act. These special circumstances include frequent natural disaster requiring a special role of business in environmental protection and resource conservation. The special needs for business assistance in areas such as philanthropic and community welfare arise from the poor financial structure of government leading to absence of welfare policy such as Department of Social Security. Relatively strong action on product piracy by Bangladesh business is likely to be linked with the unregulated nature of market in which the incidence of illegal activities such as product piracy is very high. Besides, comparatively easy and less expensive legal systems in Bangladesh might have encouraged Bangladeshi businesses to take prompt legal action against counterfeiters. In Australia the incidence of product piracy is low largely because of tougher regulation prohibiting such illegal action.

The foregoing discussion supports the proposition that macro environmental factors such as country, regulatory framework and culture have effects on the willingness of managers to act.

#### **9.1.5: Do attitudes towards SR translate into action?**

In broad terms a correlation matrix approach suggested that in Australia where direct correlations between SR attitudes and action were found, they were largely in areas outside the marketing core. In Bangladesh, however, the relationship

between attitudes and action tended to go beyond organisational aspects and touched on core areas of marketing decision such as product, communication and distribution. This finding was expected given the less developed character of the institutional and legal environment in Bangladesh, where the linkages observed reflect the strategic commitment on the part of most firms surveyed to initiate action in the core areas not only in the pursuit of social responsibility, but also for competitive reasons. On the other hand the linkages between social responsibility policy issues in the non-marketing decision areas in Australia reflect a more sophisticated, competitive and regulated marketing environment in which it is necessary for business to act on broader issues of social responsibility. As has been noted the social obligations of business in the core marketing areas in Australia are institutionalised in the socio-cultural environment and are reflected in regulation. As such, commitment and action are largely a routine part of the work for business.

#### **9.1.6: Are attitudes towards SR influenced by managerial demographics?**

The correlation matrices suggested significant linkages between age, education, training, international experience (Overseas business trips), ability to influence life (fatalism) and religious belief and managerial attitudes of managers towards social responsibility in both countries. It is interesting to note that the observed relationships between managerial attitudes and personal characteristics were more extensive and complex in Bangladesh than in Australia. This probably reflects the complex and deep rooted effects of these personal characteristics on managerial attitudes in a developing country where various unusual environmental factors such as the vagaries of nature, as well as philosophical factors such as religion and

fatalism, are likely to have a great impact on the thinking of managers in a value laden area such as social responsibility.

The relationship between training and education and social commitment is understandable as Australia presents an education system of a high standard and an excellent training culture. Unlike Bangladesh, the Australian education system is broad based and practical and exposes students to a wide range of knowledge sources which are likely to help in broadening their outlook. Management training also enhance managerial awareness of the societal arena, as most training programmes in Australia are designed keeping in mind the broader requirements of practical knowledge generation among managers, something increasingly likely to include issues of social responsibility.

Religious belief was found to be associated with commitment to social responsibility suggesting that the theological factor in determining ethical commitments of managers in a developed country such as Australia is still relevant. Religious belief and its linkage with commitment to a wider perspective of social responsibility in Australia, is therefore, not unusual.

Managerial demographics such as age, overseas visits and fatalism were not found to be linked with any of the social responsibility factors in Australia. This suggests that in Australia managerial commitment to social issue is linked with the qualities of a manager that are acquired through a structured learning process rather than through inherent physical maturity such as age.

In Bangladesh the relationships between managerial demographics and SR attitudes are more complex and extensive. There are positive correlations between education, training and overseas visits suggesting that an highly educated manager is likely to be trained in managerial areas and are likely to have overseas business experience. Religious belief and education are also positively correlated. Fatalism is related to age suggesting that older people are more conservative in their attitudes and as such are more fatalistic. These intercorrelations present interesting insights into attitudes towards social responsibility in a developing nation.

The positive relationship between age and social commitment arises from the dominant role of older people in Bangladesh. An aged person is more likely to uphold traditional norms and values, which in turn are likely to be reflected in attitudes towards various facets of life such as religion, humanism, ethics, philanthropy and hospitality. Since, SR is basically an ethical issue, an older manager in Bangladesh is more likely to be committed to a wider view of social responsibility.

Overseas visits of managers are also positively related to education and training. These visits have been particularly relevant because of the internationalisation of the clothing sector in Bangladesh. The exposure of managers to overseas environments certainly enriches their knowledge and experience of different marketing environments and may lead them to better understand the broader responsibility that business has to society.

### **9.1.7: Do managerial demographics influence the possibility of SR action?**

An analysis of the relationship between demographic factors and the behaviour of Australian managers suggest that out of six different demographic variables only two (training and overseas trips by managers) were associated with the areas of action covered in the study i.e. product, promotion and communication, organisational aspects, social responsibility and the work environment. The linkages between training and overseas visits, and action in the core areas of marketing such as product and promotion suggest the important roles these two factors play in influencing managerial initiatives in social responsibility in Australia.

An analysis of the relationships between demographics and action variables in Bangladesh suggests that education, training, overseas trips and ability to influence life (fatalism) are the most important. Age was not found to be associated with any of the action variables. This is consistent with the results of another study which found no significant impact of age of a manager on his behaviour (Israeli, 1985). It is interesting to note that the strength of religious belief of managers in Bangladesh was not found to be directly associated with any of the action variables.

The linkage between fatalism and marketing action in Bangladesh results from the prevalence of superstition in an undeveloped society, where many unscientific norms are deeply rooted in the belief and behaviour of many people. It is, therefore, not surprising for a manager in Bangladesh holding the above norms translate his/her inherent belief in destiny translate into marketing action in the wider

arena of SR.

## 9.2: MAJOR CONTRIBUTION OF THE STUDY

The contribution this study may make to the literature lie in the following areas:

- (1) It developed a general model of corporate social responsibility, suggesting that the relationships among environment, managerial perceptions of SR and action, are influenced by managerial demographics as well as macro environmental variables. The resulting propositions were tested and in most cases were supported by the data from the two differing country environments.
- (2) It added a further dimension to the existing Friedman (narrow focus) view of SR by exploring the concept of perceived benefit/cost arising from SR action. The resulting two dimensional model of SR was supported in the two environments, lending weight to the "robustness" of the model. In working with this two dimensional model, two groups of managers were identified in each country, holding contrasting views of SR.
- (3) The study traced the impacts of macro environmental factors associated with country and industry on managerial thinking and behaviour and identified regulatory, competitive, physical, socioeconomic, and religious factors as important in influencing managerial commitment and action. Taken together



these reflect the differing stages of economic or market development, the philosophical commitment of people in areas such as religion and fatalism, physical features such as climatic conditions, and the public welfare climate influencing the existence and extent of social security support.

- (4) The study found some linkages between managerial attitudes and behaviour, between attitudes and managerial demographics, and demographics and managerial action. In particular, attitude towards SR does link with action, but not with action across all areas of decision making. Environment appears to play a role in shaping these relationships in that in a developed society such as Australia SR commitments lead to broader organisational responses, while in a developing country such as Bangladesh the responses are more likely to be in specific areas of marketing decisions.
- (5) The results of this study confirm the validity of the flow model of corporate social responsibility, supporting all six propositions concerning linkages between environmental factors, SR perception and SR action. In an assessment of consumerism, the study, extended the Kaynak model of the Consumerism Life Cycle in developing countries, and explored the underlying dimensionality of consumerism perceptions on the part of managers.

In generalising the findings of the research it can be concluded that the study broadly supports the social contract theory discussed in chapter 2. It confirmed the

significant impact of macro environmental factors emerging in two diverse environments and which dictate the nature of the duties, obligations and responsibilities arising between business and society. In particular, the factors that are likely to influence the social commitment and behaviour of a corporation include the stages of economic development, regulatory environment, climatic conditions (vagaries of nature), religion (belief and practices), stages of economic development, welfare policies of government and the level of competitiveness.

The study also provides support for a more general view of the changing nature of social contract in western society, where business is now moving towards incorporating the wider anxieties of society into their decision making, pointing to a rethinking of the social contract. This tendency has become prevalent as the basic obligation of business to society in the core areas of marketing become institutionalised in the socio-political systems of society and the emerging issues now centre around improving the quality of life.

In the developing world too, the rewriting of a social contract has started by placing new pressures on business to exercise wider responsibility to society, in addition to existing obligations arising from the economic function of supplying goods and services. The context of such revision in the social contract in a developing society is, however, different in the sense that here the social obligation may not arise out of competitiveness or the possibility of further regulation, or from a social movement, but rather out of philanthropy or charitable feelings. This response stems from the special demands of these societies arising from the vagaries

of nature, the poor financial structure of government and the absence of both public and private charitable agencies. Religious obligations manifested in compulsory charitable activities are also a factor in the changing pattern of social contract in the developing society.

This generalisation found expression in a two dimensional SR model, showing that in every society side by side with the group endorsing wider social responsibility both in width of social involvement and cost-benefit terms, there also exist a classical group adopting a narrow view of SR, and considering any action taking in the area of SR as essentially cost generating. The existence of these two groups of managers irrespective of the environment in which they operate reflects the attitudes and strategy of the individual firm with regard to social policy.

Managerial commitment to social responsibility seems to be substantial irrespective of the environment in which managers operate. However, these commitments are more likely to translate into corporate action in the broader areas of organisational design, work environment, and public relation. In this setting many of social responsibility issues have been institutionalised in the socio-political system. In the developing countries the linkages present a more complex picture involving both core and non-core aspects of marketing decision. These areas include ensuring truthfulness in advertising and promotion, curbing product piracy and ensuring an improved working environment leading to workers safety and welfare.

Finally, there are some useful generalisations to be made with regard to the impact of demographic characteristics of managers on their attitude towards SR and on action taken. While inherent personal characteristics such as age, and acquired qualities such as education, training, overseas visits, and philosophical features such as fatalism and religious belief of managers generally emerge as influential variables linking managerial perception and action, the pattern of influence differs, between developed and developing countries. Commitment to social responsibility and corporate action in the developed countries is influenced by those demographic factors which are achieved through a learning process involving mental and physical exertion such as educational qualification, training background and overseas experience.

In the less developed countries, however, the relationship is more complex and extensive. But inherent (age), acquired (education, training and overseas visit) and philosophical (fatalism and religious belief) characteristics of managers all have some influence on managerial thinking and behaviour in respect of social responsibility. While acquired qualities such as education and training play a central role in social perception and action, other characteristics such as fatalism may also play a role. Inherent features such as age play some role in the commitment of managers but do not appear to have any link with action.

### 9.3: IMPLICATIONS

The study has a number of potential implications for business and public policy makers which are noted below:

- (1) It will help managers in broadening their understanding of the nature and extent of social responsibility both locally and internationally.
- (2) Firms operating in international markets may benefit from the broader model of SR proposed in this study as this can be used in formulating international marketing strategy especially where this impacts on societal marketing considerations.
- (3) It has implications for businesses in the developed countries marketing their products in the developing countries utilising strategies which are not permissible in the home markets of the developed countries. These businesses must now be aware that the situation with regard to corporate social responsibility in the developing countries as perceived by managers is changing.
- (4) It provides potentially useful insights into the differences in societal marketing environments between the developing and developed countries in terms of regulation, competition and the institutionalisation of social concerns.

- (5) The research suggests a structure which a concerned business can use in evaluating their present societal marketing programmes.
- (6) It provides guidelines for firms to decide what should be done with regard to mounting social demands.
- (7) It provides impetus for further academic research in the area of corporate social responsibility in both the developed and developing countries.
- (8) It may be useful for private consumers and concerned social organisations as well as public regulatory bodies in their approach to societal issues as well as in formulating appropriate policies.
- (9) The results of the study may be helpful to public policy makers in both developed and developing countries in designing appropriate policy in this area especially in the foundation for regulation and codes of conduct.

#### 9.4: LIMITATIONS

The present study has a number of limitations which must be kept in mind.

The results reported in this study are based on data arising out of samples drawn from only two of many industries in just two countries. In common with most sampling schemes, non-response although relatively low, is an issue that might have influenced the results. Data collected from samples drawn from a larger number of industries and from countries representing a wider range of environments may perhaps lead to a deeper understanding of social responsibility and corporate action.

There are measurement problems associated with the design and implementation of a structured questionnaire to collect data relating to very complex attitudes. There were comparison problems in looking at two distinctly different cultures such as Bangladesh and Australia which are reflected in the interpretation of answers and questions. For example, it is possible that Australians tend not to select an extreme position on a scale, whereas Bangladeshi respondents do. This is a cultural factor which may influence the interpretation of the measurements. Moreover, Bangladeshi respondents have shown much enthusiasm in the study whereas Australian respondents had prior experience in participating in similar projects, reflected in their cautious response pattern. Again, although ordinal scales were used to measure attitudes and behaviour, the analytical techniques used assumed the scales to be ratio scales.

Both countries are in a state of continual evolution and the demands on managers in terms of pressure to perform in a socially responsible manner are changing substantially over time. For example, since the collection of data for this study, there have been drastic changes in government policy with regard to politics, economies and business in Bangladesh. The garment and clothing industries are witnessing a positive change in terms of growth, productivity, and export earnings. Although, there has not been any such dramatic change in Australia, technology and social change are pressing on Australian business causing them to deeply think about their responsibility to community.

Finally, there are limitations to the analytical techniques used in this thesis. For example, factor analysis is essentially exploratory in character; it imposes a rigid structure on data that contains both measurement error and is also incomplete. Because of these problems the procedure is used here primarily at an exploratory level. Nevertheless, the two different societies have similar pattern in the underlying factor structure. The use of linear correlation coefficients which measure only the strength of linear association implies that the data has not been examined for possible non-linearities.

## **9.5: RECOMMENDATIONS AND SCOPE FOR FURTHER RESEARCH**

This research applied simple bivariate statistics to identify linkages between key variables in the area of social responsibility because of the exploratory nature of the study itself. Future research should look at the relationships suggested here



making use of causal modelling.

Secondly, in order to widen understanding of social responsibility and its linkages to other areas, a more broadly based sample would need to be drawn from a number of countries and from a wider range of industries.

Thirdly, the concept of social responsibility is undergoing continual change and as such it would be useful to map the growing awareness of social responsibility in the two countries concerned over time. It may be possible to re-visit these two countries and two industries in five years time and see to what extent there has been a change in perceptions and action.

Fourthly, unlike social responsibility attitudes, the consumerism attitudes of managers did not point to clear cut dimensions, an outcome that may stem from the nature and number of items selected on consumerism. It is, therefore, suggested that future studies should include a wider range of items on consumerism. In order to broaden an understanding of the Consumerism Life Cycle and the positions of different countries in the different stages of the cycle based on the status of consumers movement and surrounding macro environmental factors affecting it, a broad based study based on a larger database comprising samples of a large number of countries representing both developed and developing world may be undertaken.

Fifthly, although this study has addressed the specific issues of social responsibility, it has not focused on the ethical issues a manager is likely to face in

his or her decision making process. Since social responsibility is basically an ethical concept, it may have some relevance to the divergent environments in which managers operate their businesses. Therefore, future studies should include ethical aspects in the examination of cross-cultural managerial attitudes and behaviour.

Sixthly, although a number of previous studies examined the effects of gender of managers on their commitment to SR and action, the present study has not looked at it because of lack of sufficient number of female respondents in the sample. Prior studies also examined the effects of experience of managers on their perception and behaviour. It would, therefore, be useful for future studies to shed some light on the above demographic characteristics of managers.

Finally, future research should broaden the scope of study not only in terms of representation of the various section of countries but also in terms of coverage of a wide range of industries including service industries. Target respondents should be extended beyond managers and include other stake holders groups such as consumers, employees, suppliers, stockholders and community leaders. This may lead to the development of a sound empirical base for further testing of the two dimensional model explored and validated in the present study.

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**APPENDICES**

**APPENDIX A: The first cover letter**



## The School of Marketing

The University of New South Wales,  
PO Box 1, Kensington,  
NSW 2033, Australia.

Telephone: 612-697-3385  
Facsimile: 612-663-1985

Professor R.A. Layton,  
Head of School.

July, 1991

Dear Sir/Madam,

We are writing to ask if you, or one of your senior managers, would assist us with an international research project arising from a doctoral thesis request, that seeks the views and experience of senior executives regarding the social responsibility of business. The last few years have been increasingly difficult both for managers struggling to keep their enterprise afloat, and for a community that has sometimes been disappointed with the actions of business organisations. In many respects, the unwritten contract between business and community is under review, and it is in this context that we would welcome your insights and opinions.

The research project involves both Bangladesh and overseas managers in similar industries. At this point, our immediate comparison will be with managers of enterprises in the same industry as yours but located in a developed country, Australia. Although the economic difficulties faced in Australia are different from those in Bangladesh, the concerns associated with the social responsibility of business remain. In making this comparison, we are interested in the way circumstances can alter perceptions of socially responsible action - what should be done, what can be done, what has been done.

The questionnaire is straightforward, asking only for a "tick or circle" response for the most part. However, as we would welcome your views on any of the matters raised, please feel free to add further written comments. Equally, if you would like to receive a summary of the findings when completed, please attach your card to the questionnaire or to a separate letter and we will ensure that you are kept in touch with the work.

Your response will be treated as confidential and used only for the purposes of this research project.

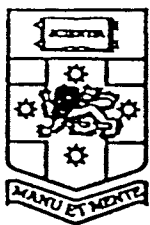
We would greatly appreciate your cooperation in this project, recognising that time is a precious and scarce resource. Your cooperation will help us to gain a deeper understanding of an area of growing importance to managers everywhere. The result will be reflected in our teaching, writing and work with business, not only in Bangladesh but also in Australia or elsewhere.

Yours sincerely,

R.A. Layton.  
Professor of Marketing.

Quazi Mohammad Ali.  
Doctoral Candidate.

**APPENDIX B: The Second cover letter**



## The School of Marketing

The University of New South Wales,  
PO Box 1, Kensington,  
NSW 2033, Australia.

Telephone: 612-697-3385  
Facsimile: 612-663-1985

Professor R.A. Layton,  
Head of School.

September, 1991

Dear Sir/ Madam,

### SOCIAL RESPONSIBILITY IN BUSINESS.

I am writing to renew a request for your Company's assistance in an international study the School of Marketing is undertaking into the practical realities of socially responsible action by business. This is an area of increasing importance to us all, as the community, and legislators, become more deeply involved in rewriting the rules that relate to business. Your cooperation in this study would be deeply appreciated, and will help those responsible for change to make better informed decisions. I should add that your response will be treated as completely confidential. It will be seen only by myself, Mr. Q.M. Ali, and Ms. Zurlo, and will not be disclosed directly or indirectly to any other person.

If you are interested in receiving a summary of the results, please let us know. It is often interesting to measure your own position or that of your company, against an industry wide view on matters such as those associated with social responsibility. This survey will make this assessment possible.

I enclose a fresh copy of the questionnaire and ask that you complete it as soon as convenient. Your response is important to us as we are seeking views from a complete cross-section of Australian businesses, both large and small. Please take some time in the next few days to complete the questionnaire and return it to us.

Yours sincerely,

R.A. Layton.  
Professor of Marketing.

Quazi Mohammad Ali.  
Doctoral Candidate.

**APPENDIX C: The questionnaire**

| Office use only  
| Line = 1 - 4  
| Case No. = 5 - 7  
| Record = 8  
| Country = 9  
| Size = 10  
| Ind. = 11

-----  
**CONFIDENTIAL**  
-----

**A CROSS CULTURAL SURVEY OF MANAGERIAL ATTITUDES  
TOWARDS  
SOCIAL RESPONSIBILITY OF BUSINESS**

This questionnaire is primarily concerned with attitudes towards social responsibility held by business people in Australia and Bangladesh. It is an important part of an international project comparing attitudes towards key social issues held by managers in developed and in developing countries.

It is often suggested that apart from making profits, business has a broader responsibility to the society at large. This argument is based on the fact that the expectations of the community as to business have gone far beyond the mere supply of the goods and services to which business in both developing and developed countries has traditionally been committed. Product safety, product information, environmental protection, community involvement and philanthropy are just some of the areas where society may now want business to respond with a greater sense of urgency and commitment.

The reaction of business managers to these emerging social demands has been mixed, with varying patterns occurring in different countries. Understanding these patterns, and the insights provided into social responsibility in differing market settings, is the purpose of this questionnaire.

Since beliefs about socially responsible behaviour may have their origin in the broader values held by a manager, some of the questions may seem to be a little unusual. We do ask, however, that you consider each question carefully and answer appropriately.

Your answer will, of course, be treated as strictly confidential and will be seen only by the study team. Strict procedures will be followed to ensure that no firm or business identified in any of the findings of this study. We do appreciate greatly your assistance in participating in this international research program.

## SECTION A

## HOW DO YOU FEEL ABOUT SOCIAL RESPONSIBILITY

In this section we are interested in your attitudes towards both general and specific issues in the broad arena of social responsibility of business. There are no "right" answers to these questions. We are simply interested in your opinion as a manager/executive.

A 1. What is the overall attitude of your company towards social responsibility issues? Record  
Are these issues seen as:

Neither Important  
nor unimportant

Unimportant 1          2          3          4          5          Important 12

(please circle one number)

A 2. The following statements relate to your company's position with regard to social responsibility. Please circle the appropriate number. 13

- (1) Not considered the issue
- (2) We have considered the issue but have not formulated specific policy statements on social responsibility.
- (3) We have specific policy statements on particular aspects of social responsibility.
- (4) We have a broad statement on social responsibility appearing as part of other policy statements.
- (5) We have a general company wide policy statement on social responsibility that applies to all areas of our business.

A 3. The following statements relate to overall attitudes towards social responsibility issues in general. Please read each of the statements carefully and decide whether you agree or disagree with each and then circle the number that closely approximate your opinion.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(a) Business can avoid further regulation by adopting social responsibility programs.	1	2	3	4	5	14
(b) The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution.	1	2	3	4	5	15
(c) Social responsibility is an effective basis for competing in the market.	1	2	3	4	5	16



Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(d) Business should realise that it is a part of a larger society and therefore it should respond to social issues.	1	2	3	4	5	17
(e) Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs.	1	2	3	4	5	18
(f) Contributing to the solution of social problems can be profitable for business.	1	2	3	4	5	19
(g) Regulation is not sufficient to ensure business behaves in a socially responsible way.	1	2	3	4	5	20
(h) Other social institutions have failed to solve social problems, so business should now try	1	2	3	4	5	21
(i) Business should tackle only those social problems that are created by its own actions.	1	2	3	4	5	22
(j) Social responsibility programs may be helpful in discouraging irresponsible behaviour by business.	1	2	3	4	5	23
(k) Business already has a lot to do and should not take on other responsibilities.	1	2	3	4	5	24
(l) Business has the necessary money and talent to engage in social action programs.	1	2	3	4	5	25
(m) Society expects business to help solve social problems as well as to produce goods and services.	1	2	3	4	5	26

Statements	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(n) Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests.	1	2	3	4	5	27
(o) Corporate social action programs can help build favourable image for a business.	1	2	3	4	5	28
(p) Business has a definite responsibility to society apart from making a profit.	1	2	3	4	5	29
(q) Corporate managers need to be trained so that they can effectively contribute to solving society's problems.	1	2	3	4	5	30
(r) A business that ignores social responsibility may have a cost advantage over a business that does not.	1	2	3	4	5	31
(s) It is unfair to ask business to be involved in social responsibility programs as it is already doing so by complying with social regulations.	1	2	3	4	5	32
(t) Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business.	1	2	3	4	5	33
(u) Business should use its resource and talent for its own growth to ensure better service to the society.	1	2	3	4	5	34
(v) Society expects business to contribute to economic growth as its only concern.	1	2	3	4	5	35

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(w) By transferring the cost of social involvement to society, business may weaken its image with the public.	1	2	3	4	5	36
(x) Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off.	1	2	3	4	5	37
(y) It is unwise to ask business to fix social problems created by others and which have no profit potential.	1	2	3	4	5	38

SECTION B

HOW DO YOU FEEL ABOUT CONSUMERISM?

This section focuses on your attitude towards a specific area of social responsibility. Over the past few decades there have emerged a number of issues of considerable importance in the external environment of marketing. These include an organised consumer movement aimed at expressing concerns over some business practices in an attempt to protect and augment the rights of the consumer. This movement is popularly known as consumerism. As a consequence of this movement consumers have become more critical of some business practices an regulation has often been imposed upon business. Business reaction has ranged from disapproval to approval.

In this section we are interested in your overall attitude towards consumerism.

B 1. How much has the growth of the consumer movement affected your:

(a) Industry

Not at all	1	2	3	4	5	Very much	39
(please circle one number)							

(b) Business Unit or Company

Not at all	1	2	3	4	5	Very much	40
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B 2. Please read the statements below and circle the number that most closely reflects your opinion as to that particular statement.

Statements	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(a) Consumerism is really pro-business.	1	2	3	4	5	41
(b) A firm may benefit from being responsive to consumerism.	1	2	3	4	5	42
(c) What is good for the consumer is good for business.	1	2	3	4	5	43
(d) Consumer organisations render valuable services to the consumer.	1	2	3	4	5	44
(e) Public consumer agencies are doing a worthwhile job for the consumer.	1	2	3	4	5	45
(f) Consumerism leads to open dialogue with consumers.	1	2	3	4	5	46
(g) Government regulation if properly enforced can yield better results than industry self regulation.	1	2	3	4	5	47
(h) Product safety is a genuine issue that needs due attention from the manufacturer.	1	2	3	4	5	48
(i) Most advertisements are self regulated by the industry and therefore they should be free from formal regulation.	1	2	3	4	5	49
(j) Advertising and promotion directed to children should be thoroughly regulated.	1	2	3	4	5	50

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
(k) Information and nutrition labelling are essential aids to the consumer.	1	2	3	4	5	51
(l) Consumerism will fade away.	1	2	3	4	5	52
(m) Consumerism is created by politicians and consumer advocates.	1	2	3	4	5	53
(n) What is good for business is good for consumers.	1	2	3	4	5	54
(o) Consumerism leads to over regulation that may restrict free choice on the part of the consumer.	1	2	3	4	5	55
(p) Consumerism is acceptable but the adversary situation created by consumer associations is embarrassing.	1	2	3	4	5	56
(q) Consumer agencies are often bureaucratic, counter productive and costly.	1	2	3	4	5	57
(r) Consumerism results in conflict situations with the consumers.	1	2	3	4	5	58
(s) Self regulation can ensure greater consumer welfare than formal regulation.	1	2	3	4	5	59
(t) Information and nutrition labelling push prices up.	1	2	3	4	5	60
(u) Charging higher prices in time of scarcity is justified.	1	2	3	4	5	61

## SECTION C

## Actions in response to social responsibility and consumerism

Please read the following statements relating to actions your firm may have taken. Please circle the number against each statement that is appropriate for your company.

ACTION	Irrelevant	The issue is not at all important	Attention should be paid to this issue	Planning to take action in future	Action has already been taken	
<b>1. Product</b>						
(a) Maintaining product standard and quality.	1	2	3	4	5	62
(b) Upgrading product quality.	1	2	3	4	5	63
(c) Meeting industry safety standards for products.	1	2	3	4	5	64
(d) Sorting out defective and below standard products before they are marketed.	1	2	3	4	5	65
(e) Recalling questionable products from the market.	1	2	3	4	5	66
(f) Strict acceptance of warranty and guarantee commitments.	1	2	3	4	5	67
(g) Ensuring repair, refund or replacement of product where needed.	1	2	3	4	5	68
(h) Adequate product labelling emphasising use, safety precaution, ingredients etc of products.	1	2	3	4	5	69
(i) Including the opinion of consumers in designing and marketing the product.	1	2	3	4	5	70
(j) Producing environmentally acceptable products.	1	2	3	4	5	71
(k) Discontinuing the production of products that are not environmentally approved.	1	2	3	4	5	72
(l) Improving product design to ensure ease and safety of use.	1	2	3	4	5	73

<b>ACTION</b>	<b>Irrelevant</b>	<b>The issue is not at all important</b>	<b>Attention should be paid to this issue</b>	<b>Planning to take action in future</b>	<b>Action has already been taken</b>	
(m) Adding significant service benefits to the product	1	2	3	4	5	74
(n) Initiating a 'total quality management' program.	1	2	3	4	5	75
						<b>Record 2</b>
<b>2. Price</b>						
(a) Complying with the price regulation (if any) set by the Govt.	1	2	3	4	5	12
(b) Substantiating comparative price claims (e.g. genuine saleprice).	1	2	3	4	5	13
(c) Avoiding misleading claims of discount pricing.	1	2	3	4	5	14
<b>3. Distribution</b>						
(a) Giving distributors and retailers more authority so they can provide quick, effective service to the consumer.	1	2	3	4	5	15
(b) Encouraging distributors and retailers to include only a reasonable mark up in the selling price.	1	2	3	4	5	16
(c) Ensuring effective and quick distribution of product in times of emergency.	1	2	3	4	5	17
<b>4. Promotion and Communicaton</b>						
(a) Specific policies for checking whether there is any deceptive/ misleading element in ad.	1	2	3	4	5	18
(b) Substantiating quality/ price claims in ad.	1	2	3	4	5	19
(c) Following industry code of ethics in advertising and promotion.	1	2	3	4	5	20
(d) Providing authentic and factual comparative information in advertising.	1	2	3	4	5	21

ACTION	Irrelevant	The issue is not at all important	Attention should be paid to this issue	Planning to take action in future	Action has already been taken	
(e) Communicating social responsibility programs to the consumer.	1	2	3	4	5	22
(f) Training of sales/ service staff in good customer relations.	1	2	3	4	5	23
<b>5. Organisational Aspects</b>						
(a) Creation of a position of consumer affairs manager to monitor public issues and take appropriate company initiative.	1	2	3	4	5	24
(b) Staff training in the area of corporate social responsibility.	1	2	3	4	5	25
(c) Creation of a complaint handling body within the organisation.	1	2	3	4	5	26
(d) Involving senior managers (eg Chief Executive Officer) in the handling of complaints.	1	2	3	4	5	27
(e) Treating effective complaint handling as a means of promoting goodwill of the firm.	1	2	3	4	5	28
<b>6. Product Piracy</b>						
(a) Launching consumer education programs so that they can identify the original brand/product.	1	2	3	4	5	29
(b) Strengthening liaison with distributor and retailer giving them incentives to report product piracy cases.	1	2	3	4	5	30
(c) Taking legal action against counterfeiters.	1	2	3	4	5	31



ACTION	Irrelevant	The issue is not at all important	Attention should be paid to this issue	Planning to take action in future	Action has already been taken	
<b>7. Social Responsibility</b>						
(a) Maintaining and upgrading a written code of marketing ethics.	1	2	3	4	5	32
(b) Providing incentives to managers to establish high ethical standards in decision making.	1	2	3	4	5	33
(c) Allocating funds for philanthropic/ charitable activities.	1	2	3	4	5	34
(d) Having a specific policy on community welfare.	1	2	3	4	5	35
(e) Supporting anti-pollution legislation.	1	2	3	4	5	36
(f) Specific policy on resource conservation (use of procedures that minimise wastage of natural resources).	1	2	3	4	5	37
<b>8. Work Environment</b>						
(a) Use of modern technology.	1	2	3	4	5	38
(b) Use of modern factory and office building	1	2	3	4	5	39
(c) Use of modern tools and equipment	1	2	3	4	5	40
(d) Safety measures at work place	1	2	3	4	5	41
(e) Medical assistance to staff and workers	1	2	3	4	5	42
(f) Contribution to staff/ workers welfare fund	1	2	3	4	5	43
(g) Workers participation in management	1	2	3	4	5	44

# SECTION D

## ABOUT YOUR FIRM

- D1. Which industry is your firm engaged in?**  
(please describe briefly in the space provided below) 45
- D2. How important are each of the following three areas to your business?** -----  
(please show the distribution in terms of percentage of total revenue (sales) of your business in the last year.) 46-48
- |                   |              |       |
|-------------------|--------------|-------|
| (a) Manufacturing | %            | 49-51 |
| (b) Wholesaling   | %            | 52-54 |
| (c) Retailing     | %            |       |
| Total             | <u>100 %</u> | 55    |
- D3 Does your firm engage in formal planning of its activities?**
1. Yes
  2. No
- If your answer is yes,
- D4. Please circle the maximum time period for which you plan.** 56
1. A year or less.
  2. Up to three years.
  3. More than three years
- D5. How many product categories does your firm deal in or manufacture?** 57
1. Only one major category.
  2. More than one major category or product group. 58-62
- D6. How many people does your firm employ full time at present?**
- 
- D7. Does your firm have mission statement, i.e. a broad written statement of purpose prepared by senior managers?** 63
1. Yes
  2. No

If your answer is yes, would you please provide the mission statement below.  
(or attach a copy to this questionnaire)

D 8. Has there been any substantial change in your approach to marketing over the past five years? Please circle your response.

	Yes	No	
(a) In the width of your product range?	1	2	64
(b) In the quality level you aim at?	1	2	65
(c) In new product ideas?	1	2	66
(d) In your relationships with distributors, retailers etc?	1	2	67
(e) In the operations of your sales team?	1	2	68
(f) In the emphasis you place on advertising and other promotional activity?	1	2	69
(g) In your pricing policy?	1	2	70

D 9. What percentage of your current sales is accounted for by new products introduced during the last three years? Please circle the appropriate percentage.

Percentage	0	10	20	30	40	50	60	70	80	90	71-2
------------	---	----	----	----	----	----	----	----	----	----	------

D 10. How would you describe the general trend in sales, profit and market share experienced by your firm during the past 3 years?

	Declining rapidly	Declining	Static	Growing	Growing rapidly	
(a) Sales	1	2	3	4	5	73
(b) Market share	1	2	3	4	5	74
(c) Profit	1	2	3	4	5	75

D 11. Do you export any of your production?

**Record**

1. Yes
2. No

12

If your answer is yes,

D 12. What percentage of your total revenue (sales) comes from export (please circle the appropriate number).

Percentage	0	10	20	30	40	50	60	70	80	90	100	13-14
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D 13. Please read the following statements and circle the number that most closely describes the situation in your organisation.

How would you characterise the major market (s) within which your firm operates.

(a) Very safe	1	2	3	4	5	Very uncertain and turbulent	15
(b) Rich in marketing opportunities	1	2	3	4	5	Hard to find marketing opportunities	16
(c) Market (s) which my firm can influence	1	2	3	4	5	Very little influence over the market	17

**D 14.** In general, the operating management philosophy of my firm favours .....

(a)	Discussion and the flow of information must follow clearly defined lines of authority	1	2	3	4	5	Open discussion and the free flow of information between managers at all levels and in different parts of the business.	18
(b)	Managers must all behave the same way.	1	2	3	4	5	The way managers behave is allowed to range from the very formal to the very informal	19
(c)	An emphasis on laid down procedures	1	2	3	4	5	An emphasis on getting things done, disregarding formal procedure if necessary	20

**D 15.** Strategy

In general the top management of my firm favour ....

(a)	A strong emphasis on the marketing of tried and true products or services	1	2	3	4	5	A strong emphasis on R&D, technological leadership and continued innovation	21
-----	---	---	---	---	---	---	---	----

**D 16.** In dealing with its competitors, my firm ....

(a)	Typically responds to actions which competitors initiate	1	2	3	4	5	Typically initiates actions which competitors respond to	22
(b)	Typically seeks to avoid competitive clashes	1	2	3	4	5	Typically adopts a very competitive posture	23

**D 17.** In general the top managers of my firm believe that .....

(a)	Owing to the nature of the markets we work in it is best to explore them gradually .	1	2	3	4	5	Owing to the nature of our market, bold and wide ranging acts are necessary.	24
-----	--	---	---	---	---	---	--	----

**D 18.** When confronted with decision making situations involving uncertainty my firm ....

(a)	Typically adopts a cautious "wait and see" posture	1	2	3	4	5	Typically adopts a bold and aggressive posture	25
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## SECTION E

## WHAT YOU OFFER YOUR CUSTOMERS

This section is about the kind of market offer your firm makes. Please read each of the statements under the four broad headings, e.g. product, price, distribution and advertising and promotion. Sometime you will feel that a mixture of the two alternatives is the best response, and you would then choose a number from the middle of the range i.e. 2, 3, or 4. Circle the number you think would be most appropriate for each statement so far as the broad policy of your firm is concerned.

## E1. Product

(a)	Narrow range	1	2	3	4	5	Wide range	26
(b)	Physical product	1	2	3	4	5	Service emphasis	27
(c)	Just acceptable quality	1	2	3	4	5	High quality	28
(d)	Simple product	1	2	3	4	5	Complex product	29
(e)	Mainly local product	1	2	3	4	5	Mainly imported product	30
(f)	Very similar to competing products	1	2	3	4	5	Strongly differentiated from competing products	31

## E2. Price

(a)	Low price policy	1	2	3	4	5	High price policy	32
(b)	Fixed price	1	2	3	4	5	Negotiable price	33
(c)	Cost plus price	1	2	3	4	5	Demand driven price	34
(d)	Regulated price	1	2	3	4	5	Competitive price	35
(e)	Follow industry price level	1	2	3	4	5	Establish own price	36
(f)	Frequent discount	1	2	3	4	5	No discounts	37
(g)	No change in prices when product is scarce	1	2	3	4	5	Price increase when product is scarce	38

## E3. Distribution

(a)	Selling through distributor (including retailers)	1	2	3	4	5	Direct marketing to ultimate consumers	39
(b)	Few outlets	1	2	3	4	5	Many outlets	40
(c)	Local distribution	1	2	3	4	5	National distribution	41
(d)	Selected distributors	1	2	3	4	5	Wide range of distributors	42
(e)	Distribution to selected sub-group of users	1	2	3	4	5	Distribution to all possible users	43

E 4. Advertising and promotion

(a)	Smaller than average media advertising budget	1	2	3	4	5	Larger than average media advertising budget	44
(c)	Lower than average promotional expenditure	1	2	3	4	5	Higher than average promotional expenditure	45
(d)	Smaller than average sales force	1	2	3	4	5	Larger than average sales force	46
(e)	Low TV, radio or video emphasis	1	2	3	4	5	High TV, radio or video emphasis	47
(f)	Low print/poster and other similar media	1	2	3	4	5	High print/poster and other similar media	48

## SECTION F

### ABOUT YOURSELF

F 1. Please circle below your gender.

49

1. Female
2. Male

F 2. Please tick your age group

1. Under 21
2. 21 - 30
3. 31 - 40
4. 41 - 50
5. 51 - 60
6. 61 and above

50

F 3. Please circle your level of education

1. Below primary (below 2 years of schooling)
2. Primary (3 - 6 years of schooling)
3. Secondary / higher secondary (7 - 12 years schooling)
4. Tertiary or post secondary (13 - 16 years of schooling)
5. Post graduate/higher degree (17 years and above)

51

F 4. Have you attended any management training programme or course in the last 2 years?

1. Yes
2. No

52

F 5. Have you ever visited overseas in connection with your business or to attend a conference / seminar / trade fair etc?

1. Yes
2. No

53

F 6. Please circle your religious preferences

1. Christianity
2. Islam
3. Hinduism
4. Buddhism
5. Jewish
6. Other
7. None

54

F 7. Which of the following statements best describes your attitude towards religion (please circle one that closely represents your attitudes).

1. Religion is a fundamental part of my life. I can't go without it.
2. I believe in religion but don't think it to be so important in my life.
3. I simply believe in religion but do not think much about it.
4. I have inherited the religious belief from my parents and rarely practice it.
5. I have no interest in religion.
6. I do not believe in any religion.

55

F 8. Please circle against the statement that best describes your attitude towards your ability to influence your life.

1. My life is absolutely determined by horoscope and there is not much I can do about it.
2. I loosely believe in luck and also think that it may change according to the efforts I make.
3. I never believe that anything happens by chance. Everything to be earned by hard work.
4. I believe in scientific analysis of facts and do not think that there is anything like luck.

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**THANK YOU FOR YOUR PARTICIPATION.**